QUINSAM CAPITAL CORPORATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Quinsam Capital Corporation:

Opinion

We have audited the financial statements of Quinsam Capital Corporation and its subsidiary (the "Company"), which comprise the statements of financial position as at December 31, 2018, December 31, 2017 and January 1, 2017, and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, December 31, 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Comparative Information

We draw attention to Note 16 in the financial statements, which explains that certain comparative information presented as at January 1, 2017 and December 31, 2017 and for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 29, 2019 — Licensed Public Accountants

MNP

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

	As at December 31, 2018	As at December 31, 2017 (Restated – Note 16)	As at January 1, 2017 (Restated – Note 16)
	$	$	$
Assets			
Current Assets			
Cash	**847,674**	9,240,947	7,667
Investments (Note 6)	**45,323,137**	10,405,557	3,268,038
Receivables (Note 5)	**2,175,263**	47,306	35,576
Prepaid expenses	**5,326**	2,059	**-**
Total Assets	**48,351,400**	19,695,869	3,311,281
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities (Notes 7 and 11)	**964,799**	75,113	23,012
Income tax payable (Note 12)	**2,089,054**	-	-
Due to brokers	**-**	-	1,613
Unearned interest revenue	**-**	13,500	-
Total Current Liabilities	**3,053,853**	88,613	24,625
Deferred tax liability (Note 12)	**1,864,694**	-	-
Total Liabilities	**4,918,547**	88,613	24,625
Shareholders' Equity			
Share capital (Note 8)	**22,934,751**	13,251,814	2,013,464
Share-based payments reserve (Note 9)	**1,685,939**	246,446	180,862
Warrants reserve (Note 10)	**6,185,142**	3,510,745	**-**
Retained earnings	**12,627,021**	2,598,251	1,092,330
Total Shareholders' Equity	**43,432,853**	19,607,256	3,286,656
Total Liabilities and Shareholders' Equity	**48,351,400**	19,695,869	3,311,281

Nature of operations (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors

"Roger Dent" (Director)   **"Eric Szustak"** (Director)

QUINSAM CAPITAL CORPORATION
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	2018	2017 (Restated – Note 16)
	$	$
Net Investment Revenue		
Net realized gains on disposals of investments (Note 6)	**11,028,165**	453,242
Net changes in unrealized gains on investments (Note 6)	**5,692,488**	3,393,505
	16,720,653	3,846,747
Other Income		
Interest and advisory services income	**911,950**	77,622
Expenses		
Stock-based compensation (Note 9)	**1,512,785**	65,584
Salaries, bonus and other employment benefits (Notes 7 & 11)	**1,027,743**	6,960
Professional fees (Note 11)	**339,979**	58,496
General and administrative	**93,544**	31,360
Transfer agent and filing fees	**42,948**	22,074
Travel and promotional	**37,987**	11,591
	(3,054,986)	(196,065)
Income before Undernoted	**14,577,617**	3,728,304
Consulting expense on share exchange agreement (Note 4)	**-**	(2,070,276)
Other expenses (Note 5)	**(33,074)**	-
Net Income Before Tax	**14,544,543**	1,658,028
Income tax expense – current (Note 12)	**(2,089,054)**	-
Income tax expense – deferred (Note 12)	**(1,864,694)**	-
Net Income and Comprehensive Income	**10,590,795**	1,658,028
Net Income per Share		
Basic (Note 8)	**0.09**	0.05
Diluted (Note 8)	**0.09**	0.04
Weighted Average Number of Shares Outstanding		
Basic (Note 8)	**114,477,090**	32,686,482
Diluted (Note 8)	**120,810,949**	38,459,646

The accompanying notes are an integral part of these financial statements

QUINSAM CAPITAL CORPORATION
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of Shares	Amount	Share-Based Payments	Warrants	Retained Earnings (Restated – Note 16)	Total
	#	$	$	$	$	$
Balance, December 31, 2016	**25,880,660**	**2,013,464**	**180,862**	**-**	**1,092,330**	**3,286,656**
Issuance of dividends	-	-	-	-	(152,107)	(152,107)
Issuance of units from private placements (Note 8)	63,642,326	11,898,446	-	3,074,960	-	14,973,406
Share issue costs (Notes 8 and 10)	-	(1,900,096)	-	(385,106)	-	(2,285,202)
Issuance from share exchange agreement (Note 4)	4,000,000	1,240,000	-	820,891	-	2,060,891
Stock-based compensation (Note 9)	-	-	65,584	-	-	65,584
Net income and comprehensive income	-	-	-	-	1,658,028	1,658,028
Balance, December 31, 2017	**93,522,986**	**13,251,814**	**246,446**	**3,510,745**	**2,598,251**	**19,607,256**
Issuance of dividends	-	-	-	-	(562,025)	(562,025)
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)	-	(1,671,488)	-	(415,994)	-	(2,087,482)
Repurchase of shares (Note 8)	(600,000)	(397,461)	-	-	-	(397,461)
Issuance on exercise of stock options (Note 8)	1,178,000	191,092	(73,292)	-	-	117,800
Issuance on exercise of warrants (Note 8)	2,188,624	797,661	-	(221,059)	-	576,602
Stock-based compensation (Note 9)	-	-	1,512,785	-	-	1,512,785
Net income and comprehensive income	-	-	-	-	10,590,795	10,590,795
Balance, December 31, 2018	**118,692,644**	**22,934,751**	**1,685,939**	**6,185,142**	**12,627,021**	**43,432,853**

The accompanying notes are an integral part of these financial statements

QUINSAM CAPITAL CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	2018	2017 (Restated – Note 16)
	$	$
Operating Activities		
Net income for the year	**10,590,795**	1,658,028
Adjustments for non-cash items:		
Stock-based compensation (Note 9)	**1,512,785**	65,584
Consulting expense of share exchange agreement (Note 4)	**-**	2,070,276
Net realized (gains) on disposals of investments (Note 6)	**(11,028,165)**	(453,242)
Unrealized (gains) on investments (Note 6)	**(5,692,488)**	(3,393,505)
Interest accrued on debenture investments (Note 5)	**(622,169)**	-
Foreign exchange loss	**199,742**	-
Income tax expense – deferred (Note 12)	**1,864,694**	-
	(3,174,806)	(52,859)
Changes in non-cash working capital:		
Receivable (Note 5)	**25,870**	(11,730)
Prepaid expenses	**(3,267)**	(2,059)
Accounts payable and accrued liabilities (Notes 7 & 11)	**889,685**	42,717
Income tax payable (Note 12)	**2,089,054**	-
Due to brokers	**-**	(1,613)
Unearned interest revenue	**(13,500)**	13,500
	2,987,842	40,815
Net additions in investments		
Purchases of investments (Note 6)	**(39,521,047)**	(5,560,387)
Proceeds on disposition of investments (Note 6)	**19,592,721**	2,269,614
	(19,928,326)	(3,290,773)
Cash Flows (used in) Operating Activities	**(20,115,290)**	(3,302,817)
Financing Activities		
Proceeds from private placements (Note 8)	**13,139,610**	13,924,500
Share issue costs (Note 8)	**(1,152,509)**	(1,236,296)
Repurchase of common shares (Note 8)	**(397,461)**	-
Proceeds from exercise of stock options (Note 8)	**117,800**	-
Proceeds from exercise of warrants (Note 8)	**576,602**	-
Issuance of dividends	**(562,025)**	(152,107)
Cash Flows from Financing Activities	**11,722,017**	12,536,097
(Decrease) Increase in cash	**(8,393,273)**	9,233,280
Cash, beginning of year	**9,240,947**	7,667
Cash, end of year	**847,674**	9,240,947

The accompanying notes are an integral part of these 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 into the merchant banking business during 2007 and in 2010, the Company entered into an online learning business which was sold in 2012. The Company was previously in the business of acquisition and development of mineral property interests and other assets or businesses related to the resource industry. At the present time, Quinsam is an investment and merchant banking firm focused on the small-cap market, with early-stage investments 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

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

These financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on April 29, 2019.

(b) Basis of Presentation

These financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern, using the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of Consolidation

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

The following are the criteria within IFRS 10 – Consolidated Financial Statements, which the Company used to evaluate and determine that it continues to meet the definition of an Investment Entity:

- Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all its investments on a fair value basis.

The Company has evaluated the above criteria and determine that Quinsam meets the definition of an Investment Entity. On the other hand, High Standard Royalty Corp. ("High Standard"), the investment entity which Quinsam had acquired in 2017 (see Note 4), is not itself an investment entity and whose main purpose and activities are providing services relating to the Company's investment activities. As such, the Company had concluded that High Standard should be carried at fair value.

2. BASIS OF PREPARATION (continued)

(d) Functional and Presentation Currency

These 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 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 reported amounts of revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on 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 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 statements of financial position, including shares, warrants, 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 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.

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.

Income taxes

Income taxes and tax exposures recognized in the financial statements reflect management’s best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

2. BASIS OF PREPARATION (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

Realized gains (losses) on disposals of investments and unrealized gains (losses) on securities classified as FVTPL are reflected in the statements of income and comprehensive income 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 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.

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (1) those to be measured subsequently at FVTPL; (2) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (3) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in the statements of income and comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. The Company's financial assets include cash, investments, and receivables excluding any sales tax amounts. The Company's financial liabilities include accounts payable and accrued liabilities.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payment of principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the statements of income and comprehensive income.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss). As at December 31, 2018, the Company did not have any financial assets at FVTOCI.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in income and comprehensive income. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the statements of income and comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

Investments are measured at FVTPL, and are derecognized when the rights to receive cash flows from the investments have expired. When the Company holds units of equity and debentures that are convertible into the issuer’s equity shares at the Company’s option, the warrants component and the equity conversion feature are recognized using the relative fair value method, and subsequently measured at FVTPL based on the fair value of the shares.

The Company’s classification and measurements of financial assets and liabilities are summarized below:

	IFRS 9	
	Classification	**Measurement**
Cash	FVTPL	Fair value
Receivables	Amortized cost	Amortized cost
Investments	FVTPL	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

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 financial statements.

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).

ii. For options, warrants and conversion features 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. Valuation models such as the Black-Scholes valuation model ("Black-Scholes") and the Monte Carlo simulation ("Monte Carlo") are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at the date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. These are included in Level 2 of the fair value hierarchy (see Note 6).

iii. Convertible debts and loans issued by investee companies are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures is measured using valuation techniques such as Black-Scholes and Monte Carlo.

   The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by management is required in establishing fair values. Judgments include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events, and share price of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financials instruments. These are included in Level 3 of the fair value hierarchy (see Note 6).

<u>Private company investments</u>

All privately-held investments (including options, warrants and conversion features) 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).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

Private company investments (continued)

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 operational 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.

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.

(c) Foreign Currency Translation

The Company invests from time to time on securities which are denominated in currencies other than Canadian dollars. On initial recognition, these investments are recorded by applying the foreign currency amount based on the spot exchange rate on the transaction date.

At the end of each reporting period, the investments are translated to the functional currency using the closing spot exchange rate. The resulting gain or loss is recorded as part of the net unrealized gain (loss) for the period in the statements of income and comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at December 31, 2018 and 2017, the Company had no material provisions.

(e) Income Taxes

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

Current income taxes

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

Deferred income taxes

Deferred income taxes are recorded for temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

(f) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity.

(g) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based compensation transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

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

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

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

Diluted EPS is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(j) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Changes in Accounting Policies

The Company adopted the following new standards, effective January 1, 2018. These changes and amendments were made in accordance with the applicable transitional provisions. On adoption of these new standards and amendments, the Company had assessed that there was no material impact on the Company's financial statements:

IFRS 2 – Share-Based Payments ("IFRS 2")

IFRS 2 was amended to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date of these amendments was January 1, 2018. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Changes in Accounting Policies (continued)

IFRS 7 – Financial Instruments: Disclosure ("IFRS 7")

IFRS 7 was amended to require additional disclosures on transition from IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") to IFRS 9 – Financial Instruments ("IFRS 9"). IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and replaces 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

The new classification of the Company's financial instruments are as follows:

	IFRS 9	IAS 39
Financial Assets		
Cash	FVTPL	Loans and receivable
Receivables	Amortized cost	Loans and receivable
Investments	FVTPL	FVTPL
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Other liabilities

Impairment of financial assets

The adoption of IFRS 9 has also fundamentally changed the Company's accounting of impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. There were no impairment losses recognized in these financial statements as a result of the adoption of IFRS 9 as at the date of initial application.

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

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") replaces IAS 18 – Revenue, IAS 11 – Construction Contracts, and some revenue-related interpretations. The 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. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

IFRIC 22 was issued on December 8, 2016 and clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt, and is applicable for annual periods beginning on or after January 1, 2018. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Recent Accounting Pronouncements

At the date of authorization of these financial statements, the IASB and IFRS Interpretations Committee have issued the following new and revised Standards and Interpretations which are effective for annual periods beginning on or after January 1, 2019:

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease.

The Company will adopt IFRS 16 as of January 1, 2019. The Company had assessed that the adoption of this new standard will not have a material impact on the financial statements.

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 warrants to the shareholders of High Standard. Each 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. 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 three (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**

(Expressed in Canadian Dollars)

5. RECEIVABLES

	December 31, 2018	December 31, 2017
	$	$
Sales tax receivable [i]	**-**	27,262
Interest receivable [ii]	**643,605**	20,044
Other receivables [iii]	**1,003,458**	-
Taxes recoverable [iv]	**528,200**	-
Total receivables	**2,175,263**	47,306

[i] During the year ended December 31, 2018, 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 (2) fiscal years were disallowed. During the year ended December 31, 2018, the Company had written off a balance of $33,074 (2017 – $nil) related to sales tax receivable previously recorded.

[ii] As at December 31, 2018, the Company has accrued interest income of $643,605 (December 31, 2017 – $20,044), from its convertible debentures and loan investments.

[iii] During the year ended December 31, 2018, the Company had participated in certain private placements of investee companies which did not close as planned. Funds advanced for such investment subscriptions were due to be returned to the Company. As at December 31, 2018, an amount of $1,003,458 (December 31, 2017 – $nil) due from such investee companies was classified as other receivables and collected subsequent to year-end.

[iv] During the year ended December 31, 2018, non-resident tax was withheld on the deemed disposition of the shares of an investee entity upon the completion of a going-public transaction in the United States (the "US"). A refund is expected to be received by the Company upon filing of its US tax return.

6. INVESTMENTS

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

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	18,003,981	11,036,173	-	19,831,980	30,868,153
Warrants	2,962,583	-	761,192	2,005,999	2,767,191
Convertible debentures	6,846,674	-	2,686,840	4,903,782	7,590,622
Loans	4,031,480	-	-	4,097,171	4,097,171
Total investments	**31,844,718**	**11,036,173**	**3,448,032**	**30,838,932**	**45,323,137**

(Expressed in Canadian Dollars)

6. INVESTMENTS (continued)

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

		Fair Value (Restated – Note 16)			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	3,346,871	2,151,271	-	2,650,976	4,802,247
Warrants	543,052	-	1,610,000	317,450	1,927,450
Convertible debentures	1,756,029	-	2,299,080	731,344	3,030,424
Loans	645,435	-	-	645,436	645,436
Total investments	**6,291,387**	**2,151,271**	**3,909,080**	**4,345,206**	**10,405,557**

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 statements of income and comprehensive income.

	Opening balance	**Purchases / loans**	**Transfers / conversions**	**Proceeds**	**Net realized gains**	**Net unrealized gains**	**Ending balance**
	$	**$**	**$**	**$**	**$**	**$**	**$**
December 31, 2018	4,345,206	19,862,833	(2,963,892)	(5,456,800)	4,145,293	10,906,292	30,838,932
December 31, 2017	556,685	3,238,311	113,047	-	-	437,163	4,345,206

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 valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2018:

Investments	**Total fair value**	**Method**	**Unobservable inputs**	**Range of inputs**
	$			
Equities	19,831,980	Transaction price	Recent purchase price	N/A
Warrants	2,005,999	Black-Scholes	Market prices, volatility, discount rate	90% – 100% volatility
Convertible debentures	4,903,782	Black-Scholes or Monte Carlo	Market prices, volatility, discount rate	90% – 100% volatility, 20.5% discount rate
Loans	4,097,171	Discounted cash flows	Discount rate	8% – 12%
	30,838,932			

(Expressed in Canadian Dollars)

6. INVESTMENTS (continued)

Level 3 fair value hierarchy (continued)

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 December 31, 2018 and 2017. 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 +/- $3,083,893 (December 31, 2017 +/- $434,521) 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:

	December 31, 2018	December 31, 2017
	$	$
Less than 90 days	**424,002**	65,601
Greater than 90 days	**540,797**	9,513
Total accounts payables and accrued liabilities	**964,799**	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 (1) 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 December 31, 2018 and 2017 are as follows:

	Number of common shares	**Amount**
	#	**$**
Balance, December 31, 2016	**25,880,660**	**2,013,464**
Shares issued from private placements	63,642,326	11,898,446
Share issuance costs	-	(1,900,096)
Shares issued from share exchange agreement (Note 4)	4,000,000	1,240,000
Balance, December 31, 2017	**93,522,986**	**13,251,814**
Shares issued from private placements	22,403,034	10,763,133
Share issuance costs	-	(1,671,488)
Repurchase of common shares	(600,000)	(397,461)
Shares issued from exercise of options	1,178,000	191,092
Shares issued from exercise of warrants	2,188,624	797,661
Balance, December 31, 2018	**118,692,644**	**22,934,751**

8. SHARE CAPITAL (continued)

Share capital transactions for the year ended December 31, 2018

On March 1, 2018, the Company closed a brokered private placement financing of 21,899,349 units ("Units") at a price of $0.60 per Unit, for gross proceeds of $13,139,609. Each Unit consists of one (1) common share ("Common Share") and one-half (1/2) of a warrant ("Warrant"). Each Warrant entitles the holder to purchase one (1) Common Share of the Company 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 December 31, 2018, 600,000 common shares of the Company repurchased for $170,680 had been cancelled and returned to the Treasury, and 781,000 additional common shares repurchased for $226,781 remained outstanding.

During the year ended December 31, 2018, 1,178,000 common shares (2017 – nil) were issued as a result of the exercise of options for cash proceeds of $117,800 (2017 – $nil).

During the year ended December 31, 2018, 2,188,624 common shares (2017 – nil) were also issued as a result of the exercise of warrants for cash proceeds of $576,602 (2017 – $nil).

Share capital transactions for the year ended December 31, 2017

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

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

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

Basic and diluted earnings per share

The calculations of basic and diluted EPS for the year ended December 31, 2018 were based on the net income from operations attributable to common shareholders of $14,181,798 (2017 – $1,658,028) and the weighted average number of basic common shares outstanding of 114,477,090 (2017 – 32,686,482) and diluted common shares of 120,810,949 (2017 – 38,459,946).

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Basic and diluted earnings per share (continued)

The calculations of basic and diluted EPS for the year ended December 31, 2018 were based on the net income from operations attributable to common shareholders of $14,181,798 (2017 – $1,658,028) and the weighted average number of basic common shares outstanding of 114,477,090 (2017 – 32,686,482) and diluted common shares of 120,810,949 (2017 – 38,459,946).

The details of the computation of basic and diluted earnings per share are as follows:

	2018	2017 (Note 16)
	$	$
Net Income and Comprehensive Income	**10,590,795**	1,658,028
	#	#
Basic weighted-average number of shares outstanding	**114,477,090**	32,686,482
Assumed conversion of dilutive stock options and warrants	**6,333,859**	5,773,164
Diluted weighted-average number of shares outstanding	**120,810,949**	38,459,646
	$	$
Basic EPS	**0.09**	0.05
Diluted EPS	**0.09**	0.04

9. SHARE-BASED PAYMENTS RESERVE

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the number of outstanding common shares. As at December 31, 2018, the Company had 2,871,264 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 (5) years and vesting periods are determined by the Board of Directors.

The following summarizes the stock option activity for the years ended December 31, 2018 and 2017:

	December 31, 2018		December 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**	600,000	0.295
Granted	**-**	**-**	100,000	0.30
Granted	**-**	**-**	4,300,000	0.48
Exercised	**(1,178,000)**	**0.10**	-	-
Outstanding, end of year	**8,998,000**	**0.44**	7,576,000	0.33
Exercisable, end of year	**3,631,651**	**0.36**	1,685,600	0.10

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS RESERVE (continued)

Option grants for the year ended December 31, 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 (3) years. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 123% based on historical volatility of the Company, expected dividend yield of 1.11%, risk-free interest rate of 2.00% and an expected life of five (5) years. The grant date fair value attributable to these options was $894,992, of which $428,039 was recorded as stock-based compensation in connection with the vesting of these options during the year ended December 31, 2018.

Option grants for the year ended December 31, 2017

On October 19, 2017, 600,000 stock options exercisable at $0.295 per share and vesting equally over a period of three (3) years, were granted to directors of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 122% based on historical volatility of the Company, expected dividend yield of 1.69%, risk-free interest rate of 1.70% and an expected remaining life of five (5) years. The grant date fair value attributable to these options was $127,148.

On October 19, 2017, 100,000 stock options exercisable at $0.30 per share and vesting equally over a period of three (3) years, were also granted to a director of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 122% based on historical volatility of the Company, expected dividend yield of 1.67%, risk-free interest rate of 1.70% and an expected remaining life of five (5) years. The grant date fair value attributable to these options was $21,186.

On December 22, 2017, 4,300,000 stock options exercisable at $0.48 per share and vesting equally over a period of three (3) years, were granted to various officers, directors and consultants of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 122% based on historical volatility of the Company, expected dividend yield of 1.03%, risk-free interest rate of 1.84% and an expected remaining life of five (5) years. The grant date fair value attributable to these options was $1,644,975.

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

Date of expiry	Number of options outstanding	Weighted average exercise price	Number of options exercisable	Weighted average exercise price	Weighted average remaining contractual life
	#	$	#	$	Years
July 27, 2019	1,198,000	0.10	1,061,536	0.10	0.57
July 1, 2020	200,000	0.13	139,978	0.13	1.50
October 19, 2022	600,000	0.295	240,000	0.295	3.80
October 19, 2022	100,000	0.30	40,000	0.30	3.80
December 22, 2022	4,300,000	0.48	1,468,676	0.48	3.98
March 19, 2023	2,600,000	0.60	681,461	0.60	4.22
	8,998,000	**0.44**	**3,631,651**	**0.36**	**3.52**

(Expressed in Canadian Dollars)

10. WARRANTS RESERVE

The following summarizes the warrant activity for the years ended December 31, 2018 and 2017:

	December 31, 2018		December 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**	8,081,663	0.30
Issued	**1,751,947**	**0.60**	4,000,000	0.30
Issued	**304,048**	**0.40**	946,305	0.15
Issued	**-**	**-**	23,739,500	0.40
Issued	**-**	**-**	3,452,800	0.25
Exercised	**(2,188,624)**	**0.26**	-	-
Outstanding, end of year	**51,289,156**	**0.46**	40,220,268	0.35

Warrant issuances for the year ended December 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% based on historical volatility of the Company, expected dividend yield of 1.04%, risk-free interest rate of 1.76% and an expected life of two (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. These warrants were valued using the Black-Scholes valuation model with the following assumptions: market price of $0.48, expected volatility of 121% based on historical volatility of the Company, expected dividend yield of 1.043%, risk-free interest rate of 1.76% and an expected life of two (2) years.

In addition, 1,751,947 broker warrants, exercisable at $0.60 per share expiring in two (2) years, were also issued as compensation for the finders' involvement in the offering. These finders' warrants were valued at $632,763 using the Black-Scholes valuation model with the following assumptions: market price of $0.60, expected volatility of 121% based on historical volatility of the Company, expected dividend yield of 0.83%, risk-free interest rate of 1.76% and an expected life of two (2) years.

Warrant issuances for the year ended December 31, 2017

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

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

(Expressed in Canadian Dollars)

10. WARRANTS RESERVE (continued)

Warrant issuances for the year ended December 31, 2017 (continued)

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

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

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
October 13, 2019	7,164,998	0.30	0.78
October 13, 2019	482,441	0.15	0.78
December 11, 2019	23,539,500	0.40	0.95
March 1, 2020	1,751,947	0.60	1.17
March 1, 2020	11,201,517	0.80	1.17
October 17, 2020	4,000,000	0.30	1.80
December 11, 2020	2,844,705	0.25	1.95
December 11, 2020	304,048	0.40	1.95
	51,289,156	**0.46**	**1.11**

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
	$	$
Salaries, bonus and other benefits	**1,017,243**	-
Professional fees	**178,744**	6,960
Stock-based compensation (Note 9)	**1,395,842**	59,294
	2,591,829	66,254

During the year ended December 31, 2018, officers and directors of the Company were paid compensation benefits of $164,243 (2017 – $nil) for services rendered. A provision for management bonus of $853,000 (2017 – $nil), based on 5% of net investment income was charged to salaries, bonus and other benefits on a quarterly basis. As at December 31, 2018, the management bonus was included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, Bryan Knebel, the former Chief Financial Officer ("CFO") of the Company, was paid consulting fees of $10,500 (2017 – $6,960) for accounting services provided to the Company up to his resignation in March 2018.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel compensation (continued)

During the year ended December 31, 2018, Peter Bilodeau, the President and a director of the Company, was paid $25,425 (2017 – $nil) for consulting services provided to the Company, which are included in professional fees.

On January 15, 2018, the Company and Branson Corporate Services Ltd. ("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 year ended December 31, 2018, the Company was charged $88,705 (2017 – $nil) for services provided by Branson. As at December 31, 2018, $9,040 (December 31, 2017 – $nil) owing to Branson was included in accounts payable and accrued liabilities. Adam Szweras, a director of the Company, is also a director of Branson.

During the year ended December 31, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $54,114 (2017 – $nil) of legal services to the Company, which are included in professional fees. As at December 31, 2018, $61 (December 31, 2017 – $nil) owing to Fogler was included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, the Company granted 2,600,000 stock options (2017 – 4,500,000 options) to various 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 (2) 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 two (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 three (3) years.

On April 20, 2018, the Company entered into a Letter of Intent ("LOI") with Lineage Grow Company Ltd. ("Lineage") to sell off its 35% interest in Herbiculture Inc. ("Herbiculture"), a medical marijuana dispensary located in the State of Maryland in the US (the "Herbiculture Transaction"), for total consideration of USD $720,000, to be satisfied by the issuance of 3,900,000 common shares of Lineage to the Company upon closing of the Herbiculture Transaction at a price of USD $0.1846 per share.

On November 30, 2018, Quinsam and Lineage agreed to terminate the Herbiculture Transaction. As compensation, the Company received a termination fee of $38,000 on December 5, 2018, through the issuance of 200,000 Lineage common shares at $0.19.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Investments on companies with common management personnel

During the year ended December 31, 2018, the Company had invested in certain issuers which have common officers and directors. As at December 31, 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	75,000
Aura Health Inc. (1)	Warrants	150,000 units	6,201
Aura Health Inc. (1)	Convertible debentures	300 units	294,898
Lineage Grow Company Ltd. (1),(2),(3)	Common shares	1,486,400 units	245,256
Lineage Grow Company Ltd. (1),(2),(3)	Warrants	1,040,000 warrants	20,212
Nutritional High International Inc. (4)	Warrants	1,250,250 warrants	89,542
Nutritional High International Inc. (4)	Convertible debentures	750 units	540,129
			1,271,238

(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. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26% (2017 – 26%) to the effective tax rate as follows:

	December 31, 2018	December 31, 2017
	$	$
Net income before income taxes	**14,544,543**	1,658,028
Expected income tax expense	**3,854,304**	439,377
Tax rate changes and other adjustments	**1,020,921**	-
Permanent differences	**(69,547)**	(191,180)
Changes in tax benefits not recognized	**(851,930)**	(248,197)
Income tax expense	**3,953,748**	-

Income taxes

The following table summarizes the major components of income tax expense:

	December 31, 2018	December 31, 2017
	$	$
Current tax expense	**2,089,054**	-
Deferred tax expense	**1,864,694**	-
Income tax expense	**3,953,748**	-

12. INCOME TAXES (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	December 31, 2018	December 31, 2017
	$	$
Deferred tax assets		
Share issuance costs	**753,008**	153,806
Non-capital losses carried forward	**-**	400,790
Deferred tax liabilities		
Marketable securities	**(2,617,702)**	(554,596)
Net deferred tax liabilities	**1,864,694**	-

Unrecognized deferred tax assets

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

	December 31, 2018	December 31, 2017
	$	$
Mineral properties	**-**	102,050
Investment in High Standard	**-**	2,070,280
Share issuance costs	**-**	981,533

Share issuance and financing costs will be fully amortized in 2022.

13. RISK MANAGEMENT

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The risk in cash is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on other receivables. As at December 31, 2018, the Company had assessed there is no ECL, as it fully expects to recover these other receivables.

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)

13. 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 and loan 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 December 31, 2018:

	Carrying amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**964,799**	964,799	-	-

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 $453,231 based upon balances as at December 31, 2018.

14. CAPITAL MANAGEMENT

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

The Company's objectives when managing capital are:

(a) to maintain sufficient liquidity to allow the Company to pursue business opportunities expeditiously; and
(b) to earn investment returns while managing risk.

The Company's strategy remained unchanged for the years ended December 31, 2018 and 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 year ended December 31, 2018.

15. OPERATING SEGMENT INFORMATION

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

The Company has a single reportable geographic segment, Canada, and all of the Company's management are 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 years ended December 31, 2018 and 2017.

16. RESTATEMENT

The Company had reassessed the accounting policy in valuing its investments in warrants and convertible debentures. Previously, the fair value of these investments was determined based on market information, where available and appropriate, as follows:

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

During the year ended December 31, 2018, it was determined that the fair value of warrants and conversion features of convertible debentures in the Company's investment portfolio should have been valued using option pricing models such as the Black-Scholes valuation and the Monte Carlo simulation models.

The Company believes that the revised policy provides more relevant financial information to users of the financial statements.

(Expressed in Canadian Dollars)

16. RESTATEMENT (continued)

The effects of restatements on the statements of financial position as at December 31, 2017 and January 1, 2017, and the statement of income and comprehensive income for the year ended December 31, 2017 are summarized below. The adjustments between amounts previously reported and amounts restated had no material effect on the statements of cash flows and statements of changes in shareholders' equity.

Statements of Financial Position

	December 31, 2017		
	Previously reported	Adjustments	**Restated**
	$	$	**$**
Assets			
Current assets	**9,290,312**	-	**9,290,312**
Investments	**10,113,650**	291,907	**10,405,557**
Total Assets	**19,403,962**	291,907	**19,695,869**
Liabilities			
Current liabilities	**88,613**	-	**88,613**
Shareholders' Equity			
Share capital	**13,251,814**	-	**13,251,814**
Share-based payments reserve	**246,446**	-	**246,446**
Warrants reserve	**3,510,745**	-	**3,510,745**
Retained earnings	**2,306,344**	291,907	**2,598,251**
Total Shareholders' Equity	**19,315,349**	291,907	**19,607,256**
Total Liabilities and Shareholders' Equity	**19,403,962**	291,907	**19,695,869**

	January 1, 2017		
	Previously reported	Adjustments	**Restated**
	$	$	**$**
Assets			
Current assets	**43,243**	-	**43,243**
Investments	**2,946,522**	321,516	**3,268,038**
Total Assets	**2,989,765**	321,516	**3,311,281**
Liabilities			
Current liabilities	**24,625**	-	**24,625**
Shareholders' Equity			
Share capital	**2,013,464**	-	**2,013,464**
Share-based payments reserve	**180,862**	-	**180,862**
Warrants reserve	**-**	-	**-**
Retained earnings	**770,814**	321,516	**1,092,330**
Total Shareholders' Equity	**2,965,140**	321,516	**3,286,656**
Total Liabilities and Shareholders' Equity	**2,989,765**	321,516	**3,311,281**

(Expressed in Canadian Dollars)

16. RESTATEMENT (continued)

Statement of Income and Comprehensive Income

	Year ended December 31, 2017		
	Previously reported	Adjustments	**Restated**
	$	$	**$**
Net Investment Revenue			
Net realized gains on disposals of investments	**474,380**	(21,138)	**453,242**
Net changes in unrealized gains on investments	**3,401,975**	(8,470)	**3,393,505**
	3,876,355	(29,608)	**3,846,747**
Other income	**77,622**	-	**77,622**
Expenses	**(196,065)**	-	**(196,065)**
Income before Undernoted	**3,757,912**	(29,608)	**3,728,304**
Consulting expense on share exchange agreement	**(2,070,276)**	-	**(2,070,276)**
Net Income and Comprehensive Income	**1,687,636**	(29,608)	**1,658,028**
Net Income per Share			
Basic	**0.05**	-	**0.05**
Diluted	**0.04**	-	**0.04**

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, 843,000 common shares of the Company repurchased under the Bid for $241,098 were cancelled and returned to the Treasury.

On February 22, 2019, the Company paid a quarterly dividend of $147,312 at $0.00125 per share, to the shareholders of record on February 1, 2019.