

Consolidated financial statements of

**Consolidated Firstfund
Capital Corp.**

December 31, 2016 and 2015

Consolidated Firstfund Capital Corp.

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Consolidated Firstfund Capital Corp.:

We have audited the accompanying consolidated financial statements of Consolidated Firstfund Capital Corp., which comprise of the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of operations and comprehensive loss, changes in equity 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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 Consolidated Firstfund Capital Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Cinnamon Jang Willoughby"

Chartered Professional Accountants

Burnaby, BC
April 20, 2017

Consolidated Firstfund Capital Corp.

Consolidated statements of financial position
years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	42,658	81,635
Accounts receivable (Note 5)	109,038	146,165
Prepaid expenses	3,454	3,212
	155,150	231,012
Investments (Note 7)	591,571	484,211
Deferred tax asset (Note 13)	9,100	7,591
Fixed assets (Note 8)	13,237	15,851
Long-term receivable (Note 5)	225,881	217,636
	994,939	956,301
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	594,019	712,932
Redeemable preference shares (Note 10)	40,000	40,000
	634,019	752,932
Shareholders' equity		
Capital stock (Note 11)	3,546,413	3,546,413
Reserves - equity settled employee benefits	171,697	171,697
Deficit	(3,289,899)	(3,321,883)
Accumulated other comprehensive loss (Note 12)	(67,291)	(192,858)
	360,920	203,369
	994,939	956,301

Approved and authorized by the Board on April 20, 2017

"W. Douglas Grant" (signed)

W. Douglas Grant, Director

"Bruce J. McDonald" (signed)

Bruce J. McDonald, Director

Consolidated Firstfund Capital Corp.

Consolidated statements of income and comprehensive income
years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	2016	2015
	\$	\$
Revenue		
Fee income (Note 15)	324,146	312,910
Other income (Note 15)	2,809	2,569
Sale of condominium unit (Note 6)	-	165,682
Rental income	-	1,650
	326,955	482,811
Cost of sales (Note 6)	-	78,672
Gross income	326,955	404,139
Expenses		
Salaries and benefits (Note 15)	153,009	144,137
Office, administration and rent (Note 15)	84,557	86,387
Professional fees	30,093	34,457
Foreign exchange loss (gain)	6,362	(33,020)
Other	4,014	3,618
Travel and promotion	239	226
	278,274	235,805
Other expense		
Cumulative translation adjustment loss realized from the wind-up of a foreign subsidiary	(18,206)	-
	(18,206)	-
Income before income taxes	30,475	168,334
Income tax (recovery) expense (Note 13)	(1,509)	11,312
Net income for the year	31,984	157,022
Other comprehensive income (loss), net of taxes		
Changes in unrealized gains/(losses) on available-for-sale investments	107,361	(142,005)
Changes in unrealized gains/(losses) on translation of foreign subsidiary	18,206	(12,618)
Other comprehensive income (loss)	125,567	(154,623)
Comprehensive income for the year	157,551	2,399
Net income for the year	31,984	157,022
Deficit, beginning of year	(3,321,883)	(3,478,905)
Deficit, end of year	(3,289,899)	(3,321,883)
Earnings per share		
Basic and diluted	0.01	0.03
Weighted average number of common shares		
Basic and diluted	6,006,703	6,006,703

Consolidated Firstfund Capital Corp.

Consolidated statements of changes in equity
years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	<u>Capital Stock</u>		Reserves	Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	Number	Amount \$				
Balance at December 31, 2014	6,006,703	3,546,413	171,697	(3,478,905)	(38,235)	200,970
Net income	-	-	-	157,022	-	157,022
Other comprehensive loss items that may be reclassified to net income	-	-	-	-	(154,623)	(154,623)
Balance at December 31, 2015	6,006,703	3,546,413	171,697	(3,321,883)	(192,858)	203,369
Net income	-	-	-	31,984	-	31,984
Other comprehensive income items that may be reclassified to net income	-	-	-	-	125,567	125,567
Balance at December 31, 2016	6,006,703	3,546,413	171,697	(3,289,899)	(67,291)	360,920

Consolidated Firstfund Capital Corp.

Consolidated statements of cash flows years ended December 31, 2016 and 2015

(expressed in Canadian dollars)

	2016	2015
	\$	\$
Operating activities		
Net income for the year	31,984	157,022
Items not involving cash		
Cumulative translation adjustment loss realized from the wind-up of a foreign subsidiary	18,206	-
Depreciation	2,614	2,218
Income tax (recovery) expense	(1,509)	11,312
	51,295	170,552
Decrease in non-cash operating working capital (Note 14)	(82,028)	(133,347)
	(30,733)	37,205
Investing activities		
Fixed assets purchased	-	(7,914)
Increase in long-term receivable	(8,245)	(12,804)
Net proceeds on sale of investments	-	4,939
	(8,245)	(15,779)
Foreign exchange on cash	1	(106)
(Decrease) increase in cash position during the year	(38,977)	21,320
Cash and cash equivalents, beginning of year	81,635	60,315
Cash and cash equivalents, end of year	42,658	81,635

Additional information is presented in Note 14.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

1. Description of the business

Consolidated Firstfund Capital Corp. (the "Company") is incorporated under the Canada Business Corporations Act. The head office and registered office of the Company is located at #304 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6. The Company is listed on the TSX Venture Exchange (TSX-V) and trades under the symbol "FFP".

The Company is primarily engaged in financial consulting relating to real estate development and venture capital activities in Canada and the United States.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support from its principal shareholder and lenders, maintaining profitable operations and obtaining additional equity.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Statement of compliance

These consolidated financial statements are audited and have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 20, 2017. Shortly thereafter, the financial statements are made available to shareholders and others through filing on the System for Electronic Document Analysis and Retrieval ("SEDAR").

3. Significant accounting policies

These financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC.

(a) Principles of consolidation

The consolidated financial statements consolidate the assets, liabilities and results of all entities in which the Company holds a controlling interest. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany balances, transactions and unrealized profits are eliminated in full. The consolidated financial statements include the financial statements of the Company and its subsidiaries.

These consolidated financial statements include the accounts of Consolidated Firstfund Capital Corp., and its wholly-owned subsidiaries, Costar Marketing Corp. and GoldStar Resort Destinations, Inc. (a US entity). The Company approved the wind-up of GoldStar Resort Destinations, Inc. effective December 31, 2015.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(b) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and balances with banks.

(c) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Financial asset at fair value through profit or loss
Accounts receivable	Loans and receivables
Long-term receivable	Loans and receivables
Investments	Available-for-sale
Accounts payable	Other liabilities
Redeemable preference shares	Other liabilities

(i) Financial assets or financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the period end date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in profit or loss.

Financial liabilities at fair value through profit or loss are those non-derivative financial liabilities that the Company elects to designate on initial recognition as financial instruments that it will measure at fair value. These are accounted for in the same manner as financial assets at fair value through profit or loss. The Company has not designated any non-derivative financial liabilities as financial liabilities at fair value through profit or loss.

(ii) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

(iii) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or financial assets or financial liabilities at fair value through profit or loss investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized or deemed to be an other than temporary impairment when the cumulative loss is transferred to profit or loss.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Available-for-sale (continued)

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

(iv) Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

(v) Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

(vi) Transaction costs

Transaction costs related to financial assets or financial liabilities at fair value through profit or loss are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

(vii) Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

(d) Fixed assets

The following assets are recorded at historical cost less any accumulated amortization. Historical cost includes all costs directly attributable to the acquisition. Amortization is provided in the accounts on a straight line balance basis at the following annual rates:

Office furniture and equipment	20%
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Included in office furniture is artwork which is not depreciated.

When it is determined that the carrying values of furniture and equipment exceed net recoverable amounts, the assets are written down to net realizable value and a charge is recorded in the statement of comprehensive income.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(e) *Impairment of financial assets*

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on an asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

(f) *Impairment of non-financial assets*

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(f) *Impairment of non-financial assets (continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(g) *Share-based compensation*

In connection with incentive stock options granted by the Company to its officers, directors, employees and consultants, an expense is recognized over the vesting period based on the estimated fair value of the options on the date of the grant as determined using the Black-Scholes option pricing model. The expense is charged to share-based compensation and the offset is credited to reserves - equity settled employee benefits. Cash received on exercise of incentive stock options is credited to the then issued and outstanding capital stock of the Company, with a corresponding transfer between reserves - equity settled employee benefits and capital stock.

(h) *Income taxes*

Income tax expense (recovery) represents the sum of tax currently payable (recoverable) and changes to deferred tax assets and liabilities as a result of operations during the period.

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income taxes

Deferred income tax is recognized in respect of temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences with the exception of the following circumstances:

- Where the deferred income tax asset and liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- Deferred tax liabilities in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(h) *Income taxes (continued)*

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(i) *Foreign currency translation*

The Company and its subsidiaries record transactions based on the currency of the primary economic environment in which they operate ("functional currency"). Transactions denominated in currencies other than functional currency are recorded using the exchange rate as at date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Exchange gains and losses are included in earnings.

Translation of foreign operations

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the exchange rates in effect at the period end date. Revenues and expenses are translated at exchange rate as at date of transaction or average exchange rates prevailing during the period. The resulting translation adjustment is included in accumulated other comprehensive income until there is a reduction in the net investment.

(j) *Revenue recognition*

Fee income is recognized as the services are rendered and invoiced, the price of the services fixed or determinable and collection reasonably assured. Reasonable assurance is assumed when the services are provided to customers.

Rental income is recognized as income in the month earned, the price of the services fixed or determinable and collection reasonably assured. Reasonable assurance is assumed when the services are provided to customers.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(k) *Earnings per common share*

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(l) *Critical accounting policies, key judgments and estimates*

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations (see note below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Ability to continue as a going concern

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 1), whose subsequent changes could materially impact the validity of such an assessment.

Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using valuation models. If market observable inputs are not available, they are estimated based on appropriate assumptions.

Nature of relationship with Vitality Products Inc.

Management assesses the nature of the Company's relationship with Vitality Products Inc. using all available information. As a result, management determines the appropriate method of accounting for the Company's investment in Vitality Products Inc. at each reporting date.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

(i) *Critical accounting policies, key judgments and estimates (continued)*

Income taxes

The Company calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The future realization of deferred tax assets can be affected by many factors, including: current and future economic conditions, net realizable sale prices, and can either be increased or decreased where, in the view of management, such change is warranted. In determining whether a deferred tax asset is probable, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Refer to Note 13 for further details.

4. Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), amendments and related interpretations.

Effective January 1, 2016, the Company adopted the following new and revised IFRS that were issued by the IASB.

IAS 1, "Presentation of Financial Statements"

The IASB amended IAS 1 in December 2014 to clarify the existing presentation and disclosure requirements and provide guidance to assist in determining what to disclose and how that information should be presented in the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. The application of these amendments to IAS 1 did not have a material impact on the Company's consolidated financial statements.

IAS 16, "Property, Plant and Equipment" and IAS 38, "Intangible Assets"

In May 2014, the IASB issued amendments to these sections to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted. The application of these amendments to IAS 16 and IAS 38 did not have a material impact on the Company's consolidated financial statements.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

4. Adoption of new and revised standards and interpretations (continued)

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards and interpretations, which could be applicable to the Company and are not yet effective for the relevant reporting periods.

IFRS 9, "Financial Instruments"

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both *IAS 39, "Financial Instruments: Recognition and Measurement"* and *IFRIC 9, "Reassessment of Embedded Derivatives"*. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued this new standard which will supersede the requirements of *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 18 Transfers of Assets from Customers*, and *SIC-31 Revenue - Barter Transactions Involving Advertising Services*.

The standard will apply a core principle in that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It will follow a five-step analysis of transactions to determine when and how much revenue is to be recognized. This new standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligation. This standard is effective for reporting periods beginning on or after January 1, 2019, with early adoption permitted.

The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. These standards and interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

5. Receivables

	2016	2015
	\$	\$
Current:		
Accounts receivable from related parties (see Note 15)	108,395	145,564
GST/HST receivable	643	601
Total current	109,038	146,165
Long-term receivable from related parties (see Note 15)	225,881	217,636
Total receivables	334,919	363,801

6. Inventory

In May 2015, the Company finalized the sale of one condominium unit. The net proceeds from the sale of this unit have been reported in revenue and the original cost of the unit including additions have been reported in cost of sales on the statement of comprehensive income.

7. Investments

	2016	2015
	\$	\$
Investment in Vitality Products Inc.		
Common shares measured at fair value	455,564	280,347
Preference shares measured at fair value	136,005	203,862
	591,569	484,209
Investments in partnerships measured at cost	2	2
	591,571	484,211

The Company owns 27.1% (2015 - 27.1%) of the issued voting common shares of Vitality Products Inc. ("Vitality") as at December 31, 2016. Management has assessed the relationship to Vitality and concluded that significant influence does not exist.

Management has assessed the Company's relationship with Vitality and has determined that the mandatory conversion of the Vitality Class "A" Preference Shares, Series 6 that took place in fiscal 2014 did not affect the working relationship and the two companies continue to operate as separate and distinct entities. As a result, the investment in Vitality is measured at fair value.

The Company owns 100% (2015 - 100%) of the issued non-voting, redeemable Class "A" Preference Shares, Series 3 of Vitality Products Inc. which have a 6% cumulative dividend.

The Company sold its investments in timeshare properties at cost on December 31, 2015 to a company under common control.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

December 31, 2016 and 2015

(expressed in Canadian dollars)

8. Fixed assets

	Office furniture and equipment
	\$
Cost	
As at December 31, 2014	57,825
Additions	7,914
Disposals	(13,950)
Impact of translation	815
As at December 31, 2015	52,604
Additions	-
Disposals	-
Impact of translation	-
As at December 31, 2016	52,604
Accumulated depreciation	
As at December 31, 2014	47,670
Depreciation	2,218
Disposals	(13,950)
Impact of translation	815
As at December 31, 2015	36,753
Depreciation	2,614
Disposals	-
Impact of translation	-
As at December 31, 2016	39,367
Net book value	
As at December 31, 2014	10,155
As at December 31, 2015	15,851
As at December 31, 2016	13,237

9. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Accounts payable to related parties (see Note 15)	545,178	665,138
Accounts payable to third parties	640	903
Accrued liabilities to related parties (see Note 15)	11,900	10,500
Accrued liabilities to third parties	36,301	36,391
Total accounts payable and accrued liabilities	594,019	712,932

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

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10. Redeemable preference shares

(a) *Authorized*

10,000 Series B preference shares

(b) *Issued*

	2016		2015	
	Shares	Amount	Shares	Amount
		\$		\$
Series B preference shares	4,000	40,000	4,000	40,000

The Series B preference shares, with a redemption price of \$10 each, have a 6% per annum cumulative dividend payable annually commencing December 31, 1993, are redeemable by the Company, retractable by the holder after five years from issue and convertible by the holder into common shares of the Company at \$5.00 per common share. The Company may force conversion into common shares at the lower of the above prices and the current market value price per common share.

At December 31, 2016, the Company has aggregate cumulative preference share dividend arrears of \$57,600 (2015 - \$55,200).

11. Capital stock and reserves

(a) *Authorized*

Unlimited common shares, no par value
660 Series A preference shares, no par value

(b) *Issued and outstanding*

	2016		2015	
	Shares	Amount	Shares	Amount
		\$		\$
Common shares	6,006,703	3,546,413	6,006,703	3,546,413

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11. Capital stock and reserves (continued)

(c) Options

Under the 2005 stock option plan, the Company may grant options to its directors, officers, employees and consultants for up to 600,760 common shares. The exercise price of each option equals the market price of the Company's common shares on the trading day immediately preceding the grant date. Options under the plan vest immediately when granted.

A summary of changes in outstanding stock options is as follows:

	Granted	Expiry	Outstanding	Weighted average exercise price
				\$
Outstanding, December 31, 2014			585,000	0.20
Expired			(75,000)	0.22
Outstanding, December 31, 2015			510,000	0.19
Outstanding, December 31, 2016			510,000	0.19
Options exercisable at December 31, 2016			510,000	0.19

75,000 stock options expired during 2015. The stock options were held by an option holder who ceased to provide services to the Company on June 9, 2015. Under the plan, the expiry date of 60,000 of these stock options changed from June 5, 2017 to September 7, 2015 and the expiry date of 15,000 of these stock options changed from June 4, 2018 to September 7, 2015.

310,000 stock options outstanding as at December 31, 2016 with an exercise price of \$0.25 per common share expire on June 5, 2017.

200,000 stock options outstanding as at December 31, 2016 with an exercise price of \$0.10 per common share expire on June 4, 2018.

Share-based compensation recognized during the period was \$Nil (2015 - \$Nil).

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12. Consolidated statements of accumulated other comprehensive loss

	2016	2015
	\$	\$
Unrealized (losses)/gains on available-for-sale investments		
Balance, beginning of the year	(174,652)	(32,647)
Net change during the year	107,361	(142,005)
Balance, end of the year	(67,291)	(174,652)
Foreign currency translation of foreign subsidiary		
Balance, beginning of the year	(18,206)	(5,588)
Effect of changes in exchange gains/(losses) during the year on the net assets of foreign subsidiary	18,206	(12,618)
Balance, end of the year	-	(18,206)
Accumulated other comprehensive loss	(67,291)	(192,858)

13. Income taxes

The components of the income tax expense are as follows:

	2016	2015
	\$	\$
Current tax expense		
Canada	-	-
Foreign	-	-
Deferred tax expense		
Canada	(2,340)	2,704
Foreign	831	8,608
	(1,509)	11,312

Consolidated Firstfund Capital Corp.

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13. Income taxes (continued)

The reconciliation of income taxes computed at the statutory tax rate to the Company's effective income tax rate is as follows:

	2016	2015
	\$	\$
Income before income taxes	30,475	168,334
Statutory tax rate	26.00%	21.02%
Income tax recovery based on statutory income tax rate	7,924	35,387
Permanent differences	4,765	29
Change in unrecognized deferred tax assets	(40,951)	(27,950)
Effect of difference in foreign tax rates	-	610
Adjustment to prior year deferred tax asset accrual	25,743	-
Other	1,011	3,236
Income tax (recovery) expense	(1,509)	11,312

Significant components of deferred income tax assets are as follows:

	2016	2015
	\$	\$
Net capital loss carryforward	68,828	68,828
Non-capital loss carryforward	155,392	167,559
Depreciable fixed assets and eligible capital expenditures	5,725	7,076
Investment	150,773	214,368
Unrecognized deferred tax assets	(371,618)	(450,240)
Total deferred income tax asset	9,100	7,591

During the year, the Company utilized \$62,000 in non-capital losses as it had taxable income. After application of these losses, taxable income for the period was \$Nil. The Company anticipates profitable operations in the following year from its financial consulting services. As a result, the Company expects to be able to utilize a portion of its non-capital losses. A deferred income tax asset has been recognized for the current year-end given it is probable that a taxable profit will exist and the temporary difference associated with a portion of the non-capital losses will reverse in the foreseeable future.

(a) Non-capital losses

As at December 31, 2016, the Company has non-capital losses of approximately \$597,454 (2015 - \$641,206) which may be carried forward to apply against future years' income tax subject to final determination by taxation authorities. These non-capital loss carry-forwards will expire between 2028 and 2036.

(b) Capital losses

Accumulated capital losses of \$529,463 (2015 - \$529,448) are available to be applied against future taxable capital gains. These capital losses may be carried forward indefinitely.

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14. Additional information relating to the statement of cash flows

	2016	2015
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	37,127	26,756
Inventory	-	78,672
Prepaid expenses	(242)	(2)
Accounts payable and accrued liabilities	(118,913)	(238,773)
	(82,028)	(133,347)

15. Related party transactions

- (a) Included in accounts receivable is \$108,395 (2015 - \$145,564) owing from companies and limited partnerships managed by companies under common control. This balance primarily represents four months (2015 - five months) of outstanding management fees and is unsecured, non-interest bearing, and has no specific terms of repayment.
- (b) Included in accounts payable is \$545,178 (2015 - \$665,138) owed to a significant shareholder of the Company. This balance represents the outstanding amount of monies provided to the Company in 2010 and 2011 to fund operations and is unsecured, non-interest bearing, and has no specific terms of repayment. The shareholder has confirmed in writing that this balance will not be called within 15 months of the statement of financial position date.
- (c) Included in accounts payable is \$11,900 (2015 - \$10,500) in accrued directors' fees and other amounts owing to Directors.
- (d) Included in long-term receivable is \$211,279 (2015 - \$203,034) owing from Vitality Products Inc. (see Note 7). The receivable is non-interest bearing and non-secured, with no specific terms of repayment.
- (e) Included in long-term receivable is \$14,602 (2015 - \$14,602) owing from a limited partnership under common control. The receivable is non-interest bearing, non-secured, with no specific terms of repayment.
- (f) Included in fee income is management fees of \$318,146 (2015 - \$306,910) earned from a company under common control and rental income of \$6,000 (2015 - \$6,000) earned from Vitality Products Inc.
- (g) Included in other income is \$2,809 (2015 - \$2,569) earned from companies and limited partnerships under common control.
- (h) Included in office, administration and rent expense is premises rent of \$35,160 (2015 - \$35,160) paid to a company under common control.
- (i) Key management personnel compensation:
Included in salaries and benefits is \$90,000 (2015 - \$90,000) paid to the CEO of the Company. Included in other expenses is \$1,400 (2015 - \$1,400) accrued and payable to Directors. The CFO of the Company was paid \$Nil (2015 - \$Nil).

Consolidated Firstfund Capital Corp.

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15. Related party transactions (continued)

- (j) Included in salaries and benefits is \$42,000 (2015 - \$42,000) paid to an individual related to a director of the Company.

All these transactions were measured at the exchange amounts, which is the amount agreed to between the parties.

16. Management of capital

The Company's objectives of capital management are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis. The capital of the Company consists of capital stock and retained earnings. To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure it has the appropriate liquidity to meet the Company's operating and growth objectives. The Company expects its current capital resources, together with future cash flows from operations and continued financial support from its principal shareholder, are sufficient to support the Company's ability to operate on an ongoing basis.

17. Financial instruments

- (a) *Currency risk*

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign currencies. The Company is exposed to currency risk primarily arising from sales, accounts receivable and accounts payable balances denominated in US dollars. During the year ended December 31, 2016, 98% (\$318,146) of the Company's fee income was denominated in US dollars (2015 - 98% (\$306,910)). In addition, the Company's rental income and sale of condominium unit are denominated in US dollars. The Company does not use derivative instruments to hedge its exposure to this risk.

The statements of financial position include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	2016	2015
	US\$	US\$
Accounts receivable	108,332	145,489
Accounts payable and accrued liabilities	-	(3,598)
Net statement of financial position exposure	108,332	141,891

A 10% strengthening (weakening) of the U.S. dollar against the Canadian currency would have increased (decreased) the Company's net income from these account balances by \$10,833 (2015 - \$14,189).

Consolidated Firstfund Capital Corp.

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17. Financial instruments (continued)

(b) *Other price risk*

Long-term investments

The Company is exposed to equity price risks arising from investments classified as available-for-sale. Such investments are held for strategic rather than trading purposes.

(c) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's principal cash requirements are for working capital needs. The Company uses its operating cash flows, cash balances, and support from its principal shareholder to maintain its liquidity.

(d) *Credit risk*

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts receivable, long-term receivable and investment in common and preferred shares. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

The Company derives revenue primarily from financial consulting related to real estate development and venture capital activities. Revenue for the year ended December 31, 2016 includes \$318,146 (97%) attributable to one customer (2015 - \$306,910 (64%)). The Company is economically dependent on this customer which is under common control.

The Company mitigates the risk associated with cash and cash equivalents by dealing only with large financial institutions with good credit ratings. To mitigate the risk associated with accounts receivable, the Company ensures counterparties demonstrate liquidity of available funds. In establishing the appropriate allowance for doubtful accounts, the Company considers the future collectability of the receivables. The majority of the accounts receivable balance is due from related parties and the historical level of customer defaults is minimal and, as a result, management believes the allowance is adequate.

(e) *Fair value*

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of an asset or liability as of measurement date. The three levels of the fair value hierarchy are:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

Consolidated Firstfund Capital Corp.

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17. Financial instruments (continued)

(e) Fair value (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2016 and December 31, 2015:

	Classification ⁽¹⁾	Fair Value Hierarchy	December 31, 2016 Fair Value \$	December 31, 2015 Fair Value \$
Financial Assets:				
Cash and cash equivalents	FVTPL	1	42,658	81,635
Accounts receivable	LR		109,038	146,165
Long-term receivable	LR		225,881	217,636
Investments ⁽²⁾	AFS	1	455,564	280,347
Investments ⁽³⁾	AFS	2	136,005	203,862
Financial Liabilities:				
Accounts payable	OL		594,019	712,932
Redeemable preference shares	OL		40,000	40,000

(1) FVTPL = Financial asset at fair value through profit or loss; LR = Loans and receivables; AFS = Available-for-sale; OL = Other liabilities

(2) Investment in common shares of Vitality Products Inc.

(3) Investment in Series 3 preference shares of Vitality Products Inc.

There were no transfers between Level 1, 2 and 3 in the year.

The fair values of cash and cash equivalents, accounts receivable and accounts payable as at December 31, 2016 and December 31, 2015 approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

The fair value of the long-term receivable as at December 31, 2016 and December 31, 2015 approximates its carrying value as it represents the amount that the Company would receive or pay to settle the loan with the counterparty.

The fair value of the Company's investment in Vitality Products Inc. common shares is determined based on the closing share price of Vitality Products Inc. common shares on the date of the consolidated statement of financial position. The carrying value of this investment equals to its fair value given it is accounted for at fair value.

The fair value of the Company's investment in Vitality Products Inc. Series 3 preference shares is determined based on the dividend discount approach which uses inputs from the active market.

The fair value of the redeemable preference shares as at December 31, 2016 and December 31, 2015 approximates its value due to the demand feature of this obligation.

The fair values of the remaining investments that that Company holds being the investments in partnerships cannot be measured reliably because they do not have a quoted price in an active market. As at December 31, 2016, the carrying values of the investments in partnerships were \$2 (2015 - \$2). The Company does not intend to dispose of these investments in the near future.

Consolidated Firstfund Capital Corp.

Notes to the consolidated financial statements

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18. Segmented information

The Company and its subsidiaries operate primarily in one industry segment, being financial consulting. The Company conducts business in two geographic segments: Canada and United States. Revenues and assets attributable to each geographic segment are as follows:

	As at or for the year ended December 31, 2016		
	Canada	US	Total
	\$	\$	\$
Revenues	8,809	318,146	326,955
Fixed assets	13,237	-	13,237

	As at or for the year ended December 31, 2015		
	Canada	US	Total
	\$	\$	\$
Revenues	8,569	474,242	482,811
Fixed assets	15,851	-	15,851