GUNPOWDER CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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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 statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 30, 2018

GUNPOWDER CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31,

	Notes		2017		2016
ASSETS					
CURRENT					
Cash		$	**992,755**	$	127,619
Accounts and other receivables	5, 6		**97,449**		563,640
Prepaid expenses			**40,615**		15,849
Notes receivable	6		**1,097,240**		389,461
US real estate participation loans	7		**312,428**		-
Total current assets			**2,540,487**		1,096,569
LONG TERM PREPAIDS	10		**88,425**		30,350
EQUIPMENT	9		**31,481**		33,886
BUILDINGS AND IMPROVEMENTS	10		**2,900,815**		770,166
LOANS RECEIVABLE	16		**1,077,532**		-
LONG-TERM NOTES RECEIVABLE	6		**250,667**		611,740
LONG-TERM INVESTMENTS	11		**474,769**		295,876
TOTAL ASSETS		$	**7,364,176**	$	2,838,587
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities		$	**381,061**	$	255,760
Due to related parties	16		**5,374**		5,374
Mortgages payable - current portion	12		**404,065**		13,105
Loans payable - current portion	13		**57,535**		-
Total current liabilities			**848,035**		274,239
LONG-TERM MORTGAGES PAYABLE	12		**1,512,556**		409,042
LONG-TERM LOANS PAYABLE	13		**102,929**		-
TOTAL LIABILITIES			**2,463,520**		683,281
SHAREHOLDERS' EQUITY					
Preferred shares	14(a)		**5,291,445**		2,047,400
Common shares	14(a)		**6,703,871**		6,500,868
Contributed surplus	14(c)		**1,570,047**		1,539,047
Warrants	14(b)		**356,535**		239,438
Deficit	14(d)		**(9,021,242)**		(8,171,447)
TOTAL SHAREHOLDERS' EQUITY			**4,900,656**		2,155,306
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	**7,364,176**	$	2,838,587

Description of business (Note 1)
Going concern (Note 2(d))
Subsequent events (Note 23)

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.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended December 31,

	Notes	**2017**	2016
INCOME			
Rental		**$ 159,856**	$ 20,265
Advisory services		**575,289**	76,000
Payment processing services		**334,337**	-
Interest		**367,615**	68,651
TOTAL INCOME		**1,437,097**	164,916
EXPENSES			
Management fees	16	**369,000**	223,000
Consulting and other professional fees		**306,566**	155,110
General, office and administrative		**217,682**	144,877
Transfer agent and filing fees		**102,953**	62,485
Property taxes and maintenance		**128,428**	11,616
Legal and audit fees		**74,569**	52,742
Marketing and investor relations		**62,513**	99,603
Non-recoverable input tax credits	5	**52,438**	-
Mortgage and loan interest		**52,086**	17,367
Share-based compensation	14(c)	**31,000**	196,600
Travel and accomodations		**45,131**	64,657
Business development		**7,997**	-
Bank service charges		**7,452**	3,290
NET (LOSS) BEFORE OTHER ITEMS		**(20,718)**	(866,431)
Amortization		**(55,578)**	(13,234)
Write-off of mineral properties		**-**	(510,442)
Impairment of loan receivable	6	**(357,945)**	-
Realized gain on investments	11	**125,882**	-
Unrealized loss on investments	11	**(24,140)**	(5,320)
Accretion on financial instruments	6	**42,230**	4,765
Foreign exchange (loss)		**(46,885)**	(3,456)
TOTAL OTHER ITEMS		**(316,436)**	(527,687)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		**$ (337,154)**	$ (1,394,118)
Weighted average number of shares outstanding - basic and diluted		**29,618,103**	22,590,027
Basic and diluted loss per share	15	**(0.01)**	(0.06)

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

GUNPOWDER CAPITAL 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, 2015		**17,304,954**	**$ -**	**$ 5,992,533**	**$ 1,203,760**	**$ 190,939**	**$ (6,746,478)**	**$ 640,754**
Issuance of preferred shares	14	204,740	2,047,400	-	-	-	-	2,047,400
Issuance of common shares (net of share issue costs)	14	9,238,127	-	598,903	-	-	-	598,903
Issuance of warrants		-	-	(187,186)	-	187,186	-	-
Common shares issued for debt	14	866,175	-	96,618	-	-	-	96,618
Share-based compensation		-	-	-	196,600	-	-	196,600
Expiry of warrants		-	-	-	138,687	(138,687)	-	-
Dividends	14	-	-	-	-	-	(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**
Issuance of common shares (net of share issue costs)	14	3,001,000	-	270,100	-	-	-	270,100
Issuance of warrants		-	-	(117,097)	-	117,097	-	-
Issuance of preferred shares (net of share issue costs)	14	406,640	3,694,045	-	-	-	-	3,694,045
Common shares issued for debt	14	500,000	-	50,000	-	-	-	50,000
Repurchase of preferred shares		(45,000)	(450,000)	-	-	-	-	(450,000)
Share-based compensation		-	-	-	31,000	-	-	31,000
Dividends	14	-	-	-	-	-	(512,641)	(512,641)
Net loss for the year		-	-	-	-	-	(337,154)	(337,154)
Balance, December 31, 2017		**31,476,636**	**$ 5,291,445**	**$ 6,703,871**	**$ 1,570,047**	**$ 356,535**	**$ (9,021,242)**	**$ 4,900,656**

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

GUNPOWDER CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended December 31,

	2017	2016
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the year	**$ (337,154)**	$ (1,394,118)
Items not involving cash:		
Amortization	**55,578**	13,234
Write-off of mineral properties	**-**	510,442
Non-cash consulting income	**(506,561)**	-
Bad debt expense	**3,954**	-
Impairment of loan receivable	**357,945**	
Share-based compensation	**31,000**	196,600
Unrealized loss on investments	**24,140**	5,320
Realized gain on investments	**(125,882)**	-
Accretion on notes receivable	**(42,230)**	(4,765)
Foreign exchange	**46,752**	17,279
Changes in working capital items other than cash:		
Accounts and other receivables	**425,435**	(65,582)
Prepaid expenses	**(24,767)**	1,151
Accounts payable and accrued liabilities	**173,196**	127,152
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**81,406**	(593,287)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of preferred shares	**3,828,400**	878,960
Share issue costs	**(402,355)**	(187,186)
Proceeds from issuance of common shares	**300,100**	673,589
Cash dividends paid to preferred shareholders	**(313,206)**	(30,851)
Proceeds from loan payable	**174,654**	151,500
Repayment of loan payable	**(14,956)**	(151,500)
Repayment of mortgages payable	**(29,790)**	-
Due to related parties	**-**	(7,799)
CASH PROVIDED BY FINANCING ACTIVITIES	**3,542,847**	1,326,713
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
US real estate participation loans	**(312,428)**	-
Funds loaned for notes receivable	**(1,088,101)**	(399,967)
Repayments received for notes receivable	**506,825**	100,722
Funds loaned for loans receivable	**(1,077,532)**	-
Purchase of investments	**(70,050)**	(57,500)
Purchase of buildings	**(623,549)**	(355,706)
Purchase of equipment	**(5,858)**	(34,967)
Long-term prepaids	**(88,425)**	(30,350)
CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(2,759,118)**	(777,768)
CHANGE IN CASH	**865,135**	(44,342)
Cash, beginning of the year	**127,619**	171,961
Cash, end of the year	**$ 992,754**	$ 127,619

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

1. DESCRIPTION OF BUSINESS

Gunpowder Capital Corp. (“GPC” or the “Company”) is 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 its common shares trades under the symbol “GPC” and its “Class – A” preferred shares trades under the symbol “GPC.PR.A” on the Canadian Securities Exchange. The Company’s common shares also trade on the Frankfurt Stock Exchange under “YS6N” and on the OTCQB Market under the trading symbol “GNPWF”.

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, 2017 and 2016 were authorized for issuance in accordance with a resolution of the board of directors on April 30, 2018.

During the year ended December 31, 2017, GPC incorporated nine new wholly-owned subsidiaries, 1209 Hickory Road Inc., 559 Assumption Road Inc., 934 Maisonville Road Inc., 1571 Hickory Road Inc., 935 Albert Street Inc., 663 Marentette Ave. Inc., 491 Louis Ave. Inc, 1 Balfour Place Inc. and 53 McClary Ave. 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.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION - continued

(a) Basis of consolidation (continued)

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.(2)	Canada	Real estate rental company
63 Wellington Street Inc. (2)	Canada	Real estate rental company
1209 Hickory Road Inc. (2)	Canada	Real estate rental company
559 Assumption Road Inc. (2)	Canada	Real estate rental company
934 Maisonville Road Inc. (2)	Canada	Real estate rental company
1571 Hickory Road Inc. (2)	Canada	Real estate rental company
935 Albert Street Inc. (2)	Canada	Real estate rental company
663 Marentette Ave. Inc. (2)	Canada	Real estate rental company
491 Louis Ave. Inc. (2)	Canada	Real estate rental company
1 Balfour Place Inc. (2)	Canada	Real estate rental company
53 McClary Ave. Inc. (2)	Canada	Real estate rental company
GP Financial Services Corp.(1)	Canada	Payment processing company
GP Self Storage Inc.(1)	Canada	Storage facility rental company

(1) 100% owned by the parent company.

(2) 100% owned by GP Realty Inc.

(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 $337,154 during the year ended December 31, 2017 (2016 -$1,394,118) and, as of that date the Company’s deficit was $9,021,242 (December 31, 2016 - $8,171,447). In the year ended December 31, 2016, the Company had transferred to a merchant banking model and is dependent on obtaining new clients and making profitable investments to generate profit.

2. BASIS OF PRESENTATION - continued

(d) Going concern of operations

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.

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.

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 when the services are performed.

Interest income
Interest income is recorded when earned.

Rental income
Rental income from real estate properties and storage facility properties is recorded when earned and the reasonableness of collection is assured.

Payment processing services income
Revenue earned from payment processing is recognized at the fair value of the consideration received or receivable when payments are processed.

(b) Foreign currencies

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries. 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 with amounts held in trust. For cash flow statement presentation purposes, cash includes bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Equipment, buildings and improvements

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 and improvements	2.5%	Straight-line
Equipment	20%	Declining balance
Computers	55%	Declining balance

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

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 equipment, buildings and improvements are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other items in profit or loss.

(e) Investments in associated companies

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company's proportion of dividends paid by the associated company reduces the carrying value of the investment.

(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 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
Loans receivable	Loans and receivables
Notes receivable	Loans and receivables
US real estate participation loans	Loans and receivables
Long-term investments	FVTPL

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities
Loans payable	Other financial liabilities
Mortgages 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 19 – "Financial instruments and risk management"). 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 19.

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 19. 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.

Where the Company holds an investment in a privately-held entity for which there is no active market and for which there is no reliable estimate of fair value, the investment is carried at cost less any provision for impairment.

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) Changes in accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

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.

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.

(l) 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, 2018. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

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.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined.

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.

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.

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.

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.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – continued

(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 19 for further details.

(f) Estimated useful life of equipment, buildings and improvements

Management estimates the useful lives of equipment, buildings and improvements based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of equipment, buildings and improvements for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's equipment, buildings and improvements in the future.

(g) Contingencies

Please refer to Note 22.

5. ACCOUNTS AND OTHER RECEIVABLES

		December 31,		
		2017		**2016**
Trade receivables (Note 6(iii))	**$**	**101,002**	$	-
Share subscription receivables		**-**		476,440
HST receivables (i)		**8,268**		17,654
Other receivables		**43**		69,546
Allowance for doubtful accounts		**(11,864)**		-
Total accounts and other receivables	**$**	**97,449**	$	563,640

(i) Only HST input tax credits which are deemed refundable are recorded as HST receivables. When it is reasonably estimable that a portion of the input tax credits is not eligible for refund, the amount is recorded as an expense. For the year ended December 31, 2017, $52,438 was recorded as a non-recoverable input tax credits expense in the consolidated statements of loss and comprehensive loss (2016 - $nil).

Aging analysis of trade receivables:		December 31,		
		2017		**2016**
1-30 days	**$**	**62,851**	$	13,825
31 - 60 days		**4,000**		1,249
61 - 90 days		**2,920**		4,253
Greater than 90 days		**31,231**		50,219
	$	**101,002**	$	69,546

(Expressed in Canadian Dollars)

6. NOTES RECEIVABLE

	December 31, 2017	2016
Cardiff Energy Corp. (i)	**$ -**	$ 90,079
Advantagewon Inc. (ii)	**-**	33,592
Franchise Holdings International Inc. (iii)	**191,497**	154,337
Loan portfolio (iv)	**652,703**	705,875
1123568 BC Ltd. (v)	**184,620**	-
PMG-Patriot, Inc. (vi)	**358,633**	-
Advantagewon Oil Corporation (vii)	**256,533**	-
Other (viii)	**61,867**	17,318
	$ 1,705,853	$ 1,001,201
Less: provision for notes receivable	**(357,945)**	-
Total notes receivable	**$ 1,347,908**	$ 1,001,201
Classification:		
Short-term notes receivable	**$ 1,097,240**	$ 389,461
Long-term notes receivable	**250,667**	611,740
	$ 1,347,908	$ 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.

On June 13, 2017, as repayment of the loan, Cardiff issued 1,000,000 common shares to the Company with a fair value of $80,000 based on their quoted market price on the date of issuance. Of this, $70,904 repaid accrued interest and $9,096 repaid the principal of the loan. On August 11, 2017, Cardiff issued a further 698,850 common shares to the Company with a fair value of $69,885 based on their quoted market price on the date of issuance to fully repay the loan.

(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, 2017, the balance outstanding on the loan was $nil (December 31, 2016 - $33,592).

(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. The Company has one common officer with FHI. 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, 2017, the balance outstanding on this loan was $111,173 (December 31, 2016 - $56,842 plus accrued interest of $1,098). An additional amount of $18,494 outstanding from FHI was recorded as accounts and other receivables at December 31, 2017 for monthly repayment of interest (December 31, 2016 - $nil).

6. NOTES RECEIVABLE - continued

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 $80,324 plus accrued interest of $nil (December 31, 2017 - $92,568 plus accrued interest of $3,829). An additional amount of $8,998 outstanding from FHI was recorded as accounts and other receivables at December 31, 2017 for monthly repayment of interest which have not been repaid (December 31, 2016 - $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 $42,430 was recorded for the year ended December 31, 2017 (2016 - $4,765) in the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2017, $281,867 was repaid to the Company in relation to these loans.

On January 16, 2017, the Company entered into a purchase and sale agreement to acquire a loan portfolio. This portfolio included two loans with rates ranging from 10% to 12%. The maturity date of the loans in this loan portfolio ranged from March 31, 2018 to March 31, 2037. The carrying value of the loans on January 16, 2017 was $238,000. The Company issued 23,800 "Class – A" preferred shares with an estimated fair value of $10 per share for total consideration of $238,000 for the portfolio. During the year ended December 31, 2017, one of the loans in the portfolio was fully repaid.

At December 31, 2017, the balance outstanding on the above loan portfolios was $646,864 plus accrued interest of $5,839 (December 31, 2016 - $696,766 plus accrued interest of $9,109).

(v) On October 5, 2017, the Company entered into a loan agreement with an unrelated party where the Company loaned a total of $181,000. The loan bears interest at a rate of 24% per annum has a maturity date of October 1, 2018. The loan is secured first by a second mortgage charge on the building owned by the borrower, a general security agreement and a charge against the assets of the borrower. The Company also received 116,500 common shares of the borrower. These common shares had an estimated fair value of $nil on the day of receipt and as at December 31, 2017. At December 31, 2017, the balance outstanding on this loan was $181,000 plus accrued interest of $3,620 (December 31, 2016 - $nil).

6. NOTES RECEIVABLE - continued

(vi) On July 4, 2017, the Company loaned USD$160,000 ($209,032) to PMG-Patriot, Inc. ("Patriot"). The loan bears interest at a rate of 18% per annum and has a maturity date of January 1, 2019. Patriot will also pay the Company a royalty of 1.5% based on gross revenue of Patriot. 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.

On October 23, 2017, the Company entered into an agreement to acquire a secured note of Patriot with a face value of USD $138,000 ($172,023). The secured note bears interest of 5% per annum and has a maturity date of July 1, 2020. The Company has agreed to acquire the note for USD $120,000 ($149,585). The discount of the of the note of USD 18,321 ($23,003) will be amortized over the term of the loan.

On October 24, 2017, the Company loaned USD$25,000 ($31,825) to Patriot. The loan bears interest at a rate of 18% per annum and has a maturity date of January 1, 2019. 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.

On December 1, 2017, the Company entered into a loan agreement amendment with Patriot for all three loans described above whereas Patriot agreed to pay interest at 1.5% per month on the outstanding balances and commence repayment of the loan at a minimum of USD $1,000 per month beginning on February 1, 2018.

At December 31, 2017, the balance outstanding on the Patriot loans was USD $285,209 ($357,945) plus accrued interest of $688 (December 31, 2016 - $nil). An impairment loss of $357,945 was recorded on this loan on the consolidated statement of loss and comprehensive loss for the year ended December 31, 2017 as the present value of the estimated future cash flows from the loan was not determinable.

(vii) On November 24, 2017, the Company entered into a loan agreement with AOC where the Company loaned AOC a total of USD $200,500 ($256,961). The loan bears interest at a rate of 1% per month and is to be repaid from the net proceeds of AOC's next fundraising. The loan is secured by a first charge and security interest in all of the present and after-acquired property of the borrower and a general security agreement provided by the borrower. At December 31, 2017, the balance outstanding on this loan was USD $200,500 ($251,640) plus accrued interest of $4,893 (December 31, 2016 - $nil).

(viii) 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. During the year ended December 31, 2017, this loan was fully repaid. At December 31, 2017, the balance outstanding on the loan was $nil (December 31, 2016 – USD $12,898 ($17,318)).

On May 22, 2017, the Company loaned $50,000 to 2230164 Ontario Inc. ("2230164"), a company with an officer in common with FHI. The loan bears interest at a rate of 18%. and is secured by a general security agreement over 2230164 as well as a charge on the assets of the business. Subsequent to May 22, 2017, the Company loaned 2230164 a further $10,000 with the same terms as the original loan. At December 31, 2017, the outstanding balance of this loan was $61,867 (December 31, 2016 - $nil). See Note 11(ii).

6. NOTES RECEIVABLE - continued

On April 19, 2017, the Company loaned USD$78,000 ($102,338) to Eastgate Pharmaceuticals Inc. (“Eastgate”). 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 and a personal guarantee. 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 500,000 common stock purchase warrants with a life of three years to the Company. These warrants will have an exercise price of $0.05. The value of these warrants have a nominal value and has not recorded by the Company. During the year ended December 31, 2017, there were two amendments related to the loan to extend certain deadlines for an event of default and Eastgate issued 175,000 common shares to the Company in relation to these amendments. These shares have a nominal value and has not been recorded by the Company. As at December 31, 2017, the loan has been fully repaid.

7. US REAL ESTATE PARTICIPATION LOANS

During the year ended December 31, 2017, the Company invested in three rehabilitation properties in the United States for USD$52,698 ($66,782), USD$90,725 ($115,104) and USD$157,421 ($197,324), respectively. The Company has provided financing for the purchase of the properties and will be repaid upon the sale of the properties as well as receive a share of the gross profits from the sale. One of the properties was sold during the year ended December 31, 2017 for a gain of USD $8,905 ($11,205) recorded in the consolidated statements of loss and comprehensive loss. The remaining properties are intended to be sold in the short term.

8. 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.

(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.

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.

During the year ended December 31, 2016, the Company transferred the mining claims to a former director as part of a debt settlement agreement.

(Expressed in Canadian Dollars)

9. EQUIPMENT

	Equipment	Computers	Total
Cost as at December 31, 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
Additions	4,146	1,712	5,858
Cost as at December 31, 2017	54,177	10,908	65,085
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)
Charge for the year	(6,796)	(1,467)	(8,263)
Accumulated depreciation as at December 31, 2017	**(25,200)**	**(8,404)**	**(33,604)**
Net book value as at December 31, 2016	31,627	2,259	33,886
Net book value as at December 31, 2017	**$ 28,977**	**$ 2,504**	**$ 31,481**

10. BUILDINGS AND IMPROVEMENTS

	57 Wellington	63 Wellington	1209 Hickory	559 Assumption	1571 Hickory	935 Albert	663 Marenette	491 Louis	Madoc Self Storage	Total
Cost as at December 31, 2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	469,782	-	-	-	-	-	-	-	308,071	777,853
Cost as at December 31, 2016	469,782	-	-	-	-	-	-	-	308,071	777,853
Additions	4,485	788,389	144,958	157,660	209,834	155,802	312,126	404,710	-	2,177,964
Cost as at December 31, 2017	**474,267**	**788,389**	**144,958**	**157,660**	**209,834**	**155,802**	**312,126**	**404,710**	**308,071**	**2,955,817**
Accumulated depreciation as at December 31, 2015	-	-	-	-	-	-	-	-	-	-
Charge for the year	(5,872)	-	-	-	-	-	-	-	(1,815)	(7,687)
Accumulated depreciation as at December 31, 2016	(5,872)	-	-	-	-	-	-	-	(1,815)	(7,687)
Charge for the year	(11,787)	(18,021)	(2,185)	(1,977)	(1,961)	(1,305)	(1,851)	(526)	(7,702)	(47,315)
Acc. depreciation as at December 31, 2017	**(17,659)**	**(18,021)**	**(2,185)**	**(1,977)**	**(1,961)**	**(1,305)**	**(1,851)**	**(526)**	**(9,517)**	**(55,002)**
Net book value as at December 31, 2016	$ 463,910	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 306,256	$ 770,166
Net book value as at December 31, 2017	**$ 456,608**	**$ 770,368**	**$ 142,773**	**$ 155,683**	**$ 207,873**	**$ 154,497**	**$ 310,275**	**$ 404,184**	**$ 298,554**	**$2,900,815**

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.

During the year ended December 31, 2016, the Company formed GP Self Storage Inc. and purchased its first self-storage facility in Madoc, Ontario.

During the period ended December 31, 2017, the Company formed 63 Wellington Street Inc. and on January 31, 2017, completed the purchase of its second residential rental property, 63 Wellington Street, located in London, Ontario.

During the year ended December 31, 2017, the Company formed 1209 Hickory Road Inc., 559 Assumption Road Inc., 1571 Hickory Road Inc., 935 Albert Street Inc., 663 Marentette Ave. Inc. and 491 Louis Ave. Inc. and completed the purchase of its third to eighth residential rental properties, located in Windsor, Ontario.

Deposits to additional properties not yet acquired are included in long-term prepaids. As at December 31, 2017, these deposits amounted to $88,425 (2016 - $1,350).

(Expressed in Canadian Dollars)

10. BUILDINGS AND IMPROVEMENTS - continued

The cost and other capitalized expenses of each property is as follows:

	Date of purchase	Cost	Other capitalized expenses	Total capitalized costs
57 Wellington Street	6/28/2016	$ 430,000	$ 44,268	$ 474,268
63 Wellington Street	1/31/2017	725,000	63,388	788,388
1209 Hickory Road	5/24/2017	135,000	9,958	144,958
559 Assumption Road	6/29/2017	149,900	7,760	157,660
1571 Hickory Road	8/16/2017	199,900	9,934	209,834
935 Albert Street	8/31/2017	150,000	5,802	155,802
663 Marrentette Ave	10/6/2017	300,000	12,126	312,126
491 Louis Ave	12/13/2017	395,000	9,710	404,710
Madoc Self Storage	10/6/2016	299,000	9,071	308,071
		$ 2,783,800	**$ 172,017**	**$ 2,955,817**

11. LONG-TERM INVESTMENTS

	December 31, 2017		December 31, 2016	
	# of shares	Fair market value	# of shares	Fair market value
Cannabis Royalties & Holdings Corp. (i)	28,850	107,610	28,850	95,205
Franchise Holdings International Inc. (ii)	1,627,287	28,389	50,000	671
Payfare Inc. (iii)	333,334	50,000	333,334	50,000
Advantagewon Oil Corp. (iv)	132,548	9,278	1,666,667	150,000
Cheetah Canyon Resources Corp. (v)	1,698,850	93,437	-	-
Meryllion Resources Corporation (vi)	2,000,000	141,055	-	-
Bitblox Technologies Inc. (vii)	900,000	45,000	-	-
Total long-term investments		$ 474,769		$ 295,876

(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 $107,610 based on CRHC's quoted market share price as at December 31, 2017. As such, an unrealized gain of $12,406 was recorded for the year ended December 31, 2017 (2016 – unrealized loss $33,790).

Subsequent to December 31, 2017, all of the Company's common shares of CRHC were sold for $131,642.

11. LONG-TERM INVESTMENTS – continued

(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.

In relation to the note receivable described in Note 6(iii), FHI issued 1,577,287 shares of FHI to the Company at a subscription price of USD$0.001 ($0.00134) as payable for consulting services provided. The fair market value of these shares was estimated at USD$47,319 ($63,735) on the date of acquisition based on the quoted market share price of FHI on the date of acquisition and $61,611 was recorded as consulting income for the year ended December 31, 2017 (2016 - $nil).

As at December 31, 2017, FHI's quoted share price was USD $0.014 ($0.017). As a result, an unrealized loss of $33,984 was recorded for year ended December 31, 2017 (2016 - $9,030).

(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.

(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. AOC has two officers and one Director in common with the Company. AOC completed its process of going public on July 14, 2017 and on that date, 1,534,119 of these shares were distributed to shareholders of the Company as a dividend valued at $199,435 based on the quoted market price of the AOC shares on the day the shares were distributed. As such, an unrealized loss of $37,169 and a realized gain of $95,882 were recorded for the year ended December 31, 2017.

As part of the service agreement between AOC and the Company, AOC issued 3,000,000 common shares to the Company upon completion of its going public process. The fair market value of these shares was estimated at $420,000 on the date of acquisition based on the quoted market share price of AOC on the date of acquisition and $420,000 was recorded as consulting income for the year ended December 31, 2017 (2016 - $nil). During the year ended December 31, 2017, the Company entered into an agreement to dispose of 3,000,000 to a holder of the Company's Preferred "Class – A" shares in exchange for 45,000 "Class – A" shares. As a result, a realized gain of $30,000 was recorded for the year ended December 31, 2017 (2016 - $nil).

(v) On June 13, 2017, Cheetah Canyon Resources Corp. (formerly "Cardiff Energy Corp.") ("Cardiff", "Cheetah") (TSXV:CHTA) issued 1,000,000 common shares of Cardiff to the Company as part the loan repayment described in Note 6(i) with a fair value of $80,000 based on their quoted market price on the date of issuance. On July 12, 2017, a further 698,850 shares of Cheetah with a fair value of $69,885 based on their quoted market price on the day of issuance to fully repay the loan describe in Note 6(i). As at December 31, 2017, Cheetah's quoted share price was $0.055. As a result, an unrealized loss of $56,448 was recorded for the year ended December 31, 2017 (2016 - $nil).

(Expressed in Canadian Dollars)

11. LONG-TERM INVESTMENTS - continued

(vi) On August 1, 2017, the Company subscribed for 2,000,000 units of Meryllion Resources Corporation ("Meryllion") (CSE: MYR) at $0.025 per unit. Each unit is comprised of one common share of Meryllion and one half common share purchase warrant. Each whole warrant entitles the Company to acquire one common share of Meryllion for $0.05 for a period of 18 months form the date of acquisition. As at December 31, 2017, Meryllion's quoted share price was $0.06 and the warrants were valued at $0.03 using the Black-Scholes valuation method. As a result, an unrealized gain of $91,055 was recorded for the year ended December 31, 2017 (2016 - $nil).

(vii) On December 13 and 20, 2017, the Company subscribed for 400,000 token units and 500,000 digital tokens of Bitblox Technologies Inc. ("Bitblox") at $0.05 per token unit and at $0.0001 per token, respectively. Each token unit is comprised of one digital token and one warrant that is exercisable into one common share of Bitblox for no additional consideration immediately prior to certain events. Each digital token may entitle the Company to receive a proportionate share of Bitblox's quarterly profit share to be determined by Bitblox's board of directors. There was no material change in the values of the token units and digital tokens as at December 31, 2017 due to the short amount of time that had passed since the purchase of the shares.

12. MORTGAGES PAYABLE

	Principal amount	Annual interest	Term of mortgage	Amortization life	Fair value at December 31, 2017	2016
57 Wellington Street, London, Ontario	$ 279,500	4.75%	36 months	300 months	**$ 270,895**	$ 277,028
63 Wellington Street, London, Ontario	543,750	4.20%	60 months	300 months	**533,259**	-
1209 Hickory Road, Windsor, Ontario	101,250	3.20%	12 months	300 months	**99,849**	-
559 Assumption Road, Windsor, Ontario	112,425	3.20%	12 months	300 months	**110,929**	-
1571 Hickory Road, Windsor, Ontario	149,925	3.45%	12 months	300 months	**147,978**	-
935 Albert Street, Windsor, Ontario	105,000	4.55%	60 months	240 months	**96,442**	-
663 Marentette Ave, Windsor, Ontario	210,000	4.55%	60 months	240 months	**203,122**	-
491 Louis Ave, Windsor, Ontario	316,000	3.10%*	60 months	300 months	**316,000**	-
Madoc storage facility	146,250	4.63%	60 months	180 months	**138,147**	145,119
Total mortgages payable	$ 1,964,100				**$ 1,916,621**	$ 422,147

*Variable interest rate of prime rate minus 0.10%

	For the years ended December 31, 2017	2016
Balance, beginning of year	**$ 422,147**	$ -
Proceeds from mortgages payable	**1,524,064**	422,147
Repayments	**(29,790)**	-
Accretion of transactions costs	**200**	-
Balance, end of year	**$ 1,916,621**	$ 422,147
Classification:		
Short-term mortgages payable	**$ 404,065**	$ 13,105
Long-term mortgages payable	**1,512,556**	409,042
	$ 1,916,621	$ 422,147

Mortgages payable are secured by general security agreements constituting a first ranking security interest in all assets, a collateral mortgage in the amount of $1,964,100 over real property, and a first position security interest over accounts receivable and inventories.

(Expressed in Canadian Dollars)

13. LOANS PAYABLE

	For the years ended December 31,			
		2017		**2016**
Balance, beginning of year	**$**	**-**	$	-
Proceeds from loans payable		**174,654**		151,500
Repayments		**(14,956)**		(151,500)
Foreign exchange (gain) / loss		**766**		-
Balance, end of year	**$**	**160,464**	$	-
Classification:				
Short-term loans payable	**$**	**57,535**	$	-
Long-term loans payable		**102,929**		-
	$	**160,464**	$	-

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.

On June 1, 2017, the Company borrowed $50,000 from an unrelated party. The secured promissory note bears interest of 8% per annum and has a maturity of May 31, 2022. The note is secured by a mortgage charge on the 1209 Hickory Road property. As at December 31, 2017, the carrying value of loan is $47,763 (2016 - $nil).

On July 10, 2017, the Company borrowed USD $100,000 ($124,654) from an unrelated party. The secured promissory note bears interest of 8% per annum and has a maturity of October 1, 2019. The note is secured by a first charge and security interest in all of the present and after-acquired property and assets of the Company pursuant to a general security agreement. As at December 31, 2017, the carrying value of this loan is USD $89,797 ($112,701) (2016 - $nil).

14. SHAREHOLDERS' EQUITY

a) Preferred shares and common shares

As at December 31, 2017, 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 "Class – B" preferred shares that are redeemable at the option of the Company at fair value.

Preferred shares

Class-A	**# of shares**		**Value of shares**
Balance, December 31, 2015	-	$	-
"Class - A" shares issued (i)	204,740		2,047,400
Balance, December 31, 2016	**204,740**	**$**	**2,047,400**
"Class - A" shares issued (ii)	373,090		3,730,900
Share issue costs	-		(315,715)
"Class - A" shares repurchased (Note 11(iv))	(45,000)		(450,000)
Balance, December 31, 2017	**532,830**	**$**	**5,012,585**

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY - continued

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).

(ii) On January 16, 2017, the Company issued 23,800 "Class – A" preferred shares at $10 per share to acquire a loan portfolio from a company with a common officer with the Company. See Note 6(iv).

During the year ended December 31, 2017, the Company issued a total of 349,290 "Class – A" preferred shares at $10 per share for total proceeds of $3,492,900.

Share issue costs of $315,715 were incurred in relation to the issuances in the year ended December 31, 2017.

Class-B	**# of shares**	**Value of shares**
Balance, December 31, 2015 and 2016	-	$ -
"Class - B" shares issued in private placement (i)	33,550	335,500
Share issue costs	-	(56,640)
Balance, December 31, 2017	**33,550**	**$ 278,860**

(i) During the year ended December 31, 2017, the Company issued a total of 33,550 "Class – B" preferred shares at $10 per share for total proceeds of $335,500.

Share issue costs of $56,640 were incurred in relation to this issuance.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY - continued

a) Preferred shares and common shares – continued

Common shares

	# of shares	Value of shares
Balance, December 31, 2015	17,304,954	$ 5,992,533
Common shares issued for debt (i)	866,175	96,618
Common shares issued in private placement (i)	6,738,127	635,598
Common shares issued to acqire investment (Note 11(iv))	2,500,000	112,500
Value of warrants granted in private placements	-	(187,186)
Cost of issue	-	(149,195)
Balance, December 31, 2016	**27,409,256**	**$ 6,500,868**
Common shares issued for debt (ii)	500,000	50,000
Common shares issued in private placement (ii)	3,001,000	300,100
Value of warrants granted in private placements (ii)	-	(117,097)
Cost of issue	-	(30,000)
Balance, December 31, 2017	**30,910,256**	**$ 6,703,871**

(i) 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.

During the year ended December 31, 2016, the Company closed a number of non-brokered private placements raising gross proceeds of $635,598 through the issuance of 6,355,980 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 3,177,990 warrants was estimated as $187,186 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 during this period. During the year ended December 31, 2016, an additional 382,147 common shares were issued to subscribers of one of these private placements at no additional cost.

A total of $149,195 of share issue costs were incurred in relation to the common shares issued above. The Company issued an aggregate of 500,000 common shares with an estimated fair value of $0.10 per share to settle debts owed to an officer and a consultant of the Company.

(ii) During the year ended December 31, 2017, the Company closed a non-brokered private placement raising gross proceeds of $300,100 through the issuance of 3,001,000 units at $0.10 per unit. Each unit is comprised of one common share of the Company plus one common share warrant. Each 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 3,001,000 warrants was estimated as $117,097 using the Black-Scholes option pricing model with the following assumptions: 135% expected volatility; a risk-free interest rate of 0.72%; an expected dividend yield of Nil%; and 36 months expected term. A corporation controlled by an officer of the Company subscribed to 1,000 of the units of this private placement.

A total of $30,000 of share issue costs were incurred in relation to the common shares issued above.

In addition, The Company issued an aggregate of 500,000 common shares with an estimated fair value of $0.10 per share to settle debts owed to an officer and a consultant of the Company.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY – continued

b) Warrants

	# of warrants		Fair value of warrants		Weighted average exercise price
Balance, December 31, 2015	**2,859,647**	**$**	**190,939**	**$**	**0.163**
Granted (Note 14 (a)(i))	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**
Granted (Note 14(a)(ii))	3,001,000		117,097		0.150
Balance, December 31, 2017	**6,561,137**	**$**	**356,535**	**$**	**0.156**

The following warrants were in existence as at December 31, 2017:

# 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
3,001,000		117,097	0.15	May 17, 2020
6,561,137	$	356,535		

b) Contributed surplus

Balance, December 31, 2015	**$**	**1,203,760**
Share-based compensation		196,600
Warrant expiry		138,687
Balance, December 31, 2016	**$**	**1,539,047**
Share-based compensation		31,000
Balance, December 31, 2017	**$**	**1,570,047**

Stock options

	# of options		Fair value of options		Weighted average exercise price
Balance, December 31, 2015	**-**	**$**	**-**	**$**	**-**
Granted	1,850,000		196,600		0.117
Balance, December 31, 2016	**1,850,000**	**$**	**196,600**	**$**	**0.100**
Granted	400,000		31,000		0.100
Balance, December 31, 2017	**2,250,000**	**$**	**227,600**	**$**	**0.115**

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY – continued

c) Contributed surplus - continued

As at December 31, 2017, 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%
400,000	31,000	0.10	June 19, 2027	131%	10	0%	1.54%
2,250,000	$ 227,600						

<u>Employee share option plan</u>

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, 2017, $31,000 (2016 - $196,600) of stock-based compensation was recorded in the consolidated statement of loss for 400,000 stock options (2016 – 1,850,000) 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.

d) Dividends

On January 3, 2017, the Company declared and paid a dividend of $0.20 per share for each "Class – A" preferred share. On April 3, 2017, July 3, 2017 and October 2, 2017, the Company declared and paid a dividend of $0.20 per shares for each "Class – A" and "Class – B" preferred share. On July 24, 2017, the Company declared and paid a dividend in kind of $199,435 as described in Note 11(iv). The total dividend paid the year ended December 31, 2017 was $543,493 (2016 - $30,851).

Subsequent to December 31, 2017, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares and "Class – B" preferred shares for a total of $122,276.

15. 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, 2017 and 2016.

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS

JIT Financial Inc.

During the year ended December 31, 2017, the Company loaned $31,538 to JIT Financial Inc. ("JIT"), in which the Company acquired a 12.5% ownership stake. As result of this stake, the Company appointed one of its officers to the Board of Directors of JIT. 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.

During the year ended December 31, 2017, the Company loaned $1,000,000 to JIT, through a promissory note and a number of amendments of the promissory note. 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.

Other related parties

During the years ended December 31, 2017 and 2016, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchase of goods and services	
	Years ended December 31,	
	2017	**2016**
Black Birch Capital Inc.	**$ -**	$ 36,000
Cline Mining Corp.	**-**	5,480

	Revenue earned from services	
	Years ended December 31,	
	2017	**2016**
Advantagewon Oil Corporation	**$ 420,000**	$ 30,000
Meryllion Resources Corporation	**10,000**	-
Bitblox Technologies Inc.	**2,500**	-

The Company has a common officer with Cline Mining Corp., Black Birch Capital Inc. and Advantagewon Oil Corporation and has two common officers with Meryllion Resources Corporation and Bitblox Technologies Inc. Included in accounts receivable are $2,825 owing from Meryllion and $325 owing from Bitblox as at December 31, 2017 (2016 - $nil).

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the periods were as follows:

	Years ended December 31,	
	2017	**2016**
Short-term benefits	**$ 227,000**	$ 144,000
Share-based payments	**15,500**	64,792

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS - continued

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, 2017, the Company owed $5,374 (December 31, 2016 - $5,374) to an officer of the Company and $6,000 (December 31, 2016 - $nil) to directors of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See Notes 6(iii), 6(vii) and 14(a).

17. SEGMENTED INFORMATION

Prior to 2016, 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, 2017, the Company has five reportable segments; corporate, merchant banking, real estate, consulting and advisory and payment processing. 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 investments operations of the Company excluding investments in rental properties. The corporate segment also includes all overhead costs.

December 31, 2017	Corporate	Merchant banking	Real estate	Consulting and advisory	Payment processing	Total
Assets						
Canada	$ 506,250	$ 1,067,804	$ 2,989,240	$ -	$ 45,995	$ 4,609,289
US	-	214,401	-	-	-	214,401
Non-current assets	$ 506,250	$ 1,282,205	$ 2,989,240	$ -	$ 45,995	$ 4,823,690

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

	Year ended December 31,	
Revenues	2017	2016
Corporate	$ -	$ -
Merchant banking	367,615	68,651
Payment processing	334,337	-
Real estate	159,856	20,265
Consulting and advisory	575,289	76,000
	$ 1,437,097	$ 164,916

(Expressed in Canadian Dollars)

18. 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, 2017 and 2016.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities as at December 31, 2017 and 2016 are as follows:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
December 31, 2017			
Cash	$ 992,755	$ -	$ 992,755
Accounts and other receivables	89,182	-	89,182
Notes receivable	1,347,907	-	1,347,907
Loans receivable	1,077,532	-	1,077,532
Investments	-	474,769	474,769
Accounts payable and accrued liabilities	(381,061)	-	(381,061)
Loans payable	(160,464)	-	(160,464)
Mortgages payable	(1,916,621)	-	(1,916,621)

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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)

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. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2017 and 2016. 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, 2017 which made up of approximately 31% (December 31, 2016 – 51%) of the total equity portfolio. (See Note 11).

For the year ended December 31, 2017, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $14,000 (December 31, 2016 - $15,000).

For the year ended December 31, 2017, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of $33,400 (December 31, 2016 - $14,500).

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, 2017, the Company's current liabilities totaled $848,035 (2016 - $274,239) and cash totaled $992,755 (2017 - $127,619). The Company generates cash flow from advisory fees, loan interest, rental income and payment processing services.

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 meet 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	$ 381,061	$ 381,061	$ 381,061	$ -	$ -	$ -
Mortgages payable	1,916,622	2,942,060	634,452	219,431	219,431	1,868,746
Loans payable	160,464	184,126	68,643	79,824	16,800	18,859
Total	$ 2,458,147	$ 3,507,247	$ 1,084,156	$ 299,255	$ 236,231	$ 1,887,606

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

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. At December 31, 2016, 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. The full amount of share subscription receivables was received during the year ended December 31, 2017.

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, 2017 was $1,705,853 (December 31, 2016 - $1,001,201). Three lendees make up 21%, 19% and 15% of the Company's notes receivable balance, respectively, at December 31, 2017 (December 31, 2016 – two lendees make up 47% and 15%). Management considered the potential impairment of loans and receivables and concluded that an impairment was not necessary for the years ended December 31, 2017 and 2016.

The Company's consulting fee revenues are primarily derived from a small number of customers within Canada. The Company had one customer who represented 76% of consulting fees revenues in 2017 (2016 consulting fees revenue – four customers who represented 39%, 18%, 16% and 16% of consulting fee revenues). 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, accounts payable and accrued liabilities and due to related parties 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.
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.

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

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, 2017 and 2016:

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	$ 393,713	$ 31,055	$ -	$ 424,768
Private investments	-	-	50,000	50,000
December 31, 2017	$ 393,713	$ 31,055	$ 50,000	$ 474,768
Publicly traded investments	$ 95,876	$ -	$ -	$ 95,876
Private investments	-	-	200,000	200,000
December 31, 2016	$ 95,876	$ -	$ 200,000	$ 295,876

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, 2017 and 2016. 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, 2017	2016
Balance, beginning of year	$ 200,000	$ 138,000
Purchase at cost - shares	-	162,500
Exchanged for Level 1 investments	-	(95,205)
Distributed as dividend in kind (Note 11(iv))	(150,000)	-
Unrealized gain	-	3,710
Foreign exchange loss	-	(9,005)
Balance, end of year	$ 50,000	$ 200,000

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 11(iii).

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.

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

Where the Company holds an investment in a privately-held entity for which there is no active market and for which there is no reliable estimate of fair value, the investment is carried at cost less any provision for impairment.

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, 2017 and 2016. A +/- 25% change in the fair value of these Level 3 investments as at December 31, 2017 will result in a corresponding +/- $12,500 (2016 - +/- $50,000). 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.

20. INCOME TAXES

a) The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (2016 – 26.5%) to income tax expense is as follows:

	2017	2016
Loss before income taxes	**$ (337,154)**	$ (1,394,118)
Expected income tax recovery based on statutory rate	**(89,000)**	(369,000)
Adjustment to expected income tax benefit:		
Share-based compensation	**8,000**	52,000
Expenses not deductible for tax purposes	**227,000**	(55,000)
Other	**1,000**	(1,000)
Change in benefit of tax assets not recognized	**(147,000)**	373,000
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, 2017 and 2016 are as follows:

	2017	**2016**
Deferred tax assets (liabilities) recognized:		
Buildings and improvements	**$ (142,000)**	-
Tax loss carry-forwards	**142,000**	-
Deferred income tax assets (liabilities)	**$ -**	$ -

(Expressed in Canadian Dollars)

20. INCOME TAXES - continued

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

		2017		2016
Non-capital loss carry-forwards	**$**	**2,554,000**	$	3,009,000
Share issue costs		**413,000**		122,000
Mineral property costs		**573,000**		573,000
Other temporary differences		**-**		40,000
Total temporary differences	**$**	**3,540,000**	$	3,744,000

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.

d) The Company has approximately $3,048,000 of non-capital losses in Canada as at December 31, 2017 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

2026	$	485,000
2028		404,000
2029		229,000
2030		312,000
2031		241,000
2032		198,000
2034		34,000
2035		92,000
2036		713,000
2037		340,000
	$	3,048,000

21. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,			
		2017		2016
Interest paid	**$**	**52,086**	$	6,584
Common shares issued for debt settlement		**50,000**		96,618
Preferred shares issued to acquire notes receivable		**238,000**		692,000
Investments received to settle receivables		**149,885**		-

22. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $315,000 (December 31, 2016 - $300,000) ranging from 12 to 18 months and additional contingent payments of up to approximately $240,000 (December 31, 2016 - $240,000) 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)

22. CONTINGENCIES – continued

The Company may become party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision is recorded in the consolidated financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of any such matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

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	$	43,834
1 to 2 years from reporting date		45,136
2 to 3 years from reporting date		45,136
3 to 4 years from reporting date		33,852
	$	167,958

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company purchased its third and fourth residential rental properties in London, Ontario. Total purchase price of the properties was $1,325,000 plus an aggregate $81,977 of capitalized expenses such as legal fees and other costs connected with the property purchase. The Company obtained mortgages payable for an aggregate principal amount of $908,569. The mortgages bear interest of 3.63% per annum, compounded semi-annually for a term of 60 months. The amortization life of the mortgage is 360 months.

Subsequent to December 31, 2017, the Company purchased its seventh residential rental property in Windsor, Ontario. Total purchase price of the property was $285,000 plus an aggregate $7,685 of capitalized expenses such as legal fees and other costs connected with the property purchase. The Company obtained a mortgage payable for an aggregate principal amount of $227,750. The mortgage bears interest of 3.05% per annum, based on a variable rate of prime minus 0.4%, compounded semi-annually for a term of 60 months. The amortization life of the mortgage is 300 months.

Subsequent to December 31, 2017, the Company loaned Bitblox $50,000 with a maturity date of three months subsequent to the issuance of the loan. The Company also subscribed to 1,000,000 token units of Bitblox at $0.10 per token unit. These token units have the same terms as those described in Note 11(vii).

Subsequent to December 31, 2017, the Company raised $300,000 with the issuance of 10,000,000 purchase warrants with a price of $0.03 per warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.12 for a period of 24 months from the closing date. Issue costs of $26,000 were incurred in relation to this issuance.

Subsequent to December 31, 2017, the Company issued 600,000 common shares to settle debts of $60,000 owed to an officer and a consultant of the Company.

Subsequent to December 31, 2017, the Company incorporated a wholly owned subsidiary named Blue Water Farms Inc.

See Note 11(i).