The Delma Group Inc.

(Formerly Aydon Income Properties Inc.)

Consolidated Financial Statements

December 31, 2017

(Expressed in Canadian Dollars)

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

T 514-878-2691

To the Shareholders of
The Delma Group Inc.(formerly Aydon Income Properties Inc.)

We have audited the accompanying consolidated financial statements of The Delma Group Inc. (formerly Aydon Income Properties Inc.), which comprise the consolidated statements of financial position as at December 31, 2017 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Delma Group Inc. (formerly Aydon Income Properties Inc.) as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The financial statements of The Delma Group Inc (formerly Aydon Income Properties Inc.) for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on July 14, 2017.

Raymond Chabot Grant Thornton LLP[1]

Montreal
May 7, 2018

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[1] CPA auditor, CA public accountancy permit no. A121855

The Delma Group Inc. (Formerly Aydon Income Properties Inc.)
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	December 31, 2017	December 31, 2016
		$	$
ASSETS			
Current assets			
Cash		12,831	1,646
Receivables	4	-	22,037
Assets held for sale	5	49,331	329,027
Refundable deposit		94,671	44,309
TOTAL ASSETS		**156,833**	**397,019**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	304,308	258,287
Loans payable, 22%, maturing in May 2018		160,811	44,362
Liabilities of assets held for sale	5	28,600	87,947
Obligation to issue shares	9	-	45,000
Current portion of convertible debentures	7	498,835	
		992,554	435,596
Non-current liabilities			
Convertible debentures	7	12,362	479,472
TOTAL LIABILITIES		**1,004,916**	**915,068**
SHAREHOLDERS' EQUITY			
Share capital	9	748,692	674,167
Share-based payment reserve		386,896	325,921
Cumulative currency translation reserve		(15,402)	(9,688)
Deficit		(1,968,269)	(1,508,449)
TOTAL SHAREHOLDERS' EQUITY		**(848,083)**	**(518,049)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**156,833**	**397,019**

Going concern (Note 1)
Subsequent events (Note 13)

Approved on behalf of the Board of Directors:

"V. Wadhwani"	*"D.C. Carkeek"*
Chief Executive Officer	**Chief Financial Officer**

The Delma Group Inc. (Formerly Aydon Income Properties Inc.)
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Notes	Year ending December 31, 2017	Year ending December 31, 2016
		$	$
Revenue			
Management fees		14,873	-
Expenses			
Communications		1,601	2,806
Consulting fees		-	50,000
Filing fees		47,311	30,502
Foreign exchange loss		6,010	9,832
Management fees		199,173	264,000
Office and miscellaneous		4,234	11,617
Professional fees		77,325	44,416
Repairs and maintenance		16,467	
Stock-based compensation	9	-	27,683
Travel and accommodation		4,315	4,656
Loss on disposal of assets held for sale	5		
		23,775	
Operating loss		**(365,338)**	**(445,512)**
Other items			
Forgiveness of debt		-	43,313
Loss on acquisition of limited partnerships		-	(184,516)
Share of loss from limited partnership		-	(53,425)
Change in fair value of derivative		-	3,100
Interest expense		(94,482)	(30,842)
Other income		-	491
		(94,482)	(222,370)
Net loss		**(459,820)**	**(667,391)**
Other comprehensive loss			
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation		(5,714)	(9,494)
Comprehensive loss		**(465,534)**	**(676,885)**
Loss per share – basic and diluted	9	**(0.02)**	**(0.03)**
Weighted average shares outstanding	9	**26,819,666**	**24,417,626**

The Delma Group Inc. (Formerly Aydon Income Properties Inc.)
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

		Share capital		Reserves			
	Notes	Number of shares	Amount	Share Based Payment Reserve	Cumulative currency translation reserve	Deficit	Total
			$	$	$	$	$
Balance at December 31, 2015		**24,083,081**	**601,217**	**262,971**	**(194)**	**(841,058)**	**22,936**
Net loss		-	-	-	-	(667,391)	(667,391)
Other comprehensive loss		-	-	-	(9,494)	-	(9,494)
Shares issued	**9**	231,818	25,500	-	-	-	25,500
Shares issued for consulting	**9**	1,250,000	50,000	-	-	-	50,000
Share issue costs		-	(2,550)	-	-	-	(2,550)
Convertible debentures		-	-	35,267	-	-	35,267
Stock based compensation		-	-	27,683	-	-	27,683
Balance at December 31, 2016		**25,564,899**	**674,167**	**325,921**	**(9,688)**	**(1,508,449)**	**(518,049)**
Shares issued	9	1,355,000	74,525	60,975	-	-	135,500
Net loss		-	-	-	-	(459,820)	(459,820)
Other comprehensive loss		-	-	-	(5,714)	-	(5,714)
Balance at December 31, 2017		**26,919,899**	**748,692**	**386,896**	**(15,402)**	**(1,968,269)**	**(848,083)**

(Expressed in Canadian dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
	$	$
Operating activities		
Net loss	(459,820)	(667,391)
Items not affecting cash:		
Stock-based compensation	-	27,683
Non-cash interest expense	31,725	10,299
Consulting fees settled for shares	-	50,000
Foreign exchange	-	(624)
Gain on derivative	-	(3,100)
Loss on disposal of assets held for sale	23,775	
Loss on acquisition of limited partnerships	-	184,517
Share of loss from limited partnerships	-	53,425
	(404,320)	(345,191)
Changes in non-cash working capital items:		
Receivables	22,037	24,886
Refundable deposit	(50,362)	(44,309)
Trade payables and accrued liabilities	133,980	208,489
Net cash flows used in operating activities	298,665	(156,125)
Investing activities		
Sale of assets held for sale	177,901	
Net cash flows from investing activities	177,901	
Financing activities		
Proceeds on issuance of common shares	15,500	67,950
Proceeds on issuance of convertible debentures	-	40,000
Convertible debenture issue costs	-	(4,000)
Loans payable	116,449	44,362
Net cash flows from financing activities	131,949	148,312
Increase (decrease) in cash	11,185	(7,813)
Cash, beginning	1,646	9,459
Cash, ending	**12,831**	**1,646**

1. Nature of operations, change of name and going concern

Nature of operation and change of name

Genesis Income Properties Inc. ("Genesis) was incorporated on April 7, 2014 under the laws of the province of British Columbia. Aydon Income Properties Inc. (the "Company") was formed by amalgamation of Genesis and Forbairt Development Acquisition Corp. ("Forbairt") under a Plan of Arrangement approved by the Supreme Court of British Columbia on August 27, 2014. The Company completed all requirements for a listing on the Canadian Stock Exchange ("CSE") under the symbol "AYD" and started trading on March 12, 2015.

The principal address and records office of the Company is located at 160-640 Orly Avenue, Dorval, Qc, H9P 1E9.

On July 20, 2017, the Company entered into a share purchase agreement, as amended on November 27, 2017 with Delma Resorts & Hotels GP Inc., Delma Properties Canada LP, Delma Resorts & Hotels L.P. (the "Delma Group") and with Société en commandite Bromont I and 9216-3583 Québec Inc. (the "Bromont Group"), whereby the Company agreed to acquire all of the issued and outstanding shares and units of each of the Delma Group and the Bromont Group (the "Transaction") on the following terms:

The Company would issue 490,916,667 class A shares and 625,083,333 class B shares at a price of $33,480,000 for the shares and units related to the Delma Group; and

The Company would issue 616,666,700 class A shares and 200,000,000 class B shares at a price of $24,500,000 for the shares and units related to the Bromont Group.

In accordance with IFRS 3, Business Combinations. the substance of the acquisition of the Company by the Delma Group will be accounted for as a reverse takeover as the shareholders and unitholders of the Delma Group will hold the majority of the shares of the resulting company. The acquisition of the Company does not constitute a business combination as the Company does not meet the definition of a business under that standard. As a result, the acquisition of the Company by the Delma Group will be accounted for in accordance with IFRS 2 Share-based Payment, with the Delma Group being identified as the acquirer and the equity consideration being measured at fair value.

The acquisition of the Bromont Group will be considered an acquisition of assets and the acquirer will be the Delma Group.

As part of the closing of the Transaction, the Company will implement a share consolidation on the basis of 1 new class A or class B share for every outstanding class A or B shares. Upon consolidation, the number of class A and class B shares issued and outstanding would be reduced to 5,672,516 class A shares and 4,125,417 class B shares, respectively.

Following the closing of the Transaction, the Company changed its name to the Delma Group Inc.

The Transaction closed on March 23, 2018.

Going concern

The Company was established for the purpose of investing in income-producing residential properties in the USA and Canada. The Company's business model calls for the financing of the acquisition of rental and development properties through the establishment of Limited Partnerships which will be under the management of General Partners owned and operated by the Company.

1. Nature of operations, change of name and going concern (continued)

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The success of the Company is dependent on certain factors that may be beyond management's control such as economic, currency and liquidity risk. If the Company is unable to fund its investments or otherwise fails to invest in properties, its business, financial condition and results of operations could be materially affected. The Company has incurred operating losses since incorporation and has an accumulated deficit totalling $1,968,269. The Company's continuation as a going concern is dependent upon successful results from its activities, its ability to raise sufficient equity financings, issuing debt or securing related party advances to complete the identification and acquisition of suitable properties in accordance with its business plan and ultimately achieving profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Management intends to finance operating costs over the next twelve months with existing working capital, public and private placements of common shares and loans from directors. While management has been successful in obtaining sufficient funding for its operating, capital and operations requirements from the inception of the Company to date, there is no assurance that additional funding will be available to the Company, when required, or on terms which are acceptable to management.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on May 7, 2018 by the directors of the Company.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**December 31, 2017**	**December 31, 2016**
AIP General Partner Ltd.	Canada	100%	100%
AIP General Partner USA Inc.	USA	100%	100%
AIP Limited Partnership	Canada	100%	100%
AIP USA Limited Partnership 1	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

2. Significant accounting policies and basis of preparation (continued)

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. AIP Limited Partnership and AIP USA Limited Partnership 1 have been consolidated from November 1, 2016, the day the Company obtained control. Prior to November 1, 2016 they were accounted for under the equity method.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to fair value measurements of financial instruments, stock-based compensation and other equity-based payments, and the recoverability of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Significant judgements

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty; and
- the determination of the functional currency of the parent company and its subsidiaries.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Stock-based compensation

The estimation of stock-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 9).

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the Company's and AIP General Partners Ltd's functional and presentation currency. The functional currency of AIP General Partner USA Inc., AIP USA Limited Partnership 1, and AIP Limited Partnership is the US dollars.

2. Significant accounting policies and basis of preparation (continued)

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Operations

Exchange differences arising on translation of foreign operations in Canadian dollars at year end are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are reclassified to profit or loss in the period in which the operation is disposed and are recognized as part of the gain or loss on disposal.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Share-based payment reserve

The share-based payment reserve represents the fair value of shares, shares options and warrants and the convertible debentures charge to equity.

Currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Deficit

Deficit includes all current and prior year retained profits or losses and issuance costs, net of any underlying income tax benefit from these issuance costs.

2. Significant accounting policies and basis of preparation (continued)

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: loans and receivables and financial liabilities for subsequent measurements. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. The Company's loans and receivables are cash and refundable deposits and receivables

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost and include trade payables and accrued liabilities, loans payable, liabilities of assets held for sale and convertible debentures.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debenture that can be converted to share capital or units at the option of the holder, and for which the number of shares to be issued does not vary with changes in their fair value. The fair value of the debt component is estimated by discounting the future cash flows using an appropriate discount rate. The difference between the proceeds and the fair value of the debt component is allocated to the equity component. When debt is convertible into units that are convertible into common shares and share purchase warrants, the equity portion is allocated to the embedded warrant feature based on its calculated fair value and the residual amount is allocated to the embedded conversion feature.

2. Significant accounting policies and basis of preparation (continued)

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 using the residual method, as 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 remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Equity accounted investment

Under the equity method, the investment is carried in the statements of financial position at cost and is adjusted for the Company's share of the investee's profit or loss subsequent to the investment. Losses are recorded until the carrying amount is reduced to $Nil; losses beyond this point are not recognized until the Company makes additional investment in the investee or positive earnings are achieved by the investee and the Company's share of profits equals its share of losses not previously recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred obligations to provide funding to the investee.

Non-current assets and liabilities classified as held for sale and discontinued operations

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

2. Significant accounting policies and basis of preparation (continued)

Revenue recognition

Revenue consists of service revenue generated from management and consulting. Revenue is recognized when services have been provided, the amount can be measured reliably, collection is probable and cost incurred or to incur can be measured reliably.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided annually, using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed annually, at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax liabilities are always recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Segment reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors

The Company believes that it has one operating segment, the management of properties which are all currently classified as assets held for sale.

Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant. The Company has no provisions as at December 31, 2017 and 2016.

(Expressed in Canadian dollars)

3. Accounting standards issued by not yet effective

IFRS 9 – Financial instruments (IFRS 9)

In July 2014, the International Accounting Standards Board ("IASB") published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The Company determined that the application of this new standard would not have a significant impact on the consolidated financial statements.

IFRS 15 – Revenues from contracts with Customers (IFRS 15)

In May 2014, the IASB published IFRS 15 which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. The Company determined that the application of this new standard would not have a significant impact on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Receivables

	December 31, 2017	**December 31, 2016**
	$	$
Trade receivables	-	4,364
GST receivable	-	17,673
	-	22,037

5. Assets held for sale

The Company owned seven investment properties at December 31, 2016. These investment properties were acquired through the acquisition of AIP Limited Partnership. During the year, the Company sold six of these properties and intends to dispose of the remaining investment property. Accordingly, the investment properties are classified as held for sale. At December 31, 2017 the remaining investment property is measured at fair value less costs to sell of $49,331 (US$35,000) ($329,027 (US$244,263) in 2016).

The Company has one mortgage (three mortgages in 2016) on the investment properties held for sale totalling $27,600 (US$22,000) ($87,947 (US$65,500) in 2016). The mortgage is repayable in monthly interest only payments at 8% per annum. However, the entire mortgage principal and any interest shall be repaid by December 31, 2021. The mortgages are unsecured.

The six investment properties sold in 2017 for net proceeds of $177,901 (US$133,748), including repayment of two mortgages of $58,921 (US$43,500) and repayment of accounts payable of $18,673 (US$14,363).

(Expressed in Canadian dollars)

6. Trade payables and accrued liabilities

	December 31, 2017	December 31, 2016
	$	$
Trade payables	70,309	31,421
Accruals to officers (Note 10)	161,950	165,764
Accrued liabilities	72,049	61,102
	304,308	258,287

7. Convertible debentures

On March 30, 2016, the Company issued a $10,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and after acquired personal property of the Company. The debenture pays interest quarterly at 8.8% per annum and matures on December 31, 2018. At the holder's option, the debenture may be converted into common shares of the Company at a price of $0.30 per share prior to December 31, 2016 and $0.40 per share on or after December 31, 2016 and until December 31, 2017 and at a price of $0.50 per share after December 31, 2017 and until December 31, 2018.

On October 31, 2016, the Company issued a $30,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and after acquired personal property of the Company. The debenture pays interest semi-annually at 10% per annum and matures on November 30, 2018. At the holder's option, the debenture may be converted into common shares of the Company at a price of $0.30 per share prior to November 30, 2016 and at a price of $0.50 per share on or after November 30, 2016 and until November 16, 2018. The holder also has the option to convert the debenture into units of the AIP Limited Partnership held by the Company at a price of US$1,100 per partnership unit.

On October 31, 2016, the Company issued a $360,000 convertible debenture for redemption of units in AIP Limited Partnership. The debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The debenture pays interest semi-annually at 10% per annum and matures on December 10, 2018. At the holder's option, the debenture may be converted into common shares of the Company at a price of $0.30 per share in the first year and $0.50 per share on or after December 10, 2016 and up until December 3, 2018. The holder also has the option to convert the debenture into units of AIP Limited Partnership held by the Company at a price of US$1,100 per partnership unit.

On November 15, 2016, the Company issued a $13,556 (US$10,000) convertible debenture for redemption of units in AIP Limited Partnership. The debenture is secured by a general security agreement in respect of all present and after acquired personal property of the Company. The debenture pays interest quarterly at 8.8% per annum and matures on November 15, 2019. At the holder's option, the debenture may be converted into common shares of the Company at a price of $0.30 per share in the first year and $0.40 per share in the second year and $0.50 per share up until October 25, 2019. The holder also has the option to convert the debenture into units of AIP Limited Partnership held by the Company at a price of US$1,100 per partnership unit. The principal is denominated in a currency that is different from the Company's functional currency. IFRS requires the conversion right to be accounted as a derivative liability as the Company will be obliged to issue a variable number of shares upon conversion. As at November 15, 2016 the Company determined the fair value of the derivative liability to be $5,300 using the Black-Sholes Option Pricing Model with the following assumptions: Expected dividend yield – 0%; Volatility – 262%; Risk-free interest rate – 0.72%; Expected life: three years. The residual value of $8,256 was allocated to the convertible debenture. There was no value attributed to the equity component. As at December 31, 2016, the Company determined the fair value of the derivative liability to be $2,200 using the Black-Sholes Option Pricing Model with the following assumptions: Expected dividend yield – 0%; Volatility – 260%; Risk-free interest rate – 0.84%; Expected life: three years.

(Expressed in Canadian dollars)

7. Convertible debentures (continued)

On December 10, 2015, the Company issued a $126,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and after acquired personal property of the Company. The debenture pays interest semi-annually at 10% per annum and matures on December 10, 2018.

For all of the above debentures, the Company used the residual value method to allocate the principal amount of the debenture, less issuance costs, between the liability and the equity component. The fair value of the liability component at issuance was calculated using a market interest rate for an equivalent non-convertible bond, which the Company determined to be 15%. The residual amount, representing the value of the equity conversion option, is included in shareholders equity in the share-based payment reserve.

	Period ended December 31, 2017	**Year ended December 31, 2016**
	$	$
Balance, beginning	479,472	97,985
Cash proceeds from issuance of convertible debentures	-	40,000
Non-cash convertible debentures issued	-	373,556
Issuance costs	-	(4,000)
Amount allocated to equity	-	(35,267)
Change in derivative liability	-	(3,100)
Non-cash interest	31,725	10,299
Balance, ending	511,197	479,472

8. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Period ended December 31, 2017	**Year ended December 31, 2016**
	$	$
Net loss	459,820	667,391
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(119,553)	(173,522)
Non-deductible items and other	-	19,641
Temporary differences not recognized	119,553	153,881
Income tax recovery	-	-

(Expressed in Canadian dollars)

8. Income taxes (continued)

The company has the following deductible temporary differences for which no deferred tax asset has been recognized.

	December 31, 2017	**December 31, 2016**
	$	$
Non-capital loss carry-forwards	1,426,440	966,620
Share issue costs	40,592	40,592
	1,467,032	1,007,212

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	**Share issue costs**
	$	$
2034	99,461	-
2035	325,220	-
2036	541,935	-
2037	459,820	-
No expiry	-	40,592
	1,426,440	40,592

9. Share capital

Authorized share capital

Unlimited number of common shares without par value.

For the year ended December 31, 2017:

On January 27, 2017, the Company completed a non-brokered private placement of 1,355,000 units at $0.10 per unit for gross proceeds of $135,500 of which 45,000 was received prior to December 2016, and 75,000 applied against accruals to officers. Each unit consists of one common share and one non-transferable share purchase warrant, which will be exercisable at $0.15 per share if exercised during the first year or $0.20 if exercised during the second year. All unexercised warrants shall expire after a term of 2 years. An amount of $60,975 was attributed to the warrants.

For the year ended December 31, 2016:

On November 3, 2016, the Company issued 1,250,000 shares at with a fair value of $0.04 per share for a total fair value of $50,000 to a consultant, to extinguish debt of $50,000.

On May 31, 2016, the Company completed a non-brokered private placement of 231,818 units at $0.11 per unit for gross proceeds of $25,500. Each unit consists of one common share and one share purchase warrant, which will be exercisable at $0.15 per share if exercised during the first year or $0.20 if exercised during the second year. Share issuance costs of $2,550 were incurred in connection with these transactions

(Expressed in Canadian dollars)

9. Share capital (continued)

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended December 31, 2017 was based on the loss attributable to common shareholders of $459,820 (2016 - $667,391) and the weighted average number of common shares outstanding of 26,819,666 (2016 – 24,417,626).

Diluted loss per share did not include the effect of stock options and share purchase warrants, as the effect would be anti-dilutive.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

On November 1, 2016, the Company granted 900,000 stock options to directors and consultants, which vested immediately and are exercisable at $0.10 per share for a period of five years. The fair value of this grant was determined by the Black-Scholes Option Pricing Model using the following assumptions: expected life – 5 years, average risk-free interest rate 0.70%, expected dividend yield – 0%, and average expected stock price volatility – 200%. During the year ended December 31, 2016, $27,683 was recognized in share-based payment and recorded in share-based payment reserve for vested options.

The continuity schedule of stock options is as follows:

	Number of stock options
Balance, December 31, 2015	-
Granted, November 1, 2016	900,000
Balance, December 31, 2016	900,000
Forfeited	(700,000)
Balance, December 31, 2017	**200,000**

A summary of the Company's outstanding and exercisable stock options as at December 31, 2017 is as follows:

Weighted average exercise price	**Remaining contractual life**	**Number of options Outstanding and exercisable**	**Expiry Dates**
$0.10	3.84 years	200,000	October 31, 2021

(Expressed in Canadian dollars)

9. Share capital (continued)

A summary of the Company's outstanding and exercisable stock options as at December 31, 2016 is as follows:

Weighted average exercise price	Remaining contractual life	Number of options Outstanding and exercisable	Expiry Dates
$0.10	4.84 years	900,000	October 31, 2021

Share purchase warrant

The following is a summary of the Company's share purchase warrant activity:

	Number of shares	Weighted average exercise price
		$
Outstanding, December 31, 2015	3,147,467	0.14
Issued	231,818	0.15
Outstanding, December 31, 2016	3,379,285	0.15
Issued	1,355,000	0.15
Expired	3,147,467	0.15
Outstanding, December 31, 2017	1,586,818	0.15

Details of warrants outstanding as at December 31, 2017 are as follows:

Exercise price	Contractual life remaining	Number of warrants outstanding	Expiry
$0.15 first year and $0.20 in second year	1.07 years	1,355,000	January 27, 2019
$0.15 first year and $0.20 in second year	.41 years	231,818	May 31, 2018
$0.15 (Weighted average)	.98 years	1,586,818	

Details of warrants outstanding as at December 31, 2016 are as follows:

Exercise price	Contractual life remaining	Number of warrants outstanding	Expiry
$0.12 first year and $0.15 in second year	0.33 years	3,147,467	April 29, 2017
$0.15 first year and $0.20 in second year	1.41 years	231,818	May 31, 2018
$0.15 (Weighted average)	1.74 years	1,586,818	

(Expressed in Canadian dollars)

10. Related party transactions

Key management personnel compensation

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following:

	Period ended December 31, 2017	**Period ended December 31, 2016**
	$	$
Commissions on financing	-	4,550
Management fees	199,173	264,000
Stock-based compensation	-	27,683
	199,173	296,233

Related party transactions

The Company incurred the following transactions with entities that are controlled by directors of the Company.

	Period ended December 31, 2017	**Period ended December 31, 2016**
	$	$
Professional fees	-	6,984
Forgiveness of debt by two directors		43,313
	-	69,300

11. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash receivables (in 2016) and refundable deposits. The majority of cash is deposited in bank accounts held with major banks in Canada. The Company assessed credit risk as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company assesses liquidity risk as high.

(Expressed in Canadian dollars)

11. Financial risk and capital management (continued)

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2017:

	Within one year	Between one and five years	More than five years
	$	$	$
Trade payables and accrued liabilities	304,308	-	-
Loans payable	160,811	-	-
Liabilities of assets held for sale	28,600	-	-
Convertible debentures	583,691	13,649	-
	1,077,410	13,649	-

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2016:

	Within one year	Between one and five years	More than five years
	$	$	$
Trade payables and accrued liabilities	241,547	-	-
Liabilities of assets held for sale	87,947	-	-
Convertible debentures	53,395	597,340	-
	382,889	597,340	-

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company assesses foreign exchange risk to be low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans payable and convertible debentures exposes the Company to interest rate risk.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash.

The Company is currently dependent on equity financing to fund its business investigation activities. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and activities of the Company. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

11. Financial risk and capital management (continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2017	**December 31, 2016**
	$	$
Loans and receivables:		
Cash	12,831	1,646
Trade receivables	-	4,364
Refundable deposit	94,671	44,309
	107,502	50,319

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2017	**December 31, 2017**	**December 31, 2016**	**December 31, 2016**
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Trade payables and accrued liabilities	304,308	304,308	258,287	258,287
Loans payable	160,811	160,811	44,362	44,362
Convertible debentures (Level 2)	511,197	511,197	479,472	479,472
Liabilities of assets held for sale	28,600	28,600	87,947	87,947
	1,004,916	1,004,916	870,068	870,068

The carrying value of cash, trade receivable, refundable deposit, trade payable and accrued liabilities, loans payable and liabilities of assets held for sale are considered to be a reasonable approximation of fair value because of the short terms maturity of these instrument.

The fair value of the convertible debenture corresponds approximately to its carrying amount since they bear interest rate similar to what the Company could obtain on the open market.

12. Subsequent events

On April 24, 2018, the Company acquired a property located at 185, Dorval Avenue, Dorval, Qc in exchange for $5,555,000 in cash.