RESANCO
CAPITAL PARTNERS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

Independent auditor's report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
VB6 0A4

T +1 604 687 2711
F +1 604 685 6569

To the Shareholders of

Resinco Capital Partners Inc.

Opinion

We have audited the financial statements of Resinco Capital Partners Inc. ("the Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017 and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Iwanaka.

Grant Thornton LLP

Vancouver, Canada
April 29, 2019

Chartered Professional Accountants

RESINCO CAPITAL PARTNERS INC.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(EXPRESSED IN CANADIAN DOLLARS)

	Note		December 31, 2018		December 31, 2017
ASSETS					
Current Assets					
Cash and cash equivalents		$	2,338,545	$	3,357,218
Interest receivable			-		1,500
Share subscription receivable	5		-		4,176,144
Prepaid expenses			10,351		403,000
Investments at fair value	4		4,709,259		912,748
Total assets		$	7,058,155	$	8,850,610
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	6	$	60,161	$	647,146
Total liabilities			60,161		647,146
SHAREHOLDERS' EQUITY					
Share capital	5		45,644,400		40,436,949
Share-based reserves	5		16,938,232		16,003,610
Deficit			(55,584,638)		(48,237,095)
Total shareholders' equity			6,997,994		8,203,464
Total liabilities and shareholders' equity		$	7,058,155	$	8,850,610

These financial statements were approved for issue by the Board of Directors of the Company on April 29, 2019.

They are signed on the Company's behalf by:

"Alexander Somjen" Director *"Maciej Lis"* Director

- See accompanying notes to the financial statements -

RESINCO CAPITAL PARTNERS INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	2018 $	2017 $
Net investment (loss) gain			
Net realized loss on disposal of investments	4	**(46,371)**	(788,257)
Net change in unrealized (loss) gain on investments		**(3,654,133)**	1,016,475
		(3,700,504)	228,218
Other expenses (income)		**21,657**	1,500
		(3,678,847)	229,718
Expenses			
Consulting fees	6	**1,220,200**	75,600
Corporate development		**1,193,991**	-
Insurance		**11,649**	12,000
Office and miscellaneous		**90,184**	4,213
Professional fees		**126,965**	25,673
Regulatory and transfer agent fees		**78,784**	31,895
Share-based compensation	5,6	**946,923**	139,152
Transaction costs		**-**	1,678
		(3,668,696)	(290,211)
Loss and comprehensive loss for the year		**(7,347,543)**	(60,493)
Loss and comprehensive income loss per share, basic and diluted		**(0.14)**	(0.01)
Weighted average number of shares outstanding, basic		**51,025,665**	8,686,149

- See accompanying notes to the financial statements -

RESINCO CAPITAL PARTNERS INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended,		**2018**		**2017**
Operating activities				
Net loss for the year	**$**	**(7,347,543)**	**$**	(60,493)
Items not affecting cash:				
Share-based compensation		**946,923**		139,152
Realized loss on sale of investment		**46,371**		788,257
Consulting fees		**335,150**		-
Fair value change in investments		**3,654,133**		(1,016,475)
Changes in non-cash working capital items:				
Interest receivable		**1,500**		(1,500)
Prepaid expenses		**392,649**		(400,000)
Accounts payable and accrued liabilities		**(586,985)**		621,904
Due to related parties		**-**		(95,250)
Net cash used in operating activities		**(2,557,802)**		(24,405)
Investing activities				
Purchase of investments		**(3,187,393)**		117,406
Proceeds from sale of investments		**535,378**		-
Net cash provided by (used in) investing activities		**(2,652,015)**		117,406
Financing activities				
Private placement		**-**		4,022,857
Share subscription receivable		**4,176,144**		-
Warrant exercise		**15,000**		-
Share issuance cost		**-**		(781,829)
Net cash provided by investing activities		**4,191,144**		3,241,028
Net increase (decrease) in cash		**(1,018,673)**		3,334,029
Cash, beginning of the year		**3,357,218**		23,189
Cash, end of the year	**$**	**2,338,545**	**$**	3,357,218
Supplementary information				
Share subscription receivable	$	**-**	$	4,176,144
Shares issued for Vancity Green	$	**1,200,000**	$	-
Shares issued for ReFormation	$	**3,645,000**	$	-
Re-allocation from share based compensation to share capital pursuant to a warrant exercise	$	**12,301**	$	-

- See accompanying notes to the financial statements -

RESINCO CAPITAL PARTNERS INC.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares		Share Capital		Share-based reserves		Deficit		Total Shareholders' Equity
Balance, December 31, 2016	6,150,997	$	40,132,099	$	8,752,136	$	(48,176,602)	$	707,633
Private placement	39,990,010		4,509,236		3,689,765		-		8,199,001
Share issue costs – cash	-		(781,829)		-		-		(781,829)
Share issue costs – finders' warrants	-		(3,422,557)		3,422,557		-		-
Share based compensation	-		-		139,152		-		139,152
Loss and comprehensive loss for the year	-		-				(60,493)		(60,493)
Balance, December 31, 2017	46,141,007	$	40,436,949	$	16,003,610	$	(48,237,095)	$	8,203,464
Balance, December 31, 2017	**46,141,007**	**$**	**40,436,949**	**$**	**16,003,610**	**$**	**(48,237,095)**	**$**	**8,203,464**
Acquisition of ReFormation shares	27,000,000		3,645,000		-		-		**3,645,000**
Acquisition of Vancity Green shares	15,000,000		1,200,000		-		-		**1,200,000**
Shares issued as finders fees	2,890,000		335,150		-		-		**335,150**
Warrant Exercise	100,000		15,000		-		-		**15,000**
Fair value re-allocation pursuant to warrant exercise			12,301		(12,301)		-		**-**
Share based compensation	-		-		946,923		-		**946,923**
Loss and comprehensive loss for the year	-		-				(7,347,543)		**(7,347,543)**
Balance, December 31, 2018	**91,131,007**	**$**	**45,644,400**	**$**	**16,938,232**	**$**	**(55,584,638)**	**$**	**6,997,994**

- See accompanying notes to the financial statements -

1. NATURE OF OPERATIONS

Resinco Capital Partners Inc. ("Resinco" or the "Company") was incorporated under the laws of British Columbia on May 25, 2004. The Company's shares are listed for trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "RIN", the Frankfurt Stock Exchange under the symbol L6V1.F and in the US on the OTC market, under the symbol RSCZF. The registered office of the Company is Suite 810 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

Resinco is a global investment company which specializes in providing early-stage financing to private and public companies as well as medical marijuana pharmaceutical companies. The Company engages in new, early stage investment opportunities in previously underdeveloped assets and obtaining significant position in early stage investment opportunities that adequately reflect the risk profile.

On October 20, 2017, the Company completed a share consolidation of its share capital on the basis of twenty (20) existing common shares for one (1) new common share. As a result of the share consolidation, the 123,019,885 common shares issued and outstanding were consolidated to 6,150,997 common shares. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation (Note 5).

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates, judgments and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

2. BASIS OF PRESENTATION (CONTINUED)

Fair value of private company investments – Where the fair values of investments in private companies recorded on the statement of financial position 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 is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

Fair value of other investments– Investments in options and warrants which are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value.

Share-based payments – The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets – Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies effective after January 1, 2018 and accounting policies effective until December 31, 2017

IFRS 9, Financial Instruments

The Company adopted IFRS 9 – Financial instruments on January 1, 2018 in accordance with the transitional provisions of the standard. IFRS 9 addresses the classification, measurement, and recognition of financial assets and liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39 – Financial instruments: recognition and measurement.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss (FVTPL), those measured at fair value through other comprehensive income (FVTOCI), and those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income unless this creates an accounting mismatch.

The Company has assessed the classification and measurement of financial assets and financial liabilities under IFRS 9 and summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policies effective after January 1, 2018 and accounting policies effective until December 31, 2017 (Continued)

IFRS 9, Financial Instruments (Continued)

	Measurement Category	
	Original (IAS 39)	New (IFRS 9)
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Share subscription receivable	Loans and receivables	Amortized cost
Investments at fair value	FVTPL	FVTPL
Financial liabilities:		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from contracts with customers on January 1, 2018 in accordance with the transitional provisions of the standard. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

Since the Company has no revenues from contracts with customers, there was no material impact on the Company's financial statements upon adoption of this standard.

Investments

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit (loss).

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income (loss). Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the statement of comprehensive income (loss) within net change in unrealized gains or losses on investments on investments in the period in which they arise.

The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (Note 9).

1. *Public investments*

a. 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 bid prices at the statement of financial position dates or the closing bid price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 in Note 7.
b. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in Note 7.
c. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the options and warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the statement of financial position date of the underlying security less the exercise price of the option or warrant, and zero if there are no restrictions. These are included in Level 2 in Note 7.

2. *Private investments*

All privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at 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 in Note 7.

The determinations of fair value of the Company's privately-held investments at other than initial cost are 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 the Company'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 take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

2. Private investments (Continued)

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted if:

a. there has been a significant subsequent equity financing provided by outside arm's length investors, at a valuation above or below 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;
b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have an 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;
c. the investee company is placed into receivership or bankruptcy;
d. 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;
e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);
f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
g. release by the investee company of positive/negative exploration results; and
h. 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 disposed of currently may differ from the carrying value assigned.

Revenue recognition

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of loss and comprehensive loss and are calculated on an average cost basis.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statements of loss and comprehensive loss as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established.

Interest income is recorded on an accrual basis when reasonable assurance exists regarding measurement and collectability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Financial instruments

Effective January 1, 2018, the Company classifies and measures financial instruments in accordance with IFRS 9. The provisions of the standard have been applied retrospectively. The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit as at January 1, 2018.

Upon initial recognition, financial instruments are classified as fair value through profit or loss (FVTPL). All financial instruments are recognized in the statements of financial position when the Company becomes party to the contractual requirements of the instrument. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. Financial liabilities are derecognized when the obligation is discharged, cancelled, or expires. As such, investment purchase and sale transactions are recorded as of the trade date.

The Company's public and private investments are subsequently measured at FVTPL with changes in fair value recognized in the statements of loss and comprehensive loss in the period in which they arise. Realized and unrealized gains and losses on investments are calculated based on the weighted average cost of investments and exclude commissions and other portfolio transaction costs, which are separately reported in the statements of loss and comprehensive loss. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at the grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share capital

Proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. In a unit offering, the Company prorates the proceeds between common shares and warrants using the relative fair value method. Share issuance costs are recorded as a reduction of share capital.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit and loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related party transactions

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

New standards, interpretations and amendments not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective as of December 31, 2018 and have not been applied in preparing these financial statements.

Effective for annual periods beginning on or after January 1, 2019:

- IFRS 16 – Leases

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

- IFRIC 23 – Uncertainty over Income Tax Treatments

  In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation specifies that if an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it shall determine the tax result consistently with the tax treatment used or planned to be used in its income tax filing. If it is not probable, the entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which one the entity expects to better predict the resolution of the uncertainty:

  - Most likely amount: single most likely amount in a range of possible outcomes;
  - Expected value: sum of the probability-weighted amounts in a range of possible outcomes.

  The Company has not early adopted these new standards and these standards are not expected to have a material effect on the financial statements.

(EXPRESSED IN CANADIAN DOLLARS)

4. INVESTMENTS AT FAIR VALUE

At December 31, 2018, the Company held the following investments:

Investee	Shares #	Cost $	Fair value $
Public Companies			
Bearing Lithium Corp.	200,000	75,000	48,000
Block X Capital Corp. *	286,933	5,020,527	14,346
Global Blockchain Technologies Corp.	8,333,333	2,500,000	454,333
Hashchain Technology Inc.	950,000	246,975	28,500
Lithium Americas Corp.	25,000	165,418	107,750
Total of 5 other public company investments, each valued under $14,000		185,345	21,330
		8,193,265	674,259
Private Companies			
Katexco Pharmaceuticals Corp.	2,000,000	200,000	200,000
Vancity Green List Inc.	100	1,200,000	-
ReFormation Pharmaceuticals Corp.	27,000,000	3,645,000	3,645,000
Pembrook Copper Corp.	320,000	452,000	190,000
		5,497,000	4,035,000
		13,690,265	4,709,259

*On January 23, 2018, Lions Gate Metals Inc. changed its name to Block X Capital Corp.

During the year ended December 31, 2018, the Company sold 1,001,993 shares of Almonty Industries Inc. for gross proceeds of $490,022, 123,076 shares of BriaCell Therapeutics Corp. for gross proceeds of $16,000, 79,000 shares of Central Iron Ore Limited for gross proceeds of $1,580, 41,666 shares of Fura Gems Inc. for gross proceeds of $25,826 and 195,000 shares of Tanzania Minerals Corp. for gross proceeds of $1,950.

On October 19, 2018, the Company subscribed for 2,000,000 common shares at $0.10/share for a total investment of $200,000 in Katexco Pharmaceuticals Corp. Katexco is led by a world class team of scientists that come from Stanford University in California. As at December 31, 2018, the fair value of Katexco was $200,000.

On October 22, 2018, the Company acquired 48% of ReFormation Pharmaceuticals Corp. (“ReFormation”), a medical marijuana pharmaceutical company with its research and development team at the University of Oxford. ReFormation is focused on an innovative approach to repair vital organs by combining cannabinoids and an endogenous trigger of repair. The Company issued 27,000,000 common shares with a fair value of $3,645,000. The Company has an option to make further investments in ReFormation, subject to certain conditions. As at December 31, 2018, the fair value of ReFormation was $3,645,000.

On December 28, 2018, the Company acquired 100% of Vancity Green List Inc. (“Vancity”) by way of three-cornered amalgamation. Vancity is a leading website application that connects personal use cannabis growers and local dispensaries. In consideration, the Company issued 15,000,000 common shares with a fair value of $1,200,000. As at December 31, 2018 and under IFRS 9, the fair value of Vancity was $Nil.

(EXPRESSED IN CANADIAN DOLLARS)

4. INVESTMENTS AT FAIR VALUE (CONTINUED)

At December 31, 2017, the Company held the following investments:

Investee	Shares	Cost	Fair Value
Public Companies			
Almonty Industries Inc.	1,001,993	$ 2,125,218	$ 541,076
BriaCell Therapeutics Corp.	123,076	159,817	16,615
Fura Gems Inc.	41,666	200,000	22,083
Lions Gate Metals Inc.	286,933	5,020,527	123,381
Total of 5 other public company investments, each valued under $15,000		205,262	29,593
		7,710,824	732,748
Private Companies			
Pembrook Copper Corp.	320,000	452,000	180,000
		$ 8,162,824	$ 912,748

During the year ended December 31, 2017, the Company sold 427,000 shares of Almonty Industries Inc. for gross proceeds of $117,406.

5. SHARE CAPITAL

a) Authorized share capital

At December 31, 2018, the authorized share capital comprised an unlimited number of common shares without par value.

On October 20, 2017, the Company completed a share consolidation of its share capital on the basis of twenty (20) existing common shares for one (1) new common share. As a result of the share consolidation, the 123,019,885 common shares issued and outstanding were consolidated to 6,150,997 common shares. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

b) Issued share capital

At December 31, 2018, the Company had 91,137,007 common shares issued and outstanding (2017 - 46,141,007).

On November 1, 2018, the Company issued 27,000,000 common shares with a fair value of $3,645,000 pursuant to the acquisition of ReFormation (Note 4). The Company issued 1,890,000 common finder shares with a fair value of $255,150, which was measured on the basis of the Company's observable market price.

On December 28, 2018, the Company issued 15,000,000 common shares with a fair value of $1,200,000 pursuant to the acquisition of Vancity (Note 4). The Company issued 1,000,000 common finder shares with a fair value of $80,000, which was measured on the basis of the Company's observable market price.

On November 16, 2018, the Company issued 100,000 common shares pursuant to a warrant exercise for gross proceeds of $15,000. The Company re-allocated $12,301 from share-based reserve to share capital.

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

On November 17, 2017, the Company completed the first tranche of a non-brokered private placement through the issue of 15,100,010 units at $0.10 for gross proceeds of $1,510,001. Each unit comprises one common shares and one-half share purchase warrant. Each whole warrant is exercisable to purchase one common share at an exercise price of $0.15 until November 17, 2019. The Company paid finders' fees of $83,300 and issued 833,000 finders' warrants exercisable until November 17, 2019 to purchase one unit at $0.10 on the same terms as the units issued in the private placement. The Company also incurred other share issuance costs of $11,287 in connection with this non-brokered private placement.

On November 24, 2017, the Company completed the second and final tranche of the non-brokered private placement through the issue of 4,890,000 units at $0.10 for gross proceeds of $489,000. Each unit comprises one common shares and one-half share purchase warrant. Each whole warrant is exercisable to purchase one common share at an exercise price of $0.15 until November 17, 2019. The Company paid finders' fees of $34,230 and issued 342,300 finders' warrants exercisable until November 17, 2019 to purchase one unit at $0.10 on the same terms as the units issued in the private placement.

On December 27, 2017, the Company completed a non-brokered private placement through the issue of 20,000,000 units at $0.31 for gross proceeds of $6,200,000. Each unit comprises one common shares and one share purchase warrant. Each whole warrant is exercisable to purchase one common share at an exercise price of $0.45 until December 27, 2019. The Company paid finders' fees of $620,000 and issued 2,000,000 finders' warrants exercisable until December 27, 2019 to purchase one unit at $0.45 on the same terms as the units issued in the private placement. The Company also incurred other share issuance costs of $33,012 in connection with this non-brokered private placement.

c) Stock options

The Board of Directors of the Company may from time-to-time grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to five years from the date of grant. The Company's stock option plan requires that options vest 20% immediately, with 20% vesting every six months thereafter; however, the Board may change such provisions at its discretion or as required on a grant-by-grant basis. Options and warrants outstanding or exercisable as at December 31, 2018 have the potential to dilute earnings per share in the future but were not included in the calculation of loss per share because they are anti-dilutive as at December 31, 2018.

The continuity for stock options for the year ended December 31, 2018 is as follows:

Expiry date	Exercise price $	Balance, December 31, 2017 #	Granted #	Forfeited/ Exercised #	Expired #	Balance, December 31, 2018 #	Fair Value $
November 24, 2022	0.465	300,000	-	-	(100,000)	200,000	139,152
June 22, 2023	0.220	-	4,314,000	-	(200,000)	4,114,000	946,923
		300,000	4,314,000	-	(300,000)	4,314,000	
Weighted average exercise price		0.465	0.220	-	0.30	0.236	

On June 22, 2018, the Company granted 4,314,000 stock options with an exercise price of $0.220 per share expiring on June 22, 2023. The grant date fair value of the stock options was estimated to be $946,923 using the Black-Scholes pricing model with the following assumptions: term of 5 years; expected volatility of 271.74%; risk-free rate of 1.99%; and expected dividends of zero. As at December 31, 2018, 4,314,000 stock options were exercisable (2017 – 300,000).

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

The continuity for stock options for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price $	Balance, December 31, 2016 #	Granted #	Forfeited/ Exercised #	Expired #	Balance, December 31, 2017 #	Fair Value $
November 24, 2022	0.465	-	300,000	-	-	300,000	139,152
Weighted average exercise price		-	0.465	-	-	0.465	

* The stock options vest immediately from the date of grant

On November 24, 2017, the Company granted 300,000 stock options with an exercise price of $0.465 per share expiring on November 24, 2022. The grant date fair value of the stock options was estimated to be $139,152 using the Black-Scholes pricing model with the following assumptions: term of 5 years; expected volatility of 269.38%; risk-free rate of 1.62%; and expected dividends of zero.

d) Finders' warrants

The continuity for finders' warrants for the year ended December 31, 2018 is as follows:

Expiry date	Exercise price $	Balance, December 31, 2017 #	Granted #	Forfeited/ Exercised #	Expired #	Balance, December 31, 2018 #	Fair Value $
November 17, 2019	0.10	1,175,299	-	-	-	1,175,299	691,641
December 27, 2019	0.45	2,000,000	-	-	-	2,000,000	2,730,916
		3,175,299	-	-	-	3,175,299	
Weighted average exercise price		0.32	-	-	-	0.32	

The continuity for finders' warrants for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price $	Balance, December 31, 2016 #	Granted #	Forfeited/ Exercised #	Expired #	Balance, December 31, 2017 #	Fair Value $
November 17, 2019	0.10	-	1,175,299	-	-	1,175,299	691,641
December 27, 2019	0.45	-	2,000,000	-	-	2,000,000	2,730,916
		-	3,175,299	-	-	3,175,299	
Weighted average exercise price		-	0.32	-	-	0.32	

On November 17, 2017, the Company granted 1,175,299 finders' warrants with an exercise price of $0.10 per share expiring on November 17, 2019. The grant date fair value of the finders' warrants was estimated to be $691,641 using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 213.60%; risk-free rate of 1.45%; and expected dividends of zero.

On December 27, 2017, the Company granted 2,000,000 finders' warrants with an exercise price of $0.45 per share expiring on December 27, 2019. The grant date fair value of the finders' warrants was estimated to be $2,730,916 using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 298.96%; risk-free rate of 1.66%; and expected dividends of zero.

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

e) Warrants

The continuity for warrants for the year ended December 31, 2018 is as follows:

Expiry date	Exercise price $	Balance, December 31, 2017 #	Granted #	Forfeited/ Exercised #	Expired #	Balance, December 31, 2018 #	Fair value $
November 17, 2019	0.15	9,995,005	-	(100,000)	-	9,895,005	1,216,391
December 27, 2019	0.45	20,000,000	-	-	-	20,000,000	2,461,073
		29,995,005	-	-	-	29,895,005	3,677,464
Weighted average exercise price		0.35	-	0.15	-	0.35	

During the year ended December 31, 2018, the Company issued 100,000 common shares pursuant to a warrant exercise for gross proceeds of $15,000. The Company re-allocated $12,301 from share-based reserve to share capital.

The continuity for warrants for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price $	Balance, December 31, 2016 #	Granted #	Forfeited/ Exercised #	Expired #	Balance, December 31, 2017 #	Fair value $
November 17, 2019	0.15	-	9,995,005	-	-	9,995,005	1,228,692
December 27, 2019	0.45	-	20,000,000	-	-	20,000,000	2,461,073
		-	29,995,005	-	-	29,995,005	3,689,765
Weighted average exercise price			0.35	-	-	0.35	

During the year ended December 31, 2017, the grant date fair value of the 29,995,005 share purchase warrants issued in connection with the unit private placements totalled $3,689,765 valued on a relative fair value basis using the Black-Scholes pricing model with the following weighted average assumptions: term of 2 years; expected volatility of 270.51%; risk-free rate of 1.59%; and expected dividends of zero.

(EXPRESSED IN CANADIAN DOLLARS)

6. RELATED PARTY TRANSACTIONS

The following directors and/or senior officers transacted with the Company in the reporting year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. The aggregate value of transactions relating to key management personnel were as follows:

	For the year ended, 2018	2017
Consulting and accounting fees paid or accrued to Golden Oak, a company controlled by the former Corporate Secretary	$ 6,300	$ 75,600
Rent paid or accrued to companies controlled by the CFO and Corporate Secretary	23,100	-
Consulting fees to companies controlled by the CFO	40,950	-
Consulting and corporate advisory fees paid or accrued to a company controlled by the Corporate Secretary	100,317	-
Consulting fees paid to the Chief Executive Officer	108,900	-
Share based compensation	131,700	139,152
Total	**$ 411,267**	**$ 214,752**

As at December 31, 2018, there was $14,832 (2017 – $2,371) due to current officers and management of the Company.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash, receivables, share subscriptions receivable, investments, trade and other payables, and due to related parties. The carrying value of receivables, share subscriptions receivable, trade and other payables and due to related parties approximates their fair value due to the short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy. Investments are recorded at fair value using Level 1 to 3 of the fair value hierarchy.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(EXPRESSED IN CANADIAN DOLLARS)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table presents the Company's investments, measured at fair value on the statements of financial position and categorized into levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
December 31, 2018	674,259	-	4,035,000	4,709,259
December 31, 2017	732,748	-	180,000	912,748

The Company holds investments in Pembrook, Katexco, ReFormation and Vancity Green, all private company investments that are considered Level 3. The fair value of investments in Level 3 for Pembrook is determined by referring to the most recent equity financing the investee undertook during the period or by taking a weighted average of the net assets of the private company and the value of its historical share issuance transactions. The fair value of investments for Katexco is based on the most recently completed private placement. The fair value for ReFormation and Vancity Green is based on the Company's most recent financings or transactions and assessed for whether there have been any adverse changes from the date of acquisition. All changes in fair value of these private company investments are recognized in profit or loss on the statements of loss and comprehensive loss. The amounts included in profit or loss are comprised entirely of unrealized gains and losses. There were no transfers between levels during the year.

The following table reconciles the Company's Level 3 fair value investments:

Level 3	Year ended December 31, 2018	Year ended December 31, 2017
	$	$
Balance, beginning of year	180,000	320,000
Additions	5,045,000	-
Unrealized loss	(1,190,000)	(140,000)
Balance, end of year	4,035,000	180,000

Risk management

The Company is or may be subject to certain risks including interest rate risk, currency risk, credit risk and market risk. Risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results and increase overall financial strength.

Interest rate risk

The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

Currency risk

The Company has foreign investments and is therefore subject to currency risk. Management believes these investment and transaction amounts are not significant and there are no material foreign currency commitments. The currency risk is therefore manageable and not significant. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk associated with the inability of a third party to fulfil its payment obligations. The Company is exposed to the risk that third parties that owe money or securities in connection with services provided, or for other purposes, will default on their underlying obligations. The Company is not materially exposed to credit risk.

Prior to accepting any service engagement or providing any loan, the Company assesses future recoverability by examining the entities' financial conditions, properties and assets, business development activities and management. The Company manages its exposure to credit risk by reviewing the outstanding balances on an ongoing basis, monitoring the amount attributable to each counterparty and the length of time taken for amounts to be settled. Where necessary, management takes appropriate action to follow up on those balances considered overdue.

Liquidity risk

Liquidity risk is the risk that the Company will have insufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company does not have access to the capital markets, whether as a result of a downturn in general market conditions or related to matters specific to the Company, or if the value of the Company's investments decline, resulting in lower proceeds and/or losses on disposition. The Company generates cash flows primarily from the disposition of its investments and from its financing activities. The Company's investments focus on early-stage natural resource and renewable energy companies which can at times be relatively illiquid and if the Company decides to dispose of certain securities, it may not be able to do so at favorable prices at that time, or at all. However, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions such that, in the absence of overall market disruptions or exceptional circumstances, liquidity risk can be minimized.

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 unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are primarily concentrated in pharmaceutical cannabis, recreational cannabis and junior natural resource industries, which results in exposure to higher volatility than broader market investments and indexes. The Company's investments are accounted for at fair value and are sensitive to changes in market bid prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. A 10% change in the fair values of the Company's investments at December 31, 2018 would have a $470,000 (2017 - $91,000) impact on operations.

Concentration risk

The Company is subject to concentration risk due to the nature of the Company's operations as an investment company and the number of investments held in the portfolio which consists primarily of early-stage natural resource and renewable energy companies and their related technologies. As a result, the investment portfolio is directly exposed to the risks associated with companies operating in this industry sector.

As at December 31, 2018, approximately 87% (2017 - 90%) of the fair value of the Company's investment portfolio consisted of investments in two companies with the largest single investment comprising 77% (2017 - 70%) of the total portfolio value.

(EXPRESSED IN CANADIAN DOLLARS)

8. MANAGEMENT OF CAPITAL

The Company considers its common shares to comprise its capital.

The Company's objectives when managing capital are:

(a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements;
(b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
(c) To create sustained growth in shareholder value by increasing shareholders' equity and minimizing shareholder dilution; and
(d) To maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to meet its objectives, in order of preference, by:

(a) Realizing proceeds from the disposition of investments and provision of corporate services; and
(b) Raising funds through equity financings.

The Company is not subject to any externally imposed capital requirements. Management monitors the Company's capital to ensure capital resources will be sufficient to discharge its liabilities on an ongoing basis.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	Year Ended December 31	
	2018	2017
	$	$
Net loss for the year	(7,347,543)	(60,493)
Expected income tax expense (recovery)	(1,984,000)	(16,000)
Change in unrecognized temporary differences	1,617,000	610,000
Change in statutory rates	-	(427,000)
Equity-settled compensation	367,000	-
Share issue costs	-	(167,000)
Total income tax expense (recovery)	-	-

The significant components of the Company's unrecorded non-tax effected deferred tax assets are as follows:

	Year Ended December 31	
	2018	2017
	$	$
Deferred tax assets		
Canadian non-capital losses available for future periods	47,588,000	41,585,000
Equipment	3,000	3,000
Share issue costs	469,000	625,000
Allowable capital losses	438,000	438,000
Total unrecognized deferred tax assets	48,498,000	42,651,000

(EXPRESSED IN CANADIAN DOLLARS)

9. INCOME TAXES (CONTINUED)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	Year Ended December 31	
	2018	2017
	$	$
Temporary differences		
Canadian non-capital losses available for future periods	2029-2039	2029-2037
Equipment	No expiry date	No expiry date
Share issue costs	2038-2041	2038-2041
Allowable capital losses	No expiry date	No expiry date

10. SUBSEQUENT EVENTS

On January 16, 2019, the Company entered into an Amalgamtion Agreement (" Amalgamation Agreement") to acquire the remaining 52% of ReFormation Pharmaceuticals Corp. ("ReFormation"), a medical cannabis company developing innovative, first-in-class therapies to repair vital organs and stem cells. Pursuant to the terms of the Amalgamation Agreement, ReFormation will amalgamate with the Company's wholly owned subsidiary, 1189879 B.C. Ltd.

As consideration, the Company issued 29,000,000 common shares with a fair value of $7,105,000. The Company issued 2,030,000 finder common shares with a fair value of $497,350.

The Company issued 25,000 common shares pursuant to the exercise of warrants for gross proceeds of $3,750.

On February 6, 2019, through the Company's wholly owned subsidiary, ReFormation, appointed Sir Marc Feldmann to ReFormation's advisory board.

On March 15, 2019, through the Company's wholly owned subsidiary, ReFormation, entered into a right of first negotiation with 180 Therapeutics LP. ("180"). 180 is a clinical stage biopharmaceutical company focused on the discovery and development of novel biological therapies for the treatment of fibrosis. In partnership with 180, the Company will work with 180 to develop the effectiveness of the HMGB1 molecule; this molecule primes to body's stem cells to accelerate repair and regeneration following injuries. ReFormation has agreed to fund the project of up to US $1,200,000.