Fountain Asset Corp.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

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

The management of Fountain Asset Corp. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the unaudited condensed interim financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by a Company's auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the condensed interim financial position, results of operations and cash flows.

Signed: ***"Andrew Parks"***
Chief Executive Officer

Signed: ***"David Darakjian"***
Chief Financial Officer

Toronto, Ontario
November 21, 2017

Fountain Asset Corp.
Interim Consolidated Statements of Financial Position
As at,
(expressed in Canadian Dollars)

		September 30, 2017		December 31, 2016
Assets				
Cash	$	886,623	$	377,721
Short term investments [note 3]		40,000		40,000
Accounts receivable and sundry assets [note 14]		168,765		358,398
Loans and convertible debentures - amortized cost [note 6]		392,012		527,012
Loans and convertible debentures - fair value through profit or loss [note 6]		4,316,091		4,301,500
Investments - Fair value through profit or loss [note 4]		7,273,078		7,145,598
Investments - Available for sale [note 5]		5,934,739		2,765,792
	$	19,011,307	$	15,516,021
Liabilities				
Accounts payable and accrued liabilities	$	236,166	$	154,091
Due to brokers [note 9]		-		17,146
Syndicated loans [note 6]		604,362		764,362
	$	840,528	$	935,599
Shareholders' Equity				
Share capital [note 10]	$	27,107,741	$	27,107,741
Contributed surplus		5,410,786		5,321,816
Accumulated other comprehensive income		4,560,885		1,383,012
Deficit		(18,908,633)		(19,232,147)
Total Equity	$	18,170,779	$	14,580,423
	$	19,011,307	$	15,516,021

Contingencies and subsequent events (notes 16 and 17)

On Behalf of the Board

“Andrew Parks”
Director

“Alec Regis”
Director

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

Fountain Asset Corp.
Interim Consolidated Statements of Changes in Equity
For the periods ended September 30, 2017 and 2016
(expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Accumulated other comprehensive income	Non-controlling interest	Total
Balance, January 1, 2017	**$ 27,107,741**	**$ 5,321,816**	**$ (19,232,147)**	**$ 1,383,012**	**$ -**	14,580,423
Net income (loss)	-	-	323,514	-	-	323,514
Adjustments to AFS investments, net of tax	-	-	-	3,177,873	-	3,177,873
Stock based compensation [note 10]	-	88,970	-	-	-	88,970
Balance, September 30, 2017	**$ 27,107,741**	**$ 5,410,786**	**$ (18,908,633)**	**$ 4,560,885**	**$ -**	**$ 18,170,779**
Balance, January 1, 2016	**$ 27,107,741**	**$ 5,273,980**	**$ (20,264,998)**	**$ 166,667**	**$ 410,345**	**$ 12,693,736**
Net income (loss)	-	-	1,155,424	-	-	1,155,424
Net income (loss) attributable to non-controlling interest	-	-	-	-	40,613	40,613
Balance,September 30, 2016	**$ 27,107,741**	**$ 5,273,980**	**$ (19,109,574)**	**$ 166,667**	**$ 450,958**	**$ 13,889,773**

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

Fountain Asset Corp.
Interim Consolidated Statements of Comprehensive Income
For the periods ended September 30, 2017 and 2016
(expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Revenue		[note 19]		[note 19]
Structuring fees, consulting fees and bonuses	$ 728	$ 80,503	$ 242,896	$ 251,089
Interest and dividend income	188,203	311,559	681,385	818,171
Realized gains (losses) investments	818,487	-	958,315	(334,371)
Unrealized gains (losses) investments	(127,777)	426,435	(443,839)	1,044,293
Gain on sale of investment property	-	-	-	146,725
	$ 879,641	$ 818,497	$ 1,438,757	$ 1,925,907
Expenses				
Salaries and consulting fees [note 13]	$ 124,652	$ 143,303	$ 450,154	$ 415,480
Filing and listing fees	5,782	5,165	19,122	20,314
Audit and legal fees	170,259	14,549	266,115	51,933
General and administrative	99,538	103,362	292,572	269,096
Foreign exchange loss (gain)	-	1,074	(1,689)	(10,875)
Stock based compensation expense [note 11]	-	-	88,970	-
Bad debt, loan provisions and permanent impairments	-	-	-	(16,077)
	$ 400,231	$ 267,452	$ 1,115,243	$ 729,870
Income before income tax	$ 479,410	$ 551,045	$ 323,514	$ 1,196,037
Income taxes provision	-		-	
Net income	$ 479,410	$ 551,045	$ 323,514	$ 1,196,037
Other comprehensive income				
Unrealized (losses) gains on AFS investments, net of tax	(91,580)	-	3,177,873	-
Net comprehensive income	$ 387,830	$ 551,045	$ 3,501,387	$ 1,196,037
Net income (loss) attributable to:				
Parent company	$ (382,675)	$ 542,975	$ 323,514	$ 1,155,424
Non-controlling interest	-	8,069	-	40,613
	$ 479,410	$ 551,045	$ 323,514	$ 1,196,037
Net comprehensive income attributable to:				
Parent company	$ 387,830	$ 542,975	$ 3,501,387	$ 1,155,424
Non-controlling interest	-	8,069	-	40,613
	$ 387,830	$ 551,045	$ 3,501,387	$ 1,196,037
Net income per share - basic and diluted	$ 0.01	$ 0.01	$ 0.01	$ 0.02
Net comprehensive income per share - basic and diluted	$ 0.01	$ -	$ 0.06	$ 0.02
Weighted average number of shares outstanding – basic [note 12]	54,154,463	54,154,463	54,154,463	54,154,463
Weighted average number of shares outstanding – diluted [note 12	54,206,814	54,206,814	54,206,814	54,206,814

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

Fountain Asset Corp.
Interim Consolidated Statements of Cash Flows
For the nine-month period ended September 30, 2017 and 2016
(expressed in Canadian Dollars)

		2017		2016
Operating activities				
Net income (loss)	$	323,514	$	1,196,037
Realized (gain)loss on sale of portfolio investments		(958,315)		334,371
Unrealized (gain)loss on sale of portfolio investments		443,839		(1,044,293)
Stock compensation expense		88,970		-
Acquired loans and convertible debentures		(905,000)		(1,705,638)
Repayments of loans and convertible debentures		1,126,509		433,470
Purchase of investments		(860,455)		(100,000)
Proceeds from sale of investments		650,349		1,038,843
Proceeds/(repayment) of loan syndication		(160,000)		-
	$	(250,590)	$	152,790
Net changes in non-cash working capital balances [note 20]		776,637		(56,406)
Cash flow from operating activities	**$**	**526,048**	**$**	**96,384**
Financing activities				
Paid to brokers		(17,146)		(95,498)
Cash flow used in financing activities	**$**	**(17,146)**	**$**	**(95,498)**
Increase (decrease) in cash	$	508,902	$	886
Cash, beginning of period		377,721		657,205
Cash, end of period	**$**	**886,623**	**$**	**658,091**

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

Fountain Asset Corp.
Schedule of Investments
As at September 30, 2017
(expressed in Canadian Dollars)

Investment	Classification	Market	Instrument	Average cost	Carrying/Fair value
Advantagewon Oil Corp.	Loans and convertible debt - amortized cost	Private	Convertible Debt	$ 392,012	
				$ 392,012	**$ 392,012**
1616 Media Limited *	Loans and convertible debt - FVTPL	Private	Convertible Debt	$ 32,500	
Auto repair finance company	Loans and convertible debt - FVTPL	Subsidiary	Term Debt	3,148,491	
MVC Technologies	Loans and convertible debt - FVTPL	Private	Convertible Debt	250,100	
Xylitol Canada Inc. *	Loans and convertible debt - FVTPL	Public	Convertible Debt	885,000	
				$ 4,316,091	**$ 4,316,091**
Auto repair finance company	Investments - FVTPL	Subsidiary	Equity	$ 600,000	
Foothills Development Inc.	Investments - FVTPL	Subsidiary	Equity	1,085,872	
MariCann Inc.	Investments - FVTPL	Public	Warrants	-	
MBMI Resources	Investments - FVTPL	Public	Equity	-	
Molecular Science Corp.	Investments - FVTPL	Private	Equity	250,000	
Namaste Technologies Inc.	Investments - FVTPL	Public	Equity	100,000	
Namaste Technologies Inc.	Investments - FVTPL	Public	Warrants	-	
Payfare Inc.	Investments - FVTPL	Private	Equity	100,000	
Poydras Gaming Finance Corp.	Investments - FVTPL	Public	Equity	2,803,375	
Smart Employee Benefits Inc	Investments - FVTPL	Public	Equity	770,000	
Smart Employee Benefits Inc	Investments - FVTPL	Public	Warrants	-	
Smart Employee Benefits Inc	Investments - FVTPL	Public	Options	-	
Somersby Park 2010 Ltd Partnership	Investments - FVTPL	Subsidiary	Equity	772,079	
Spectra7 Microsystems Inc.	Investments - FVTPL	Public	Equity	1,104,137	
Terrascend Corp.(formerly Solace Health Inc.)	Investments - FVTPL	Public	Equity	200,100	
The Hydropothecary Corporation	Investments - FVTPL	Public	Warrants	-	
WeedMD RX Inc.	Investments - FVTPL	Public	Warrants	-	
Xylitol Canada Inc.	Investments - FVTPL	Public	Equity	25,343	
Xylitol Canada Inc.	Investments - FVTPL	Public	Options	49,338	
Xylitol Canada Inc.	Investments - FVTPL	Public	Warrants	-	
				$ 7,860,244	**$ 7,273,078**
Advantagewon Oil Corp.	Investments - AFS	Private	Equity	$ 100,000	
Attorneys Title Guaranty Fund Inc.	Investments - AFS	Private	Equity	413,000	
The Hydropothecary Corporation	Investments - AFS	Public	Equity	1,082,781	
				$ 1,595,781	**$ 5,934,739**
				$ 14,164,128	**$ 17,915,919**

72% of investments are equity and 28% are non-equity

* Due to change in reporting as an investment entity these investments are designated as FVTPL but would otherwise have been designated as loans and receivables or available for sale.

Significant purchases, sales and changes in valuation for the nine months ended September 30, 2017:

Advantagewon Oil corp. (AOC)

- This quarter the Company sold 1,105,000 shares at an average price of $0.10.
- Subsequent to the quarter end the Company sold a further 1,412,000 shares at an average price of $0.08 per share.

Auto repair finance company (Auto Co.)

- This year to date the Company received $905,000 from maturing notes and re-issued $991,509 in new promissory notes with terms ranging from 30 to 90 days.

Foothills Development Inc. (Foothills)

- Foothills subsidiary Robith LLC sold its sole investment for net proceeds of $2,201,000 ($1,761,000 USD) and realized a gain of $874,000. Robith LLC was subsequently wound up.

MariCann Inc. (MariCann)

- MariCann Inc. was listed on the Toronto Venture Exchange. The Company converted its debt to equity then liquidated its position completely, recognizing a gain of $68,000. The Company continues to hold its warrants.

Molecular Science Corp. (MSC)

- MSC provides lab test-tracking software to cannabis producers to meet mandated regulatory testing under ACMPR (Access to Cannabis for Medical Purposes Regulations). MSC also develops medical cannabis products, registered probiotics and genetically modified organism intellectual property in the form of cannabis seeds, cuttings and clones.
- The Company purchased 250,000 common shares at $1.00 per share.

MVC Technologies (MVC)

- MVC is pioneering the technology space in the global cannabis industry with its Virtual Clinic platform which facilitates online customers access to the legal marijuana industry.
- The Company purchased $250,000 of convertible debentures bearing 5% interest, together with detachable class A common share purchase warrants on the basis of 110 Warrants per $1,000 principal amount debenture.

Payfare Inc.(Payfare)

- Payfare has developed a fintech banking solution to be applied to multiple vertical industries across the on-demand cashless economy.
- The Company purchased 222,222 shares of at $0.45 per share, for a total investment of $100,000.

Namaste Technologies Inc. (Namaste)

- Namaste is a global leader in vaporizer product distribution and manufacturing. Namaste owns and operates over 30 online retail sites in 20+ countries.
- The Company purchased 400,000 shares in Namaste at $0.25.

The Hydropothecary Corporation (Hydropothecary)

- Hydropothecary was listed on the Toronto Venture Exchange on March 22, 2017.
- A 1:6 share consolidation occurred March 15, 2017.
- On August 15, 2017 118,806 warrants were exercised and converted to 118,806 common shares at $0.75 per share. Subsequent to September 30, 2017 the 118,806 shares were sold for an average of $2.32 per share.

Terrascend Corp. (Terrascend)

- Solace Health Inc. changed its name to Terrascend Corp. and was listed on the Canadian Securities Exchange in May 2017.
- The Company sold part of its holding through public markets and recognized $42,000 of gains.

WeedMD RX Inc. (WeedMD)

- WeedMD. was listed on the Toronto Venture Exchange. The Company converted its debt to equity then liquidated its position completely, recognizing a gain of $38,000.
- The Company continues to hold its warrants.

1. Nature of Business

Fountain Asset Corp. (the "Company") is a publicly traded company incorporated and domiciled in Canada. The registered office is: 25 Adelaide Street East, Suite 1300, Toronto, Ontario M5C 3A1. The Company's subordinate voting shares are listed on the TSX Venture Exchange ("TSXV") under the symbol FA.

The Company is an investment company focused on creating shareholder value by offering various debt and/or equity financing solutions to companies across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology and biotechnology.

2. Summary of Significant Accounting Policies

Statement of Compliance

These condensed interim financial statements, are prepared, in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by IFRS, as issued by the International Accounting Standards Board ("IASB"). The condensed interim financial statements have been prepared with conformity with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements in accordance with IFRS and should be read in conjunction with the audited financials for the year ended December 31, 2016. Certain prior period financial statements amounts have been reclassified to conform to current period presentation without the impact on the interim statements of comprehensive income.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 21, 2017.

Basis of Presentation

The interim financial statements of the Company have been prepared on a going concern basis and under the historical cost convention, except for marketable securities and investments classified as fair value through profit or loss ("FVTPL") and available-for-sale ("AFS"). These are measured at fair value. The presentation currency used for the consolidated financial statements is Canadian dollars. The functional currency used by the Company is Canadian dollars.

Use of Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Financial statement items subject to significant management judgment and estimates include:

- Determination of investment entity status – Management exercises judgement in applying criteria in IFRS10.
- Impairment of assets and provision for loans, notes and convertible debentures receivable losses – Management exercises judgement to determine whether indicators of impairment exist, and if so, management must estimate the timing and amount of future cash flows from amounts receivable.
- Valuation of deferred income tax assets – The valuation of deferred income tax assets requires judgement on their recoverability. Such judgements are made based on management's estimate on the timing and amount of the Company's future taxable earnings.
- Valuation methodology of level 2 and level 3 investments. Refer to note 8 for more details.

While management believes that the estimates and assumption are reasonable, actual results may differ materially from those estimates.

(expressed in Canadian Dollars)

3. Short term investments

The Company has outstanding $40,000 (September 30, 2016 - $40,000) in a short-term guaranteed investment certificate with its financial institution. These investments are held as security on its credit card line with a Schedule A Canadian bank.

4. Investments – FVTPL

The following chart lists the investments carried at FVTPL. See pages 7 – 9 for further details and note 8 for fair value measurement techniques and evaluations.

Investments	Market	Instrument	Financial instrument hierarchy	Fair Value September 30, 2017	Fair Value December 31, 2016
Auto repair finance company [note 14]	Subsidiary	Equity	Level 3	$ -	$ -
Foothills Development Inc. [note 14]	Subsidiary	Equity	Level 3	2,123,390	1,582,051
MariCann Inc.	Public	Warrants	Level 3	28,000	-
MBMI Resources	Public	Equity	Level 1	-	193
Molecular Science Corp.	Private	Equity	Level 3	250,000	-
Namaste Technologies Inc.	Public	Equity	Level 1	92,000	-
Namaste Technologies Inc.	Public	Warrants	Level 3	14,000	-
Payfare Inc.	Private	Equity	Level 3	100,000	-
Poydras Gaming Finance Corp.	Public	Equity	Level 1	1,182,286	2,276,728
Smart Employee Benefits Inc	Public	Equity	Level 1	284,900	311,600
Smart Employee Benefits Inc	Public	Options	Level 3	-	52,459
Smart Employee Benefits Inc	Public	Warrants	Level 3	20,360	28,350
Somersby Park 2010 Ltd Partnership [note 14]	Subsidiary	Equity	Level 3	1,106,010	1,137,486
Spectra7 Microsystems Inc.	Public	Equity	Level 1	1,215,261	1,061,608
Terrascend Corp.(formerly Solace Health Inc.)	Public	Equity	Level 1	290,350	200,100
The Hydropothecary Corporation [note 14]	Public	Warrants	Level 3	515,813	176,300
The Intertain Group Limited	Public	Equity	Level 1	-	93,800
WeedMD RX Inc.	Public	Warrants	Level 3	13,330	-
Xylitol Canada Inc.	Public	Equity	Level 1	13,000	25,000
Xylitol Canada Inc.	Public	Options	Level 3	6,200	49,338
Xylitol Canada Inc.	Public	Warrants	Level 3	18,177	150,585
Totals				$ 7,273,078	$ 7,145,598

5. Investments – Available for sale

The investments currently held as Available For Sale typically would be designated as an investment carried at FVTPL. However, in prior years the Company designated them as available or sale. IAS 39 restricts the reclassification of financial instruments into fair value through profit or loss after initial recognition. Until divestiture they will be designated as an investment available for sale and any unrealized gain or loss recognised as other comprehensive income. Any impairment expense is recognized within net income.

Investment	Entity type	Instrument	Financial instrument hierarchy	Fair Value September 30, 2017	Fair Value December 31, 2016
Advantagewon Oil Corp. [note 14]	Private	Equity	Level 1	$ 1,916,766	1,064,074
Attorneys Title Guaranty Fund Inc. [note 14]	Private	Equity	Level 3	200,000	200,000
The Hydropothecary Corporation [note 14]	Public (1)	Equity	Level 1	3,817,973	1,501,718
Totals				**$ 5,934,739**	**$ 2,765,792**

(1) On March 22, 2017 The Hydropothecary Corporation began trading on the TSX venture exchange.

(expressed in Canadian Dollars)

6. Loans and convertible debentures

The Company's investment in loans and convertible debentures consist of the following:

Loans and convertible debentures at Amortized Cost	Instrument	Interest Rate	Term	Financial instrument hierarchy	Carrying Value September 30, 2017	Carrying Value December 31, 2016
Valued at Amortized Cost						
Advantagewon Oil Corp. [note 14]	Convertible debt	24%	> 1 year	Level 3	$ 392,012	$ 527,012
Totals					$ 392,012	$ 527,012

Note: Fair value of the loans and receivable carried at amortized cost is equal to the carrying value due to the interest rate being equal to the market rate of interest.

Loans and convertible debentures at FVTPL	Instrument	Interest Rate	Term	Financial instrument hierarchy	Fair Value September 30, 2017	Fair Value December 31, 2016
1616 Media Limited	Convertible debt	8%	< 1 year	Level 3	$ 32,500	$ 32,500
Auto repair finance company [note 14]	Term debt	15%	Prom. notes ending 1-24 mths	Level 3	3,148,491	3,235,000
MariCann Inc. (1)	Convertible debt	10%	< 1 year	Level 3	-	100,000
MVC Technologies	Convertible debt	5%	< 1 year	Level 3	250,100	-
WeedMD RX Inc. (1)	Convertible debt	10%	< 1 year	Level 3	-	49,000
Xylitol Canada Inc.	Convertible debt	15%	> 1 year	Level 3	885,000	885,000
Totals					$ 4,316,091	$ 4,301,500

See Schedule of Investments on pages 7 - 9 for further details.

As at September 30, 2017 any interest due was collected or collectible. Management has determined that none of the convertible debt is impaired.

On December 23, 2013, the Company completed a 15% secured credit facility for up to $2,000,000 to the Auto repair finance company. On June 16, 2016, this facility was increased to $4,000,000. The terms of the deal included a conversion of $600,000 of debt for equity at the full discretion of the Company once $1,000,000 was advanced. This conversion was exercised on December 9, 2016. The credit facility is used to expand company's lending program. The Company has a general security agreement executed with the borrower. As at September 30, 2017 the loan balance was $3,148,491 (2016 - $3,020,638).

During the 2016, certain promissory notes comprising the Auto repair finance company term debt were syndicated out to related and non-related parties. The total of all syndicated promissory notes was $764,362. The syndicated loans carry similar terms and conditions as the promissory notes and have expiry dates tied to the corresponding promissory notes. During the quarter $60,000 of syndicated loans matured and was repaid, as well $100,000 of the syndicated loans were repurchased from one member of the syndicate as permitted through the syndication agreement. The current syndicated amount is $604,362.

Past Due, Renewals, Impairments and Provisions

Loans are considered past due when the loan is outstanding past the scheduled maturity date. This may arise in the normal course of business as a result of various factors including refinancing delays. As at September 30, 2017, there was $nil (2016 - $nil loans considered past due and not impaired.

At September 30, 2017, the total estimated fair value of the collateral of impaired loans, net of specific allowances is $nil (December 31, 2016 - $nil). Management estimates the fair value of the collateral taking into account a number of factors including the market value of securities held, real estate appraisals and management's knowledge of the collateral, credit, financial and real estate markets. In assessing the adequacy of the specific loan loss provision, management takes into account likely realizable values, legal costs and incorporates a time value and credit risk component into estimated future cash flows. Additional

(expressed in Canadian Dollars)

6. Loans and convertible debentures, continued

changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of previous loan losses, which would also impact the amount of subsequent interest income recognized.

Write-downs

The Company has recorded specific loan loss write-downs (net of recoveries) of $nil for the period ended September 30, 2017 ($nil for the period ended September 30, 2016).

Loans renewed or renegotiated during the period

In certain instances, the Company may choose to renegotiate or renew loans instead of enforcing its security on loans which have not been repaid. Certain loans whose terms have been renegotiated are no longer considered to be past due but are considered to be in good standing and are therefore accounted for as performing loans. If a substantial modification (based on present value of future cash flows test) is made to a loan on renewal, the Company records any difference between the present value of future cash flows arising from the contractual terms which is compared to the present value of future cash flows at renegotiated interest rate in net income (loss) immediately. When renewing loan terms, the Company may include changes in maturity dates, additional structuring fees and/or bonuses, interest terms and changes in collateral. During the period, no loans were renegotiated.

7. Subsidiaries and associates

The Company's subsidiaries and associated companies are as follows:

Subsidiary/Associate	Ownership	Place of business
Foothills Developments Inc	100.0%	United States
Newborn Realty Corporation	100.0%	United States
Somersby Park 2010 Limited Partnership	64.7%	United States
Auto repair finance company	50.0%	Canada

Foothills Development Inc. (Foothills) owns 100% of Newborn Realty Corporation which owned real estate in United States. The sole property was sold in 2016 for net proceeds of $148,882 USD ($191,358 CAD).

Foothills holds 51% ownership of Robith LLC (Robith), which in turn owns 25% of a commercial building in the United States. Robith LLC sold its investment for net proceeds of $2,201,000 ($1,761,000 USD) and realized a gain of $874,000. Robith LLC was subsequently wound up during the period.

Somersby Park 2010 Limited Partnership (Somersby) owns vacant real estate in the United States. There were no lot sales in the period ending September 30, 2017. In 2016, there were 3 individual lot sales.

In 2016, the Company converted $600,000 of debt to a 50% equity position in the Auto repair finance company. The equity value was decreased to $0 as the company continues to incur annual losses but generating positive cash flow. The Company also holds term debt of $3,148,491, which through various promissory notes is due within 1 to 24 months. Interest is received monthly.

(expressed in Canadian Dollars)

8. Fair Value Measurements

The following table presents the Company's financial assets as categorized on the statement of financial position measured at fair value and classified into levels of the fair value hierarchy:

As at September 30, 2017	Level 1	Level 2	Level 3
Cash	$ 926,623	$ -	$ -
Loans and convertible debt - FVTPL	-	-	4,316,091
Investments - FVTPL	5,201,188	-	2,071,890
Investments - AFS	3,817,973	-	2,116,766
	$9,945,785	**$ -**	**$ 8,504,747**

As at December 31, 2016	Level 1	Level 2	Level 3
Cash	$ 417,721	$ -	$ -
Loans and convertible debt - FVTPL	-	-	4,301,500
Investments - FVTPL	3,768,929	-	3,376,669
Investments - AFS	-	-	2,765,792
	$4,186,650	**$ -**	**$10,443,961**

Transfers in and out of Level 3 are due to changes in the observability of market data, such as a recent new transaction or due to the passage of time respectively

Fair value estimation

The Company's management review and approve the valuation results of all investments in the portfolio based on all observable and non-observable inputs. The Company also will engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the Company's consolidated financial statements.

The fair value of the Company's investments is determined as follows:

Listed securities

The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Company uses the last traded market price where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of securities that are subject to trading restrictions are recorded at a value which takes into account the length and nature of the restrictions, if needed.

Unlisted securities

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

8. Fair Value Measurements, continued

For unlisted equity instruments:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.

- Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate, if an external investor is motivated by strategic considerations.

- Investments in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade and are adjusted, as appropriate, if the purchaser is motivated by strategic considerations.

- Investments in established companies for which there has not been any recent independent funding or secondary private market transaction are valued by using revenue or earnings multiples. When valued on a multiple basis, the maintainable revenue or earnings of a portfolio company are multiplied by an appropriate multiple. The multiple is derived from the market capitalization of a peer group. Companies are selected for the peer group that are comparable with the portfolio company to be valued as to their business model and size. If the portfolio company to be valued differs in certain aspects compared with features of companies in the peer group, discounts or premiums are applied to the relevant multiple or resulting valuation.

- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.

- For public company warrants, options and conversion features on debt (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as Black-Scholes are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. To the extent that the market inputs are insufficient or unreliable, the warrants are valued at their intrinsic value, which is equal to the higher of the closing price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.

- Loans, debentures and promissory notes issued by investees are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The Company may employ discounted cash flow analysis, market comparable analysis of listed debt instruments with similar credit quality or liquidation value analysis to determine the fair value of the debt instrument.

(expressed in Canadian Dollars)

8. Fair Value Measurements, continued

For unlisted equity instruments, continued

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgement and is based on the facts and circumstances of each investment.

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

The following table presents the changes in fair value of investments classified as Level 3:

	Nine months ended September 30, 2017	Year ended December 31, 2016
Opening balance	$ 10,443,961	$ -
Transfers in	-	4,748,007
Transfers (to)from Level 1	(4,147,843)	-
Transfers (to)from Level 2	-	666,667
Purchases	600,100	4,185,380
Conversion of debt	(149,000)	(600,000)
Investments received for services	-	49,338
Gain on deconsolidation	-	587,093
Dispositions	(286,802)	(103,932)
Unrealized gains/losses - net income	127,371	(304,937)
Unrealized gains/losses - other comprehensive income	-	1,216,345
Closing balance	$ 6,587,787	$ 10,443,961

During the nine-months ended September 30, 2017 there were no transfers between levels 1 and 2.
During the nine-months ended September 30, 2017 Advantagwon Oil Corp. and The Hydropothecary Corporation were listed on the Toronto Venture Exchange and moved from Level 3 to Level 1.
During the nine-months ended September 30, 2017 Foothills Development sold its investment and moved from Level 3 to Level 1.
During the year ended December 31, 2016 there were no transfers between levels 1 and 2.

(expressed in Canadian Dollars)

8. Fair Value Measurements, continued

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at September 30, 2017:

						Fair Value Range		
Investment	**Fair Value**	**Instrument**	**Valuation method**	**Inputs**	**Range**	**Lower**	**Upper**	**Footnote**
1616 Media Limited	$ 32,500	Convertible Debt	Transaction price	Recent purchase price	+/- 10%	$ 29,250	$ 35,750	4
Auto repair finance company	3,148,491	Term debt	Transaction price	Recent purchase price	+/- 10%	2,833,642	3,463,340	4
Attorneys Title Guaranty Fund Inc.	200,000	Equity	Earnings multiple	5x net earnings multiple	3x / 7x	133,760	312,106	5
MariCann Inc.	28,000	Warrants	Transaction price	Market prices, volatility, risk free rate	+/- 10%	25,200	30,800	4
Molecular Science Corp.	250,000	Equity	Transaction price	Recent purchase price	+/- 10%	225,000	275,000	4
MVC Technologies	250,100	Convertible Debt	Transaction price	Recent purchase price	+/- 10%	225,090	275,110	4
Namaste Technologies Inc.	14,000	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	18,650	25,484	1
Payfare Inc.	100,000	Equity	Transaction price	Recent purchase price	+/- 10%	90,000	110,000	4
Smart Employee Benefits Inc	-	Options	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	25,119	45,234	1
Smart Employee Benefits Inc	20,360	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	8,552	21,031	1
Somersby Park 2010 Ltd Partnership	1,106,010	Equity	Market prices	Recent sales	+/- 10%	995,409	1,216,611	3
The Hydropothecary Corporation	515,813	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	464,232	567,394	2
WeedMD RX Inc.	13,330	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	11,997	14,663	1
Xylitol Canada Inc.	6,200	Options	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	24,365	29,396	1
Xylitol Canada Inc.	18,177	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	77,681	92,694	1
Xylitol Canada Inc.	885,000	Convertible Debt	Transaction price	Recent purchase price	+/- 10%	796,500	973,500	2
	$ 6,587,980							

(1) inputs taken from TSX/TSXV/CSE closing prices and price volatility.

(2) Valued based on recent completed third party transactions including external funding rounds and secondary market trades near the measurement date.

(3) Values include accounts receivable from the related party.

(4) Represents investments valued at cost which is representative of fair value at the measurement date.

(5) Industry based multiple. Most recent annual earnings used discounted for minoriy and liquidity interest.

(expressed in Canadian Dollars)

9. Due to Brokers

As at September 30, 2017, the Company had due to broker accounts totalling $nil (2016 - $17,146). Due to brokers consists of margin borrowings collateralized by the Company's investments held at brokers. In the normal course of business, the Company uses the margin borrowings to finance some of its investment activities. Interest is charged on the outstanding balance.

10. Share Capital

Authorized:
Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")
Unlimited preferred shares

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share.

Shares issued and outstanding:	September 30, 2017		December 31, 2016	
	No. of shares	Amount	No. of shares	Amount
Multiple voting shares	1,035,719	$1,888,523	1,035,719	$1,888,523
Subordinate voting shares	53,118,743	25,219,218	53,118,743	25,219,218
	54,154,462	$27,107,741	54,154,462	$27,107,741

Stock options outstanding	September 30, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	1,465,000	$ 0.40	2,138,333	$ 0.40
Options granted during the period	450,000	$ 0.30	-	-
Options cancelled during the period	-	-	(273,333)	0.25
Options forfeited during the period	-	-	(400,000)	0.47
Balance, end of the year	1,915,000	$ 0.38	1,465,000	$ 0.41

	Options Outstanding September 30, 2017		Options Excercisable September 30, 2017	
Exercise Price	Number of Options	Weighted Average Life (years)	Number of Options	Weighted Average Life (years)
$0.20	240,000	0.7	240,000	0.7
$0.30	450,000	4.3	450,000	4.3
$0.40	355,000	1.3	355,000	1.3
$0.47	870,000	2.5	480,000	2.6
	1,915,000	2.5	1,525,000	3.1

	Options Outstanding December 31, 2016		Options Excercisable December 31, 2016	
Exercise Price	Number of Options	Weighted Average Life (years)	Number of Options	Weighted Average Life (years)
$0.20	240,000	1.4	240,000	1.4
$0.40	355,000	2.1	355,000	2.1
$0.47	870,000	4.3	480,000	3.3
	1,465,000	2.7	1,075,000	2.5

In January 2017, the Company approved the granting of 450,000 incentive stock options (the "Options") pursuant to the Company's Stock Option Plan to certain directors of the company. The Options are exercisable at a price of $0.30 per share expiring on January 24, 2021.

Subsequent to the period end, on November 8, 2017, the Company approved the granting of 1,100,000 incentive stock options (the "Options") pursuant to the Company's Stock Option Plan to certain directors and officers of the company. The Options are exercisable at a price of $0.3625 per share expiring on November 8, 2022.

(expressed in Canadian Dollars)

11. Stock-Based Compensation Plan

The Company has a stock option plan (the "Plan") which was approved by the Board of Directors of the Company. The total number of shares reserved for issuance under the Plan is equal to 10% of the outstanding Subordinate Voting Shares.

The Plan is for the benefit of the employees, officers and directors of the Company. The Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee may from time to time designate individuals to whom options to purchase shares of the capital stock of the Company may be granted, the number of shares to be optioned to each and the vesting terms of such options. The option price per share which is the subject of any option shall be fixed by the Board of Directors when such option is granted. The option price can be discounted according to the rules of the Exchange at the time the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the Exchange, and notwithstanding any specific agreements with the Company, the options will expire upon the termination of the employment or office with the Company or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding shares. It has been the Company's policy for options to vest upon issuance, however it remains open to change at the Boards discretion.

12. Net Income (loss) per Share

Net income (loss) per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period. Diluted income (loss) per share is calculated in a similar manner, except that the weighted average number of multiple and subordinate voting shares outstanding is increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if materially dilutive. The potential effect of the exercise of stock options does not impact the presentation of the basic net income (loss) per share for the periods ended September 30, 2017 and 2016.

13. Compensation of Key management

The remuneration of directors and other key management personnel of the Company for the nine months ended September 30 was as follows:

	2017	2016
Salaries	$ 281,500	$ 262,500
Options	88,970	-
	$ 370,470	$ 262,500

Subsequent to quarter end on October 15,2017, the Company's CEO resigned and received a retiring allowance of $250,000.

14. Related Party Transactions

Related party transactions occur during the normal course of Company operations.

	Income for quarters ended		Income for nine months ended	
Related party	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Robith, LLC	-	-	172,901	58,500
Auto repair finance company	128,992	140,919	416,323	365,059
AdvantageWon Oil Corp.	26,267	37,427	85,776	118,372
The Hydropothecary Corporation	-	59,019	-	105,900

(expressed in Canadian Dollars)

14. Related Party Transactions, continued

	Accounts Receivable		Accounts Payable		Investment	
Related party	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Somersby Park 2010 Limited Partnership	-	161,893	-	-	1,106,010	1,137,486
Robith, LLC	-	343,037	-	-	2,123,391	1,582,051
Auto repair finance company	80,998	98,116	-	-	3,148,491	3,235,000
AdvantageWon Oil Corp.	23,272	26,243	-	-	2,308,778	1,591,086
Attorney Title Guaranty Fund	-	-	-	-	200,000	200,000
The Hydropothecary Corporation	-	-	-	-	4,333,786	1,678,019

The Company often receives the right to nominate a member to the Board of Directors of companies to which it provides an investment. The nominees may be of the Company, and accordingly, the investee company may become related to the Company. The table below identifies where an employee, officer or director of the Company hold a position with an investee company. (Subsequent to September 30, 2017 with the resignation of an Officer and Director of the Company, there were no positions held in investee companies.)

Investment	Ownership	Postion held
Foothills Developments Inc	100%	Director & Officer
Newborn Realty Corporation	100%	Director & Officer
Somersby Park 2010 Limited Partnership	64.7%	Director & Officer
Auto repair finance company	50%	Director
AdvantageWon Oil Corp.	10.2%	Director
Attorney Title Guaranty Fund	16.1%	Director
Bradstone Financial Corp.	n/a	Director
The Hydropothecary Corporation	<10%	Director
Molecular Science Corp.	<10%	Director

Members of the Company’s board of directors also serve as board members of Bradstone Capital which is one of the parties that participated in the syndicated loans with the auto repair finance company.

In March 2017, The Hydropothecary Corporation completed a Qualifying Transaction with BFK Capital Corp., a Capital Pool Company, listed on the TSX Venture Exchange. Members of the Company’s Board of Directors are shareholders of BFK Capital Corp.

Newborn Ranch LLC, a subsidiary of Newborn Realty Corporation, was dissolved during the quarter.

15. Risk Management and Sensitivity Analysis

The primary goals of the Company’s risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company’s objectives and risk tolerance. The Company’s investment strategy requires a level of risk in exchange for an above average return on investment. The Company plans to maintain an appropriate risk and reward balance while protecting the Company’s financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company’s business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

(expressed in Canadian Dollars)

15. Risk Management and Sensitivity Analysis, continued

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from the prior period.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. Senior management is committed to several processes to ensure that this risk is appropriately mitigated. These include:

- obtaining collateral guarantees;
- the investigation of the creditworthiness of all borrowers;
- the engagement of qualified independent consultants such as lawyers and real estate appraisers, to whom management may reach for professional advice.
- the segregation of duties to ensure that qualified staff are satisfied with all due diligence requirements prior to funding; and
- the prompt initiation of recovery procedures on overdue loans.

As at September 30, 2017, gross accounts receivable of $nil were past due and not impaired (December 31, 2016 - $237,229).

The maximum exposure to credit risk is:

	September 30, 2017	December 31,2016
Accounts receivable, excluding HST	$ 137,931	$ 347,217
Loans and convertible debentures	4,708,103	4,828,512
Total Credit Exposure	$ 4,846,034	$ 5,175,729

A significant amount of the Company's credit exposure lies with Auto repair finance company. The debt at September 30, 2017 is $3,148,491. This accounts for 18% (December 31, 2016 - 21%) of the Company's total investments. The Auto repair finance company has received further financing, by a non-related party and the Company's debt now sits subordinate to the new investors. The loan portfolio of Auto repair finance company is secured by the Retail Storage and Liens Act of Ontario which gives the lien holder first right over any other form of lien. The Company closely monitors LTV (loan to value) coverage as well as loan default rates. The credit risk of the debt is linked to the credit risk of the underlying auto repair loans. Management continuously evaluates and monitors the credit worthiness of such auto repair loans.

(expressed in Canadian Dollars)

15. Risk Management and Sensitivity Analysis, continued

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board monitors changes in the market on an ongoing basis and adjusts the Company's lending and investing practices and policies when necessary to reduce the impact of the above risks.

The Company's investments include publicly-listed entities that are listed on a Canadian stock exchange. Changes in the fair value of investments designated as fair value through profit and loss are reported in the statement of comprehensive income.

The following table shows the estimated sensitivity on the statement of comprehensive income for the nine months ended September 30, 2017 from a change in closing price of the Company's publicly-listed investments of $8,396,651 with all other variables held constant as at September 30, 2017:

Percentage of Change in Closing Prices	Change in comprehensive income from % increase in closing price	Change in comprehensive income from % decrease in closing price
5%	$ 419,833	$ (419,833)
10%	$ 839,665	$ (839,665)

Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

As at September 30, 2017, the Company holds the following fixed-rate debt instruments:

(a) $1,559,612 (December 31, 2016 – $1,593,512) in convertible debentures with a weighted average interest rate of 15.5% (December 31, 2016 – 17.3%) and a weighted average term to maturity of approximately 2.4 years (December 31, 2016 – 2.3 years); and

15. Risk Management and Sensitivity Analysis, continued

Interest rate risk, continued

(b) $3,148,491 (December 31, 2016 – $3,235,000) in in term debt which was issued in several tranches with an interest rate of 15% (December 31, 2016 – 15%) that are due 3 years from the date of each advance. As at September 30, 2017 the traches mature within 1-24 months of quarter end [December 31, 2016 – 6-33 months]. At December 9, 2016 $600,000 of the debt was converted into equity.

Should market interest rates rise, then the fair value of these convertible debentures and term debt may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. Additionally, the economic exposure to interest rate risk is mitigated by the Company's intention to either convert the debentures into the related underlying equities or, in the case of nonconvertible debentures, to hold the instrument until maturity.

As at September 30, 2017, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately $41,050 (December 31, 2016 – $48,000). If interest rates were lower by 1% per annum, the potential effect would be an increase in net income of approximately $41,050 (December 31, 2016 – $48,000).

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The goal of liquidity management is to ensure that adequate cash is available to honour all future loan commitments. As well, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized. The Company manages its liquidity risk by monitoring loan advances and repayments.

In managements' opinion, the Company has sufficient resources to meet its current cash flow requirements.

The Company's accounts payable, accrued liabilities and due to broker, all have contractual maturities of less than 30 days and are subject to normal trade terms. The syndicated loans carry similar terms and conditions and have various terms ranging from 1 to 24 months.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long-term. However, the Company may procure debt or equity financing from time to time to fund its operations.

Currency Risk

Foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the

15. Risk Management and Sensitivity Analysis, continued

Currency risk, continued

Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

The Company has cash and cash equivalents, certain receivables, convertible debentures and investments in companies denominated in a foreign currency. Sensitivity to a plus or minus 10 percent change in existing rates would increase or decrease the Company's net income by $284,631 (December 31, 2016 - $289,000).

16. Contingencies

Contingent liabilities

The Company is the parent company of the general partner of GC Global Capital Lending Partners Limited Partnership and Somersby Park 2010 General Partner Inc. The General Partner has unlimited liability for the liabilities and obligations of the partnerships in excess of the contributions of the limited partners. As at September 30, 2017 and December 31, 2016 there were no outstanding liabilities or obligations for which the Company was contingently liable.

17. Subsequent Events

Subsequent to the quarter end the Company sold 1,412,000 shares at an average price of $0.08 per share. Reducing its holdings to 10.2% of total issued and outstanding shares from the previous quarter's 12.1%

On November 8, 2017 the Company announced that the board of directors of the Company approved the granting of 1,100,000 incentive stock options (the "Options") pursuant to the Company's stock option plan to certain directors and officers of the company. The Options are exercisable at a price of $0.3625 per share and expire on November 8, 2022.

18. New and Revised Standards and Interpretations

New standards and interpretations not yet adopted

The following pronouncements issued by the IASB and interpretations published by IFRIC will become effective for annual periods beginning on or after the dates detailed below, with earlier adoption permitted. The Company is currently assessing the impact of the adoption of these new standards and interpretations.

Pronouncements effective for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains, but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income (loss). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

(expressed in Canadian Dollars)

18. New and Revised Standards and Interpretations, continued

IFRS 15, Revenue from Contracts with Customers will supersede current revenue recognition guidance, which is currently found across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. IFRS 15 provides a framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Pronouncements effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The effective date for IFRS 16 is January 1, 2019. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than those subject to the two exceptions listed below, will be recorded in the Statement of Financial Position with a "right of use" asset and a corresponding lease liability. This will impact the timing and classification related expenses, as lease costs will now be reflected in the depreciation of the right of use asset and interest on the lease liability. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases.

19. Prior year comparatives

Certain comparative figures have been reclassified to conform to the presentation in the current year.

20. Supplementary Cash Flow Information

Net change in non-cash working capital balances		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Accounts receivable, interest, and dividends receivable	$	713,951	$	(18,678)
Prepaids		(19,389)		13,584
Accounts payable and accrued liabilities		82,075		(51,312)
	$	776,637	$	(56,406)

Interest received and paid		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Interest received	$	681,385	$	633,021
Interest paid	$	81,642	$	54,251