QUINSAM CAPITAL CORPORATION

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(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 of Quinsam Capital Corporation.

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 Chartered Professional Accountants of Canada 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 September 30, 2020	As at December 31, 2019
	$	$
Assets		
Cash	**420,937**	674,266
Receivables (Note 4)	**1,930,151**	1,409,274
Investments (Note 5)	**31,474,664**	32,377,557
Prepaid expenses	**-**	6,042
Total Assets	**33,825,752**	34,467,139
Liabilities		
Margin facility	**-**	699,974
Accounts payable and accrued liabilities (Notes 6 and 11)	**282,762**	119,731
Income tax payable	**808,361**	888,861
Total Liabilities	**1,091,123**	1,708,566
Shareholders' Equity		
Share capital (Note 7)	**21,219,623**	21,773,113
Deferred share units reserve (Note 8)	**452,193**	442,521
Share-based payments reserve (Note 9)	**2,292,900**	2,387,201
Warrants reserve (Note 10)	**1,259,400**	4,154,857
Retained earnings	**7,510,513**	4,000,881
Total Shareholders' Equity	**32,734,629**	32,758,573
Total Liabilities and Shareholders' Equity	**33,825,752**	34,467,139

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

Approved on behalf of the Board of Directors

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

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

QUINSAM CAPITAL CORPORATION

Unaudited Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the Three and Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Three months ended September 30, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
	$	$	**$**	$
Net Investment Revenue				
Net realized (loss) gains on disposals of investments (Note 5)	**(801,696)**	(945,112)	**(1,786,804)**	850,664
Net changes in unrealized gains (loss) on investments (Note 5)	**1,262,568**	(6,693,563)	**1,039,513**	(7,738,100)
	460,872	(7,638,675)	**(747,291)**	(6,887,436)
Other Income				
Interest, advisory services and other income	**643,444**	966,779	**2,071,631**	2,062,214
Expenses				
Salaries, bonus and other employment benefits (Note 11)	**106,221**	(26,333)	**355,894**	174,534
Stock-based compensation (Note 9)	**79,906**	187,464	**264,470**	626,721
Professional fees (Note 11)	**63,229**	107,353	**213,351**	447,682
General and administrative	**8,429**	(34,198)	**31,395**	67,840
Transfer agent and filing fees	**9,796**	4,565	**29,906**	27,099
Travel and promotional	**299**	1,476	**14,760**	2,136
Recovery for expected credit loss, net (Notes 4 and 12)	**-**	-	**(84,417)**	-
Foreign exchange gain	**(8,891)**	-	**(99,701)**	-
	(258,989)	(240,327)	**(725,658)**	(1,346,012)
Net Income (Loss) Before Tax	**841,696**	(6,912,223)	**598,682**	(6,171,234)
Income tax recovery – current	**50,000**	37,128	**80,500**	365,738
Income tax recovery – deferred	**-**	1,667,133	**-**	1,614,694
Net Income (Loss) and Comprehensive Income (Loss)	**895,327**	(5,207,962)	**679,182**	(4,190,802)
Net Income (Loss) per Share				
Basic (Note 7)	**0.01**	(0.05)	**0.01**	(0.04)
Diluted (Note 7)	**0.01**	(0.04)	**0.01**	(0.04)
Weighted Average Number of Shares Outstanding				
Basic (Note 7)	**108,737,645**	114,315,465	**110,279,485**	116,513,379
Diluted (Note 7)	**108,737,645**	117,366,701	**110,279,485**	119,564,615

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 Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Deferred Share Units	Share-Based Payments	Warrants	Retained Earnings	Total
	#	$	$	$	$	$	$
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	-	-	-	-	-	(437,965)	(437,965)
Repurchase of shares (Note 7)	(7,217,951)	(1,225,731)	-	-	-	-	(1,225,731)
Issuance of deferred share units (Note 8)	-	-	436,250	-	-	-	436,250
Issuance on exercise of stock options (Note 7)	1,198,000	220,617	-	(100,817)	-	-	119,800
Stock-based compensation (Note 9)	-	-	3,125	623,596	-	-	626,721
Net loss and comprehensive loss	-	-	-	-	-	(4,190,802)	(4,190,802)
Balance, September 30, 2019	**112,672,693**	**21,929,637**	**439,375**	**2,208,718**	**6,185,142**	**7,998,254**	**38,761,126**
Balance, December 31, 2019	**111,172,693**	**21,773,113**	**442,521**	**2,387,201**	**4,154,857**	**4,000,881**	**32,758,573**
Issuance of dividends	-	-	-	-	-	(414,106)	(414,106)
Repurchase of shares (Note 7)	(4,483,635)	(553,490)	-	-	-	-	(553,490)
Stock-based compensation (Notes 8 and 9)	-	-	9,672	254,798	-	-	264,470
Expiry and cancellation of stock options (Note 9)	-	-	-	(349,099)	-	349,099	-
Expiry of warrants (Note 10)	-	-	-	-	(2,895,457)	2,895,457	-
Net income and comprehensive income	-	-	-	-	-	679,182	679,182
Balance, September 30, 2020	**106,689,058**	**21,219,623**	**452,193**	**2,292,900**	**1,259,400**	**7,510,513**	**32,734,629**

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 and Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Three months ended September 30, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
	$	$	**$**	$
Operating Activities				
Net income (loss) for the period	**895,327**	(5,207,962)	**679,182**	(4,190,802)
Adjustments for non-cash items:				
Stock-based compensation (Note 9)	**79,906**	187,464	**264,470**	626,721
Net realized loss (gains) on disposals of investments (Note 5)	**801,696**	945,112	**1,786,804**	(850,664)
Unrealized (gains) loss on investments (Note 5)	**(1,262,568)**	6,693,563	**(1,039,513)**	7,738,100
Interest accrued on debenture investments (Note 4)	**(88,844)**	(191,529)	**(581,821)**	(641,755)
Interest income on debenture investments and other income	**(540,004)**	-	**(1,412,390)**	-
Recovery for expected credit loss, net (Notes 4 and 12)	**-**	-	**(84,417)**	-
Foreign exchange (gain) loss	**(236,990)**	(134,325)	**(197,202)**	71,798
Income tax recovery – current	**(50,000)**	(37,128)	**(80,500)**	(365,738)
Income tax recovery – deferred	**-**	(1,667,133)	**-**	(1,614,694)
	(401,477)	588,062	**(665,387)**	772,966
Changes in non-cash working capital:				
Receivable (Note 4)	**-**	530,699	**-**	1,264,157
Prepaid expenses	**-**	4,083	**6,042**	(4,128)
Accounts payable and accrued liabilities (Notes 6 & 11)	**70,638**	(403,223)	**163,032**	(350,053)
Income tax payable	**-**	(1,223,316)	**-**	(1,223,316)
	70,638	(1,091,757)	**169,074**	(313,340)
Net additions in investments				
Purchases of investments (Note 5)	**(1,254,855)**	(2,101,726)	**(1,819,331)**	(15,211,989)
Proceeds on disposition of investments (Note 5)	**1,376,787**	2,238,738	**3,729,885**	15,054,705
Draws (repayments) of funds on margin facility	**-**	1,313,685	**(699,974)**	1,313,685
	121,932	1,450,697	**1,210,580**	1,156,401
Cash Flows (used in) from Operating Activities	**(208,907)**	947,002	**714,267**	1,616,027
Financing Activities				
Repurchase of common shares (Note 7)	**(283,529)**	(340,406)	**(553,490)**	(1,225,731)
Proceeds from exercise of stock options (Note 7)	**-**	119,800	**-**	119,800
Issuance of dividends	**(136,174)**	(143,341)	**(414,106)**	(437,965)
Cash Flows (used in) Financing Activities	**(419,703)**	(363,947)	**(967,596)**	(1,543,896)
(Decrease) increase in cash	**(628,610)**	583,055	**(253,329)**	72,131
Cash, beginning of period	**1,049,547**	336,750	**674,266**	847,674
Cash, end of period	**420,937**	919,805	**420,937**	919,805

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 technology, healthcare, e-sports, and cannabis markets. 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. Given that certain information and footnote disclosures have been condensed or excluded in accordance with IAS 34, they do not include all of the information and disclosures required by IFRS for annual financial statements. As such, these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2019, including the accompanying notes thereto.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on November 23, 2020.

(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 except for the revaluation of investments.

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

(c) Functional and Presentation Currency

These unaudited condensed interim financial statements have been prepared in Canadian dollars ($), which is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates.

(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, liabilities, 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.

2. Basis of Preparation (continued)

(d) Significant Accounting Judgments and Estimates (continued)

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 unaudited condensed interim 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 and conversion features of debentures 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.

For accounts receivable, the Company applies the simplified approach as permitted by IFRS 9 – Financial Instruments ("IFRS 9"), whereby lifetime ECL are recognized based on aging characteristics and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's ECL have increased.

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 (loss) and comprehensive income (loss) on the transaction date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income or expenses are recorded using the effective interest 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: (i) those to be measured subsequently at FVTPL; (ii) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (iii) 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 FVTPL, gains and losses are recorded in the unaudited condensed interim statements of income (loss) and comprehensive income (loss).

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 its margin facility and 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.

Expected credit loss impairment model

IFRS 9 introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

3. 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 unaudited condensed interim statements of income (loss) and comprehensive income (loss).

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 other comprehensive income 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 September 30, 2020, 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 profit or loss. 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 unaudited condensed interim statements of income (loss) and comprehensive income (loss) (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 of financial assets and liabilities are summarized below:

Cash	Amortized cost
Receivables	Amortized cost
Investments	FVTPL
Margin facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

3. Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Derecognition (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of each reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the unaudited condensed interim 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).

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 debentures 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).

3. Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

Private company investments

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.

The use of the valuation approaches 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.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

(c) Changes in Accounting Policies

The Company adopted the following amendments, effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

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 Company had assessed that there was no material impact of adopting this new standard on its unaudited condensed interim financial statements.

4. Receivables

	September 30, 2020	December 31, 2019
	$	$
Interest receivable (i)	**1,930,151**	1,348,330
Other receivables (ii)	**-**	60,944
Total receivables	**1,930,151**	1,409,274

(i) As at September 30, 2020, the Company has accrued interest income of $1,930,151 (December 31, 2019 – $1,348,330), from its convertible debentures and loan investments.

(ii) During year ended December 31, 2019, the Company held certain debt private placements of an investee company which had matured. An amount of $267,500 was due from such investee company. As the proceeds were more than 30 days past due maturity, an allowance for ECL of $206,556 was recorded by the Company on the investment during the year ended December 31, 2019. As at September 30, 2020, the Company settled the full amount in exchange for units of the investee company. During the nine months ended September 30, 2020, the full ECL amount of $206,556 (2019 – $nil) was reversed upon settlement.

5. Investments

The Company's investments portfolio consisted of the following securities as at September 30, 2020:

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	14,694,515	4,957,448	-	11,280,162	16,237,610
Warrants	2,373,446	7,822	358,029	898,475	1,264,326
Convertible debentures	8,156,597	-	4,813,538	3,591,945	8,405,483
Loans	5,521,480	-	-	5,567,245	5,567,245
Total investments	**30,746,038**	**4,965,270**	**5,171,567**	**21,337,827**	**31,474,664**

(Expressed in Canadian Dollars)

5. Investments (continued)

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

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	$	$	$	$
Equities	17,367,040	5,232,102	-	12,535,246	17,767,348
Warrants	3,024,241	26,702	316,347	1,473,649	1,816,698
Convertible debentures	8,226,938	-	4,596,571	3,142,779	7,739,350
Loans	5,031,480	-	-	5,054,161	5,054,161
Total investments	**33,649,699**	**5,258,804**	**4,912,918**	**22,205,835**	**32,377,557**

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 unaudited condensed interim statements of income (loss) and comprehensive income (loss).

	Opening balance	**Purchases / loans**	**Transfers / (conversion)**	**Proceeds**	**Net realized gains (loss)**	**Net unrealized gains (loss)**	**Ending balance**
	$	$	$	$	$	$	$
September 30, 2020	22,205,835	992,000	(812,156)	-	(441,935)	(605,917)	21,337,827
December 31, 2019	30,838,932	7,483,041	(13,862,229)	(1,550,000)	(404,798)	(299,111)	22,205,835

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 September 30, 2020:

Investments	**Total fair value**	**Method**	**Unobservable inputs**	**Range of inputs**
	$			
Equities	11,280,162	Transaction price	Recent purchase price	N/A
Warrants	898,475	Black-Scholes	Market prices, volatility, discount rate	100% volatility
Convertible debentures	3,591,945	Black-Scholes or Monte Carlo	Market prices, volatility, discount rate	100% volatility, 20.5% discount rate
Loans	5,567,245	Discounted cash flows	Discount rate	8% – 12%
	21,337,827			

(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 September 30, 2020 and December 31, 2019. 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 +/- $2,133,783 (December 31, 2019 +/- $2,220,584) 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

	September 30, 2020	December 31, 2019
	$	$
Trade payables	**19,160**	41,961
Accrued liabilities	**263,602**	77,770
Total accounts payable and accrued liabilities	**282,762**	119,731

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business.

The following is an aged analysis of the accounts payable and accrued liabilities:

	September 30, 2020	December 31, 2019
	$	$
Less than 90 days	**92,478**	57,469
Greater than 90 days	**190,284**	62,262
Total accounts payable and accrued liabilities	**282,762**	119,731

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 or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Company has not issued any preferred shares to date.

Common shares issued and outstanding as at September 30, 2020 are as follows:

	Number of common shares	**Amount**
	#	**$**
Balance, December 31, 2019	**111,172,693**	**21,773,113**
Repurchase of common shares	(4,483,635)	(533,490)
Balance, September 30, 2020	**106,689,058**	**21,219,623**

7. Share Capital (continued)

Share capital transactions for the nine months ended September 30, 2020

During the nine months ended September 30, 2020, a total of 4,483,635 common shares of the Company repurchased for $533,490 under the normal course issuer bid (the "Bid") which began on August 28, 2019, were cancelled and returned to the Treasury. Under the Bid, all common shares were purchased on the open market through the facilities of the CSE, and payment for the common shares was made in accordance with CSE policies. The price paid for the common shares was the prevailing market price at the time of purchase. The Bid terminated on August 27, 2020.

On August 28, 2020, the Company commenced a new Bid, which will terminate on August 27, 2021, or on an earlier date in the event the number of common shares sought in the Bid has been repurchased. The Company also reserves the right to terminate the Bid earlier if it feels that it is appropriate to do so.

Share capital transactions for the nine months ended September 30, 2019

During the nine months ended September 30, 2019, a total of 7,217,951 common shares of the Company repurchased for $1,225,731 under the Bid, were cancelled and returned to the Treasury.

During the nine months ended September 30, 2019, 1,198,000 common shares were also issued as a result of the exercise of options for cash proceeds of $119,800.

Basic and diluted income per share

The calculations of basic and diluted income per share for the nine months ended September 30, 2020 were based on the net income from operations attributable to common shareholders of $679,182 (2019 – net loss of $4,190,802) and the weighted average number of basic common shares outstanding of 110,279,485 (2019 – 116,513,379) and diluted common shares of 110,279,485 (2019 – 119,564,615).

8. Deferred Share Units Reserve

On April 29, 2019, the Company established a deferred share unit plan (the "DSU Plan"), under which, one DSU is equivalent in value to one common share of the Company. The maximum number of shares that are issuable under the DSU Plan, and in combination with all other equity incentive plans at any time, shall not exceed 10% of the issued and outstanding common shares of the Company. The maximum number of shares issuable to insiders under the DSU Plan, at any time, shall not exceed 10% of the issued common shares, and the maximum number of DSUs which may be granted to any one person under the DSU Plan, in any 12 month period, shall not exceed 5% of the issued common shares calculated on the grant date of such DSU.

Any vesting conditions for DSUs shall be determined by the Compensation and Corporate Governance Committee of the Board of the Company. Notwithstanding any other provision of the DSU Plan, the Board may in its sole discretion accelerate and/or waive any vesting or other conditions for all or any DSUs for any participant at any time.

All DSUs credited under the DSU Plan shall remain in the DSU accounts and shall be settled or forfeited in accordance with the terms of the DSU Plan. Whenever cash dividends or distributions are paid on the common shares of the Company, additional DSUs will be credited to a participant's DSU account. The number of such additional DSUs will be calculated by multiplying the per share dividend rate by the number of DSUs held at that time in the participant's DSU account.

On February 25, 2020, the Company paid a quarterly dividend of $0.00125 per common share to shareholders of record on February 4, 2020. On distribution of the cash dividends, the Company granted an additional 33,530.96 DSUs at a price of $0.095 to certain of its officers.

On May 29, 2020, the Company paid a quarterly dividend of $0.00125 per common share to shareholders of record on May 8, 2020. On distribution of the cash dividends, the Company granted an additional 25,818.84 DSUs at a price of $0.125 to certain of its officers.

(Expressed in Canadian Dollars)

8. Deferred Share Units Reserve (continued)

On August 26, 2020, the Company paid a quarterly dividend of $0.00125 per common share to shareholders of record on August 10, 2020. On distribution of the cash dividends, the Company granted an additional 26,077.03 DSUs at a price of $0.125 to certain of its officers.

As at September 30, 2020, the Company had granted a total of 2,633,779.87 DSUs (December 31, 2019 – 2,548,353.04 units) under the DSU Plan. During the nine months ended September 30, 2020, the DSUs issued were valued at $9,672 (2019 – $3,125) and recorded as stock-based compensation on the unaudited condensed interim statements of income (loss) and comprehensive income (loss)

9. Share-Based Payments Reserve

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the number of outstanding common shares. As at September 30, 2020, the Company had 1,568,906 common shares that are issuable under the Plan.

Under the Plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less an applicable discount. Options can be granted for a maximum term of five years and vesting periods are determined by the Board.

The following summarizes the stock option activity for the nine months ended September 30, 2020 and 2019:

	September 30, 2010		September 30, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**7,800,000**	**0.49**	8,998,000	0.44
Granted	**2,500,000**	**0.13**	-	-
Expired	**(200,000)**	**0.13**	-	-
Cancelled	**(1,000,000)**	**0.50**	-	-
Exercised	**-**	**-**	(1,198,000)	0.10
Outstanding, end of period	**9,100,000**	**0.40**	7,800,000	0.49
Exercisable, end of period	**5,858,334**	**0.50**	4,494,811	0.48

Option grants for the nine months ended September 30, 2020

On August 25, 2020, the Company granted 2,500,000 stock options to various officers and directors of the Company. The options are exercisable at $0.13 per share and vest quarterly over a period of three years. The options were valued using Black-Scholes, with the following assumptions: expected volatility of 103% based on the historical volatility of the Company, expected dividend yield of 3.85%, risk-free interest rate of 0.40% and an expected life of five years. The grant date fair value attributable to these options was $195,479, of which $19,806 was recorded as stock-based compensation in connection with the vesting of these options during the nine months ended September 30, 2020.

Option grants for the nine months ended September 30, 2019

There were no option grants during the nine months ended September 30, 2019.

(Expressed in Canadian Dollars)

9. Share-Based Payments Reserve (continued)

The following table summarizes information of stock options outstanding and exercisable as at September 30, 2020:

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
October 19, 2022	500,000	0.295	458,333	0.295	2.05
October 19, 2022	100,000	0.30	91,667	0.30	2.05
December 22, 2022	3,700,000	0.48	3,391,667	0.48	2.23
March 19, 2023	2,300,000	0.60	1,916,667	0.60	2.47
August 25, 2025	2,500,000	0.13	-	0.13	4.90
	9,100,000	**0.40**	**5,858,334**	**0.49**	**3.01**

10. Warrants Reserve

The following summarizes the warrant activity for the nine months ended September 30, 2020 and 2019:

	September 30, 2020		September 30, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	$	#	$
Outstanding, beginning of period	**20,102,217**	**0.60**	51,289,156	0.46
Expired	**(11,201,517)**	**0.80**	-	-
Expired	**(1,751,947)**	**0.60**	-	-
Outstanding, end of period	**7,148,753**	**0.28**	51,289,156	0.46

Warrant issuances for the nine months ended September 30, 2020 and 2019

There were no warrants issuances during the nine months ended September 30, 2020 and 2019.

The following table summarizes information of warrants outstanding as at September 30, 2020:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
October 17, 2020	4,000,000	0.30	0.05
December 11, 2020	2,844,705	0.25	0.20
December 11, 2020	304,048	0.40	0.20
	7,148,753	**0.28**	**0.11**

(Expressed in Canadian Dollars)

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 nine months ended September 30, 2020 and 2019 were as follows:

	2020	2019
	$	$
Salaries, bonus and other benefits	**355,894**	171,409
Professional fees	**87,010**	196,225
Stock-based compensation (Notes 8 and 9)	**248,530**	586,872
	691,434	954,506

During the nine months ended September 30, 2020, officers and directors of the Company were paid compensation benefits of 355,894 (2019 – $171,409) for services rendered, including a provision for management bonus of $185,000 (2019 – $nil), based on 5% of net investment income on a quarterly basis), which was charged to salaries, bonus and other benefits. As at September 30, 2020, accrued management bonus of $185,000 (December 31, 2019 – $nil) was included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2020, Roger Dent, the Chief Executive Officer ("CEO"), and Eric Szustak, the Chairman of the Company, were issued 81,155.49 and 4,271.34 DSUs (2019 – 16,047.30 and 844.59 DSUs), respectively, upon distribution of the cash dividends paid (see Note 8), as adjustments in accordance with the terms of the DSU Plan. These DSUs were valued at $9,672 (2019 – $3,125) and recorded as stock-based compensation.

During the nine months ended September 30, 2020, Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, were paid professional fees of $81,360 (2019 – $169,500), for CFO services provided to the Company, as well as other accounting and administrative services, which are included in professional fees. As at September 30, 2020, no balance was owed to Branson (December 31, 2019 – $nil).

During the nine months ended September 30, 2020, Peter Bilodeau, the former President and a director of the Company who resigned on May 26, 2020, was paid $5,650 (2019 – $25,425) for consulting services provided to the Company, which are included in professional fees. As at September 30, 2020, no balance was owed to Mr. Bilodeau (December 31, 2019 – $nil).

During the nine months ended September 30, 2020, officers and directors of the Company received stock-based compensation of $238,858 (2019 – $583,747) on vesting of options granted.

11. Related Party Transactions and Balances (continued)

Investments on companies with common management personnel

As at September 30, 2020, the Company held investment positions in the following issuers with common officers and directors:

	Investments	Holdings	Fair Value
		#	$
California Nanotechnologies Inc. (1)	Common shares	1,112,000 shares	72,280
Deveron Corp. (1)	Common shares	500,000 shares	100,000
Pharmadrug Inc. (2)	Warrants	1,425,000 units	5,480
Pharmadrug Inc. (2)	Convertible debentures	75 units	98,541
Vitalhub Corp. (1)	Common shares	84,000 shares	197,400
			473,701

(1) Roger Dent is also a Director of California Nanotechnologies Inc., Deveron Corp. and Vitalhub Corp.
(2) Keith Li is also the CFO of Pharmadrug Inc.

12. Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The risk in cash is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on other receivables. As at September 30, 2020, the Company had recorded an allowance for ECL of $122,139 (2019 – $nil) on a matured convertible debentures investment, which are included in investments.

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 United States 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.

(Expressed in Canadian Dollars)

12. Risk Management (continued)

Liquidity risk (continued)

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at September 30, 2020:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	282,762	282,762	-	-

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 $314,747 based upon balances as at September 30, 2020.

13. Capital Management

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

The Company's objectives when managing capital are:

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

The Company's strategy remained unchanged for nine months ended September 30, 2020 and the year ended December 31, 2019.

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 nine months ended September 30, 2020 and the year ended December 31, 2019.

The Company is not subject to externally imposed capital requirements.

14. Operating Segment Information

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

The Company has a single reportable geographic segment, Canada, and all of the Company's management are based in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the nine months ended September 30, 2020 and the year ended December 31, 2019.

15. Subsequent Events

Warrants expiry

On October 17, 2020, 4,000,000 warrants exercisable at $0.30 expired unexercised.

Dividends

On October 26, 2020, the Board of the Company approved a quarterly dividend of $0.00125 per share. The dividend distribution will be paid on November 25, 2020, to shareholders of record on November 4, 2020.