GUNPOWDER CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

April 30, 2019

Gunpowder Capital Corp. (CSE:GPC) (CSE:GPC.PR.A) (OTCQB:GNPWF)
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Independent Auditor's Report

To the Shareholders of Gunpowder Capital Corp.

Opinion

We have audited the consolidated financial statements of Gunpowder Capital Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2(d) in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2018 and, as of that date, the Company had a deficit balance. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 30, 2019

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

	Notes		**2018**		2017
ASSETS					
CURRENT					
Cash		**$**	**981,354**	$	992,755
Accounts and other receivables	5, 16		**169,794**		97,449
Prepaid expenses			**69,951**		40,615
Notes receivable	6		**7,492**		1,097,240
US real estate participation loans	7		**240,060**		312,428
Total current assets			**1,468,651**		2,540,487
LONG TERM PREPAIDS	9		**-**		88,425
EQUIPMENT	8		**27,447**		31,481
BUILDINGS AND IMPROVEMENTS	9		**4,562,247**		2,900,815
LOANS RECEIVABLE	16		**-**		1,077,532
LONG-TERM NOTES RECEIVABLE	6		**236,279**		250,667
LONG-TERM INVESTMENTS	10		**684,894**		474,769
TOTAL ASSETS		**$**	**6,979,518**	$	7,364,176
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	16	**$**	**379,952**	$	386,435
Mortgages payable - current portion	11		**473,307**		404,065
Loans payable - current portion	12		**138,281**		57,535
Total current liabilities			**991,540**		848,035
LONG-TERM MORTGAGES PAYABLE	11		**2,452,193**		1,512,556
LONG-TERM LOANS PAYABLE	12		**37,867**		102,929
TOTAL LIABILITIES			**3,481,600**		2,463,520
SHAREHOLDERS' EQUITY					
Preferred shares	14(a)		**4,429,645**		5,291,445
Common shares	14(a)		**8,580,822**		6,703,871
Units to be issued	14(b)		**124,856**		-
Contributed surplus	14(d)		**1,570,047**		1,570,047
Warrants	14(c)		**893,653**		356,535
Deficit	14(e)		**(12,101,105)**		(9,021,242)
TOTAL SHAREHOLDERS' EQUITY			**3,497,918**		4,900,656
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**6,979,518**	$	7,364,176

Description of business (Note 1)
Going concern of operations (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	**2018**	2017
INCOME			
Rental		**$ 383,037**	$ 159,856
Advisory services		**177,868**	575,289
Payment processing services		**16,430**	-
Interest		**172,138**	240,829
TOTAL INCOME		**749,473**	975,974
EXPENSES			
Management fees	16	**431,700**	369,000
Consulting and other professional fees		**300,027**	218,067
General, office and administrative		**232,095**	217,683
Property taxes and maintenance		**260,735**	128,428
Mortgage and loan interest		**153,711**	52,086
Amortization		**121,936**	55,578
Marketing and investor relations		**118,232**	62,513
Business development	14(b)	**124,856**	7,997
Travel and accomodations		**102,178**	45,131
Legal and audit fees		**105,952**	74,569
Transfer agent and filing fees		**64,680**	102,953
Non-recoverable input tax credits	5	**45,077**	52,438
Bank service charges		**6,563**	7,452
Share-based compensation	16	**-**	31,000
NET (LOSS) BEFORE OTHER ITEMS		**(1,318,269)**	(448,921)
Impairment of financial instruments	6	**(445,142)**	(357,945)
Realized gain on investments	6, 10	**135,856**	125,882
Unrealized (loss) on investments	10	**(1,227,202)**	(24,140)
Accretion on financial instruments	5, 11	**(19,027)**	42,230
Foreign exchange gain (loss)		**65,669**	(46,885)
TOTAL OTHER ITEMS		**(1,489,846)**	(260,858)
NET LOSS FROM CONTINUING OPERATIONS		**(2,808,115)**	(709,779)
DISCONTINUED OPERATIONS	17	**182,432**	372,625
NET LOSS AND COMPREHENSIVE LOSS		**$ (2,625,683)**	$ (337,154)
Weighted average number of shares outstanding - basic and diluted		**35,654,897**	29,618,103
Basic and diluted (loss) income per share	15		
- continuing operations		**(0.08)**	(0.02)
- discontinued operations		**0.01**	0.01

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	Units to be issued	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2016		**27,613,996**	**$ 2,047,400**	**$ 6,500,868**	**$ -**	**$ 1,539,047**	**$ 239,438**	**$ (8,171,447)**	**$ 2,155,306**
Issuance of common shares (net of share issue costs)		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
Share-based compensation		-	-	-	-	31,000	-	-	31,000
Repurchase of preferred shares		(45,000)	(450,000)	-	-	-	-	-	(450,000)
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**
Issuance of common shares (net of share issue costs)		18,484,828	-	540,060	-	-	285,118	-	825,178
Common shares issued for debt	14	1,100,000	-	82,500	-	-	-	-	82,500
Common shares issued for interest	14	416,666	-	18,750	-	-	-	-	18,750
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)
Conversion of convertible debenture		15,000,000	-	1,235,641	-	-	-	-	1,235,641
Units to be issued	14	-	-	-	124,856	-	-	-	124,856
Dividends	14	-	-	-	-	-	-	(454,180)	(454,180)
Net loss for the year		-	-	-	-	-	-	(2,625,683)	(2,625,683)
Balance, December 31, 2018		**66,392,410**	**$ 4,429,645**	**$ 8,580,822**	**$ 124,856**	**$ 1,570,047**	**$ 893,653**	**$ (12,101,105)**	**$ 3,497,918**

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,

	2018	2017
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the year	**$ (2,625,683)**	$ (337,154)
Items not involving cash:		
Amortization	**121,936**	55,578
Non-cash consulting income	**(47,556)**	(506,561)
Bad debt expense	**3,191**	3,954
Impairment of loan receivable	**451,142**	357,945
Business development	**124,856**	-
Share-based compensation	**-**	31,000
Unrealized loss on investments	**1,227,202**	24,140
Realized gain on investments	**(135,856)**	(125,882)
Accretion on notes receivable	**19,027**	(42,230)
Foreign exchange	**(28,895)**	46,752
Changes in working capital items other than cash:		
Accounts and other receivables	**(185,802)**	425,435
Prepaid expenses	**(29,336)**	(24,767)
Accounts payable and accrued liabilities	**71,369**	173,197
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(1,034,406)**	81,407
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of preferred shares	**57,500**	3,828,400
Proceeds from issuance of warrants	**300,000**	-
Share issue costs	**(151,663)**	(402,355)
Proceeds from issuance of common shares	**924,241**	300,100
Cash dividends paid to preferred shareholders	**(454,180)**	(313,206)
Repurchase of preferred shares	**(142,207)**	-
Proceeds from loan payable	**-**	174,654
Repayment of loan payable	**(215,749)**	(14,956)
Repayment of mortgages payable	**(313,098)**	(29,790)
Proceeds from mortgages payable	**1,298,713**	1,524,064
CASH PROVIDED BY FINANCING ACTIVITIES	**1,303,558**	5,066,911
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Funds loaned for US real estate participation loans	**(237,129)**	(379,210)
Repayments from US real estate participation loans	**337,298**	66,782
Funds loaned for notes receivable	**(201,926)**	(1,088,101)
Repayments received for notes receivable	**398,990**	506,825
Funds loaned for loans receivable	**1,081,481**	(1,077,532)
Purchase of investments	**(100,000)**	(70,050)
Proceeds from sale of investments	**131,642**	-
Purchase of buildings	**(1,687,301)**	(2,147,613)
Purchase of equipment	**(3,608)**	(5,858)
Long-term prepaids	**-**	(88,425)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(280,553)**	(4,283,182)
CHANGE IN CASH	**(11,401)**	865,136
Cash, beginning of the year	**992,755**	127,619
Cash, end of the year	**$ 981,354**	$ 992,755

Supplemental cash flow information (Note 21)

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, 2018 and 2017 were authorized for issuance in accordance with a resolution of the board of directors on April 30, 2019.

During the year ended December 31, 2018, GPC incorporated two new wholly-owned subsidiaries, 1021 Henry Ford Centre Inc. and 564 York Street Inc.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

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

(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
1021 Henry Ford Centre Inc. (2)	Canada	Real estate rental company
Alpha Invoice Inc. (2)	Canada	Payment processing 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.

2. BASIS OF PRESENTATION - continued

(d) Going concern of operations

The Company incurred a net loss of $2,625,683 during the year ended December 31, 2018 (2017 - $337,154) and, as of that date the Company's deficit was $12,101,105 (December 31, 2017 - $9,021,242). 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. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(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).

(g) Financial instruments

Accounting policy under IFRS 9 applicable from January 1, 2018:

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	Amortized cost
Accounts and other receivables	Amortized cost
Loans receivable	Amortized cost
Notes receivable	Amortized cost
US real estate participation loans	Amortized cost
Long-term investments	FVTPL

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Mortgages payable	Amortized cost

Fair value through profit or loss (“FVTPL”) 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 consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

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.

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.

Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

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.

<u>(i) Financial Assets</u>

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 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 their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in the consolidated statement of loss.

Subsequent measurement of financial assets 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 financial assets:

- 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 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 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 loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the consolidated statement of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

(i) Financial Assets – continued

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 loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVTPL 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.

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 FVTPL or at amortized cost.

- FVTPL: Financial liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial liabilities held at FVTPL are recognized in the consolidated statement of 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 loss. The deferred payments liability has been classified as a FVTPL 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.

Accounting policy under IAS 39 applicable prior to January 1, 2018

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(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) 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.

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.

(l) Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished and which:

- represents a separate major line of business or geographical area of operations;
- is part of single co-ordinated plan to dispose of a separate major line of business;
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as discontinued operation, the comparative statement of loss and comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Changes in accounting policies

(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.

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

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		
Financial assets:	**Original (IAS 39)**	**New (IFRS 9)**	**Original (IAS 39)**	**New (IFRS 9)**	**Difference**
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:					
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	386,435	386,435	-
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) 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 consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(n) 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.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IAS 23 – Borrowing Costs (“IAS 23”) was amended in April 2018 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendments are effective for annual periods beginning on or after January 1, 2019.

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, however early adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying

IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

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

(a) Assets' carrying values and impairment charges

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

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

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

(c) Fair value/impairment of loans receivable, accounts and other receivables

The recoverability of loans receivable, accounts and other receivables 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. The Company assesses expected credit losses at each reporting date. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. Refer to Note 6 for further details.

(d) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(e) Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Note 19 for further details.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

(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, 2018	December 31, 2017
Trade receivables (Note 6(i))	**$ 68,193**	$ 101,002
HST receivables (i)	**29,197**	8,268
Other receivables	**75,595**	43
Allowance for doubtful accounts	**(3,191)**	(11,864)
Total accounts and other receivables	**$ 169,794**	$ 97,449

(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, 2018, $45,077 was recorded as a non-recoverable input tax credits expense in the consolidated statements of loss and comprehensive loss (2017 - $52,438).

Aging analysis of trade receivables:	December 31, 2018	2017
1-30 days	**$ 8,212**	$ 62,851
31 - 60 days	**7,487**	4,000
61 - 90 days	**4,385**	2,920
Greater than 90 days	**48,109**	31,231
	$ 68,193	$ 101,002

(Expressed in Canadian Dollars)

6. NOTES RECEIVABLE

		December 31, 2018		December 31, 2017
Franchise Holdings International Inc. (i)	**$**	**228,526**	$	191,497
Loan portfolio (ii)		**236,070**		652,703
1123568 BC Ltd. (iii)		**-**		184,620
PMG-Patriot, Inc. (iv)		**-**		358,633
Advantagewon Oil Corporation (v)		**-**		256,533
Other (vi)		**114,051**		61,867
	$	**578,647**	$	1,705,853
Less: provision for notes receivable		**(334,876)**		(357,945)
Total notes receivable	**$**	**243,771**	$	1,347,908
Classification:				
Short-term notes receivable	**$**	**7,492**	$	1,097,240
Long-term notes receivable		**236,279**		250,667
	$	**243,771**	$	1,347,907

(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 December 31, 2018, the balance outstanding on this loan was $141,293 (December 31, 2017 - $111,173). An additional amount of $nil outstanding from FHI was recorded as accounts and other receivables at December 31, 2018 for monthly repayment of interest (December 31, 2017 - $18,494).

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, 2018, the balance outstanding on these notes was $87,232 (December 31, 2017 - $80,324) plus accrued interest of $nil. An additional amount of $nil outstanding from FHI was recorded as accounts and other receivables at December 31, 2018 for monthly repayment of interest which have not been repaid (December 31, 2017 - $8,998).

An impairment loss of $228,525 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the loan.

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

6. NOTES RECEIVABLE - continued

(ii) 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 two directors in common with the Company. The maturity date of the loans in these loan portfolios range from August 1, 2017 to March 31, 2037. The carrying value of the loans on November 23, 2016 was $743,432. The Company issued 69,200 "Class – A" preferred shares with an estimated fair value of $10 per share for total consideration of $692,000 for the portfolio. The difference between the consideration given and the face value of the loans is related to one specific loan and has been recorded as a reduction to the fair value of the loan. This amount will be accreted to profit (loss) until April 10, 2018 when the loan matures. Accretion of $4,237 was recorded for the year ended December 31, 2018 (2017 - $42,430) in the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2018, $342,682 (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, 2018, the balance outstanding on the above loan portfolios was $236,070 (December 31, 2017 - $646,864 plus accrued interest of $5,839).

(iii) 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 as at December 31, 2017. During the year ended December 31, 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. At December 31, 2018, the balance outstanding on this loan was $nil (December 31, 2017 - $181,000 plus accrued interest of $3,620).

(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.

6. NOTES RECEIVABLE - continued

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. 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 based on the present value of the estimated future cash flows from the loan.

(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 6(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. In relation to this agreement, AOC issued 1,000,000 share purchase warrants to the Company. Each warrant will allow the Company to purchase one common share of AOC for $0.10 for one year. These warrants were valued with the Black-Scholes method and had an estimated fair value of $50,412 on the date of receipt. The value of these warrants has been recorded in the consolidated statements of loss as advisory revenue.

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 an estimated fair value of $9,527 on the date of receipt. The value of these warrants has been recorded in the consolidated statements of loss as advisory revenue.

During the year ended December 31, 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.

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

6. NOTES RECEIVABLE – continued

(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 December 31, 2018, the outstanding balance of this loan was $36,267 (December 31, 2017 - $61,867). See Note 10(ii).

An impairment loss of $36,267 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the loan.

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 was fully repaid.

On March 19, 2018, the Company loaned $50,000 Bitblox Technologies Inc. ("Bitblox"), a company with two common officers as the Company. 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. On October 15, 2018, the Company loaned an amount up to $40,000 to Bitblox. The loan bears interest at a rate of 15% per annum and has a maturity date of January 15, 2020. At December 31, 2018, the outstanding balance of this loan was $62,784 plus accrued interest of $7,300 (December 31, 2017 - $nil).

An impairment loss of $70,084 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the loan.

On August 29, 2018, the Company loaned $7,700 to Meryllion Resources Corporation ("Meryllion"). At December 31, 2018, the outstanding balance of this loan was $7,700 (December 31, 2017 - $nil). Subsequent to December 31, 2018, the Company received 250,000 shares of Meryllion in settlement of this loan and other amounts owing from Meryllion.

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). The Company invested in a further two rehabilitation properties in the United States for USD$289,204 ($374,936) and USD$125,655 ($164,971) in the year ended December 31, 2018. 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. Three of the properties were sold during the year ended December 31, 2018 for a gain of USD$21,739 ($27,576) recorded in the consolidated statements of loss. The remaining property was sold subsequent to December 31, 2018 and the loan was repaid in full.

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Equipment	Computers	Total
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
Additions	3,608	-	3,608
Cost as at December 31, 2018	**57,785**	**10,908**	**68,693**
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)
Charge for the year	(6,142)	(1,500)	(7,642)
Accumulated depreciation as at December 31, 2018	**(31,342)**	**(9,904)**	**(41,246)**
Net book value as at December 31, 2017	28,977	2,504	31,481
Net book value as at December 31, 2018	**$ 26,443**	**$ 1,004**	**$ 27,447**

9. 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, 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
Additions	7,757	38,089	-	-	8,618	4,763	-	-	664,350	758,994	293,154	-	1,775,725
Cost as at December 31, 2018	**482,024**	**826,478**	**144,958**	**157,660**	**218,452**	**160,565**	**312,126**	**404,710**	**664,350**	**758,994**	**293,154**	**308,071**	**4,731,542**
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)
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 year	(12,050)	(20,211)	(3,624)	(3,942)	(5,695)	(4,101)	(7,803)	(10,118)	(15,843)	(17,723)	(5,482)	(7,702)	(114,294)
Acc. depreciation as at December 31, 2018	**(29,709)**	**(38,232)**	**(5,809)**	**(5,919)**	**(7,656)**	**(5,406)**	**(9,654)**	**(10,644)**	**(15,843)**	**(17,723)**	**(5,482)**	**(17,219)**	**(169,296)**
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	$2,900,815
Net book value as at December 31, 2018	**$ 452,315**	**$ 788,246**	**$ 139,149**	**$ 151,741**	**$ 210,796**	**$ 155,159**	**$ 302,472**	**$ 394,066**	**$ 648,507**	**$ 741,271**	**$ 287,672**	**$ 290,852**	**$4,562,247**

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.

During the year ended December 31, 2018, the Company formed 1 Balfour Place Inc., 53 McClary Ave. Inc. and 1021 Henry Ford Centre Inc. and completed the purchase of its third and fourth residential rental properties in London, Ontario and its ninth residential rental property located in Windsor, Ontario.

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

(Expressed in Canadian Dollars)

10. LONG-TERM INVESTMENTS

	# of shares	Estimated fair market value	# of shares	Estimated fair market value
Cannabis Royalties & Holdings Corp. (i)	-	-	28,850	107,610
Franchise Holdings International Inc. (ii)	1,627,287	55,450	1,627,287	28,389
Payfare Inc. (iii)	333,334	50,000	333,334	50,000
Advantagewon Oil Corp. (iv)	132,548	16,152	132,548	9,278
Cheetah Canyon Resources Corp. (v)	1,698,850	101,932	1,698,850	93,437
Meryllion Resources Corporation (vi)	2,000,000	30,000	2,000,000	141,055
Bitblox Technologies Inc. (vii)	1,900,000	-	900,000	45,000
Chess Supersite Corp (viii)	300,000	-	-	-
Eastwest Bioscience Inc. (ix)	774,849	131,498	-	-
Astro Airspace Ltd (x)	500,000	299,862	-	-
Total long-term investments		$ 684,894		$ 474,769

(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 year ended December 31, 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 consolidated statements of loss. During the year ended December 31, 2018, CRHC paid a distribution to the Company of USD$16,833 ($22,943) (2017 - $nil) which was recorded in the consolidated statements of 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. The Company has one common officer with FHI. 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(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 and $61,611 was recorded as consulting income for the year ended December 31, 2017.

As at December 31, 2018, FHI's quoted share price was USD $0.25 ($0.034). As a result, an unrealized gain of $27,062 was recorded for year ended December 31, 2018 (2017 – unrealized loss of $33,984).

Subsequent to December 31, 2018, the Company subscribed for 4,800,000 shares of FHI for $240,000.

10. LONG-TERM INVESTMENTS – continued

(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. The Company does not believe the fair value of the investment has materially changed. The Company and Payfare have a director in common.

(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 directors 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 at December 31, 2018, AOC's quoted share price was $0.025. As such, an unrealized loss of $5,965 was recorded for the year ended December 31, 2018 (2017 -unrealized loss of $37,169 and a realized gain of $95,882).

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. As a result, a realized gain of $30,000 was recorded for the year ended December 31, 2017.

In relation to a loan agreements as described in Note 6(v), the Company received 1,300,000 share purchase warrants of AOC. These warrants were valued with the Black-Scholes method and had a fair value of $59,939 on the date of receipt. As at December 31, 2018, these warrants had a fair value of $12,838. As a result, an unrealized loss of $47,101 was recorded for the year ended December 31, 2018 (2017 - $nil).

Subsequent to December 31, 2018, the Company subscribed for 2,071,428 units of AOC for $72,500. Each unit consists of one common share and one share purchase warrant which entitles the holder to purchase one common share of AOC for $0.06 for two years after closing.

(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 with a fair value of $80,000 based on their quoted market price on the date of issuance to the Company as part of a loan repayment. On July 12, 2017, a further 698,850 shares of Cheetah were issued to the Company with a fair value of $69,885 based on their quoted market price on the day of issuance to fully repay the loan. The loan bore an interest rate of 24% per annum and was made on February 16, 2016. As at December 31, 2018, Cheetah's quoted share price was $0.06. As a result, an unrealized gain of $8,494 was recorded for the year ended December 31, 2018 (2017 – unrealized loss of $56,448).

(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 from the date of acquisition. As at December 31, 2018, Meryllion's quoted share price was $0.015 and the warrants were valued at $nil using the Black-Scholes valuation method. As a result, an unrealized loss of $111,055 was recorded for the year ended December 31, 2018 (2017 – unrealized gain of $91,055).

10. LONG-TERM INVESTMENTS – continued

(vii) On December 13 and 20, 2017, the Company subscribed for 400,000 token units and 500,000 digital tokens units of Bitblox Technologies Inc. ("Bitblox") at $0.05 per token unit and at $0.0001 per token, respectively. On January 29, 2018, the Company subscribed for 1,000,000 token units of Bitblox at $0.10 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.

An impairment loss of $145,000 was recorded on this investment on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the investment.

(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 a bad debt expense in the year ended December 31, 2018. At December 31, 2018, the quoted market price of Chess was USD $nil and as a result, an unrealized loss of $4,648 was recorded for the year ended December 31, 2018 (2017 - $nil).

(ix) In relation to a loan agreement with an unrelated party as described in Note 6(iii), the Company received 116,667 common shares of Eastwest Bioscience Inc. (formerly Star Habour Capital Inc.) ("Eastwest"). The fair market value of these shares on the date of receipt was estimated at $nil. On October 5, 2018, the Company subscribed for 658,182 units of Eastwest for $181,000. As at December 31, 2018, the quoted market price of Eastwest was $0.145 and the warrants in the units were valued at $19,145 with the Black-Scholes method and as a result, an unrealized loss of $49,502 was recorded for the year ended December 31, 2018 (2017 - $nil).

(x) As consideration for the convertible debenture described in Note 13, 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 December 31, 2018, the quoted market price of Astro was USD $0.44 ($0.60) and as a result, an unrealized loss of $953,774 was recorded for the year ended December 31, 2018 (2017 - $nil).

(Expressed in Canadian Dollars)

11. MORTGAGES PAYABLE

	Principal amount	Annual interest	Term of mortgage	Amortization life	Fair value at December 31, 2018	Fair value at December 31, 2017
57 Wellington Street, London, Ontario	$ 279,500	4.75%	36 months	300 months	**$ 264,467**	$ 270,895
63 Wellington Street, London, Ontario	543,750	4.20%	60 months	300 months	**520,181**	533,259
1209 Hickory Road, Windsor, Ontario	101,250	4.65%	60 months	300 months	**97,365**	99,849
559 Assumption Road, Windsor, Ontario	112,425	4.65%	60 months	300 months	**108,136**	110,929
1571 Hickory Road, Windsor, Ontario	149,925	4.20%	12 months	300 months	**144,226**	147,978
935 Albert Street, Windsor, Ontario	105,000	4.55%	60 months	240 months	**95,361**	96,442
663 Marentette Ave, Windsor, Ontario	210,000	4.55%	60 months	240 months	**197,649**	203,122
491 Louis Ave, Windsor, Ontario	316,000	3.85%*	60 months	300 months	**308,641**	316,000
1 Balfour Place, Windsor Ontario	393,919	3.63%	60 months	360 months	**358,811**	-
53 McClary Ave, Windsor, Ontario	514,650	3.63%	60 months	360 months	**474,652**	-
1021 Henry Ford Centre Drive, Windsor, Ontario	228,000	3.55%**	60 months	360 months	**225,166**	-
Madoc storage facility	146,250	4.63%	60 months	180 months	**130,845**	138,147
Total mortgages payable	$ 3,100,669				**$ 2,925,500**	$ 1,916,621

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

11. MORTGAGES PAYABLE - Continued

	For the years ended December 31, 2018	2017
Balance, beginning of year	**$ 1,916,621**	$ 422,147
Proceeds from mortgages payable	**1,298,713**	1,524,064
Repayments	**(313,098)**	(29,790)
Accretion of transactions costs	**23,264**	200
Balance, end of period	**$ 2,925,500**	$ 1,916,621
Classification:		
Short-term mortgages payable	**$ 473,307**	$ 404,065
Long-term mortgages payable	**2,452,193**	1,512,556
	$ 2,925,500	$ 1,916,621

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.

(Expressed in Canadian Dollars)

12. LOANS PAYABLE

	For the year ended December 31, 2018	2017
Balance, beginning of year	**$ 160,464**	$ -
Proceeds from loans payable	**238,230**	174,654
Repayments	**(215,749)**	(14,956)
Foreign exchange loss	**(6,797)**	766
Balance, end of period	**$ 176,148**	$ 160,464
Classification:		
Short-term loans payable	**$ 138,281**	$ 57,535
Long-term loans payable	**37,867**	102,929
	$ 176,148	$ 160,464

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, 2018, the carrying value of loan is $43,012 (2017 - $47,763).

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, 2018, the carrying value of this loan is USD$47,740 ($65,070) (2017 - USD$89,797 ($112,701)).

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 year ended December 31, 2018. As at December 31, 2018, the carrying value of this loan is $68,066 (2017 - $nil).

13. CONVERTIBLE DEBENTURE

On August 6, 2018, the Company closed a $750,000 financing of convertible debenture maturing on August 7, 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 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.

During the year ended December 31, 2018, the whole debenture was converted into 15,000,000 common shares of the Company at a conversion price of $0.05.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY

a) Preferred shares and common shares

As at December 31, 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, 2016	204,740	$	2,047,400
"Class - A" shares issued (i)	373,090		3,730,900
Share issue costs	-		(315,715)
"Class - A" shares repurchased (Note 10(iv))	(45,000)		(450,000)
Balance, December 31, 2017	**532,830**	**$**	**5,012,585**
"Class - A" shares issued (ii)	5,750		57,500
Share issue costs	-		(4,600)
	(91,470)		(914,700)
Balance, December 31, 2018	**447,110**	**$**	**4,150,785**

(i) 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(ii).

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.

(ii) 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 10(iv) and 12.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY - continued

a) Preferred shares and common shares – continued

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, December 31, 2017 and 2018	**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.

Common shares

	# of shares		Value of shares
Balance, December 31, 2016	27,409,256		6,500,868
Common shares issued in private placement (i)	3,001,000		300,100
Value of warrants granted in private placements (i)	-		(117,097)
Common shares issued in settlement of debt (i)	500,000		50,000
Cost of issue (i)	-		(30,000)
Balance, December 31, 2017	**30,910,256**	**$**	**6,703,871**
Shares issued in settlement of debt (ii)	1,100,000		82,500
Common shares issued in private placement (ii)	18,484,828		924,241
Value of warrants granted in private placements (ii)	-		(318,754)
Common shares issued in conversion of debenture (ii)	15,000,000		1,235,641
Common shares issued for interest payments (ii)	416,666		18,750
Cost of issue (ii)	-		(65,427)
Balance, December 31, 2018	**65,911,750**	**$**	**8,580,822**

(i) 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.

14. SHAREHOLDERS' EQUITY - continued

a) Preferred shares and common shares – continued

Common shares

(ii) During the year ended December 31, 2018, the Company closed a non-brokered private placement raising gross proceeds of $154,241 through the issuance of 3,084,828 units at $0.05 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 $0.075 for a period of 24 months from the closing date. The fair value of the 3,084,828 warrants was estimated as $43,845 using the Black-Scholes option pricing model with the following assumptions: 136% expected volatility; a risk-free interest rate of 2.30%; an expected dividend yield of Nil%; and 24 months expected term.

During the year ended December 31, 2018, the Company closed a non-brokered private placement raising gross proceeds of $770,000 through the issuance of 15,400,000 units at $0.075 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 $0.075 for a period of 24 months from the closing date. The fair value of the 15,400,000 warrants was estimated as $241,273 using the Black-Scholes option pricing model with the following assumptions: 137% expected volatility; a risk-free interest rate of 1.96%; an expected dividend yield of Nil%; and 24 months expected term.

A total of $65,427 of share issue costs were incurred in relation to the common shares issued above.

In addition, The Company issued an aggregate of 1,100,000 common shares with an estimated fair value of $82,500 to settle debts owed to an officer and certain consultants of the Company.

During the year ended December 31, 2018, a $750,000 convertible debenture was converted by the holder of the debenture at a conversion price of $0.05 per share. In relation to the debenture, 416,666 common shares of the Company with a fair value of $18,750 were issued to the holder of the debenture prior to the conversion of the convertible debenture.

b) Units to be issued

During the year ended December 31, 2018, the Company entered into an agreement where 2,500,000 units of the Company would be issued to a third party as part of its business development process. These units were issued subsequent to December 31, 2018. 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 $0.12 for a period of 12 months from the closing date. The fair value of the 2,500,000 warrants was estimated as $24,856 using the Black-Scholes option pricing model with the following assumptions: 137% expected volatility; a risk-free interest rate of 1.36%; an expected dividend yield of Nil%; and 12 months expected term. The common share portion of the 2,500,000 units was valued at $100,000 based on the quoted market price of the Company's common shares on the date of the agreement.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY - continued

c) Warrants

	# of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2016	**3,560,137**	**$ 239,438**	**$ 0.161**
Granted (Note 14(a)(i))	3,001,000	117,097	0.150
Balance, December 31, 2017	**6,561,137**	**$ 356,535**	**$ 0.156**
Granted (i), (Note 14 (a)(ii))	28,484,828	537,118	0.091
Balance, December 31, 2018	**35,045,965**	**$ 893,653**	**$ 0.101**

(i) During the year ended December 31, 2018, the Company closed a non-brokered private placement raising gross proceeds of $300,000 through the issuance of 10,000,000 common share warrants 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.

The following warrants were in existence as at December 31, 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	252,000	0.12	April 18, 2020
3,084,828	43,845	0.075	October 17, 2020
15,400,000	241,273	0.075	December 19, 2020
35,045,965	$ 893,653		

*Subsequent to December 31, 2018, 1,934,500 warrants expired unexercised.

d) Contributed surplus

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

Stock options

	# of options	Fair value of options	Weighted average exercise price
Balance, December 31, 2016	**1,850,000**	**$ 196,600**	**$ 0.100**
Granted	400,000	31,000	0.100
Balance, December 31, 2017 and 2018	**2,250,000**	**$ 227,600**	**$ 0.115**

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY – continued

d) Contributed surplus – continued

As at December 31, 2018, the Company's outstanding stock options are as follows:

# of options outstanding and exercisable		Estimated 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.

During the year ended December 31, 2018, $nil (2017 - $31,000) of stock-based compensation was recorded in the consolidated statement of loss for stock options (2017 – 400,000) granted to directors, officers, employees and consultants of the Company.

The fair value at grant date is determined using the 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.

e) Dividends

On January 4, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred share and "Class – B" preferred share 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 share 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 share for a total of $109,314. On October 3, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred share and "Class – B" preferred share for a total of $101,314.

Subsequent to December 31, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred share and "Class – B" preferred share for a total of $101,314.

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, 2018 and 2017.

(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. During the year ended December 31, 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. Operations related to JIT have been disclosed as discontinued operations in the Company's consolidated statement of loss. See Note 17.

Other related parties

During the years ended December 31, 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	
	Years ended December 31,	
	2018	**2017**
Advantagewon Oil Corporation	**$ 59,939**	$ 420,000
Meryllion Resources Corporation	**30,000**	10,000
Bitblox Technologies Inc.	**68,000**	2,500

The Company formerly had a common officer and currently has two common directors with Advantagewon Oil Corporation. The Company had two common officers with Meryllion Resources Corporation and Bitblox Technologies Inc. Included in accounts receivable are $28,278 owing from Meryllion and $nil owing from Bitblox as at December 31, 2018 (2017 - $2,825 and $325). In addition to the above revenues, the Company also earned $29,803 in interest income from Advantagewon in the year ended December 31, 2018 (2017 - $nil). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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:

	Year ended December 31,	
	2018	**2017**
Short-term benefits	**$ 253,200**	$ 227,000
Share-based payments	**-**	15,500

(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, 2018, the Company owed $5,374 (December 31, 2017 - $5,374) to an officer of the Company and $nil (December 31, 2017 - $6,000) to directors of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See Notes 6(i), 6(ii), 6(v), 10(ii), 10(iii), 10(iv), 10(vi), 10(vii) and 14(a).

17. SEGMENTED INFORMATION

As at December 31, 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. The payment processing segment provided processing services to third parties and earns service fees and interest income. All of the Company's revenues are recognised at a point in time. During 2018, the Company discontinued its payment processing segment.

December 31, 2018	Corporate	Merchant banking	Real estate	Consulting and advisory	Payment processing	Total
Assets						
Canada	$ 695,911	$ -	$ 4,562,247	$ -	$ 16,430	$ 5,274,588
US	-	236,279	-	-	-	236,279
Non-current assets	$ 695,911	$ 236,279	$ 4,562,247	$ -	$ 16,430	$ 5,510,867

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	Years ended December 31, 2018	2017
Corporate	$ -	$ -
Merchant banking	172,138	240,829
Payment processing	16,430	-
Real estate	383,037	159,856
Consulting and advisory	177,868	575,289
	$ 749,473	$ 975,974

The Company had discontinued operations as follows:

	Year ended December 31, 2018	2017
Revenues		
Payment processing services	**$ 125,259**	$ 334,338
Interest	**92,121**	126,786
	217,380	461,124
Expenses		
Consulting fees	**(34,948)**	(88,499)
Profit for discontinued operations	**$ 182,432**	$ 372,625
Operating cash flows from discontinued operations	**$ 182,432**	**$ 372,625**
Investing cash flows from discontinued operations	**$ 1,086,481**	**$ (1,077,532)**

(Expressed in Canadian Dollars)

18. CAPITAL MANAGEMENT

The Company considers its capital to be shareholders' equity, which is comprised of preferred shares, common shares, units to be issued, 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 significant changes in the Company's approach to capital management during the years ended December 31, 2018 and 2017.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
December 31, 2018			
Cash	$ 981,354	$ -	$ 981,354
Accounts and other receivables	140,597	-	140,597
Notes receivable	243,771	-	243,771
Long-term investments	-	684,894	684,894
Accounts payable and accrued liabilities	(379,952)	-	(379,952)
Loans payable	(176,148)	-	(176,148)
Mortgages payable	(2,925,500)	-	(2,925,500)

(Expressed in Canadian Dollars)

19. 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
Long-term investments	-	474,769	474,769
Accounts payable and accrued liabilities	(593,401)	-	(593,401)
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 years ended December 31, 2018 and 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. 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, 2018 which made up of approximately 44% (December 31, 2017 – 31%) of the total equity portfolio. (See Note 10).

For the year ended December 31, 2018, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $30,000 (December 31, 2017 - $14,000).

For the year ended December 31, 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 $68,000 (December 31, 2017 - $47,000).

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, 2018, the Company's current liabilities totaled $593,401 (2017 - $848,035) and cash totaled $981,354 (2017 - $992,755). The Company generates cash flow from advisory fees, loan interest, rental income and payment processing services. The payment processing segment was discontinued in 2018 (see Note 17).

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.

19. 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	$ 379,954	$ 379,954	$ 379,954	$ -	$ -	$ -
Mortgages payable	2,925,500	3,360,501	585,693	438,524	2,336,284	-
Loans payable	176,148	188,986	144,928	16,800	27,258	-
Total	$ 3,481,602	$ 3,929,441	$ 1,110,575	$ 455,324	$ 2,363,542	$ -

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.

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, 2018 was $243,771 (December 31, 2017 - $1,347,907). One lendee make up 97% of the Company's notes receivable balance, at December 31, 2018 (December 31, 2017 – three lendees make up 21%, 19% and 15%). Management considered the potential impairment of loans and receivables and recorded an impairment for the years ended December 31, 2018 and 2017.

The Company's advisory services revenues are primarily derived from a small number of customers within Canada. The Company had three customers who represented 40%, 28% and 17% of advisory services revenues in 2018 (2017 consulting fees revenue – one customer who represented 76% of advisory services 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 and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.
ii. Notes receivable, long-term notes receivable, US real estate participation loans 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, 2018 and 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	$ 500,979	$ 133,915	$ -	$ 634,894
Private investments	-	-	50,000	50,000
December 31, 2018	$ 500,979	$ 133,915	$ 50,000	$ 684,894
Publicly traded investments	$ 348,714	$ 31,055	$ -	$ 379,769
Private investments	-	-	95,000	95,000
December 31, 2017	$ 348,714	$ 31,055	$ 95,000	$ 474,769

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, 2018 and 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 consolidated statements of loss.

	For the years ended December 31,	
Investments classfied as Level 3, fair value	2018	2017
Balance, beginning of year	$ 95,000	$ 200,000
Purchase at cost - shares	100,000	45,000
Impairment	(145,000)	-
Distributed as dividend in kind	-	(150,000)
Balance, end of year	$ 50,000	$ 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 that described in Note 10(iii) and (vii).

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, 2018 and 2017. A +/- 25% change in the fair value of these Level 3 investments as at December 31, 2018 will result in a corresponding +/- $12,500 (2017 - +/- $23,800). 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% (2017 – 26.5%) to income tax expense is as follows:

	2018	2017
Loss before income taxes	**$ (2,625,683)**	$ (337,154)
Expected income tax recovery based on statutory rate	**(696,000)**	(89,000)
Adjustment to expected income tax benefit:		
Share-based compensation	**-**	8,000
Expenses not deductible for tax purposes	**424,000**	227,000
Other	**2,000**	1,000
Change in benefit of tax assets not recognized	**270,000**	(147,000)
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, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets (liabilities) recognized:		
Buildings and improvements	**$ (227,000)**	$ (142,000)
Tax loss carry-forwards	**227,000**	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:

		2018		2017
Non-capital loss carry-forwards	**$**	**2,965,000**	$	2,554,000
Share issue costs		**423,000**		413,000
Mineral property costs		**783,000**		573,000
Other temporary differences		**1,246,000**		-
Total temporary differences	**$**	**5,417,000**	$	3,540,000

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 $4,393,000 of non-capital losses in Canada as at December 31, 2018 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

2026	$	309,000
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		338,000
2038		800,000
	$	3,670,000

21. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,			
		2018		2017
Interest paid	**$**	**63,537**	$	52,086
Preferred shares issued to acquire notes receivable		**-**		238,000
Common shares issued for debt settlement		**82,500**		50,000
Investments received for debentures		**1,235,641**		-
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, 2017 - $350,000) 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 consolidated financial statements.

(Expressed in Canadian Dollars)

22. CONTINGENCIES – continued

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.

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	$	45,136
1 to 2 years from reporting date		45,136
2 to 3 years from reporting date		45,136
	$	135,408

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company raised $445,000 with the issuance of 8,900,000 units with a price of $0.05 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 $0.075 for a period of 24 months from the closing date.

Subsequent to December 31, 2018, the Company acquired 24,000,000 shares of an unrelated company with the issuance of 15,000,000 common shares of the Company.

Subsequent to December 31, 2018, the Company acquired 1,530,000 shares of an unrelated company in with the issuance of 20,000 "Class – A" preferred shares.

Subsequent to December 31, 2018, the Company loaned an unrelated company $105,250 with a maturity date of September 1, 2022. The loan bears interest of 12% per annum and includes a royalty of 3% payable monthly to the Company.

Subsequent to December 31, 2018, the Company incorporated a wholly own subsidiary named MerthodeVerte Inc.

See Notes 7, 10(ii), 10(iv) 14(b), 14(c) and 14(e).