GUNPOWDER CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

Gunpowder Capital Corp. (CSE:GPC) (CSE:GPC.PR.A) (OTCQB:GNPWF)
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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited CONDENSED INTERIM financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited CONDENSED INTERIM financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	Notes	September 30, 2018	December 31, 2017
ASSETS			
CURRENT			
Cash		$ 474,330	$ 992,755
Accounts and other receivables	4, 5	211,979	97,449
Prepaid expenses		51,297	40,615
Notes receivable	5	489,420	1,097,240
US real estate participation loans	6	711,565	312,428
Total current assets		1,938,591	2,540,487
LONG TERM PREPAIDS	8	-	88,425
EQUIPMENT	7	55,315	31,481
BUILDINGS AND IMPROVEMENTS	8	4,542,928	2,900,815
LOANS RECEIVABLE	15	-	1,077,532
LONG-TERM NOTES RECEIVABLE	5	232,085	250,667
LONG-TERM INVESTMENTS	9	1,283,996	474,769
TOTAL ASSETS		$ 8,052,915	$ 7,364,176
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	15	$ 329,282	$ 386,435
Mortgages payable - current portion	10	304,074	404,065
Loans payable - current portion	11	231,940	57,535
Convertible debenture - liability portion	12	750,000	-
Total current liabilities		1,615,296	848,035
LONG-TERM MORTGAGES PAYABLE	10	2,874,792	1,512,556
LONG-TERM LOANS PAYABLE	11	56,604	102,929
TOTAL LIABILITIES		4,546,692	2,463,520
SHAREHOLDERS' EQUITY			
Preferred shares	13 (a)	4,429,645	5,291,445
Common shares	13 (a)	6,763,871	6,703,871
Convertible debenture - equity portion	12	485,641	-
Contributed surplus	13(c)	1,570,047	1,570,047
Warrants	13(b)	608,535	356,535
Deficit	13(d)	(10,351,516)	(9,021,242)
TOTAL SHAREHOLDERS' EQUITY		3,506,223	4,900,656
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 8,052,915	$ 7,364,176

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

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy" DIRECTOR

Signed "Stephen Mlot" DIRECTOR

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

GUNPOWDER CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
INCOME					
Rental		**$ 93,496**	$ 42,724	**$ 272,055**	$ 99,129
Advisory services		**24,500**	422,500	**137,539**	492,516
Payment processing services		**12,320**	113,955	**158,121**	204,022
Interest		**29,665**	101,322	**236,060**	234,209
TOTAL INCOME		**159,981**	680,501	**803,775**	1,029,876
EXPENSES					
Management fees	15	**84,300**	80,800	**324,900**	290,050
Consulting and other professional fees		**69,139**	84,682	**264,741**	207,952
General, office and administrative		**56,040**	52,440	**203,839**	164,846
Property taxes and maintenance		**61,556**	26,025	**196,626**	70,989
Mortgage and loan interest		**36,572**	15,907	**95,358**	33,879
Amortization		**31,617**	14,840	**90,017**	36,920
Marketing and investor relations		**28,336**	22,228	**75,917**	39,986
Travel and accomodations		**44,787**	5,998	**70,987**	26,657
Legal and audit fees		**12,500**	22,582	**56,242**	61,653
Transfer agent and filing fees		**35,157**	47,725	**54,343**	100,023
Non-recoverable input tax credits	4	**12,088**	1,619	**33,533**	35,835
Bank service charges		**1,478**	1,796	**4,974**	5,189
Share-based compensation	15	**-**	-	**-**	31,000
Business development		**-**	7,997	**-**	7,997
NET (LOSS) BEFORE OTHER ITEMS		**(313,589)**	295,862	**(667,700)**	(83,100)
Realized gain on investments	6, 9	**91,470**	66,667	**112,913**	66,667
Unrealized gain (loss) on investments	9	**(427,744)**	(223,921)	**(437,572)**	(208,853)
Accretion on financial instruments	5, 10	**(5,421)**	11,379	**(10,912)**	34,076
Foreign exchange gain (loss)		**(13,283)**	(21,855)	**25,863**	(38,130)
TOTAL OTHER ITEMS		**(354,978)**	(167,730)	**(309,709)**	(146,240)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (668,567)**	$ 128,132	**$ (977,408)**	$ (229,340)
Weighted average number of shares outstanding - basic and diluted		**31,510,256**	30,910,256	**31,275,091**	29,169,827
Basic and diluted loss per share	14	**(0.02)**	0.00	**(0.03)**	(0.01)

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

GUNPOWDER CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Notes	Number of shares	Preferred shares	Common shares	Convertible debenture - equity portion	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2016		**27,613,996**	**$ 2,047,400**	**$ 6,500,868**	**$ -**	**$ 1,539,047**	**$ 239,438**	**$ (8,171,446)**	**$ 2,155,307**
Issuance of common shares (net of share issue costs)		3,001,000	-	270,100	-	-	-	-	270,100
Issuance of warrants		-	-	(75,273)		-	75,273	-	-
Issuance of preferred shares (net of share issue costs)	13	391,640	3,556,045	-	-	-	-	-	3,556,045
Common shares issued for debt	15	500,000	-	50,000		-	-	-	50,000
Share-based compensation		-	-	-		31,000	-	-	31,000
Expiry of warrants		-	-	-		-	-	-	-
Dividends	13	-	-	-	-	-	-	(410,598)	(410,598)
Net loss for the period		-	-	-	-	-	-	(229,340)	(229,340)
Balance, September 30, 2017		**31,506,636**	**$ 5,603,445**	**$ 6,745,695**	**$ -**	**$ 1,570,047**	**$ 314,711**	**$ (8,811,384)**	**$ 5,422,514**
Issuance of warrants		-	-	(41,824)	-	-	41,824	-	-
Issuance of preferred shares (net of share issue costs)	13	15,000	138,000	-	-	-	-	-	138,000
Repurchase of preferred shares		(45,000)	(450,000)	-	-	-	-	-	(450,000)
Dividends	13	-	-	-	-	-	-	(102,043)	(102,043)
Net loss for the period		-	-	-	-	-	-	(107,815)	(107,815)
Balance, December 31, 2017		**31,476,636**	**$ 5,291,445**	**$ 6,703,871**	**$ -**	**$ 1,570,047**	**$ 356,535**	**$ (9,021,242)**	**$ 4,900,656**
Common shares issued for debt	13	600,000	-	60,000	-	-	-	-	60,000
Issuance of warrants (net of issue costs)		-	-	-	-	-	252,000	-	252,000
Issuance of preferred shares (net of share issue costs)		5,750	52,900	-	-	-		-	52,900
Repurchase of preferred shares		(91,470)	(914,700)		-				(914,700)
Issuance of convertible debenture		-	-	-	485,641	-	-	-	485,641
Dividends	13	-	-	-	-	-	-	(352,866)	(352,866)
Net loss for the period		-	-	-	-	-	-	(977,408)	(977,408)
Balance, September 30, 2018		**31,990,916**	**$ 4,429,645**	**$ 6,763,871**	**$ 485,641**	**$ 1,570,047**	**$ 608,535**	**$ (10,351,516)**	**$ 3,506,223**

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

GUNPOWDER CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net loss for the period	**$ (668,567)**	$ 128,132	**$ (977,408)**	$ (229,340)
Items not involving cash:				
Amortization	**42,436**	14,840	**90,017**	36,920
Non-cash consulting income	**(6,367)**	(420,000)	**(56,779)**	(481,611)
Bad debt expense	**(763)**	-	**33,131**	10,831
Share-based compensation	**-**	-	**-**	31,000
Unrealized loss on investments	**427,743**	223,921	**437,572**	208,853
Realized gain on investments	**(91,470)**	(66,667)	**(112,913)**	(66,667)
Accretion on notes receivable	**5,421**	(11,378)	**11,217**	(34,076)
Foreign exchange	**(1,627)**	19,071	**(31,495)**	29,475
Changes in working capital items other than cash:	**-**			
Accounts and other receivables	**146,651**	11,816	**(147,661)**	399,539
Prepaid expenses	**1,372**	(98,269)	**(10,682)**	(166,051)
Accounts payable and accrued liabilities	**36,059**	207,385	**(1,801)**	623,144
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(109,111)**	8,851	**(766,801)**	362,017
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of preferred shares	**57,500**	1,937,000	**57,500**	3,678,400
Proceeds from issuance of warrants	**-**	-	**300,000**	-
Share issue costs	**(28,600)**	(146,960)	**(52,600)**	(390,355)
Proceeds from issuance of common shares	**-**	-	**-**	300,100
Cash dividends paid to preferred shareholders	**(109,314)**	(80,536)	**(352,866)**	(193,931)
Repurchase of preferred shares	**(142,208)**	-	**(142,208)**	-
Proceeds from loan payable	**-**	124,654	**-**	174,654
Repayment of loan payable	**(79,881)**	(1,107)	**(102,821)**	(1,107)
Repayment of mortgages payable	**(18,837)**	(8,837)	**(51,922)**	(19,466)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(321,340)**	1,824,214	**(344,917)**	3,548,295
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES				
US real estate participation loans	**(239,271)**	(331,057)	**(371,336)**	(331,057)
Funds loaned for notes receivable	**(27,700)**	(218,538)	**(169,262)**	(393,141)
Repayments received for notes receivable	**8,571**	65,554	**389,594**	192,134
Funds loaned for loans receivable	**-**	(63,728)	**(5,000)**	(809,400)
Repayments received for loans receivable	**54,838**	-	**1,086,481**	-
Purchase of investments	**-**	(50,000)	**(100,000)**	(50,000)
Proceeds from sale of investments	**-**	-	**131,642**	-
Purchase of buildings	**(12,318)**	(221,623)	**(338,601)**	(516,635)
Purchase of equipment	**(23,718)**	-	**(30,225)**	(4,937)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(239,598)**	(819,392)	**593,293**	(1,913,036)
CHANGE IN CASH	**(670,049)**	1,013,673	**(518,425)**	1,997,276
Cash, beginning of the period	**1,144,379**	1,111,222	**992,755**	127,619
Cash, end of the period	**$ 474,330**	$ 2,124,895	**$ 474,330**	$ 2,124,895

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

1. DESCRIPTION OF BUSINESS

Gunpowder Capital Corp. ("GPC" or the "Company") is merchant bank and advisory services firm. Gunpowder Capital Corp. has been in business since May 2016 when it 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, Suite 1005, Toronto, Ontario, Canada, M5C 1B5.

The condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2018 and 2017 were authorized for issuance in accordance with a resolution of the board of directors on November 29, 2018.

During the three and nine months ended September 30, 2018, GPC incorporated two new wholly-owned subsidiaries, 1021 Henry Ford Centre Inc. and Blue Water Farms Inc.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

These condensed interim 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 condensed interim consolidated from the date control is transferred to the Company and are de-condensed interim consolidated from the date control ceases. The condensed interim 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.

(Unaudited, in Canadian Dollars)

2. BASIS OF PRESENTATION - continued

(a) Basis of consolidation (continued)

The following companies have been condensed interim consolidated within the condensed interim 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
1021 Henry Ford Centre Inc. (2)	Canada	Real estate rental company
Blue Water Farms Inc. (3)	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.

(3) Joint venture 50% owned by the the parent company.

(b) Statement of compliance to international financial reporting standards

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") 34, Interim Financial Reporting ("IAS34") and apply the same accounting policies and application as disclosed in the annual consolidated financial statements for the year ended December 31, 2017 other than noted below. They do not include all of the information and disclosures required by IFRS for annual statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed interim consolidated financial statements. Operating results for the periods ended September 30, 2018 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2018. For further information, see the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2017.

(c) Basis of measurement

These unaudited condensed interim 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 condensed interim consolidated financial statements. These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PRESENTATION - continued

(d) Going concern of operations

The Company incurred a net loss of $668,567 and $977,408 during the three and nine months ended September 30, 2018 respectively (three and nine months of 2017 – net income of $128,132 and net loss of $229,340 respectively) and, as of that date the Company’s deficit was $10,351,516 (December 31, 2017 - $9,021,242).

These unaudited condensed interim 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 condensed interim consolidated financial statements. Such adjustments could be material. The Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

(e) Significant accounting estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements were the same as those applied to the Company’s audited consolidated financial statements for the year ended December 31, 2017.

3. CHANGES IN ACCOUNTING POLICIES AND PRONOUNCEMENTS

Except as described below, the accounting policies applied in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's annual audited consolidated financial statements as at and for the years ended December 31, 2017 and 2016. The changes in accounting policies will also be reflected in the Company's annual consolidated financial statements as at and for the year ending December 31, 2018.

(a) IFRS 9 – Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 utilizing the modified retrospective exemption which does not require the restatement of prior periods. The provision is computed as of January 1, 2018 and opening retained earnings (deficit) for January 1, 2018 are adjusted to reflect the change in provision. The comparative figures for 2017 are not adjusted.

3. CHANGES IN ACCOUNTING POLICIES AND PRONOUNCEMENTS – continued

(a) IFRS 9 – Financial Instruments – continued

(i) Financial Assets

Under IFRS 9, financial assets are classified into one of the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through the consolidated statement of income (loss)), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company measures financial assets (except for those classified as fair value through profit or loss) at its fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss ("FVPL") are expensed in the consolidated statement of income (loss).

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized using the effective interest method. Foreign exchange gains and losses as well as any gain or loss arising on derecognition are recognized in the consolidated statement of income (loss).
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the consolidated statement of income (loss). When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of income (loss).
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in the consolidated statement of income (loss).

Equity instruments
Unless an election is made, the Company subsequently measures all equity investments at fair value. Where the Company has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income (loss) following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognized in the consolidated statement of income (loss). Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(Unaudited, in Canadian Dollars)

3. CHANGES IN ACCOUNTING POLICIES AND PRONOUNCEMENTS – continued

(a) IFRS 9 – Financial Instruments – continued

Impairment
Under IFRS 9, the Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(ii) Financial Liabilities

Under IFRS 9, the Company's financial liabilities are classified into one of the two categories: at FVPL or at amortized cost.

- FVPL: Financial liabilities carried at FVPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial liabilities held at FVPL are recognized in the consolidated statement of income (loss) in the period in which they arise, except for changes in fair value resulting from an entity's own credit risk which are recognized in other comprehensive income (loss). The deferred payments liability has been classified as a FVPL financial liability. The Company has determined that changes in its credit risk has not materially impacted the fair value of the deferred payments liability.
- Financial liabilities at amortized cost: Financials liabilities carried at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The following table shows the classification and carrying value of the Company's financial instruments on adoption of IFRS 9:

	Measurement Category		January 1, 2018 Carrying Amount		
	Original	New	Original	New	Difference
Financial assets:	(IAS 39)	(IFRS 9)	(IAS 39)	(IFRS 9)	
Cash	Loans and receivables	Amortized cost	992,755	992,755	-
Accounts and other receivables	Loans and receivables	Amortized cost	97,449	97,449	-
Loans receivable	Loans and receivables	Amortized cost	1,077,532	1,077,532	-
Notes receivable	Loans and receivables	Amortized cost	1,347,907	1,347,907	-
US real estate participation loans	Loans and receivables	Amortized cost	312,428	312,428	-
Long-term investments	FVTPL	FVTPL	474,769	474,769	-
Financial liabilities:	**Classification:**				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	381,061	381,061	-
Due to related parties	Other financial liabilities	Amortized cost	5,374	5,374	-
Loans payable	Other financial liabilities	Amortized cost	160,464	160,464	-
Mortgages payable	Other financial liabilities	Amortized cost	1,916,621	1,916,621	-

(b) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

3. CHANGES IN ACCOUNTING POLICIES AND PRONOUNCEMENTS – continued

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(c) Other changes in accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 2 – Share-based payments ("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.

IFRS 15 – Revenue From Contracts With Customers ("IFRS 15") replaced 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. The adoption of IFRS 15 did not have any material impact on the condensed interim financial statements.

(d) 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, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 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 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.

(Unaudited, in Canadian Dollars)

4. ACCOUNTS AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017
Trade receivables (Note 5(i))	**$ 137,502**	$ 101,002
HST receivables (i)	**21,655**	8,268
Other receivables	**56,014**	43
Allowance for doubtful accounts	**(3,191)**	(11,864)
Total accounts and other receivables	**$ 211,979**	$ 97,449

(i) Only HST input tax credits which are deemed refundable are recorded as HST receivables. When it can be reasonably estimated that a portion of the input tax credits is not eligible for refund, the amount is recorded as an expense. For the three and nine months ended September 30, 2018, $12,088 and $33,533 was recorded as a non-recoverable input tax credits expense in the condensed interim consolidated statements of loss and comprehensive loss (three and nine months ended September 30, 2017 - $1,619 and $35,835).

Aging analysis of trade receivables:	September 30, 2018	December 31, 2017
1-30 days	**$ 22,276**	$ 62,851
31 - 60 days	**8,475**	4,000
61 - 90 days	**5,422**	2,920
Greater than 90 days	**101,329**	31,231
	$ 137,502	$ 101,002

5. NOTES RECEIVABLE

	September 30, 2018	December 31, 2017
Franchise Holdings International Inc. (i)	**$ 219,221**	$ 191,497
Loan portfolio (ii)	**235,481**	652,703
1123568 BC Ltd. (iii)	**184,620**	184,620
PMG-Patriot, Inc. (iv)	**358,633**	358,633
Advantagewon Oil Corporation (v)	**-**	256,533
Other (vi)	**82,183**	61,867
	$ 1,080,138	$ 1,705,853
Less: provision for notes receivable	(358,633)	(357,945)
Total notes receivable	**$ 721,505**	$ 1,347,908
Classification:		
Short-term notes receivable	**$ 489,420**	$ 1,097,241
Long-term notes receivable	**232,085**	250,667
	$ 721,505	$ 1,347,908

(i) 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 September 30, 2018, the balance outstanding on this loan was $136,690 (December 31, 2017 - $111,173). An additional amount of $16,199 outstanding from FHI was recorded as accounts and other receivables at September 30, 2018 for monthly repayment of interest (December 31, 2017 - $18,494).

(ii) **5. 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 September 30, 2018, the balance outstanding on these notes was $82,531 (December 31, 2017 - $80,323). An additional amount of $25,374 outstanding from FHI was recorded as accounts and other receivables at September 30, 2018 for monthly repayment of interest which have not been repaid (December 31, 2017 - $8,998).

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

(iii) 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 June 30, 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 $nil and $4,237 was recorded for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 - $11,379 and $34,076) in the condensed interim consolidated statements of loss and comprehensive loss.

During the nine months ended September 30, 2018, $332,065 was repaid to the Company in relation to these loans.

During the nine months ended September 30, 2018, the AOC loan noted above for $90,000 was combined with other loans to AOC as described in Note 5(v).

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 June 30, 2018 to June 30, 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 September 30, 2018, the balance outstanding on the above loan portfolios was $233,209 plus accrued interest of $2,272 (December 31, 2017 - $646,864 plus accrued interest of $5,839).

(iv) 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 116,667 common shares of the borrower. These common shares had an estimated fair value of $nil on the day of receipt and $30,333 as at September 30, 2018 (December 31, 2017 - $nil). At September 30, 2018 the balance outstanding on this loan was $181,000 plus accrued interest of $3,620 (December 31, 2017 - $181,000 plus accrued interest of $3,620).

Subsequent to September 30, 2018, this loan was fully repaid via the conversion to shares and warrants of Harbour Star Capital Inc. (TSXV:EAST). The Company received 658,182 common shares and 329,091 warrants of Harbour Star Capital Inc. in relation to this conversion.

5. NOTES RECEIVABLE - continued

(iv) 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 condensed interim 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.

(v) 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.

On May 25, 2018, the Company entered into a loan agreement amendment with AOC to combine the loans above and the $90,000 loan as described in Note 5(ii) together. The new combined loan is for $350,000 bearing an interest rate of 14% per annum. 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. The Company recorded a gain of $1,509 in relation to the amendment.

On June 15, 2018, the Company entered into a loan agreement with AOC for USD $45,000 ($60,179) and $27,600. The loan bears interest of 15% per annum and monthly principal repayments of $5,000 begin in September 2018. In relation to this loan, AOC issued 300,000 share purchase warrants to the Company. Each warrant will allow the Company to purchase one common share of AOC for $0.06 for one year. These warrants were valued with the Black-Scholes method and had a fair value of $50,412 on the date of receipt. The value of these warrants has been recorded in the condensed interim consolidated statements of loss and comprehensive loss as advisory revenue.

During the nine months ended September 30, 2018, this loan with an outstanding balance of $436,426 plus accrued interest of $6,367 was fully repaid by AOC with 65,560 Class – A preferred shares of the Company owned by AOC. As these shares have a fair value of $655,600, the Company paid cash of $142,208 to AOC and recorded a gain of $70,600 in relation to the settlement of the loan.

(Unaudited, in Canadian Dollars)

5. NOTES RECEIVABLE - continued

At September 30, 2018, the balance outstanding on this combined loan was $nil (December 31, 2017 – USD $200,500 ($251,640) plus accrued interest of $4,893).

(vi) 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 September 30, 2018, the outstanding balance of this loan was $42,666 (December 31, 2017 - $61,867l). See Note 9(ii). An additional amount of $20,341 outstanding from 2230164 was recorded as accounts and other receivables at September 30, 2018 for monthly repayment of interest which have not been repaid (December 31, 2017 - $nil).

On March 19, 2018, the Company loaned $50,000 Bitblox Technologies Inc. ("Bitblox"). The loan bears interest at a rate of 24% per annum and has a maturity date of three months subsequent to the issuance of the loan. At September 30, 2018, the outstanding balance of this loan was $30,000 plus accrued interest of $1,800 (December 31, 2017 - $nil).

On August 29, 2018, the Company loaned $7,715 to Meryllion Resources Corporation ("Meryllion"). At September 30, 2018, the outstanding balance of this loan was $7,715 (December 31, 2017 - $nil). Management anticipate receiving payment on revised terms currently being negotiated.

6. 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. During the three and nine months ended September 30, 2018, the Company invested in a fourth and fifth rehabilitation property in the United States for USD $362,779 ($471,425) and USD $182,248 ($240,060), 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. Two properties were sold in the nine months ended September 30, 2018 for a gain of USD $21,739 ($27,576) (2017 - $nil) recorded in the condensed interim consolidated statements of loss and comprehensive loss. The remaining properties are intended to be sold in the short term.

7. EQUIPMENT

	Renovations	Equipment	Computers	Total
Cost as at December 31, 2017	-	54,177	10,908	65,085
Additions	12,727	4,596	-	17,323
Cost as at June 30, 2018	**12,727**	**58,773**	**10,908**	**82,408**
Accumulated depreciation as at December 31, 2017	-	(25,200)	(8,404)	(33,604)
Charge for the period	(205)	(3,035)	(749)	(3,989)
Accumulated depreciation as at June 30, 2018	**(205)**	**(28,235)**	**(9,153)**	**(37,593)**
Net book value as at December 31, 2017	-	28,977	2,504	31,481
Net book value as at June 30, 2018	**$ 12,522**	**$ 30,538**	**$ 1,755**	**$ 44,815**

(Unaudited, in Canadian Dollars)

8. BUILDINGS AND IMPROVEMENTS

	57 Wellington	63 Wellington	1209 Hickory	559 Assumption	1571 Hickory	935 Albert	663 Marenette	491 Louis	1 Balfour	53 McClary	1021 Henry Ford	Madoc Self Storage	Total
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
Additions	7,662	8,280	-	-	1,475	3,063	-	-	664,350	747,755	293,155	-	1,725,740
Cost as at September 30, 2018	**481,929**	**796,669**	**144,958**	**157,660**	**211,309**	**158,865**	**312,126**	**404,710**	**664,350**	**747,755**	**293,155**	**308,071**	**4,681,557**
Accumulated 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)
Charge for the period	(8,898)	(14,855)	(2,718)	(2,956)	(3,987)	(2,966)	(5,852)	(7,584)	(11,716)	(12,701)	(3,616)	(5,776)	(83,626)
Acc. depreciation as at September 30, 2018	**(26,557)**	**(32,876)**	**(4,903)**	**(4,933)**	**(5,948)**	**(4,271)**	**(7,703)**	**(8,110)**	**(11,716)**	**(12,701)**	**(3,616)**	**(15,293)**	**(138,628)**
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
Net book value as at September 30, 2018	**$ 455,371**	**$ 763,793**	**$ 140,055**	**$ 152,727**	**$ 205,361**	**$ 154,594**	**$ 304,423**	**$ 396,600**	**$ 652,634**	**$ 735,054**	**$ 289,539**	**$ 292,778**	**$ 4,542,929**

During the nine months ended September 30, 2018, the Company completed the purchase of its third and fourth residential properties located in London, Ontario and its seventh residential property located in Windsor, Ontario.

Deposits to additional properties not yet acquired are included in long-term prepaids. As at September 30, 2018, these deposits amounted to $nil (December 31, 2017 - $88,425).

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	$ 51,929	$ 481,929
63 Wellington Street	1/31/2017	725,000	71,669	796,669
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	11,409	211,309
935 Albert Street	8/31/2017	150,000	8,865	158,865
663 Marrentette Ave	10/6/2017	300,000	12,126	312,126
491 Louis Ave	12/13/2017	395,000	9,710	404,710
1 Balfour Place	1/17/2018	625,000	39,350	664,350
53 McClary Ave	1/26/2018	700,000	47,755	747,755
1021 Henry Ford Centre Drive	4/8/2018	285,000	8,155	293,155
Madoc Self Storage	10/6/2016	299,000	9,071	308,071
		$ 4,393,800	**$ 287,757**	**$ 4,681,557**

9. LONG-TERM INVESTMENTS

	September 30, 2018		**December 31, 2017**	
	# of shares	**Fair market value**	**# of shares**	**Fair market value**
Cannabis Royalties & Holdings Corp. (i)	-	-	28,850	107,610
Franchise Holdings International Inc. (ii)	1,627,287	83,938	1,627,287	28,389
Payfare Inc. (iii)	333,334	50,000	333,334	50,000
Advantagewon Oil Corp. (iv)	132,548	34,652	132,548	9,278
Cheetah Canyon Resources Corp. (v)	1,698,850	101,931	1,698,850	93,437
Meryllion Resources Corporation (vi)	2,000,000	72,151	2,000,000	141,055
Bitblox Technologies Inc. (vii)	1,900,000	145,000	900,000	45,000
Chess Supersite Corp (viii)	300,000	30,949	-	-
Star Harbour Capital (viiii)	116,667	30,333	-	-
Astro Airspace Ltd (ix)	500,000	735,042	-	-
Total long-term investments		$ 1,283,996		$ 474,769

9. LONG-TERM INVESTMENTS - continued

(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.

During the nine months ended September 30, 2018, all of the Company's common shares of CRHC were sold for $131,642 and an unrealized loss of $30,390 (2017 - $nil) previously recognized was reversed and a realized loss of $6,358 (2017 - $nil) was recorded in the condensed interim consolidated statements of loss and comprehensive loss

(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 5(i), 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.

As at September 30, 2018, FHI's quoted share price was USD $0.04 ($0.052). As a result, an unrealized gain of $44,861 was recorded for the three months ended September 30, 2018 and a unrealized gain of $55,611 was recorded for the nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – unrealized loss of $32,750 and $12,200).

(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. At September 30, 2018, AOC's quoted share price was $0.045. As a result, an unrealized loss of $663 was recorded for the three months ended September 30, 2018 and a unrealized loss of $3,314 was recorded for the nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – $nil).

9. LONG-TERM INVESTMENTS - continued

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. 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 and recognized a realized gain of $30,000.

In relation to a loan agreement as described in Note 5(v), the Company received 300,000 share purchase warrants of AOC. These warrants were valued with the Black-Scholes method and had a fair value of $50,412 on the date of receipt. As at September 30, 2018, these warrants had a fair value of $28,687. As a result, an unrealized loss of $21,725 was recorded for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – $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 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. As at September 30, 2018, Cheetah's quoted share price was $0.06. As a result, an unrealized gain of $nil and $8,494 was recorded for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – unrealized loss of $59,460 and $39,460).

(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 September 30, 2018, Meryllion's quoted share price was $0.03 and the warrants were valued at $0.012 using the Black-Scholes valuation method. As a result, an unrealized gain of $10,550 and unrealized loss of $68,904 was recorded for the three and nine months ended September 30, 2018 (2017 - $nil).

(vii) On December 13 and 20, 2017, the Company subscribed for 400,000 token units and 500,000 token units of Bitblox at $0.05 per token unit. 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. On January 29, 2018, the Company subscribed for 10,000,000 token units of Bitblox at $0.10 per token unit. These token units have the same terms as above. There was no material change in the values of the token units and digital tokens as at September 30, 2018 due to the short amount of time that had passed since the purchase of the shares.

(viii) On February 6, 2018, the Company received 300,000 common shares of Chess Supersite Corp. ("Chess") as payment for outstanding accounts receivable of $33,900. The fair market value of these shares was estimated at USD $3,690 ($4,648) on the date of acquisition based on the quoted market share price of Chess on the date of acquisition and $29,252 was recorded as bad debt in the nine months ended September 30, 2018. At September 30, 2018, the quoted market price of Chess was USD $0.08 ($0.10) and as a result, an unrealized loss of $7,876 and $2,591 was recorded for the three and nine months ended September 30, 2018 (2017 - $nil).

(Unaudited, in Canadian Dollars)

9. LONG-TERM INVESTMENTS - continued

(ix) In relation to a loan agreement with an unrelated party as described in Note 5(iii), the Company received 116,667 common shares of Star Habour Capital Inc. ("Star Habour"). The fair market value of these shares on the date of receipt was estimated at $nil. At September 30, 2018, the quoted market price of Star Habour was $0.26 and as a result, an unrealized gain of $30,333 was recorded for the three and nine months ended September 30, 2018 (2017 - $nil).

(x) As consideration for the convertible debenture described in Note 12, the Company received 500,000 shares of Astro Airspace Ltd. ("Astro") on August 6, 2018. The fair market value of these shares on the date of receipt was estimated at USD $950,000 ($1,235,637) based on the quoted market share price of Astro on the date of receipt. At September 30, 2018, the quoted market price of Astro was USD $1.14 ($1.47) and as a result, an unrealized loss of $494,254 was recorded for the three and nine months ended September 30, 2018 (2017 - $nil).

10. MORTGAGES PAYABLE

	Principal amount	Annual interest	Term of mortgage	Amortization life	Fair value at September 30, 2018	December 31, 2017
57 Wellington Street, London, Ontario	$ 279,500	4.75%	36 months	300 months	**$ 266,103**	$ 270,895
63 Wellington Street, London, Ontario	543,750	4.20%	60 months	300 months	**523,502**	533,259
1209 Hickory Road, Windsor, Ontario	101,250	4.65%	60 months	300 months	**97,937**	99,849
559 Assumption Road, Windsor, Ontario	112,425	4.65%	60 months	300 months	**108,771**	110,929
1571 Hickory Road, Windsor, Ontario	149,925	4.20%	12 months	300 months	**145,122**	147,978
935 Albert Street, Windsor, Ontario	105,000	4.55%	60 months	240 months	**95,795**	96,442
663 Marentette Ave, Windsor, Ontario	210,000	4.55%	60 months	240 months	**199,052**	203,122
491 Louis Ave, Windsor, Ontario	316,000	3.10%*	60 months	300 months	**309,647**	316,000
1 Balfour Place, Windsor Ontario	393,919	3.63%	60 months	360 months	**505,995**	-
53 McClary Ave, Windsor, Ontario	514,650	3.63%**	60 months	360 months	**568,133**	-
1021 Henry Ford Centre Drive, Windsor, Or	228,000	3.05%	60 months	360 months	**226,110**	-
Madoc storage facility	146,250	4.63%	60 months	180 months	**132,702**	138,147
Total mortgages payable	$ 3,100,669				**$ 3,178,866**	$ 1,916,621

*Variable interest rate of prime rate minus 0.10%
**Variable interest rate of prime rate minus 0.40%

	For the nine months ended September 30, 2018	2017
Balance, beginning of year	**$ 1,916,621**	$ 422,147
Proceeds from mortgages payable	**1,298,713**	907,350
Repayments	**(51,922)**	(19,466)
Accretion of transactions costs	**15,454**	-
Balance, end of period	**$ 3,178,866**	$ 1,310,031
Classification:		
Short-term mortgages payable	**$ 304,074**	$ 35,485
Long-term mortgages payable	**2,874,792**	1,274,546
	$ 3,178,866	$ 1,310,031

Mortgages payable are secured by general security agreements constituting a first ranking security interest in all assets, a collateral mortgage in the amount of $3,100,669 over real property, and a first position security interest over accounts receivable and inventories.

(Unaudited, in Canadian Dollars)

11. LOANS PAYABLE

	For the nine months ended September 30,	
	2018	**2017**
Balance, beginning of year	**$ 160,464**	$ -
Proceeds from loans payable	**238,230**	174,654
Repayments	**(102,821)**	(1,107)
Foreign exchange loss	**(7,329)**	-
Balance, end of period	**$ 288,544**	$ 173,547
Classification:		
Short-term loans payable	**$ 231,940**	$ 56,303
Long-term loans payable	**56,604**	117,244
	$ 288,544	$ 173,547

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 September 30, 2018, the carrying value of loan is $44,236 (2017 - $48,893).

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 September 30, 2018, the carrying value of this loan is USD $57,185 ($74,173) (2017 - $124,654).

On August 1, 2018, the Company entered into an agreement to repurchase 25,910 “Class – A” preferred shares of the Company from AOC for $238,230 to be paid in seven equal installments of $34,033. This loan is non-interest bearing. In relation to this transaction, the Company recognized a gain of $20,870 in the three and mine months ended September 30, 2018. As at September 30, 2018, the carrying value of this loan is $170,164.

12. CONVERTIBLE DEBENTURE

On August 6, 2018, the Company closed a $750,000 financing of convertible debenture maturing on August 6, 2020. The debenture bears interest at 10% per annum. Each debenture is convertible at the holder’s option into one common share at any time prior to maturity at a conversion price of $0.10 per common share.

The debentures were recorded in the interim consolidated statement of financial position at the net present value of future payments. After discounting the liability to its estimated fair value using the calculated discount rate, the liability and equity portions of the convertible debenture were $750,000 and $485,641 respectively. There were no transaction costs to offset against the carrying value of the convertible debentures.

Subsequent to September 30, 2018, the debenture was converted into common shares of the Company at a conversion price of $0.05.

(Unaudited, in Canadian Dollars)

13. SHAREHOLDERS' EQUITY

a) Preferred shares and common shares

As at September 30, 2018, 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, 2017	532,830	$	5,012,585
"Class - A" shares issued (i)	5,750		57,500
Share issue costs	-		(4,600)
"Class - A" shares repurchased (Note 9(iv) and 11)	(91,470)		(914,700)
Balance, September 30, 2018	**447,110**	**$**	**4,150,785**

Class-A	**# of shares**	**Value of shares**	
Balance, December 31, 2016	204,740	$	2,047,400
"Class - A" shares issued (ii)	358,090		3,580,900
Share issue costs	-		(303,715)
Balance, September 30, 2017	**562,830**	**$**	**5,324,585**

(i) On July 25, 2018, the Company completed a financing of 5,750 "Class – A" preferred shares at $10 per share. Share issue costs of $4,600 were incurred in relation to the issuance.

Also see Notes 9(iv) and 11.

(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 5(ii).

During the nine months ended September 30, 2017, the Company issued a total of 164,390 "Class – A" preferred shares at $10 per share for total proceeds of $1,643,900.

Share issue costs of $156,755 were incurred in relation to the issuances in the nine month period ended September 30, 2017.

Class-B	**# of shares**	**Value of shares**	
Balance, December 31, 2017 and September 30, 2018	**33,550**	**$**	**278,860**

Class-B	**# of shares**	**Value of shares**	
Balance, December 31, 2016	-	$	-
"Class - B" shares issued in private placement (i)	33,550		335,500
Share issue costs	-		(56,640)
Balance, September 30, 2017	**33,550**	**$**	**278,860**

(i) During the nine month period ended September 30, 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.

(Unaudited, in Canadian Dollars)

13. SHAREHOLDERS' EQUITY - continued

a) Preferred shares and common shares

Common shares

	# of shares	Value of shares
Balance, December 31, 2017	30,910,256	6,703,871
Shares issued in settlement of debt (i)	600,000	60,000
Balance, September 30, 2018	**31,510,256**	**$ 6,763,871**

	# of shares	Value of shares
Balance, December 31, 2016	27,409,256	6,500,868
Common shares issued in private placement (ii)	3,001,000	300,100
Value of warrants granted in private placements (ii)	-	(75,273)
Common shares issued in settlement of debt (iii)	500,000	50,000
Cost of issue	-	(30,000)
Balance, September 30, 2017	**30,910,256**	**$ 6,745,695**

(i) During the nine month period ended September 30, 2018, the Company issued a total of 600,000 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 nine months ended September 30, 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 $75,273 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.

(iii) 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.

b) Warrants

During the nine months ended September 30, 2018, the Company closed a non-brokered private placement raising gross proceeds of $300,000 through the issuance of 10,000,000 common share warrant at $0.03 per warrant. Each warrant entitles the holder to acquire one common share of the Company for $0.12 for a period of 24 months from the closing date. The Company incurred issuance costs of $48,000 in relation to this private placement.

There was no activity in warrants in the nine month periods ended September 30, 2017.

(Unaudited, in Canadian Dollars)

b) Warrants

The following warrants were in existence as at September 30, 2018:

# 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
10,000,000		276,000	0.12	April 18, 2022
16,561,137	$	632,535		

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c) Contributed surplus

Balance, December 31, 2016	**$**	**1,539,047**
Share-based compensation		31,000
Balance, September 30, 2017 and 2018	**$**	**1,570,047**

Stock options

As at September 30, 2018, 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						

Employee share option plan

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

There were no stock options granted during the nine months ended September 30, 2018 (nine months ended September 30, 2017 – 400,000 stock options granted).

(Unaudited, in Canadian Dollars)

13. SHAREHOLDERS' EQUITY – continued

d) Dividends

On January 4, 2018, 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. On April 4, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares and "Class – B" preferred shares for a total of $121,276. On July 3, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares and "Class – B" preferred shares for a total of $109,314.

Subsequent to September 30, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares and "Class – B" preferred shares for a total of $101,314.

14. 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 three and nine months ended September 30, 2018 and 2017.

15. 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. During the nine months ended September 30, 2018, this loan was fully repaid to the Company.

On June 1, 2018, the Company disposed of its interest in JIT for $nil as part of exiting the cash clearing business.

Other related parties

During the three and nine month periods ended September 30, 2018 and 2017, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Revenue earned from services			
	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Meryllion Resources Corporation	**$ 7,500**	$ -	**$ 22,500**	$ -
Bitblox Technologies Inc.	**17,000**	-	**51,000**	-

(Unaudited, in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS – continued

The Company has two common officers with Meryllion Resources Corporation and Bitblox Technologies Inc. Included in accounts receivable are $19,803 owing from Meryllion and $32,770 owing from Bitblox as at September 30, 2018 (2017 - $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:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Short-term benefits	**$ 52,800**	$ 22,500	**$ 200,400**	$ 177,500
Share-based payments	**-**	-	**-**	15,500

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 September 30, 2018, the Company owed $nil (2017 - $5,374) to an officer of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See Notes 5(i), 5(v) and 13(a).

16. SEGMENTED INFORMATION

As at September 30, 2018, 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.

September 30, 2018	**Corporate**	**Merchant banking**	**Real estate**	**Consulting and advisory**	**Payment processing**	**Total**
Assets						
Canada	$ 1,339,311	$ 17,065	$ 4,542,928	$ -	$ -	$ 5,899,304
US	-	215,020	-	-	-	215,020
Non-current assets	$ 1,339,311	$ 232,085	$ 4,542,928	$ -	$ -	$ 6,114,324

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

Revenues	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Corporate	$ -		$ -	$ -
Merchant banking	29,665	101,322	236,060	234,209
Payment processing	12,320	113,955	158,121	204,022
Real estate	93,496	42,724	272,055	99,129
Consulting and advisory	24,500	422,500	137,539	492,516
	$ 159,981	$ 680,501	$ 803,774	$ 1,029,876

(Unaudited, in Canadian Dollars)

17. 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 nine months ended September 30, 2018 and the year ended December 31, 2017.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities as at September 30, 2018 and December 31, 2017 are as follows:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
September 30, 2018			
Cash	$ 474,330	$ -	$ 474,330
Accounts and other receivables	190,324	-	190,324
Notes receivable	721,505	-	721,505
Loans receivable	-	-	-
Investments	-	1,283,996	1,283,996
Accounts payable and accrued liabilities	(329,282)	-	(329,282)
Loans payable	(288,544)	-	(288,544)
Mortgages payable	(3,178,866)	-	(3,178,866)
Convertible debenture - liability	(750,000)	-	(750,000)

(Unaudited, in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

	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
Preferred shares	(381,061)	-	(381,061)
Loans payable	(160,464)	-	(160,464)
Mortgages payable	(1,916,621)	-	(1,916,621)

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 nine month period ended September 30, 2108 and year ended December 31, 2017. 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 and cryptocurrency 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 September 30, 2018 which made up of approximately 51% (December 31, 2017 – one position which made up 31%) of the total equity portfolio. (See Note 9).

For the three and nine months ended September 30, 2018, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $24,700 (2017 - $15,000).

For the three and nine months ended September 30, 2018, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of $128,000 (December 31, 2017 - $13,700).

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 September 30, 2018, the Company's current liabilities totaled $1,615,296 and cash totaled $474,330. 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.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	$ 329,282	$ 329,282	$ 329,282	$ -	$ -	$ -
Mortgages payable	3,178,866	4,459,176	194,957	389,915	389,915	3,484,389
Loans payable	288,544	290,643	241,576	19,709	16,800	12,558
Total	$ 3,796,692	$ 5,079,102	$ 765,816	$ 409,625	$ 406,715	$ 3,496,947

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 4 for an aging analysis of other receivables.

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 September 30, 2018 was $721,505 (December 31, 2017 - $1,347,908). Three lendees make up 33%, 30% and 26% of the Company's notes receivable balance, respectively, at September 30, 2018 (December 31, 2017 – three lendees make up 21%, 19% and 15%). Management considered the potential impairment of loans and receivables and concluded that an impairment was not necessary for the three and nine months ended September 30, 2018. An impairment of $357,945 was recorded in the year ended December 31, 2017.

The Company's consulting fee revenues are primarily derived from a small number of customers within Canada. The Company did not have any customers who represented a signification portion of consulting fees revenues in the nine months ended September 30, 2018 (year ended December 31, 2017 consulting fees revenue – one customer who represented 76% 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.

(Unaudited, in Canadian Dollars)

18. 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 condensed interim consolidated statements of financial position as at September 30, 2018 and December 31, 2017:

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	$ 1,048,158	$ 40,838	$ -	$ 1,088,996
Private investments	-	-	195,000	195,000
September 30, 2018	$ 1,048,158	$ 40,838	$ 195,000	$ 1,283,996
Publicly traded investments	$ 348,713	$ 31,055	$ -	$ 379,768
Private investments	-	-	95,000	95,000
December 31, 2017	$ 348,713	$ 31,055	$ 95,000	$ 474,768

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the nine months ended September 30, 2018 and year ended December 31, 2017. 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 condensed interim consolidated statements of loss.

Investments classfied as Level 3, fair value	Nine months ended September 30, 2018	Year ended December 31, 2017
Balance, beginning of year	$ 95,000	$ 200,000
Purchase at cost - shares	100,000	45,000
Distributed as dividend in kind	-	(150,000)
Balance, end of period	$ 195,000	$ 95,000

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 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.

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.

(Unaudited, in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

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 September 30, 2018 and December 31, 2017. A +/- 25% change in the fair value of these Level 3 investments as at September 30, 2018 will result in a corresponding +/- $321,000 (2017 - +/- $12,500). While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Interest paid	**$ 31,617**	$ 26,764	**$ 90,017**	$ 33,879
Preferred shares issued to acquire notes receivable	**-**	-	**-**	238,000
Common shares issued for debt settlement	**60,000**	50,000	**60,000**	50,000
Investments received for debentures	**1,235,641**	-	**1,235,641**	-

20. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $315,000 (December 31, 2017 - $315,000) ranging from 12 to 18 months and additional contingent payments of up to approximately $240,000 (December 31, 2017 - $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 condensed interim 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 condensed interim consolidated financial statements.

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 condensed interim 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 condensed interim 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.

(Unaudited, in Canadian Dollars)

20. CONTINGENCIES - continued

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

< 1 year from reporting date	$	45,136
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		11,284
	$	146,692

21. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Company has completed a first tranche of a non-brokered private placement for 3,084,828 units at a price of $0.05 for total proceeds of $154,241. Each unit comprises of one common share of the company and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 for a period of 24 months after closing.

Subsequent to September 30, 2018, the Company issued 500,000 common shares with an estimated fair value of $0.10 per share to settle debts owed to a consultant of the Company.

See Notes 5(iii), 12 and 13(e).