QUINSAM CAPITAL CORPORATION

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(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 financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim 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 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 STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at March 31, 2019	As at December 31, 2018
	$	$
Assets		
Current Assets		
Cash	**1,955,612**	847,674
Receivables (Note 4)	**1,417,898**	2,175,263
Investments (Note 5)	**50,502,091**	45,323,137
Prepaid expenses	**2,250**	5,326
Total Assets	**53,877,851**	48,351,400
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 6 and 10)	**1,271,323**	964,799
Income tax payable	**2,401,640**	2,089,054
Total Current Liabilities	**3,672,963**	3,053,853
Deferred tax liability	**2,978,220**	1,864,694
Total Liabilities	**6,651,183**	4,918,547
Shareholders' Equity		
Share capital (Note 7)	**22,920,434**	22,934,751
Share-based payments reserve (Note 8)	**1,938,283**	1,685,939
Warrants reserve (Note 9)	**6,185,142**	6,185,142
Retained earnings	**16,182,809**	12,627,021
Total Shareholders' Equity	**47,226,668**	43,432,853
Total Liabilities and Shareholders' Equity	**53,877,851**	48,351,400

Nature of operations (Note 1)
Subsequent events (Note 14)

Approved on behalf of the Board of Directors

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

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Net Investment Revenue		
Net realized gains on disposals of investments (Note 5)	**1,097,796**	875,020
Net changes in unrealized gains on investments (Note 5)	**3,902,900**	6,531,270
	5,000,696	7,406,290
Other Income		
Interest and advisory services income	**863,917**	147,198
Expenses		
Salaries, bonus and other employment benefits (Notes 6 & 10)	**345,729**	10,500
Stock-based compensation (Note 8)	**252,344**	297,900
Professional fees (Note 10)	**83,002**	40,356
General and administrative	**43,595**	4,269
Transfer agent and filing fees	**10,293**	13,114
Travel and promotional	**438**	5,761
	(735,401)	(371,900)
Net Income Before Tax	**5,129,212**	7,181,588
Income tax expense – current	**(312,586)**	-
Income tax expense – deferred	**(1,113,526)**	(105,000)
Net Income and Comprehensive Income	**3,703,100**	7,076,588
Net Income per Share		
Basic (Note 7)	**0.03**	0.07
Diluted (Note 7)	**0.03**	0.05
Weighted Average Number of Shares Outstanding		
Basic (Note 7)	**117,999,511**	101,969,153
Diluted (Note 7)	**119,035,871**	132,949,111

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

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share-Based Payments**	**Warrants**	**Retained Earnings**	**Total**
	#	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2017	**93,522,986**	**13,251,814**	**246,446**	**3,510,745**	**2,598,251**	**19,607,256**
Issuance of dividends	-	-	-	-	(117,508)	(117,508)
Issuance of units from private placements (Note 7)	22,403,034	10,763,133	-	3,311,450	-	14,074,583
Share issue costs (Notes 7 and 9)	-	(1,671,489)	-	(415,993)	-	(2,087,482)
Issuance on exercise of stock options (Note 7)	928,000	161,342	(68,542)	-	-	92,800
Issuance on exercise of warrants (Note 7)	1,338,129	471,200	-	(105,481)	-	365,719
Stock-based compensation (Note 8)	-	-	297,900	-	-	297,900
Net income and comprehensive income	-	-	-	-	7,076,588	7,076,588
Balance, March 31, 2018	**118,192,149**	**22,976,000**	**475,804**	**6,300,721**	**9,557,331**	**39,309,856**
Balance, December 31, 2018	**118,692,644**	**22,934,751**	**1,685,939**	**6,185,142**	**12,627,021**	**43,432,853**
Issuance of dividends	-	-	-	-	(147,312)	(147,312)
Repurchase of shares (Note 7)	(843,000)	(14,317)	-	-	-	(14,317)
Stock-based compensation (Note 8)	-	-	252,344	-	-	252,344
Net income and comprehensive income	-	-	-	-	3,703,100	3,703,100
Balance, March 31, 2019	**117,849,644**	**22,920,434**	**1,938,283**	**6,185,142**	**16,182,809**	**47,226,668**

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

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Operating Activities		
Net income for the period	**3,703,100**	7,076,588
Adjustments for non-cash items:		
Stock-based compensation (Note 8)	**252,344**	297,900
Net realized (gains) on disposals of investments (Note 5)	**(1,097,796)**	(875,020)
Unrealized (gains) on investments (Note 5)	**(3,902,900)**	(6,531,270)
Interest accrued on debenture investments (Note 4)	**246,093**	23,246
Interest income on debenture investments	**(559,406)**	(97,447)
Foreign exchange (gain) loss	**(97,081)**	74,219
Income tax expense – current	**312,586**	-
Income tax expense – deferred	**1,113,526**	105,000
	(29,534)	73,216
Changes in non-cash working capital:		
Receivable (Note 4)	**1,070,678**	(142,226)
Prepaid expenses	**3,076**	1,544
Accounts payable and accrued liabilities (Notes 6 & 10)	**306,524**	(28,520)
Unearned interest revenue	**-**	(3,000)
	1,380,278	(172,202)
Net additions in investments		
Purchases of investments (Note 5)	**(3,658,052)**	(13,105,176)
Proceeds on disposition of investments (Note 5)	**3,576,875**	2,100,427
	(81,177)	(11,004,749)
Cash Flows from (used in) Operating Activities	**1,269,567**	(11,103,735)
Financing Activities		
Proceeds from private placements (Note 7)	**-**	13,139,610
Share issue costs (Note 7)	**-**	(1,152,509)
Repurchase of common shares (Note 7)	**(14,317)**	-
Proceeds from exercise of stock options (Note 7)	**-**	92,800
Proceeds from exercise of warrants (Note 7)	**-**	365,719
Issuance of dividends	**(147,312)**	(117,508)
Cash Flows (used in) from Financing Activities	**(161,629)**	12,328,112
Increase in cash	**1,107,938**	1,224,377
Cash, beginning of period	**847,674**	9,240,947
Cash, end of period	**1,955,612**	10,465,324

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

The Company's unaudited condensed interim 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 financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34").

These unaudited condensed interim financial statements have been prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual financial statements, except for the adoption of new accounting standards identified in Note 3(c). Given that certain information and footnote disclosures, which are included in the annual audited financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2018, including the accompanying notes thereto.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 24, 2019.

(b) Basis of Presentation

These unaudited condensed interim 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 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 financial statements. Such adjustments could be material.

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

For comparative purposes, the Company had reclassed certain items on the condensed interim statements of financial position and the condensed interim statements of income and comprehensive income to conform with current period's presentation.

(c) Functional and Presentation Currency

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

2. BASIS OF PREPARATION (continued)

(d) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim 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 relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis for reasonableness. 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.

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.

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 unaudited condensed interim 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. 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.

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 unaudited condensed interim 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 unaudited condensed interim 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.

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 unaudited condensed interim 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 March 31, 2019, the Company did not have any financial assets at FVTOCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

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 issuers' 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

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 5).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

ii. For options, warrants and conversion features of debentures 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 5).

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 5).

<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 5).

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

Private company investments (continued)

iii. 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;

iv. 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;

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

vi. 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;

vii. Release by the investee company of positive/negative operational results; and

viii. 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) Changes in Accounting Policies

The Company adopted the following new standard, effective January 1, 2019. These changes and amendments were made in accordance with the applicable transitional provisions. On adoption of the new standard and amendment, the Company had assessed that there was no significant impact on the Company's unaudited condensed interim financial statements:

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.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim 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:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

4. RECEIVABLES

	December 31, 2018	December 31, 2018
	$	$
Interest receivable [(i)]	**889,698**	643,605
Other receivables [(ii)]	**-**	1,003,458
Taxes recoverable [(iii)]	**528,200**	528,200
Total receivables	**1,417,898**	2,175,263

[(i)] As at March 31, 2019, the Company has accrued interest income of $889,698 (December 31, 2018 – $643,605), from its convertible debentures and loan investments.

[(ii)] 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 March 31, 2019, the amount had been fully collected.

[(iii)] 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.

5. INVESTMENTS

The Company's investments portfolio consisted of the following securities as at March 31, 2019:

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	21,040,957	19,229,363	-	12,938,440	32,167,803
Warrants	3,112,530	91,440	2,766,170	1,455,413	4,313,023
Convertible debentures	8,092,803	-	5,603,113	4,339,329	9,942,442
Loans	4,031,480	-	-	4,078,823	4,078,823
Total investments	**36,277,770**	**19,320,803**	**8,369,283**	**22,812,005**	**50,502,091**

(Expressed in Canadian Dollars)

5. INVESTMENTS (continued)

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**

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 statements of income and comprehensive income.

	Opening balance	**Purchases / loans**	**Transfers / conversions**	**Proceeds**	**Net realized gains (loss)**	**Net unrealized gains (loss)**	**Ending balance**
	$	$	$	$	$	$	$
March 31, 2019	30,838,932	1,136,200	(8,600,292)	-	(29,798)	(533,037)	22,812,005
December 31, 2018	4,345,206	19,862,833	(2,963,892)	(5,456,800)	4,145,293	10,906,292	30,838,932

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 March 31, 2019:

Investments	**Total fair value**	**Method**	**Unobservable inputs**	**Range of inputs**
	$			
Equities	12,938,440	Transaction price	Recent purchase price	N/A
Warrants	1,455,413	Black-Scholes	Market prices, volatility, discount rate	90% – 100% volatility
Convertible debentures	4,339,329	Black-Scholes or Monte Carlo	Market prices, volatility, discount rate	90% – 100% volatility, 20.5% discount rate
Loans	4,078,823	Discounted cash flows	Discount rate	8% – 12%
	22,812,005			

(Expressed in Canadian Dollars)

5. 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 March 31, 2019 and December 31, 2018. For those investments valued based on trends in comparable publicly-traded companies and general market conditions, the inputs can be highly judgmental. A 10% change in the fair value of these investments would result in a corresponding +/- $2,281,201 (December 31, 2018 +/- $3,083,893) 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.

6. 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:

	March 31, 2019	December 31, 2018
	$	$
Less than 90 days	**330,292**	424,002
Greater than 90 days	**941,030**	540,797
Total accounts payables and accrued liabilities	**1,271,322**	964,799

7. 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 March 31, 2019 are as follows:

	Number of common shares	**Amount**
	#	**$**
Balance, December 31, 2018	**118,692,644**	**22,934,751**
Repurchase of common shares	(843,000)	(14,317)
Balance, March 31, 2019	**117,849,644**	**22,920,434**

Share capital transactions for the three months ended March 31, 2019

On January 16, 2019, a total of 843,000 common shares of the Company, comprised of 781,000 common shares previously repurchased for $226,781, and 62,000 common shares repurchased for $14,317 on January 8, 2019, had been cancelled and returned to the Treasury.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Share capital transactions for the three months ended March 31, 2018

On March 1, 2018, the Company closed a brokered private placement financing of 21,899,349 units ("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).

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

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

Basic and diluted earnings per share

The calculations of basic and diluted earnings per share for the three months ended March 31, 2019 were based on the net income from operations attributable to common shareholders of $5,129,212 (2018 – $7,076,588) and the weighted average number of basic common shares outstanding of 117,999,511 (2018 – 101,969,153) and diluted common shares of 119,035,871 (2018 – 132,949,111).

8. SHARE-BASED PAYMENTS RESERVE

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the number of outstanding common shares. As at March 31, 2019, the Company had 2,786,964 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 three months ended March 31, 2019 and 2018:

	March 31, 2019		March 31, 2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**8,998,000**	**0.44**	7,576,000	0.33
Granted	**-**	**-**	2,600,000	0.60
Exercised	**-**	**-**	(928,000)	0.10
Outstanding, end of period	**8,998,000**	**0.44**	9,248,000	0.43
Exercisable, end of period	**4,325,213**	**0.38**	1,048,800	0.10

Option grants for the three months ended March 31, 2019

There were no options activities during the three months ended March 31, 2019.

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS RESERVE (continued)

Option grants for the three months ended March 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 $17,835 was recorded as stock-based compensation in connection with the vesting of these options during the three months ended March 31, 2018.

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2019:

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	1,120,583	0.10	0.32
July 1, 2020	200,000	0.13	149,836	0.13	1.25
October 19, 2022	600,000	0.295	289,315	0.295	3.55
October 19, 2022	100,000	0.30	48,219	0.30	3.55
December 22, 2022	4,300,000	0.48	1,822,100	0.48	3.73
March 19, 2023	2,600,000	0.60	895,160	0.60	3.97
	8,998,000	**0.44**	**4,325,213**	**0.38**	**3.28**

9. WARRANTS RESERVE

The following summarizes the warrant activity for the three months ended March 31, 2019 and 2018:

	March 31, 2019		March 31, 2018	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	$	#	$
Outstanding, beginning of year	**51,289,156**	**0.46**	40,220,268	0.35
Issued	-	-	11,201,517	0.80
Issued	-	-	1,751,947	0.60
Exercised	-	-	(1,338,129)	0.36
Outstanding, end of period	**51,289,156**	**0.46**	51,835,603	0.46

Warrant issuances for the three months ended March 31, 2019

There were no warrants activities during the three months ended March 31, 2019.

Warrant issuances for the three months ended March 31, 2018

On March 1, 2018, the Company issued 10,949,675 Warrants, at an exercise price of $0.80, in conjunction with the March 2018 Offering, as disclosed in Note 8. The grant date fair value of the 10,949,675 Warrants issued was estimated to be $2,618,463 using the Black-Scholes valuation model with the following assumptions: expected volatility of 121% 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.

(Expressed in Canadian Dollars)

9. WARRANTS RESERVE (continued)

Warrant issuances for the three months ended March 31, 2018 (continued)

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.

The following table summarizes information of warrants outstanding as at March 31, 2019:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
October 13, 2019	7,164,998	0.30	0.53
October 13, 2019	482,441	0.15	0.53
December 11, 2019	23,539,500	0.40	0.70
March 1, 2020	1,751,947	0.60	0.92
March 1, 2020	11,201,517	0.80	0.92
October 17, 2020	4,000,000	0.30	1.55
December 11, 2020	2,844,705	0.25	1.70
December 11, 2020	304,048	0.40	1.70
	51,289,156	**0.46**	**0.86**

10. 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 three months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Salaries, bonus and other benefits	**345,729**	10,500
Professional fees	**36,057**	14,875
Stock-based compensation (Note 8)	**238,772**	267,065
	620,558	292,440

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel compensation (continued)

During the three months ended March 31, 2019, officers and directors of the Company were paid compensation benefits of $345,729 (2018 – $10,500) for services rendered. A provision for management bonus of $290,000 (2018 – $nil), based on 5% of net investment income was charged to salaries, bonus and other benefits on a quarterly basis. As at March 31, 2019, the accrued management bonus of $1,143,000 (December 31, 2018 – $853,000) was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2019, Peter Bilodeau, the President and a director of the Company, was paid $8,475 (2018 – $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 three months ended March 31, 2019, the Company was charged $27,120 (2018 – $14,875) for services provided by Branson. As at March 31, 2019, no balance was owed to Branson (December 31, 2018 – $9,040; included in accounts payable and accrued liabilities).

During the three months ended March 31, 2019, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $462 (2018 – $nil) of legal services to the Company, which are included in professional fees. As at March 31, 2019, $6,914 (December 31, 2018 – $61) owing to Fogler was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2018, Bryan Knebel, the former CFO of the Company, was paid consulting fees of $10,500 for accounting services provided up to his resignation in March 2018.

Investments on companies with common management personnel

As at March 31, 2019, 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	72,000
Aura Health Inc. (1)	Warrants	150,000 units	4,449
Aura Health Inc. (1)	Convertible debentures	300 units	486,475
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	9,938
Nutritional High International Inc. (4)	Warrants	1,250,250 warrants	90,266
Nutritional High International Inc. (4)	Convertible debentures	750 units	548,372
			1,456,756

(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.

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Agreements with related parties

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., 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.

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.

11. 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 (1) 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 March 31, 2019 and 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, debentures and loan investments issued and denominated in foreign currencies, notably in US dollars. The Company’s primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company’s exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company’s cash and convertible debentures 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 March 31, 2019:

	Carrying amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**1,271,323**	1,271,323	-	-

11. RISK MANAGEMENT (continued)

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 $505,021 based upon balances as at March 31, 2019.

12. CAPITAL MANAGEMENT

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

The Company's objectives when managing capital are:

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

The Company's strategy remained unchanged for the three months ended March 31, 2019 and the year ended December 31, 2018.

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. There were no changes in its approach to capital management for the three months ended March 31, 2019 and the year ended December 31, 2018.

The Company is not subject to externally imposed capital requirements.

13. OPERATING SEGMENT INFORMATION

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 three months ended March 31, 2019 and the year ended December 31, 2018.

14. SUBSEQUENT EVENTS

On May 1, 2019, the Board of Directors of the Company had approved a quarterly dividend of $147,312 at $0.00125 per share. The dividend distribution will be paid on May 29, 2019 to shareholders of record on May 8, 2019.