GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gunpowder Capital Corp.

We have audited the accompanying consolidated financial statements of Gunpowder Capital Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gunpowder Capital Corp. and its subsidiaries as at December 31, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of Gunpowder Capital Corp. for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on April 25, 2016.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 28, 2017

GUNPOWDER CAPITAL CORP.
(Formerly Silver Shield Resources Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes		**2016**		2015
ASSETS					
CURRENT					
Cash		**$**	**127,619**	$	171,961
Accounts and other receivables	5, 6		**563,640**		21,618
Prepaid expenses			**15,849**		17,000
Notes receivable	6		**389,461**		-
Total current assets			**1,096,569**		210,579
MINERAL PROPERTIES					
Mineral claims	7		**-**		125,500
Deferred exploration costs	7		**-**		828,675
LONG TERM PREPAIDS			**30,350**		-
EQUIPMENT	8		**33,886**		4,466
BUILDINGS AND IMPROVEMENTS	9		**770,166**		-
LONG-TERM NOTES RECEIVABLE	6		**611,740**		-
LONG-TERM INVESTMENTS	10		**295,876**		138,000
TOTAL ASSETS		**$**	**2,838,587**	$	1,307,220
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	12(d)	**$**	**255,760**	$	245,649
Royalties payable	7		**-**		276,026
Due to related parties	14		**5,374**		144,791
Mortgage payable - current portion	11		**13,105**		-
Total current liabilities			**274,239**		666,466
LONG-TERM MORTGAGE PAYABLE	11		**409,042**		-
TOTAL LIABILITIES			**683,281**		666,466
SHAREHOLDERS' EQUITY					
Preferred shares	12(a)		**2,047,400**		-
Common shares	12(a)		**6,500,868**		5,992,533
Contributed surplus	12(c)		**1,539,047**		1,203,760
Warrants	12(b)		**239,438**		190,939
Deficit	12(d)		**(8,171,447)**		(6,746,478)
TOTAL SHAREHOLDERS' EQUITY			**2,155,306**		640,754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**2,838,587**	$	1,307,220

Description of business (Note 1)
Going concern (Note 2(d))
Subsequent events (Note 21)

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy" — DIRECTOR

Signed "Stephen Mlot" — DIRECTOR

The accompanying notes are integral part to these consolidated financial statements.

GUNPOWDER CAPITAL CORP.
(Formerly Silver Shield Resources Corp.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	**2016**	2015
INCOME			
Rental		**$ 20,265**	$ -
Consulting fees		**76,000**	-
Interest		**68,651**	-
TOTAL INCOME		**164,916**	-
EXPENSES			
Management fees	14	**223,000**	87,006
Share-based compensation	14	**196,600**	-
Consulting and other professional fees		**155,110**	25,157
General, office and administrative		**144,877**	28,253
Marketing and investor relations		**99,603**	29,650
Travel and accomodations		**64,657**	-
Transfer agent and filing fees		**62,485**	49,552
Legal and audit fees		**52,742**	41,556
Mortgage and loan interest		**17,367**	16,495
Property taxes and maintenance		**11,616**	-
Royalty expenses		**-**	30,000
Bank service charges		**3,290**	254
NET LOSS BEFORE OTHER ITEMS		**(866,431)**	(307,923)
Gain on settlement of debt		**-**	36,029
Amortization		**(13,234)**	(1,149)
Write-off of mineral property	7	**(510,442)**	(1,250,000)
Unrealized loss on investments	10	**(5,320)**	-
Accretion on notes receivable	6	**4,765**	-
Foreign exchange		**(3,456)**	(2,686)
TOTAL OTHER ITEMS		**(527,687)**	(1,217,806)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		**$ (1,394,118)**	$ (1,525,729)
Weighted average number of shares outstanding - basic and diluted		**22,590,027**	10,264,586
Basic and diluted loss per share	13	**(0.06)**	(0.15)

The accompanying notes are integral part to these consolidated financial statements.

GUNPOWDER CAPITAL CORP.
(Formerly Silver Shield Resources Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Notes	Number of shares	Preferred shares	Common shares	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2014		**8,257,035**	**$ -**	**$ 5,245,466**	**$ 1,203,760**	**$ -**	**$ (5,220,749)**	**$ 1,228,477**
Common shares issued for debt	12	3,328,625	-	332,862	-	-	-	332,862
Issuance of common shares (net of share issue costs)	12	5,719,294	-	605,144	-	-	-	605,144
Issuance of warrants		-	-	(190,939)	-	190,939	-	-
Net loss for the year		-	-	-	-	-	(1,525,729)	(1,525,729)
Balance, December 31, 2015		**17,304,954**	**$ -**	**$ 5,992,533**	**$ 1,203,760**	**$ 190,939**	**$ (6,746,478)**	**$ 640,754**
Issuance of preferred shares		204,740	2,047,400	-	-	-	-	2,047,400
Issuance of common shares (net of share issue costs)	12	9,238,127	-	598,903	-	-	-	598,903
Issuance of warrants	12	-	-	(187,186)	-	187,186	-	-
Common shares issued for debt	12	866,175	-	96,618	-	-	-	96,618
Share-based compensation	12	-	-	-	196,600	-	-	196,600
Expiry of warrants	12	-	-	-	138,687	(138,687)	-	-
Dividends	12	-	-	-	-	-	(30,851)	(30,851)
Net loss for the year		-	-	-	-	-	(1,394,118)	(1,394,118)
Balance, December 31, 2016		**27,613,996**	**$ 2,047,400**	**$ 6,500,868**	**$ 1,539,047**	**$ 239,438**	**$ (8,171,447)**	**$ 2,155,306**

The accompanying notes are integral part to these consolidated financial statements.

GUNPOWDER CAPITAL CORP.
(Formerly Silver Shield Resources Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Loss for the year	**$ (1,394,118)**	$ (1,525,729)
Items not involving cash:		
Share-based compensation	**196,600**	-
Write-off of mineral property	**510,442**	1,250,000
Amortization	**13,234**	1,149
Unrealized loss on investments	**5,320**	-
Accretion on notes receivable	**(4,765)**	-
Foreign exchange	**17,279**	-
Changes in working capital items other than cash:		
Accounts and other receivables	**(65,582)**	(20,758)
Prepaid expenses	**1,151**	(17,000)
Accounts payable and accrued liabilities	**127,152**	68,251
Royalties payable	**-**	30,000
CASH (USED IN) OPERATING ACTIVITIES	**(593,288)**	(214,087)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of preferred shares	**878,960**	-
Proceeds from issuance of common shares, net of issuance costs	**673,589**	642,256
Share issue costs	**(187,186)**	-
Cash dividends paid to preferred shareholders	**(30,851)**	-
Proceeds from loan payable	**151,500**	-
Repayment of loan payable	**(151,500)**	(85,118)
Due to related parties	**(7,799)**	(33,354)
CASH PROVIDED BY FINANCING ACTIVITIES	**1,326,713**	523,784
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Funds loaned for notes receivable	**(399,967)**	-
Repayments received for notes receivable	**100,722**	-
Purchase of investments	**(57,500)**	(138,000)
Purchase of buildings	**(355,706)**	-
Purchase of equipment	**(34,967)**	-
Long-term prepaids	**(30,350)**	-
Deferred exploration costs	**-**	325
CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(777,768)**	(137,675)
CHANGE IN CASH	**(44,342)**	172,022
Cash, beginning of the year	**171,961**	(61)
Cash, end of the year	**$ 127,619**	$ 171,961

The accompanying notes are integral part to these consolidated financial statements.

(Expressed in Canadian Dollars)

1. DESCRIPTION OF BUSINESS

Gunpowder Capital Corp. ("GPC" or the "Company") (formerly Silver Shield Resources Corp.) is a newly formed merchant bank and advisory services firm. In May 2016, Gunpowder Capital Corp. implemented its new business model under the leadership of a new management team.

The Company is a reporting issuer in Ontario, Alberta and British Columbia and trades on the Canadian Securities Exchange under the symbol "GPC".

As a merchant bank and advisory services firm, GPC provides financial capital and capital markets advisory services. The Company offers a variety of financing options including mezzanine debt, bridge loans, convertible debentures and straight loans as well as equity financing. GPC's goal when investing is to as best as possible ensure the preservation of capital and structure upside for our stakeholders through participation opportunities such as royalties, equity or options. GPC's main focus with advisory services is to assist companies that are interested in going public, however, GPC is also involved with capital markets advisory services and advising on mergers and acquisitions.

The Company's corporate office and principal place of business is 8 King Street East, Toronto, Ontario, Canada, M5C 1B5.

The consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 were authorized for issuance in accordance with a resolution of the board of directors on April 28, 2017.

During the year ended December 31, 2016, GPC incorporated five new wholly-owned subsidiaries, GP Self Storage Inc., GP Realty Inc., GP Financial Services Corp., 57 Wellington St. Inc. and 63 Wellington Street Inc.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

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

The following companies have been consolidated within the consolidated financial statements:

Company	Registered	Principle activity
Gunpowder Capital Corp.	Canada	Parent company
GP Realty Inc. (1)	Canada	Holding company
57 Wellington St. Inc.(1)	Canada	Real estate rental company
63 Wellington Street Inc. (1)	Canada	Real estate rental company
GP Financial Services Corp.(1)	Canada	Financial services company
GP Self Storage Inc.(1)	Canada	Storage facility rental company

(1) 100% owned by the parent company.

2. BASIS OF PRESENTATION *(continued)*

(b) Statement of compliance to international financial reporting standards

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretation Committee ("SICs").

(c) Basis of measurement

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

(d) Going concern of operations

The Company incurred a net loss of $1,394,118 during the year ended December 31, 2016 (2015 - $1,525,729) and, as of that date the Company's deficit was $8,171,447 (December 31, 2015 - $6,746,478). The Company had transferred to a merchant banking model and is dependent on obtaining new clients and making profitable investments to generate profit.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. The Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

(e) Share Consolidation

On June 3, 2015, the Company filed articles of amendment to complete an approved consolidation of the Company's issued and outstanding common shares, warrants and options on a basis of 10 pre-consolidation shares, warrants and options of each post consolidation share, warrant and option. Loss per share and all amounts in respect of share capital have been adjusted to reflect this share consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Securities trading transactions
Securities transactions, commissions and related clearing expenses are recorded on a trade date basis when the services are performed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(a) Revenue recognition – continued

Capital market consulting and financial advisory fees
Capital market consulting revenue consists of management and advisory fees. Revenue from mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed and collection of funds is reasonable assured under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

Interest income
Interest income is recorded when earned.

Rental income
Rental income from real estate properties and storage facility properties is recorded when earned.

(b) Foreign currencies

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of loss and comprehensive loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Cash

Cash includes cash on hand, deposits held at call with financial institutions. For cash flow statement presentation purposes, cash includes bank overdrafts.

(d) Mineral exploration and evaluation expenditures

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Mineral exploration and evaluation expenditures – continued

If the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

(e) Property, plant and equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized based on the cost of an item, less its estimated residual value, over its estimated useful life at the following rates:

	Percentage	Method
Buildings	2.5%	Straight-line
Equipment	20%	Declining balance
Computers	55%	Declining balance

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other items in profit or loss.

(f) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including mineral exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash generating unit for which impairment testing is performed. An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments

Financial assets and liabilities are classified into one of the following categories based on the purpose for which the asset was acquired or for which the liability was incurred:

Financial assets:	**Classification:**
Cash	Loans and receivables
Accounts and other receivables	Loans and receivables
Notes receivable	Loans and receivables
Long-term notes receivable	Loans and receivables
Long-term investments	FVTPL

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Royalties payable	Other financial liabilities
Mortgage payable	Other financial liabilities

Fair value through profit or loss makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in profit (loss) in the period of change.

Investments
Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in profit (loss).

At each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and reflects such valuations in the financial statements.

Transaction costs are expensed as incurred in profit (loss). 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 changes in valuations in profit (loss). The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into 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 (see Note 17 - Financial instruments"). The three levels are defined as follows:

Level 1 – investment with quoted market price;
Level 2 – investment which valuation technique is based on observable market inputs; and
Level 3 – investment which valuation technique is based on non-observable market inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

Publicly-traded investments:

Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the reporting date or the closing price on the last day the security traded if there were no trades at the reporting date. These are included in Level 1 as disclosed in Note 17.

Privately-held investments:

Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. 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 consolidated financial statements. These are included in Level 3 as disclosed in Note 17. Options and warrants of private companies are valued using Black-Scholes where possible. Where inputs are not available for the Black-Scholes valuation technique, options and warrants of private companies are valued at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such 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 may not be realized or realizable. The Company will take into account general market conditions when valuing the privately held investments in its portfolio. The absence of any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value.

Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

Impairment of financial assets
At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Other financial liabilities
Other financial liabilities are recognized initially at fair value net of any directly attributable transactions costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

(h) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net (loss) except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Preferred shares are classified as equity if it is non-redeemable or redeemable only at the Company's option and dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval of the Company's shareholders. The Company's common shares, preferred shares, warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Share capital – continued

Loss Per Share
Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The calculation of diluted earnings per share assumes that outstanding stock options and warrants with an average exercise price below market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price for the period.

(j) Share-based payments

The fair values of share options granted to employees are recognized as an expense over the vesting period 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, including directors of the Company.

The fair value is measured at the grant date and 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 reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(k) Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(k) Standards, amendments and interpretations not yet effective - continued

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – continued

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

(b) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(c) Fair value/impairment of loans receivable

The recoverability of loans receivable is assessed when events occur indicating impairment. Recoverability is based on factors that may include failure to pay interest on time, failure to pay the principal, termination of advisory agreements and other factors. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. Refer to Note 6 for further details.

(d) Share-based payments

Management determines costs for share-based payments 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 used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(e) 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 consolidated 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 are not available, judgment is required to establish fair values. Refer to Note 17 for further details.

(f) Contingencies

Please refer to Note 20.

(Expressed in Canadian Dollars)

5. ACCOUNTS AND OTHER RECEIVABLES

	December 31, 2016	2015
Share subscription receivables (Note 17)	**$ 476,440**	$ -
HST receivables	**17,654**	21,618
Other receivables (Note 6(i))	**69,546**	-
Total accounts and other receivables	**$ 563,640**	$ 21,618

Aging analysis of other receivables:	December 31, 2016	2015
1-30 days	**$ 13,825**	$ -
31 - 60 days	**1,249**	-
61 - 90 days	**4,253**	-
Greater than 90 days	**50,219**	
	$ 69,546	$ -

6. NOTES RECEIVABLE

	December 31, 2016	2015
Cardiff Energy Corp. (i)	**$ 90,079**	$ -
Advantagewon Inc. (ii)	**33,592**	-
Franchise Holdings International Inc. (iii)	**154,337**	-
Loan portfolio (iv)	**705,875**	-
Other (v)	**17,318**	-
Total notes receivable	**$ 1,001,201**	$ -
Classification:		
Short-term notes receivable	**$ 389,461**	$ -
Long-term notes receivable	**611,740**	-
	$ 1,001,201	$ -

(i) On February 19, 2016, the Company loaned $150,000 to Cardiff Energy Corp ("Cardiff"). The loan was secured by a first ranking general security agreement on the assets of Cardiff including its US operations. The loan bears an interest rate of 24% per annum and is repayable in twelve equal monthly instalments beginning 30 days from the date of funding. Furthermore, Cardiff granted the Company 250,000 stock options at a price of $0.05 and a 1.25% gross overriding royalty on the Clayton #1H well located in the state of Texas. At December 31, 2016, the balance outstanding on the loan was $78,750 plus accrued interest of $11,329 (December 31, 2015 - $nil). An additional amount of $45,709 outstanding from Cardiff was recorded as accounts and other receivables at December 31, 2016 for monthly instalments repayable which have not been repaid (December 31, 2015 - $nil).

On December 19, 2016, the Company entered into a loan amendment agreement with Cardiff whereby the total outstanding balance of $135,788 will be converted to common shares of Cardiff if Cardiff raises a minimum of $750,000.

6. NOTES RECEIVABLE - continued

(ii) On May 12, 2016, the Company loaned Advantagewon Inc. $75,000. The Company charged a lenders fee of 3% in relation to the loan and the loan bears interest at a rate of 15% per annum. The loan is repayable in twelve equal monthly instalments beginning June, 2016. At December 31, 2016, the balance outstanding on the loan was $33,592 (December 31, 2015 - $nil).

(iii) On July 23, 2016, the Company was engaged by Franchise Holdings International, Inc. ("FHI") to assist with the listing of FHI shares on the Canadian Securities Exchange. Upon successful completion FHI will issue 6 million common shares to the Company. As part of the relationship with FHI, the Company has agreed to loan up to $300,000 to FHI at an interest rate of 18% per annum. At December 31, 2016, the balance outstanding on this loan was $56,842 plus accrued interest of $1,098 (December 31, 2015 - $nil).

On July 26, 2016, the Company issued a secured promissory note to Truxmart Inc., a subsidiary of FHI for an amount up to $59,000 with a maturity date of July 13, 2018. On October 1, 2016, the Company issued a secured promissory note to FHI for USD $22,500 ($33,383) with a maturity date of October 1, 2018. Both of these notes bear interest at a rate of 18% per annum. At December 31, 2016, the balance outstanding on these notes was $92,568 plus accrued interest of $3,829 (December 31, 2015 - $nil).

These loans above are secured by a general security agreement over FHI as well as a charge on the assets of the business.

(iv) On November 23, 2016, the Company entered into two purchase and sale agreements with companies to acquire loan portfolios. The portfolios included four loans with interest rates ranging from 12% to 24%. Included in these loan portfolios is a $90,000 loan to Advantagewon Oil Corporation ("AOC"), a company with a common officer as the Company. The maturity date of the loans in these loan portfolios range from August 1, 2017 to March 31, 2037. The carrying value of the loans on November 23, 2016 was $743,432. The Company issued 69,200 "Class – A" preferred shares with an estimated fair value of $10 per share for total consideration of $692,000 for the portfolio. The difference between the consideration given and the face value of the loans is related to one specific loan and has been recorded as a reduction to the fair value of the loan. This amount will be accreted to profit (loss) until April 10, 2018 when the loan matures. Accretion of $4,765 was recorded for the year ended December 31, 2016 (2015 - $nil) in the consolidated statements of loss and comprehensive loss. At December 31, 2016, the balance outstanding on the loan portfolio was $696,766 plus accrued interest of $9,109 (December 31, 2015 - $nil).

(v) On June 20, 2016, the Company loaned USD$25,000 ($32,478) to a resident of the City of Houston Texas. The Company charged a lenders fee of 5% for the loan and the loan bears interest at a rate of 24% per annum. The loan is secured by shares of a private oil company. At December 31, 2016, the balance outstanding on the loan was USD $12,898 ($17,318) (December 31, 2015 - $nil). Subsequent to December 31, 2016, this loan was fully repaid.

7. MINERAL PROPERTIES

Consistent with the Company's transition to a merchant bank as described in Note 1, the Company entered into a debt settlement agreement on August 19, 2016 with a former director of the Company to dispose of its legacy mining assets. As part of the debt settlement agreement, $51,278 owing to the former director was settled with the transfer of the Company's property titles to the former director. The Company will retain a net profits interest of 5% on the property for five years commencing on the date the property titles transferred to the former director.

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES – continued

The Company's mineral property interests consist of various early stage exploration projects as detailed below:

	December 31, 2016	2015
Mineral Claims		
Welsh Silver Mine	$ -	$ 38,000
Lost Dog Property	-	87,500
	$ -	$ 125,500
Deferred Exploration Costs		
Welsh Silver Mine	$ -	$ 389,154
Lost Dog Property	-	439,521
	$ -	$ 828,675

(a) Welsh Silver Mine, Ontario

The Welsh Silver Mine Property, consisted of one mining lease and nine mining claims is located in Mickle Township near the Town of Elk Lake in Ontario. Under the terms of the Welsh Property Option Agreement dated July 17, 2006, the Company can earn a 100% interest in the property. The Company paid the vendor a cash payment of $20,000 upon signing the agreement plus an additional $20,000 in July 2007, and has issued to the vendor 400,000 common shares valued at $46,000. The Company was also required and has satisfied the $50,000 expenditure commitment. The Company has paid the vendor an additional $40,000 and 260,000 common shares July 17, 2008. A 2% Net Returns Royalty ("NSR") is on the property with advance royalties being due of $30,000 per year commencing in 2009.

During the year ended December 31, 2015, the Company allowed 8 mining claims in Mickle Township to lapse, but value still remained on the mining lease. Management had taken an impairment charge of $114,000 of the acquisition costs and a charge of $1,136,000 against the deferred exploration costs in 2015.

During the year ended December 31, 2016, the Company allowed the mining lease and the remaining mining claims to lapse.

(b) Lost Dog Property, Ontario

The Company owned a 100% interest in certain mining claims in Denton Township, 30 kilometres south-west of Timmins, Ontario, subject to a 2% NSR which the Company has the right to purchase 1% NSR at any time for $1,000,000.

During the year ended December 31, 2016, the Company transferred the mining claims to a former director as part of a debt settlement agreement. See Note 12(iv).

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Equipment	Computers	Total
Cost as at December 31, 2014 and 2015	$ 18,035	$ 6,225	$ 24,260
Additions	31,996	2,971	34,967
Cost as at December 31, 2016	**50,031**	**9,196**	**59,227**
Accumulated depreciation as at December 31, 2014	(12,494)	(6,151)	(18,645)
Charge for the year	(1,109)	(40)	(1,149)
Accumulated depreciation as at December 31, 2015	(13,603)	(6,191)	(19,794)
Charge for the year	(4,801)	(746)	(5,547)
Accumulated depreciation as at December 31, 2016	**(18,404)**	**(6,937)**	**(25,341)**
Net book value as at December 31, 2015	4,432	34	4,466
Net book value as at December 31, 2016	**$ 31,627**	**$ 2,259**	**$ 33,886**

9. BUILDINGS AND IMPROVEMENTS

	57 Wellington	Madoc Self Storage	Total
Cost as at December 31, 2015 and 2014	$ -	$ -	$ -
Additions	469,782	308,071	777,853
Cost as at December 31, 2016	**469,782**	**308,071**	**777,853**
Accumulated depreciation as at December 31, 2015 and 2 014	-	-	-
Charge for the year	(5,872)	(1,815)	(7,687)
Accumulated depreciation as at December 31, 2016	**(5,872)**	**(1,815)**	**(7,687)**
Net book value as at December 31, 2015	-	-	-
Net book value as at December 31, 2016	**$ 463,909**	**$ 306,257**	**$ 770,166**

During the year ended December 31, 2016, the Company formed GP Realty Inc. and purchased its first property, 57 Wellington St., a fully tenanted residential rental property located in London, Ontario. Total purchase price of the property was $430,000 plus an aggregate $39,782 of capitalized expenses such as legal fees and other costs connected with the property purchase.

During the year ended December 31, 2016, the Company formed GP Self Storage Inc. and purchased its first self-storage facility in Madoc, Ontario. The total purchase price of the facility was $299,000 plus an aggregate of $9,071 of capitalized expenses such as legal fees and other costs connected with the purchase.

(Expressed in Canadian Dollars)

10. LONG-TERM INVESTMENTS

	December 31, 2016		December 31, 2015	
	# of shares	Fair market value	# of shares	Fair market value
Rock Vapor Technologies Inc. (i)	-	$ -	80,000	$ 138,000
Cannabis Royalties & Holdings Corp. (i)	28,850	95,205	-	-
Franchise Holdings International Inc. (ii)	50,000	671	-	-
Payfare Inc. (iii)	333,334	50,000	-	-
Advantagewon Oil Corp. (iv)	1,666,667	150,000	-	-
Total long-term investments		$ 295,876		$ 138,000

(i) On July 26, 2015, the Company had an agreement with Rock Vapor Technologies Inc. ("RVT") to purchase 80,000 shares of RVT at a cost of USD$1.25 per share for a total purchase price of USD$100,000 ($138,000). These shares were sold by RVT in pursuant to the terms of Regulation S of the Securities Act of 1933, as amended. The shares will be restricted indefinitely until Rock Vapor Technologies Inc. takes the necessary steps to become a publicly traded entity, at which time the restrictions may only be lifted pursuant to an effective registration statement or exemption statement or an exemption to the registration requirements. While restricted, the shares may not be traded in the United States or in Canada.

During the year ended December 31, 2016, RVT entered into an agreement with Cannabis Royalties & Holdings Corp. ("CRHC") (CSE:CRZ) to sell certain assets of RVT to CRHC for 375,000 common shares of CRHC. As a result of this agreement, the Company's RVT shares were swapped for 28,850 common shares of CRHC. The fair market value of these shares was estimated at $95,205 based on CRHC's quoted market share price as at December 31, 2016. As such, an impairment of $33,790 was recorded as an unrealized loss on investments for the year ended December 31, 2016 (2015 - $nil).

(ii) On September 16, 2016, the Company acquired 50,000 common shares of FHI as part of a capital market consulting agreement with FHI for $nil cost to the Company. These shares had an estimated fair value of USD $7,500 ($9,675) on the date of acquisition based on the quoted market share price of FHI on the date of acquisition. As at December 31, 2016, FHI's quoted share price was USD $0.01. As a result, an unrealized loss of $9,030 was recorded for the year ended December 31, 2016 (2015 - $nil).

(iii) On August 30, 2016, the Company acquired 333,334 common shares of Payfare Inc. for $50,000, a private company in the business of payment processing. There was no material change in the value of the shares as at December 31, 2016 due to the short amount of time that had passed since the purchase of the shares.

(iv) On October 20, 2016, the Company acquired 1,666,667 common shares of Advantagewon Oil Corporation ("AOC") for consideration of 2,500,000 common shares of the Company. The estimated fair value of the investment on the date of purchase was $112,500 based the closing quoted market share price of the Company's common shares on the day before the transaction. As at December 31, 2016, AOC's shares were valued at $150,000 based on the share price from a private placement occurring near December 31, 2016. As such, an unrealized gain of $37,500 was recorded for the year ended December 31, 2016 (2015 - $nil). AOC has an officer in common with the Company. AOC is in the process of going public and upon completion of the process, these shares are expected to be distributed to shareholders of the Company as a dividend.

(Expressed in Canadian Dollars)

11. MORTGAGES PAYABLE

	December 31, 2016	December 31, 2015
57 Wellington Street, London, Ontario	$ **277,028**	$ -
Madoc storage facility	**145,119**	-
Total mortgages payable	$ **422,147**	$ -
Classification:		
Short-term mortgages payable	$ **13,105**	$ -
Long-term mortgages payable	**409,042**	-
	$ **422,147**	$ -

57 Wellington Street, London, Ontario
On June 29, 2016, the Company obtained a mortgage payable to Equitable Bank for a principal amount of $279,500. The mortgage bears interest of 4.75% per annum, compounded semi-annually for a term of 36 months. The amortization life of the mortgage is 300 months.

Madoc storage facility
On October 1, 2016, the Company obtained a mortgage payable to the Royal Bank of Canada for a principal amount of $146,250. The mortgage bears interest of 4.63% per annum, compounded semi-annually for a term of 60 months. The amortization life of the mortgage is 180 months.

Mortgages payable are secured by general security agreements constituting a first ranking security interest in all assets, a collateral mortgage in the amount of $425,750 over real property, and a first position security interest over accounts receivable and inventories.

In addition to the mortgages payable, on February 18, 2016, the Company entered into a loan agreement for $151,500 with YCF Inc. The loan bears interest at 15% per annum. As at May 2, 2016 the total amount of loan principal and interest payable was repaid in full.

12. SHAREHOLDERS' EQUITY

a) Preferred shares and common shares

During the year ended December 31, 2015, the Company consolidated its issued and outstanding common shares on the basis of one new common share of the Company for every ten existing common shares of the Company. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

As at December 31, 2016, the Company's authorized share capital consisted of an unlimited number of voting common shares and 2,740,925 non-voting, cumulative, "Class – A" preferred shares that are redeemable at the option of the Company at fair value.

Preferred shares

	# of shares	Value of shares
Balance, December 31, 2014 and 2015	-	$ -
"Class - A" shares issued in private placement (i)	204,740	2,047,400
Balance, December 31, 2016	**204,740**	**$ 2,047,400**

(Expressed in Canadian Dollars)

12. SHAREHOLDERS' EQUITY

a) Preferred shares and common shares - continued

(i) On February 8, 2016, the Company initiated a non-brokered private placement financing to raise a maximum of $3,000,000 by sale of 300,000 "Class - A" preferred shares at a price of $10 per share. The series A preferred shares will pay up to an 8% annual dividend to the holders of the preferred shares. Holders of the preferred shares will also receive a 25% of after tax realized gains on any capital dispositions. No special voting rights will be granted to the holders of the preferred shares.

During the year ended December 31, 2016, the Company issued a total of 135,540 "Class – A" preferred shares at $10 per share for total proceeds of $1,355,400.

During the year ended December 31, 2016, the Company issued a total of 69,200 "Class – A" preferred shares at $10 per share to acquire loan portfolios as described in Note 6(iv).

Common shares

	# of shares		Value of shares
Balance, December 31, 2014	**8,257,035**	**$**	**5,245,466**
Common shares issued to extinguish debt (i)	3,328,625		332,862
Common shares issed in private placements (ii)	5,719,294		610,144
Value of warrants granted in private placements (ii)	-		(190,939)
Cost of issue	-		(5,000)
Balance, December 31, 2015	**17,304,954**		**5,992,533**
Common shares issued in private placements (iii)	6,738,127		635,599
Common shares issued to extinguish debt (iv)	866,175		96,618
Common shares issued to acquire investment (Note 10(iv))	2,500,000		112,500
Value of warrants granted in private placements (iii)	-		(187,186)
Cost of issue	-		(149,195)
Balance, December 31, 2016	**27,409,256**	**$**	**6,500,868**

(i) The Company settled $332,862 of debt for 3,328,625 by the issue of common shares at a price of $0.10 per common share. These shares were issued to settle accrued and unpaid debts to companies related to or controlled by officers and directors of the Company.

(ii) On July 24, 2015, the Company sold 1,549,600 units of non-brokered private placement with a unit price of $0.10 per unit for total proceeds of $154,960. No commission or finder's fee was payable with respect to this tranche. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 for a period of 12 months from the closing date. The fair value of the 774,800 warrants was estimated as $43,372 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 12 months expected term.

12. SHAREHOLDERS' EQUITY – continued

On September 22, 2015, the Company closed the first tranche of a non-brokered private placement raising gross proceeds of $196,600 through the issuance of 1,966,000 units for $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 12 months from the closing date. The fair value of the 983,000 warrants was estimated as $55,027 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 12 months expected term.

On September 24, 2015, the Company closed the second tranche of non-brokered private placement raising gross proceeds of $73,400 through the issuance of 734,000 units for $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 12 months from the closing date. The fair value of the 367,000 warrants was estimated as $20,544 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 12 months expected term.

On October 15, 2015, the third tranche closed with an additional 705,400 units sold for gross proceeds of $70,540 at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 12 months from the closing date. The fair value of the 352,700 warrants was estimated as $19,744 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 12 months expected term.

On December 22, 2015, the first tranche of the non-brokered private placement with a unit price of $0.15 per unit closed with the issuance of 764,294 units for gross proceeds of $114,644. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.25 for a period of 48 months from the closing date. The fair value of the 382,147 warrants was estimated as $52,252 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 48 months expected term. During the year ended December 31, 2016, an additional 382,147 common shares were issued to subscribers of this tranche with no additional consideration.

(iii) On February 29, 2016, the Company closed the first tranche of the non-brokered private placement raising gross proceeds of $35,900 through the issuance of 359,000 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The fair value of the 179,500 warrants was estimated as $10,573 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

12. SHAREHOLDERS' EQUITY – continued

On March 29, 2016, the Company closed the second tranche of the non-brokered private placement raising gross proceeds of $5,000 through the issuance of 50,000 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The fair value of the 25,000 warrants was estimated as $1,473 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

On April 19, 2016, the Company closed the third tranche of the non-brokered private placement raising gross proceeds of $38,500 through the issuance of 385,000 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The fair value of the 192,500 warrants was estimated as $11,338 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

On April 29, 2016, the Company closed the fourth tranche of the non-brokered private placement raising gross proceeds of $307,500 through the issuance of 3,075,000 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The fair value of the 1,537,500 warrants was estimated as $90,560 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term. A corporation controlled by an officer of the Company subscribed to 800,000 of the units in this tranche.

On May 16, 2016, the Company closed the fifth tranche of the non-brokered private placement raising gross proceeds of $238,698 through the issuance of 2,386,980 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The fair value of the 1,193,490 warrants was estimated as $70,298 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

On May 24, 2016, the Company closed the sixth tranche of the non-brokered private placement raising gross proceeds of $10,000 through the issuance of 100,000 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The fair value of the 50,000 warrants was estimated as $2,945 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

A total of $149,195 of share issue costs were incurred in relation to the common shares issued above.

(Expressed in Canadian Dollars)

12. SHAREHOLDERS' EQUITY – continued

(iv) The Company issued an aggregate of 866,175 common shares with an estimated fair value of $0.10 and $0.20 per share to settle debts owed to an officer, an ex-director and a consultant of the Company.

a) Warrants

	# of warrants		Fair value of warrants		Weighted average exercise price
Balance, December 31, 2014	**-**	**$**	**-**	**$**	**-**
Granted	2,859,647		190,939		0.163
Balance, December 31, 2015	**2,859,647**	**$**	**190,939**	**$**	**0.163**
Granted	3,177,990		187,186		0.150
Expired	(2,477,500)		(138,687)		(0.150)
Balance, December 31, 2016	**3,560,137**	**$**	**239,438**	**$**	**0.161**

The following warrants were in existence as at December 31, 2016:

# of warrants		Fair value of warrants	Weighted average exercise price	Expiry Date
179,500	$	10,573	0.15	February 28, 2019
25,000		1,473	0.15	March 29, 2019
192,500		11,338	0.15	April 19, 2019
1,537,500		90,559	0.15	April 29, 2019
1,193,490		70,298	0.15	May 16, 2019
50,000		2,945	0.15	May 24, 2019
382,147		52,252	0.25	December 21, 2019
3,560,137	$	239,438		

b) Contributed surplus

Balance, December 31, 2014 and 2015	**$**	**1,203,760**
Share-based compensation		196,600
Warrant expiry		138,687
Balance, December 31, 2015	**$**	**1,539,047**

Stock options

	# of options		Fair value of options		Weighted average exercise price
Balance, December 31, 2014	**5,000,000**	**$**	**162,400**	**$**	**0.100**
Expired	(5,000,000)		(162,400)		(0.100)
Balance, December 31, 2015	**-**	**$**	**-**	**$**	**-**
Granted	1,850,000		196,600		0.117
Balance, December 31, 2016	**1,850,000**	**$**	**196,600**	**$**	**0.117**

(Expressed in Canadian Dollars)

12. SHAREHOLDERS' EQUITY – continued

As at December 31, 2016, the Company's outstanding stock options are as follows:

# of options outstanding and exercisable		Fair value at grant date	Exercise price	Expiry Date	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
200,000	$	14,100	0.10	July 11, 2021	161%	5	0%	0.53%
100,000		3,500	0.10	December 1, 2021	156%	5	0%	1.07%
1,550,000		179,000	0.12	May 5, 2026	143%	10	0%	0.98%
1,850,000	$	196,600						

Employee share option plan

The shareholders of the Company approved the Company's existing stock option plan, the "Plan", to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

During the year ended December 31, 2016, $196,600 (2015 - $nil) of stock based compensation was recorded in the consolidated statement of loss for 1,850,000 stock options (2015 – nil) granted to directors, officers, employees and consultants of the Company.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The Company grants all employee stock options with an exercise price equal to or greater than the market value of the underlying common shares on the date of grant.

c) Dividends

On April 12, July 6 and October 3, 2016, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares for an aggregate of $0.60 per share. The total dividend paid during the year ended December 31, 2016 was $30,851 (2015 - $nil).

Subsequent to December 31, 2016, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares for a total of $40,948.

13. BASIC AND DILUTED LOSS PER SHARE

Shares issuable from options and warrants were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the years ended December 31, 2016 and 2015.

14. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS - continued

	Purchase of goods and services	
	Years ended December 31,	
	2016	**2015**
Cline Mining Corp.	**$ 5,480**	$ -
Black Birch Capital Inc.	**$ 36,000**	$ -

	Revenue earned from services	
	Years ended December 31,	
	2016	**2015**
Advantagewon Oil Corporation	**$ 30,000**	$ -

The Company has a common officer with both Cline Mining Corp., Black Birch Capital Inc. and Advantagewon Oil Corporation. There were no balances outstanding to these related parties as at December 31, 2016 and 2015.

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the period was as follows:

	Years ended December 31,	
	2016	**2015**
Short-term benefits	**$ 144,000**	$ 14,000
Share-based payments	**92,148**	10,960

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As at December 31, 2016, the Company owed $5,374 (December 31, 2015 - $13,137) to an officer of the Company and $nil (December 31, 2015 - $131,617) to directors of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See notes 6(iv), 10(iv) and 12(a).

15. SEGMENTED INFORMATION

In prior years, the Company operated in one reportable operating segment, being the exploration of mineral properties. In 2016, the Company changed its business to merchant banking as described in Note 1. As at December 31, 2016, the Company has four reportable segments; corporate, merchant banking, real estate and consulting and advisory. The merchant banking segment provides loans to third parties and earns interest income. The real estate segment acquires rental properties for capital appreciation and earns rental income. The consulting and advisory segment provides advisory services to third party corporations and earns service income. The corporate segment is responsible for the overall operations of the Company including all overhead costs. As at December 31, 2015, the Company also had a mineral interest segment which was disposed of in the year ended December 31, 2016.

(Expressed in Canadian Dollars)

15. SEGMENTED INFORMATION - continued

December 31, 2016	Corporate	Merchant banking	Real estate	Consulting and advisory	Total
Assets					
Canada	$ 329,762	$ 438,061	$ 800,516	$ -	$ 1,568,339
US	-	173,679	-	-	173,679
Non-current assets	$ 329,762	$ 611,740	$ 800,516	$ -	$ 1,742,018
Revenues	$ -	$ 68,651	$ 20,265	$ 76,000	$ 164,916

December 31, 2015	Corporate	Mineral Interests	Total
Assets			
Canada	$ 353,045	$ 954,175	$ 1,307,220
US	-	-	-
Non-current assets	$ 353,045	$ 954,175	$ 1,307,220
Revenues	$ -	$ -	$ -

16. CAPITAL MANAGEMENT

The Company considers its capital to be shareholders’ equity, which is comprised of preferred shares, common shares, contributed surplus, warrants and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company’s objective when managing capital are:

a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company’s ability to purchase new investments;
b) to give shareholders sustained growth in value by increasing shareholders’ equity; while
c) taking a conservative approach towards financial leverage and management of financial risks.

The Company’s management reviews its capital structure on an on-going basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company’s current capital is composed of its shareholders’ equity and, to-date, has adjusted or maintained its level of capital by:

a) raising capital through equity financings; and
b) realizing proceeds from the disposition of its investments

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company and its subsidiaries is not subject to externally imposed capital requirements. There were no changes in the Company’s approach to capital management during the years ended December 31, 2016 and 2015.

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities as at December 31, 2016 and 2015 are as follows:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
December 31, 2016			
Cash	$ 127,619	$ -	$ 127,619
Accounts and other receivables	545,986	-	545,986
Notes receivable	1,001,201	-	1,001,201
Investments	-	295,876	295,876
Accounts payable and accrued liabilities	(255,760)	-	(255,760)
Mortgages payable	(422,147)	-	(422,147)
December 31, 2015			
Cash	$ 171,961	$ -	$ 171,961
Investments	-	138,000	138,000
Accounts payable and accrued liabilities	(245,649)	-	(245,649)

The Company's has loans receivable outstanding and a significant portion of the Company's assets are currently comprised of financial instruments which can expose it to several risks, including market, liquidity, credit and currency risks. As a result of the change in business, there are new risks, objectives, policies and procedures compared to the previous year as discussed below. A discussion of the Company's use of financial instruments and their associated risks is provided below:

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 because of changes in market 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 favorable prices. In addition, a significant portion of the Company's investments are in the resource sector. The Company mitigates this risk by attempting to have a portfolio which is not singularly exposed to any one issuer, with exception to the Company having one position as at December 31, 2016 which made up of approximately 51% (December 31, 2015 – nil%) of the total equity portfolio. (See Note 10).

For the year ended December 31, 2016, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $15,000 (December 31, 2015 - $nil).

For the year ended December 31, 2016, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of $14,500 (December 31, 2015 - $13,800).

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at December 31, 2016 the Company's current liabilities totaled $274,329 and cash totaled $127,619. The Company generates cash flow from advisory fees, loan interest and rental income.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

The Company manages liquidity risk by reviewing the amount of cash available, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meets its current obligations. See Note 2.

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	$ 255,760	$ 255,760	$ 255,760	$ -	$ -	$ -
Mortgages payable	422,147	668,723	32,572	65,145	65,145	505,861
Total	$ 677,907	$ 924,483	$ 288,332	$ 65,145	$ 65,145	$ 505,861

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts and other receivables and notes receivable.

The Company monitors the credit risk and credit standing of its customers on a regular basis. See Note 5 for an aging analysis of other receivables. The Company's share subscription receivables consist of receivables from a small number of the Company's "Class – A" preferred share subscribers. Three subscribers make up 46%, 29% and 10% respectively of the amount owing (December 31, 2015 -$nil). The full amount of share subscription receivables was received subsequent to year end.

Security was obtained against specific assets of the counterparty, in case of non-performance on the notes receivable. The total carrying value of these financial instruments at December 31, 2016 was $1,001,201 (December 31, 2015 - $nil). Two lendees make up 47% and 15% of the Company's notes receivable balance, respectively, at December 31, 2016 (December 31, 2015 - $nil). Management considered the potential impairment of loans and receivables and concluded that an impairment was not necessary for the year ended December 31, 2016 (December 31, 2015 - $nil).

The Company's consulting fee revenues are primarily derived from a small number of customers within Canada. The Company has four customers who represented 39%, 18%, 16% and 16% of consulting fees revenues, respectively, in 2016 (2015 consulting fees revenue – $nil). There can be no assurance that all or any of the Company's customers will continue to engage in the Company's services. The loss of any such customer may have a materially negative impact on the Company business conditions and financial results.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of its loans receivable and investments are in United States dollars. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Fair value of financial instruments

The Company has determined the carrying values of its financial instruments as follows:

i. The carrying values of cash, accounts receivable, and accounts payable and accrual liabilities approximate their fair values due to the short-term nature of these instruments.
ii. Notes receivable, long-term notes receivable and long-term investments are carried at amounts in accordance with the Company's accounting policies as set out in Note 3.
iii. Mortgages payable approximate their fair values due to the short time since they were received.

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

iv. Prior to maturity, the outstanding notes receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimated realizable value.

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the consolidated statements of financial position as at December 31, 2016 and 2015:

Investments, fair value	Level 1 (Quoted market price)	Level 2 (Valuation technique - observable market inputs)	Level 3 (Valuation technique - non-observable market inputs)	Total
Publicly traded investments	$ 95,876	$ -	$ -	$ 95,876
Private investments	-	-	200,000	200,000
December 31, 2016	$ 95,876	$ -	$ 200,000	$ 295,876
Publicly traded investments	$ -	$ -	$ -	$ -
Private investments	-	-	138,000	138,000
December 31, 2015	$ -	$ -	$ 138,000	$ 138,000

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the years ended December 31, 2016 and 2015. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the consolidated statements of loss.

Investments classfied as Level 3, fair value	For the years ended December 31, 2016	2015
Balance, beginning of year	$ 138,000	$ -
Purchase at cost - shares	162,500	138,000
Exchanged for Level 1 investments	(95,205)	-
Unrealized gain	3,710	-
Foreign exchange loss	(9,005)	-
Balance, end of year	$ 200,000	$ 138,000

Within Level 3, the Company includes private company investments which are not quoted on an 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 fair values of all of the private company investments held by the Company were determined by recent financings done by the investee other than that described in Note 10(i) and (iii).

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the size of the private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

For those investments valued based on a recent financing or transaction price, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2016 and 2015. A +/- 25% change in the fair value of these Level 3 investments as at December 31, 2016 will result in a corresponding +/- $50,000 (2015 - +/- $34,500). While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

18. INCOME TAXES

a) The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (2015 – 26.5%) to income tax expense is as follows:

	2016	2015
(Loss) before income taxes	**$ (1,394,118)**	$ (1,525,729)
Expected income tax recovery based on statutory rate	**(369,000)**	(404,000)
Adjustment to expected income tax benefit:		
Share-based compensation	**52,000**	-
Expenses not deductible for tax purposes	**(55,000)**	331,000
Other	**(1,000)**	(5,000)
Change in benefit of tax assets not recognized	**373,000**	78,000
Deferred income tax provision (recovery)	**$ -**	$ -

b) The tax effect of temporary differences that give rise to deferred tax assets and liabilities in Canada at December 31, 2016 and 2015 are as follows:

	2016	**2015**
Deferred tax assets (liabilities) recognized:		
Mineral property costs	**$ -**	$ (45,000)
Tax loss carry-forwards	**-**	45,000
Deferred income tax assets (liabilities)	**$ -**	$ -

(Expressed in Canadian Dollars)

18. INCOME TAXES - continued

Deferred income tax assets have not been recognized in respect of the following temporary differences:

		2016		2015
Non-capital loss carry-forwards	$	**3,009,000**	$	2,160,000
Share issue costs		**122,000**		4,000
Mineral property costs		**573,000**		-
Other temporary differences		**40,000**		12,000
Total temporary differences	$	**3,744,000**	$	2,176,000

Deferred tax assets have not be recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) The Company has approximately $3,009,000 of non-capital losses in Canada as at December 31, 2016 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

2025	$	68,000
2026		754,000
2028		404,000
2029		229,000
2030		312,000
2031		241,000
2032		198,000
2034		34,000
2035		92,000
2036		677,000
	$	3,009,000

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,			
		2016		2015
Interest paid	$	**6,584**	$	-
Common shares issued for debt settlement		**96,618**		332,862
Preferred shares issued to acquire notes receivable		**692,000**		-

20. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $300,000 (December 31, 2015 - $210,000) ranging from 12 to 18 months and additional contingent payments of up to approximately $240,000 (December 31, 2015 - $168,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company has discontinued mining operations in various jurisdictions and has written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, it any, for which the Company might become obligated as a result of its role as operator, guarantor or indemnifier, is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.

(Expressed in Canadian Dollars)

20. CONTINGENCIES - continued

The Company leases its office under a lease agreement which commenced October 1, 2016, the following is a summary of its lease commitments for the term of the lease:

< 1 year from reporting date	$	43,400
1 to 2 years from reporting date		43,834
2 to 3 years from reporting date		45,136
3 to 4 years from reporting date		45,136
4 to 5 years from reporting date		33,852
	$	211,358

21. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company issued a total of 100,140 “Class – A” preferred shares at $10 per share for total proceeds of $1,001,400. The Company issued an additional 23,800 series A preferred shares to acquire a loan portfolio from a company with a common officer with the Company. The portfolio includes two loans with interest rates ranging from 10% to 12%. The maturity date of these loans ranged from March 31, 2018 to March 31, 2037.

Subsequent to December 31, 2016, the Company issued a total of 33,550 “Class – B” preferred shares at $10 per share for total proceeds of $335,500. The series B preferred shares will pay up to an 8% annual dividend to the holders of the preferred shares. Holders of these preferred shares will also have a 25% of after tax realized gains on any capital dispositions. No special voting rights will be granted to the holders of the preferred shares.

Subsequent to December 31, 2016, the Company purchased its second residential rental property at 63 Wellington St. in London, Ontario. Total purchase price of the property was $725,000 and an aggregate $60,434 of capitalized expenses such as legal fees and other costs connected with the property purchase. The Company obtained a mortgage payable to Equitable Bank for a principal amount of $543,750. The mortgage bears interest of 4.20% per annum, compounded semi-annually for a term of 60 months. The amortization life of the mortgage is 300 months.

Subsequent to December 31, 2016, the Company loaned $31,538 to JIT Financial Inc. (“JIT”), which the Company acquired a 12.5% ownership stake and as a result of this stake, appointed one of its officers to the Board of Directors, through a promissory note and an amendment of the promissory note. JIT is in the cash clearing business. The loan bears interest at a rate of 10% per annum and the Company charges a royalty of $0.05 per transaction on certain transactions processed by JIT. The loan is repayable on a basis of $0.25 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

Subsequent to December 31, 2016, the Company loaned $577,340 to JIT, through a promissory note and a number of amendments of the promissory note. JIT is in the cash clearing business. The loan bears interest at a rate of $0.30 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

21. SUBSEQUENT EVENTS – continued

Subsequent to December 31, 2016, the Company loaned an unrelated party $102,340 with a maturity date of two days subsequent to the issuance of the loan. The loan bears a fee of $800. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement. The loan has been fully repaid.

Subsequent to December 31, 2016, the Company has loaned a further $56,443 to FHI under the same terms as the July 23, 2016 agreement described in Note 6(iii).

Subsequent to December 31, 2016, the Company loaned an advisory services client USD $78,000 ($106,430). The loan bears interest at a rate of 14% per annum and has a maturity date of April 10, 2018. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement. Until the maturity date, the Company has the right to convert all or a portion of the loan into common shares of the borrower at a conversion price of $0.05 per share. The borrower also agreed to issue 1,000,000 common stock purchase warrants with a life of three years to the Company. These warrants will have an exercise price of $0.05.

See Note 12(c).