Fountain Asset Corp.

Consolidated financial statements

December 31, 2017 & 2016

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, RSM Canada LLP, are appointed by the shareholders to conduct an audit and their report follows.

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

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

Toronto, Ontario
April 30, 2018

RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fountain Asset Corp.

We have audited the accompanying consolidated financial statements of Fountain Asset Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of changes in equity, comprehensive income and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 in our audits 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 Fountain Asset Corp. and its subsidiaries as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2018

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Fountain Asset Corp.
Consolidated Statements of Financial Position
For the years ended December 31, 2017 and 2016
(expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
Assets		
Cash	$ 1,298,522	$ 377,721
Short term investments [note 4]	40,000	40,000
Amounts receivable and sundry assets [note 15]	428,898	358,398
Loans and convertible debentures - amortized cost [note 7]	375,862	527,012
Loans and convertible debentures - fair value through profit or loss [note 7]	3,066,631	4,301,500
Investments - Fair value through profit or loss [note 5]	10,759,306	7,145,598
Investments - Available for sale [note 6]	7,449,670	2,765,792
	$ 23,418,889	$ 15,516,021
Liabilities		
Accounts payable and accrued liabilities	$ 145,983	$ 154,091
Due to brokers [note 10]	-	17,146
Syndicated loans [note 7]	330,000	764,362
	$ 475,983	$ 935,599
Shareholders' Equity		
Share capital [note 11]	$ 27,132,741	$ 27,107,741
Contributed surplus	5,531,786	5,321,816
Accumulated other comprehensive income	6,315,241	1,383,012
Deficit	(16,036,862)	(19,232,147)
Total Equity	$ 22,942,906	$ 14,580,422
	$ 23,418,889	$ 15,516,021

Contingencies and subsequent events (notes 18 and 19)

On Behalf of the Board

“Andrew Parks”
Director

“Morris Prychidny”
Director

The accompanying notes are an integral part of the Consolidated financial statements.

Fountain Asset Corp.
Consolidated Statements of Changes in Equity
For the years ended December 31, 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**	**$ -**	**$ 14,580,422**
Net income (loss)	-	-	3,195,285	-	-	3,195,285
Adjustments to AFS investments, net of tax	-	-	-	4,932,229	-	4,932,229
Stock options exercised [note 11]	25,000	-	-	-	-	25,000
Stock based compensation [note 11]	-	209,970	-	-	-	209,970
Balance, December 30, 2017	**$ 27,132,741**	**$ 5,531,786**	**$ (16,036,862)**	**$ 6,315,241**	**$ -**	**$ 22,942,906**
Balance, January 1, 2016	**$ 27,107,741**	**$ 5,273,980**	**$ (20,264,998)**	**$ 166,667**	**$ 410,345**	**$ 12,693,735**
Net income (loss)	-	-	1,032,851	-	-	1,032,851
Net loss attributable to non-controlling interest	-	-	-	-	(185,548)	(185,548)
Adjustments to AFS investments, net of tax	-	-	-	1,216,345	-	1,216,345
Stock based compensation [note 11]	-	47,836	-	-	-	47,836
Deconsolidation of subsidiaries [note 3]	-	-	-	-	(224,797)	(224,797)
Balance, December 31, 2016	**$ 27,107,741**	**$ 5,321,816**	**$ (19,232,147)**	**$ 1,383,012**	**$ -**	**$ 14,580,422**

The accompanying notes are an integral part of the Consolidated financial statements.

Fountain Asset Corp.
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(expressed in Canadian Dollars)

	2017	2016
Revenue		
Structuring fees, consulting fees and bonuses	$ 253,681	$ 395,836
Interest and dividend income	855,662	1,020,972
Net realized gains (losses) on portfolio investments	2,537,796	(86,003)
Net unrealized gain on portfolio investments	1,411,627	72,452
Gain on sale of investment property	-	587,093
	$ 5,058,766	$ 1,990,350
Expenses		
Salaries and consulting fees [note 14]	$ 811,730	$ 559,237
Filing and listing fees	13,413	21,052
Audit and legal fees	349,841	120,007
General and administrative	384,740	440,698
Foreign exchange loss (gain)	16,137	(29,706)
Stock based compensation expense [note 11]	209,970	47,836
Bad debt, loan provisions and permanent impairments	77,650	(16,077)
	$ 1,863,481	$ 1,143,047
Income before income tax	$ 3,195,285	$ 847,303
Income taxes provision [note 16]	-	-
Net income	$ 3,195,285	$ 847,303
Other comprehensive income		
Items that may be subsequently reclassified to net income		
Unrealized gains on AFS investments, net of tax	4,932,229	1,216,345
Net comprehensive income	$ 8,127,514	$ 2,063,648
Net income attributable to:		
Parent company	$ 3,195,285	$ 1,032,851
Non-controlling interest	-	(185,548)
	$ 3,195,285	$ 847,303
Net comprehensive income attributable to:		
Parent company	$ 8,127,514	$ 2,249,196
Non-controlling interest	-	(185,548)
	$ 8,127,514	$ 2,063,648
Net income per share - basic and diluted [note 13]	$ 0.06	$ 0.02
Net comprehensive income per share - basic and diluted [note 13]	$ 0.15	$ 0.04
Weighted average number of shares outstanding – basic	54,165,421	54,154,463
Weighted average number of shares outstanding – diluted	54,268,243	54,206,814

The accompanying notes are an integral part of the Consolidated financial statements.

Fountain Asset Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(expressed in Canadian Dollars)

		2017		2016
Operating activities				
Net income	$	3,195,285	$	847,303
Realized (gain) loss on sale of portfolio investments		(2,537,797)		86,003
Unrealized gain on portfolio investments		(1,411,627)		(72,452)
Bad debts, loan provisions and permanent impairments		77,650		-
Investments received for services		-		(49,338)
Consolidation/(deconsolidation) of subsidiaries		2,155,791		(587,093)
Unrealized foreign exchange gain		-		(288,973)
Stock compensation expense		209,970		47,836
Loss on syndication of loan		-		51,436
Acquired loans and convertible debentures		(1,281,400)		(1,635,000)
Repayments of loans and convertible debentures		324,221		682,128
Purchase of investments		(3,423,511)		(1,681,203)
Proceeds from sale of investments		3,690,058		1,929,701
Proceeds/(repayment) of loan syndication		(434,362)		712,926
	$	564,277	$	43,274
Net changes in non-cash working capital balances [note 21]		348,670		(244,406)
Cash flow from operating activities	**$**	**912,947**	**$**	**(201,132)**
Financing activities				
Proceeds from shares issued	$	25,000	$	-
Paid to brokers		(17,146)		(78,352)
Cash flow used in financing activities	**$**	**7,854**	**$**	**(78,352)**
Increase (decrease) in cash	$	920,801	$	(279,484)
Cash, beginning of year		377,721		657,205
Cash, end of year	**$**	**1,298,522**	**$**	**377,721**

The accompanying notes are an integral part of the Consolidated financial statements.

Fountain Asset Corp.
Schedule of investments
As at December 31, 2017
(expressed in Canadian Dollars)

Investment	Classification	Market	Instrument	Cost	Carrying/Fair value
Advantagewon Oil Corp.	Loans and convertible debt - amortized cost	Public	Convertible Debt	$ 347,012	
				$ 347,012	**$ 375,862**
1616 Media Inc.	Loans and convertible debt - FVTPL	Private	Convertible Debt	$ 32,500	
Auto repair finance company	Loans and convertible debt - FVTPL	Subsidiary	Term Debt	3,024,129	
Legacy Eight Group Ltd.	Loans and convertible debt - FVTPL	Private	Convertible Debt	406,250	
MariCann Group Inc.	Loans and convertible debt - FVTPL	Public	Convertible Debt	250,000	
MVC Technologies Inc.	Loans and convertible debt - FVTPL	Private	Convertible Debt	250,100	
ONECLICK International LLC	Loans and convertible debt - FVTPL	Private	Term Debt	375,050	
Sweet Natural Trading Co. Ltd.	Loans and convertible debt - FVTPL	Public	Convertible Debt	885,000	
				$ 5,223,029	**$ 3,066,631**
Atlas Cloud Enterprise Inc.	Investments - FVTPL	Public	Equity	$ 49,100	
Atlas Cloud Enterprise Inc.	Investments - FVTPL	Public	Warrants	-	
Auto repair finance company	Investments - FVTPL	Subsidiary	Equity	600,000	
Bewhere Holdings Inc.	Investments - FVTPL	Public	Equity	300,000	
Blockchain Foundry Inc.	Investments - FVTPL	Private	Equity	100,000	
CryptoGlobal Inc	Investments - FVTPL	Private	Equity	450,000	
CryptoStar Inc.	Investments - FVTPL	Private	Equity	275,000	
Global Blockchain Technologies Corp.	Investments - FVTPL	Public	Equity	255,000	
Robith, LLC	Investments - FVTPL	Subsidiary	Equity	-	
MariCann Group Inc.	Investments - FVTPL	Public	Warrants	-	
MBMI Resources Inc.	Investments - FVTPL	Public	Equity	20,501	
Molecular Science Corp.	Investments - FVTPL	Private	Equity	250,000	
MVC Technologies Inc.	Investments - FVTPL	Private	Equity	250,100	
MVC Technologies Inc.	Investments - FVTPL	Private	Warrants	-	
NetCoin	Investments - FVTPL	Private	Equity	50,000	
Nuuvera Corp.	Investments - FVTPL	Public	Equity	350,000	
Pacific Rim Cobalt Corp.	Investments - FVTPL	Public	Equity	163,100	
Pacific Rim Cobalt Corp.	Investments - FVTPL	Public	Warrants	-	
Payfare Inc.	Investments - FVTPL	Private	Equity	100,000	
Integrity Gaming 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	1,137,348	
The Hydropothecary Corporation	Investments - FVTPL	Public	Warrants	-	
UMG MEDIA CORP.	Investments - FVTPL	Private	Equity	240,000	
Vogogo Inc.	Investments - FVTPL	Public	Equity	127,653	
Vogogo Inc.	Investments - FVTPL	Public	Warrants	-	
Sweet Natural Trading Co. Ltd.	Investments - FVTPL	Public	Equity	125,339	
Sweet Natural Trading Co. Ltd.	Investments - FVTPL	Public	Options	-	
Sweet Natural Trading Co. Ltd.	Investments - FVTPL	Public	Warrants	-	
				$ 9,188,595	**$ 10,759,306**
Advantagewon Oil Corp.	Investments - AFS	Public	Equity	$ 87,924	
Attorneys Title Guaranty Fund Inc.	Investments - AFS	Private	Equity	413,000	
The Hydropothecary Corporation	Investments - AFS	Public	Equity	846,505	
				$ 1,347,429	**$ 7,449,670**
				$ 16,106,065	**$ 21,651,469**

56% of investments are equity and 44% are non-equity

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, cryptocurrency, marijuana, and biotechnology.

2. Summary of Significant Accounting Policies

Statement of compliance

These consolidated financial statements, are prepared, in accordance with International Financial Reporting Standards ("IFRS") and IFRS interpretations as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Company's Board of Directors on April 30, 2018.

Basis of presentation

The consolidated 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.

Consolidation

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As an investment entity (see note 3), the Company is required to account for its investments in subsidiaries (Somersby Park 2010 Limited Partnership, the Auto repair finance company and up to the date of divestiture, Robith LLC) at fair value through profit or loss rather than by consolidation.

The Company has concluded that Foothills Development Inc. ("Foothills"), and Foothills wholly-owned subsidiary Newborn Realty Corporation, should be consolidated as this entity provides services relating to the Company's investment activities. All intercompany balances, profits and transactions are eliminated in full.

Status as Investment Entity

The following are the criteria within IFRS 10, Consolidated financial statements, which the Company used to evaluate and determine that it continues to meet the definition of an Investment Entity,

a) Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services.

2. Summary of Significant Accounting Policies, continued

b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.

c) Measures and evaluates the performance of substantially all its investments on a fair value basis.

The Company has evaluated the above criteria and determined that it meets the definition of an Investment Entity. Refer to note 3 for the detail of the impact of this change in 2016. 2016 was the first financial statements in which the Company reported as an Investment Entity.

As a result of meeting the definition of an Investment Entity, except for Foothills, subsidiaries which otherwise would have been consolidated are carried at fair value. Financial instruments previously designated as AFS and loans and receivables prior to meeting the definition of an investment entity cannot be redesignated to fair value through profit or loss.

Use of estimates and judgments

The preparation of these 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 judgment in applying criteria in IFRS10.
- Impairment of assets and provision for loans, notes and convertible debentures receivable losses – Management exercises judgment 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 judgment on their recoverability. Such judgments 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 9 for more details.

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Company commits to purchase or sale of the asset. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

2. Summary of Significant Accounting Policies, continued

All new investments held by the Company are designated as FVTPL upon initial recognition. Certain legacy loans and receivables continue to be recorded at amortized cost or classified as AFS. The Company includes equities, loans and receivables, and other interest-bearing investments in this category. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a

Financial instruments, continued

group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

Financial assets

Financial assets are classified into one of following categories: FVTPL, loans and receivables and available for sale.

All financial instruments are measured at fair value except for loans and receivables which are measured at amortized cost, using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income; available for sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

a) Cash and Cash Equivalents, Short-Term Investments, Derivatives and Conversion Features of Convertible Debt:

   Cash and cash equivalents, short-term investments, derivatives and conversion features of convertible debt are classified as FVTPL. Cash and cash equivalents consists of cash on hand and short-term investments with remaining maturities of less than three months.

b) Loans and Receivables:

   Accounts receivable, and certain debt portion of convertible debentures are designated as loans and receivables which are measured at amortized cost, subject to impairment reviews.

c) Convertible Debenture Receivable

   When the Company holds debentures that are convertible into the issuer's equity shares at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The convertible debenture is classified as FVTPL and recorded at fair value. For legacy convertible debentures, the embedded derivative is classified as FVTPL, with the debenture being classified as loans and receivables.

2. Summary of Significant Accounting Policies, continued

Financial assets, continued

d) Investments in Publicly Traded Companies

Investments in publicly traded companies have been designated as FVTPL other than those that had been previously been classified as available for sale, prior to the company's change to an investment entity, and are recorded in the consolidated statements of financial position at fair value. Fair value is determined directly by reference to quoted market closing prices in active markets. In instances where securities are subject to restrictions on sale or transfer, the securities are recorded at amounts discounted from market value to a maximum of 20%. In determining the discount for such investments, the Company considers the nature and length of the restriction.

Included in investments is the fair value of the Company's investments in share purchase warrants and options of other corporations which are designated at FVTPL. Where the value of these warrants and options is not publicly quoted in active markets, the Company employs the Black-Scholes pricing model to determine fair value.

e) Investments in Private Companies

Privately-held investments have been designated as fair value through profit or loss (other than those that had previously been classified as available for sale, prior to the Company's change to an investment entity) and are recorded in the consolidated statements of financial position at fair value. Fair value is measured using one or more of the valuation indicators described below. These are included in level 2 or 3 of the financial hierarchy. The determinations of fair value of the Company's privately-held investments are subject to certain limitations.

Financial liabilities

Financial liabilities are classified into one of two categories: FVTPL or other financial liabilities.

Accounts payable and accrued liabilities, and due to brokers are classified as other financial liabilities which are measured at amortized cost. Syndicated debt is designated as FVTPL, as the Company's investment portfolio is evaluated on a fair value basis.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or derived from such prices. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors. The various valuation techniques utilized by management are described in note 9.

The fair value measurements underlying the carrying value of investments and marketable securities are classified within a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

2. Summary of Significant Accounting Policies, continued

Fair value measurement, continued

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. The type of investments and marketable securities included in this category are publicly traded equities, debt and securities sold short;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The type of investments included in this category include less liquid and restricted equity securities and certain over-the counter derivatives; and

Level 3 Inputs for the asset or liability that are not based on observable market data. Investments classified within this category consist of private equity and debt securities.

Impairments

Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Objective evidence of impairment of a loan could include: significant financial difficulty of the borrower, breach of contract, such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization. At a minimum of each reporting period, management assesses whether there are indicators that loan loss provisions are required for each loan in the Company's loan portfolio based on economic and market trends, the impairment status of loans, market value of the asset, and appraisals, if any, of the security underlying loans receivable. If these factors indicate that the carrying value of loans may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value of the affected loans with the discounted present value of their estimated future cash flows using the original effective interest rate.

To the extent that discounted estimated future cash flows are less than the loan carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income on a loan for which a specific loan loss provision exists is calculated at the discount rate used in determining the impairment, which may differ from the contracted loan interest rate.

Should the cash flow assumptions used to determine the original loan loss provision change, the loan loss provision may be reversed. A loan loss provision is reversed only to the extent that the revised carrying value of the loan does not exceed its amortized cost that would have been recorded had no loan loss provision been recognized.

Provisions

The Company recognizes provisions when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

Investments in associates

The Company has determined that it meets the definition of an "investment entity" and as a result, associates are measured at FVTPL.

2. Summary of Significant Accounting Policies, continued

Investments in associates, continued

Refer to Note 8 for specific disclosures related to investments in associates.

Revenue recognition

Interest income is recorded on an accrual basis using the effective interest rate method. Under the effective interest rate method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue and recognized in income. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan.

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statement of comprehensive loss as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Other income and income from securities lending are recorded on an accrual basis.

Management and consulting fees are recognized over the period in which the services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss of the period. Financial assets measured at fair value are translated at exchange rate in effect at fair value measurement date.

Income taxes

Income tax expense comprises current and deferred components. Tax is recognized in net income, except to the extent it relates to items recognized in OCI or directly in equity. In that case tax is recognized directly in OCI or equity. Current income tax expense is the expected tax payable for the current year's taxable income based on rates enacted or substantively enacted at the period end and any adjustments to previous estimates.

2. Summary of Significant Accounting Policies, continued

Deferred income taxes

Deferred income taxes are calculated using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in expected future tax rates is recognized in net (loss) income in the period that includes the date of substantive enactment of the revised tax rates. Deferred tax assets are recognized to the extent that it is probable that they will be realized.

Stock-based compensation plan

The Company grants stock options to employees, officers and directors. The board of directors grant such options with lives up to 5 years, with vesting periods determined at its discretion and at exercise prices equal to or greater than the Company's closing common share price on the date preceding that of the grant date.

The Company determines the fair value of options granted using the Black-Scholes option pricing model. The fair value of options granted incorporates an assumption for expected option forfeitures and is determined on the grant date. The fair value of options on each vesting date is recognized as stock-based compensation expense over the vesting period.

Earnings (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period.

Diluted earnings per share is calculated by dividing net earnings available to shareholders for the period by the diluted weighted average number of multiple and subordinate shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

In years that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

(expressed in Canadian Dollars)

3. Investment Entity Reporting

The Company's change to an investment entity in the prior year was accounted for prospectively and required the Company to deconsolidate subsidiaries. This resulted in the recording of gains of $587,093 through the deconsolidation of its 51% ownership of Robith LLC and its 64.7% ownership of Somersby Park 2010 Limited Partnership. At the same time the fair values of these investments were adjusted, and the change of values were recorded as gain on deconsolidation through the statement of comprehensive income.

	2016
Assets and liabilities derecognized	362,296
Non-controlling interest- prior year	410,345
Non-controlling interest- current year	(185,548)
Gain on deconsolidation	$ 587,093

As a result of the Company meeting the definition of an investment entity, all investing activities related to the Company's investment portfolio have been reclassified as operating activities within the statements of cash flows. This more accurately reflects the operations of the Company.

4. Short term Investments

The Company has outstanding $40,000 (December 31, 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.

(expressed in Canadian Dollars)

5. Investments – FVTPL

The following chart lists the investments carried at FVTPL. See note 9 for fair value measurement techniques and evaluations.

Investment	Market	Instrument	Fininancial instrument hierarchy level	Fair Value 2017	Fair Value 2016
Atlas Cloud Enterprise Inc.	Public	Equity	1	$ 148,400	$ -
Atlas Cloud Enterprise Inc.	Public	Warrants	3	99,400	-
Bewhere Holdings Inc.	Public	Equity	1	590,000	-
Blockchain Foundry Inc.	Private	Equity	3	100,000	-
CryptoGlobal Inc	Private	Equity	2	765,013	-
CryptoStar Inc.	Private	Equity	3	275,000	-
Global Blockchain Technologies Corp.	Public	Equity	1	176,000	-
Global Blockchain Technologies Corp.	Public	Warrants	3	63,000	-
Robith, LLC	Subsidiary	Equity	2	-	1,582,051
MariCann Group Inc.	Public	Warrants	3	132,243	-
MariCann Group Inc.	Public	Warrants	3	85,500	-
MBMI Resources Inc.	Public	Equity	1	2,400	193
Molecular Science Corp.	Private	Equity	3	250,000	-
MVC Technologies Inc.	Private	Equity	3	250,100	-
MVC Technologies Inc.	Private	Warrants	3	201,950	-
NetCoin	Private	Equity	3	50,000	-
Nuuvera Corp.	Public	Equity	1	350,000	-
Pacific Rim Cobalt Corp.	Public	Equity	1	562,599	-
Pacific Rim Cobalt Corp.	Public	Warrants	3	265,238	-
Payfare Inc.	Private	Equity	3	100,000	-
Integrity Gaming Corp.	Public	Equity	1	886,714	2,276,728
Smart Employee Benefits Inc	Public	Equity	1	385,000	311,600
Smart Employee Benefits Inc	Public	Warrants	3	-	52,459
Smart Employee Benefits Inc	Public	Options	3	40,000	28,350
Somersby Park 2010 Ltd Partnership	Subsidiary	Equity	3	810,785	1,137,486
Spectra7 Microsystems Inc.	Public	Equity	1	853,643	1,061,608
TerrAscend Corp.	Public	Equity	1	-	200,100
The Hydropothecary Corporation	Public	Warrants	3	1,542,315	176,300
The Intertain Group Limited	Public	Equity	1	-	93,800
UMG MEDIA CORP.	Private	Equity	3	240,000	-
Vogogo Inc.	Public	Equity	1	787,390	-
Vogogo Inc.	Public	Warrants	3	610,000	-
Sweet Natural Trading Co. Ltd.	Public	Equity	1	103,330	25,000
Sweet Natural Trading Co. Ltd.	Public	Options	3	6,200	49,338
Sweet Natural Trading Co. Ltd.	Public	Warrants	3	27,085	150,585
				$ 10,759,306	**$ 7,145,598**

(expressed in Canadian Dollars)

6. 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 December 31, 2017		Fair Value December 31, 2016
Advantagewon Oil Corp. [note 15]	Public (1)	Equity	Level 1	$	1,309,804		1,064,074
Attorneys Title Guaranty Fund Inc. [note 15]	Private	Equity	Level 3		200,000		200,000
The Hydropothecary Corporation [note 15]	Public (2)	Equity	Level 1		5,939,866		1,501,718
Totals				**$**	**7,449,670**	**$**	**2,765,792**

(1) On July 14, 2017 Advantagewon Oil Corp began trading on the TSX Venture exchange.

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

7. 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 December 31, 2017		Carrying Value December 31, 2016
Valued at Amortized Cost								
Advantagewon Oil Corp. [note 15]	Convertible debt	24%	> 1 year	Level 3	$	375,862	$	527,012
Totals					**$**	**375,862**	**$**	**527,012**

Note: Fair value of the convertible debt 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 December 31, 2017		Fair Value December 31, 2016
1616 Media Inc.	Convertible Debt	8%	< 1 year	Level 3	$	32,729	$	32,500
Auto repair finance company	Term Debt	15%	Prom. notes ending 1-24 mths	Level 3		-		3,235,000
Legacy Eight Group Ltd.	Convertible Debt	10%	> 1 year	Level 3		406,250		-
MariCann Group Inc.	Convertible Debt	9%	> 1 year	Level 3		541,885		100,000
MVC Technologies Inc.	Convertible Debt	5%	> 1 year	Level 3		686,206		-
ONECLICK International LLC	Term Debt	8%	> 1 year	Level 3		375,050		-
WeedMD RX Inc. (1)	Convertible Debt	10%	< 1 year	Level 3		-		49,000
Sweet Natural Trading Co.	Convertible debt	15%	> 1 year	Level 3		1,024,511		885,000
Totals					**$**	**3,066,631**	**$**	**4,301,500**

(1) Debt was converted to equity during the second quarter. The equity was then listed on the TSX Venture exchange and the Company's shares were liquidated.

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 the Auto repair finance company's lending program. During 2017, the credit facility was subordinated to new investments which are in a priority position and interest payments were in default. As a result, as at December 31, 2017, the fair value of the loan was adjusted to $nil.

(expressed in Canadian Dollars)

7. Loans and Convertible Debentures, continued

In the prior year, 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 2017, $434,362 of the syndicated notes were repaid leaving a balance of $330,000 as at December 31, 2017 and has subsequently been completely paid out.

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.

8. Subsidiaries and Associates

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

Subsidiary/Associate	Ownership	Place of business
Foothills Developments Inc	100%	United States
Newborn Realty Corporation	100%	United States
Somersby Park 2010 Limited Partnership	73%	United States
Auto repair finance company	50%	Canada

Foothills Development Inc. holds 100% ownership of Newborn Realty Corporation, which owned 51% of Robith LLC (Robith), which in turn owned 25% of a commercial building in the United states. In 2017, the property was sold for net proceeds of approximately $2,201,000 ($1,761,000 USD). Robith LLC was subsequently wound up and all proceeds are now held in Newborn Realty Corp.

Somersby Park 2010 Limited Partnership (Somersby) owns vacant real estate in the United States. There were no sales in 2017. In 2016, there were 2 individual lot sales.

In 2016, the Company converted $600,000 of debt to a 50% equity position in the Auto repair finance company. At December 31, 2016 the equity value was decreased to $0 as the company continues to incur annual losses.

(expressed in Canadian Dollars)

9. 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 December 31, 2017	Level 1	Level 2	Level 3
Cash and short term investments	$ 1,338,522	$ -	$ -
Loans and convertible debt - FVTPL	-	-	3,066,631
Investments - FVTPL	4,845,477	765,013	5,148,816
Investments - AFS	7,249,670	-	200,000
	$ 13,433,669	**$ 765,013**	**$ 8,415,447**

As at December 31, 2016	Level 1	Level 2	Level 3
Cash and short term investments	$ 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, due to the passage of time or due to a company going public.

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.

9. 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.

- 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.

- 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, options and conversion features 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)

9. Fair Value Measurements, 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 judgment 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:

	Year ended December 31, 2017	Year ended December 31, 2016
Opening balance	$ 10,443,961	$ -
Transfers in	-	4,748,007
Transfers (to)from Level 1	(2,565,792)	-
Transfers (to)from Level 2	(1,582,051)	666,667
Purchases	2,546,400	4,185,380
Conversion of debt	(213,462)	(600,000)
Investments received for services	-	49,338
Provisions	-	587,093
Dispositions	(572,753)	(103,932)
Unrealized gains/losses - net income	359,144	(304,937)
Unrealized gains/losses - other comprehensive income	-	1,216,345
Closing balance	$ 8,415,447	$ 10,443,961

During the year ended December 31, 2017 Advantagewon Oil Corp. and The Hydropothecary Corporation were listed on the TSX Venture Exchange and moved from Level 3 to Level 1.

(expressed in Canadian Dollars)

9. 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 December 31, 2017:

						Fair Value Range	
Investment	**Fair Value**	**Instrument**	**Valuation method**	**Inputs**	**Range**	**Lower**	**Upper**
1616 Media Inc.	$ 32,729	Convertible Debt	Black Scholes model based on conversion	Market prices, volatility, risk free rate	Debt value/+ 10%	$ 29,456	$ 36,002
Atlas Cloud Enterprise Inc.	99,400	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	94,925	104,275
Attorney's Title Guaranty Fund Inc.	200,000	Equity	Transaction price	Recent purchase price	+/- 10%	180,000	220,000
Blockchain Foundry Inc.	100,000	Equity	Transaction price	Recent purchase price	+/- 10%	90,000	110,000
CryptoStar Inc.	275,000	Equity	Transaction price	Recent purchase price	+/- 10%	247,500	302,500
Global Blockchain Technologies Corp.	63,000	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	50,731	69,954
Legacy Eight Group Ltd.	406,250	Convertible Debt	Black Scholes model based on conversion	Market prices, volatility, risk free rate	+/- 10%	365,625	446,875
MariCann Group Inc.	132,243	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	123,529	141,134
MariCann Group Inc.	85,500	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	82,663	88,179
MariCann Group Inc.	541,885	Convertible Debt	Black Scholes model based on conversion	Market prices, volatility, risk free rate	+/- 10%	487,697	596,074
Molecular Science Corp.	250,000	Equity	Transaction price	Recent purchase price	+/- 10%	225,000	275,000
MVC Technologies Inc.	189,750	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	170,775	208,725
MVC Technologies Inc.	250,100	Equity	Transaction price	Recent purchase price	+/- 10%	225,090	275,110
MVC Technologies Inc.	12,200	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	10,980	13,420
MVC Technologies Inc.	686,206	Convertible Debt	Black Scholes model based on conversion	Market prices, volatility, risk free rate	+/- 10%	617,585	754,827
NetCoin	50,000	Equity	Transaction price	Recent purchase price	+/- 10%	45,000	55,000
ONECLICK International LLC	375,050	Term Debt	Transaction price	Recent purchase price	+/- 10%	337,545	412,555
Pacific Rim Cobalt Corp.	113,900	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	113,601	126,080
Pacific Rim Cobalt Corp.	151,338	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	151,798	156,257
Payfare Inc.	100,000	Equity	Transaction price	Recent purchase price	+/- 10%	90,000	110,000
Smart Employee Benefits Inc	40,000	Options	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	34,866	44,423
Somersby Park 2010 Ltd Partnership	810,784	Equity	Market prices	Historical sales	+/- 10%	729,706	891,862
The Hydropothecary Corporation	1,542,316	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	1,531,875	1,551,312
UMG MEDIA CORP.	240,000	Equity	Transaction price	Recent purchase price	+/- 10%	216,000	264,000
Vogogo Inc.	610,000	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10%	607,147	620,184
Sweet Natural Trading Co. Ltd.	6,200	Options	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	4,725	6,589
Sweet Natural Trading Co. Ltd.	27,085	Warrants	Black Scholes model	Market prices, volatility, risk free rate	+/- 10% volatility	24,717	32,035
Sweet Natural Trading Co. Ltd.	1,024,511	Convertible Debt	Black Scholes model based on conversion	Market prices, volatility, risk free rate	+/- 10%	922,060	1,126,962
	$ 8,415,447						

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

(expressed in Canadian Dollars)

10. Due to Brokers

As at December 31, 2017, the amounts due to brokers totalled $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.

11. 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:	December 31, 2017		December 31, 2016	
	No. of shares	Amount	No. of shares	Amount
Multiple voting shares	304,662	$555,543	1,035,719	$1,888,523
Subordinate voting shares	53,974,800	26,577,198	53,118,743	25,219,218
	54,279,462	$27,132,741	54,154,462	$27,107,741

During the year 731,012 ($1,332,980) MVS shares were converted on a 1 for 1 basis to SVS shares.

On November 29, 2017, the Company issued 125,000 SVS shares to a director who exercised his stock options for gross proceeds of $25,000. The market price for the Company shares was $0.43 on November 29, 2017.

Stock options outstanding	December 31, 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	$0.41	2,138,333	$0.40
Options granted during the period	1,550,000	0.34	-	-
Options cancelled during the period	-	-	(273,333)	0.25
Options exercised during the period	(125,000)	0.20	-	-
Options forfeited during the period	(120,000)	0.47	(400,000)	0.47
Balance, end of the year	2,770,000	$0.23	1,465,000	$0.41

	Options Outstanding December 31, 2017		Options Excercisable December 31, 2017	
Exercise Price	Number of Options	Weighted Average Life (years)	Number of Options	Weighted Average Life (years)
$0.20	115,000	0.4	115,000	0.4
$0.30	450,000	4.1	450,000	4.1
$0.36	1,100,000	4.9	366,668	4.9
$0.40	355,000	0.9	355,000	0.9
$0.47	750,000	0.04	550,000	0.04
	2,770,000	2.7	1,836,668	2.2

	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

11. Share Capital, continued

On January 23, 2017 the Company approved the granting of 450,000 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 23, 2022. The fair value of the 450,00 options was estimated at $88,970 using the Black-Scholes pricing model with the following assumptions; dividend rate 0%: risk-free interest rate 1.2%: volatility 96% and a expected life of five years.

On November 8, 2017 the Company approved the granting of 1,100,000 stock options (the "Options") pursuant to the Company's Stock Option Plan to certain officers and directors of the company. The Options are exercisable at a price of $0.3625 per share expiring on November 8, 2022. The fair value of the options was estimated at $306,800 using the Black-Scholes pricing model with the following assumptions; dividend rate 0%: risk-free interest rate 1.2%: volatility 96% and a expected life of five years. The vested fair value recorded during the year was $121,000.

12. 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.

13. 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 dilutive.

(expressed in Canadian Dollars)

14. Compensation of Key Management

The remuneration of directors and other key management personnel of the Company for the years ended December 31 was as follows:

	2017	2016
Salaries	$ 675,339	$ 341,250
Stock based compensation expense	209,970	40,677
	$ 885,309	$ 381,927

2017 salaries included a $250,000 retiring allowance.

15. Related Party Transactions

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

	Interest and Consulting Income		Amounts Receivable		Investment	
Related party	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Advantagewon Oil Corp.	$ 94,552	$ 152,128	$ -	$ 26,243	$ -	$ 1,591,086
Attorney Title Guaranty Fund	-	-	-	-	-	200,000
Auto repair finance company	534,084	511,204	-	98,116	-	3,235,000
Molecular Science Corp	-	-	-	-	250,000	-
Robith LLC	172,901	175,500	-	-	-	1,582,051
Somersby Park 2010 Limited Partnership	-	-	316,505	-	810,784	1,137,486
Sweet Natural Trading Co. Ltd.	29,640	-	39,110	-	1,161,126	-
The Hydropothecary Corporation	-	105,900	-	-	-	1,678,019

During 2017, Robith LLC was divested, and as a result is no longer considered a related party to the Company as of December 31, 2017.

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 held a position with an investee company.

Investment	Ownership	Postion held
Somersby Park 2010 Limited Partnership	73%	Officer
Foothills Developments Inc	100%	Officer
Newborn Realty Corporation	100%	Officer
Attorney Tittle Guaranty Fund	<10%	Director
Advantagewon Oil Corp.	<10%	Director
Molecular Science Corp.	<10%	Director
Sweet Natural Trading Co.	<10%	Director

Investee companies where an employee, officer or director of the Company no longer hold a position as of December 31, 2017 include Advantagewon Oil Corp., Attorney Title Guaranty Fund and The Hydropothecary Corporation.

(expressed in Canadian Dollars)

16. Income Taxes

a) The following table reconciles the expected income tax recovery (provision) at the Canadian federal and provincial statutory rate of 26.5% (2016 – 26.5%) to the amounts recognized in the statement of comprehensive income for the years ending December 31:

		2017		2016
Net income before recovery of income taxes	$	3,195,285	$	847,303
Basic tax amount at 26.5% (2016 – 26.5%)		846,751		224,535
Permanent differences		(452,394)		(182,894)
Tax rate changes and other adjustments		1,311,114		555,573
Temporary differences not recognized		(1,705,471)		(597,214)
Income tax provision	$	-	$	-
Current income tax provision	$	-	$	-

b) Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying values of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

Deferred income tax		2017		2016
Non-capital loss carry forwards – Canada	$	1,782,000	$	5,587,000
Capital losses - Canada		21,365,000		23,248,000
Investments		(5,923,000)		(2,616,000)
Share issue costs		243,000		138,000
	$	17,467,000	$	26,357,000

The non-capital losses expire as noted in the table below. The capital losses carry forward indefinitely. The other deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

c) The Company's non-capital Canadian tax losses expire as follows:

2033		385,000
2034		1,111,000
2035		286,000
2036		-
2037		-
	$	1,782,000

17. 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.

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 December 31, 2017, gross accounts receivable of $51,379 were past due and not impaired (December 31, 2016 - $237,229).

(expressed in Canadian Dollars)

17. Risk Management and Sensitivity Analysis, continued

Credit risk, continued

The maximum exposure to credit risk is:

		December 31, 2017		December 31, 2016
Amounts receivable, excluding HST	$	407,530	$	347,217
Loans and convertible debentures		3,442,493		4,828,512
Total Credit Exposure	$	3,850,023	$	5,175,729

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 year ended December 31, 2017 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options (refer to note 9 for sensitivity of warrant and option inputs), of $12,095,147 with all other variables held constant as at December 31, 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%	$	604,757	$	(604,757)
10%	$	1,209,515	$	(1,209,515)

17. Risk Management and Sensitivity Analysis, continued

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 December 31, 2017, the Company holds the following fixed-rate debt instrument:

(a) $2,171,933 (December 31, 2016 – $1,593,512) in convertible debentures with a weighted average interest rate of 13.6% (December 31, 2016 – 17.4%) and a weighted average term to maturity of approximately 2.0 years (December 31, 2016 – 2.3 years)

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 December 31, 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 $15,134 (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 $15,134 (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.

17. Risk Management and Sensitivity Analysis, continued

Liquidity risk, continued

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 9 to 30 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 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 $191,503 (2016 - $289,000).

18. Contingencies

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 December 31, 2017 and December 31, 2016 there were no outstanding liabilities or obligations for which the Company was contingently liable.

On September 4, 2017, the Company announced that it was served with a statement of claim by First Global Data Limited ("FGD"). The claim seeks damages of $20,000,000 against a number of defendants including the Company and its former Chief Executive Officer, alleging breach of contract, conspiracy and various other causes of action (the "FGD Action").

The Company believes the claim against the Company and its former CEO is without merit and frivolous, and has been commenced in an attempt to delay the outcome of the Company's claims against FGD in existing proceedings commenced by the Company on February 3, 2017 (Ontario Superior Court of Justice Court File No. CV-17-569015, the "Application").

The Company commenced the Application because FGD has refused to honour its contractual obligations to issue certain options and warrants to the Company.

18. Contingencies, continued

As a result of an August 24, 2017 order of the Ontario Superior Court of Justice, the Company's Application will be pursued as a counterclaim in the FGD Action. The Company will vigorously defend the FGD Action, and will vigorously pursue its claims against FGD. Specifically, the Company will seek damages of at least $6,015,000 equal to the difference between the purchase price per share under the Options/Warrants, and the highest trading value to date, as well as punitive and exemplary damages of $2,000,000.

No amounts have been accrued in the financial statements with respect to this matter.

19. Subsequent Events

On February 22, 2018, the Company completed a private placement of 4,500,000 subordinate SVS shares to Delavaco Group at a price of $0.45/share for aggregate gross proceeds of $2,025,000.

On January 9, 2018, 115,000 SVS shares were issued as a result of a Director exercising his options.

In January 2018, 74,161 MVS shares were converted into 74,161 SVS shares on a total basis.

20. New and Revised Standards and Interpretations

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.

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

IFRS 9, Financial Instruments (issued in July 2014) will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

- IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value though profit or loss that is attributable to changes in the credit risk of the Company is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of proving for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from IAS 39.

(expressed in Canadian Dollars)

20. New and Revised Standards and Interpretations, continued

The Company has performed a preliminary assessment of the impact of IFRS 9 on the consolidated financial statements based on an analysis of the Company's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date.

- Apart from equity investments classified currently as available-for-sale and measured at fair value through other comprehensive income that may be classified as fair value through profit or loss under IFRS 9, all the other financial assets and financial liabilities should continue to be measured on the same basis as currently under IAS 39.

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.

Based on the current accounting treatment of the Company's major sources of revenue, the Directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, apart from providing more extensive disclosures on the Company's revenue transactions.

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. The Company is still assessing the impact of the adoption of this new standard and interpretations, which is effective January 1, 2019.

21. Supplementary Cash Flow Information

Net change in non-cash working capital balances		**2017**		**2016**
Amounts receivable, interest, and dividends receivable	$	357,295	$	(241,062)
Prepaids		(517)		(5,500)
Accounts payable and accrued liabilities		(8,108)		2,156
	$	348,670	$	(244,406)

Interest received and paid		**2017**		**2016**
Interest received	$	850,839	$	835,621
Interest paid	$	97,161	$	78,957
	$	948,000	$	914,578