

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

## **CONSOLIDATED FIRSTFUND CAPITAL CORP.**

### **NOTICE TO READER**

The condensed consolidated interim statements of financial position of Consolidated Firstfund Capital Corp. as at September 30, 2018 and 2017 and the condensed consolidated interim statements of income and comprehensive income, changes in equity and cash flows for the nine months then ended have not been reviewed by an auditor. These condensed consolidated interim financial statements are the responsibility of the Company's management. These condensed consolidated interim financial statements have been prepared by management of the Company in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## CONSOLIDATED FIRSTFUND CAPITAL CORP.

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian Dollars)

	September 30, 2018	December 31, 2017
<b>Assets</b>		
Current assets		
Cash	\$ 111,098	\$ 98,142
Accounts receivable (Notes 6 and 14)	84,844	80,318
Prepaid expenses	4,532	3,467
	<u>200,474</u>	<u>181,927</u>
Investments (Note 7)	1,295,444	769,794
Deferred tax asset	2,600	2,600
Property and equipment (Note 8)	9,910	12,139
Long-term receivable from related parties (Notes 6 and 14)	14,602	14,602
	<u>\$ 1,523,030</u>	<u>\$ 981,062</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 14)	44,746	50,048
Amounts owing to related parties (Note 14)	300,339	316,749
Redeemable preference shares (Note 10)	100,000	100,000
	<u>445,085</u>	<u>466,797</u>
<b>Shareholders' equity</b>		
Capital stock (Note 11)	3,578,374	3,546,413
Reserves - equity settled employee benefits	197,436	171,697
Deficit	(2,567,679)	(3,073,659)
Accumulated other comprehensive loss (Note 12)	(130,186)	(130,186)
	<u>1,077,945</u>	<u>514,265</u>
	<u>\$ 1,523,030</u>	<u>\$ 981,062</u>

Approved and authorized by the Board on November 29, 2018

“W. Douglas Grant” (signed) Director

“Cheryl A. Grant” (signed) Director

*See accompanying Notes to the condensed consolidated interim financial statements.*

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended Sep. 30, 2018	Nine Months Ended Sep. 30, 2018	Three Months Ended Sep. 30, 2017	Nine Months Ended Sep. 30, 2017
<b>Revenue</b>				
Fee income (Note 14)	\$ 79,916	\$ 236,276	\$ 76,654	\$ 239,730
Other income (Note 14)	436	2,345	636	1,758
Unrealized gain (loss) on investments measured at fair value through profit or loss (Note 4)	(665,824)	525,650	(140,173)	(70,086)
	(585,472)	764,271	(62,883)	171,402
<b>Expenses</b>				
Salaries and benefits (Note 14)	32,461	107,112	31,473	96,966
Office, administration and rent (Note 14)	21,634	76,328	19,027	72,335
Share-based compensation (Note 11)	-	41,200	-	-
Professional fees	7,500	22,500	7,500	22,500
Consulting (Note 14)	3,000	9,000	3,450	9,600
Other	743	3,629	743	3,540
Travel and promotion	-	96	40	530
Foreign exchange (gain) loss	1,757	(1,574)	4,402	8,455
	67,095	258,291	66,635	213,926
Income (Loss) before income taxes	(652,567)	505,980	(129,518)	(42,524)
Income tax expense (recovery)	-	-	-	-
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ (652,567)</b>	<b>\$ 505,980</b>	<b>\$ (129,518)</b>	<b>\$ (42,524)</b>
Earnings (Loss) per share Basic and diluted	\$ (0.11)	\$ 0.08	\$ (0.02)	\$ (0.01)
Weighted average number of Common shares Basic and diluted	6,171,703	6,078,626	6,006,703	6,006,703

*See accompanying Notes to the condensed consolidated interim financial statements.*

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY  
(Unaudited)  
(Expressed in Canadian Dollars)

	<u>Capital Stock</u>		Reserves	Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	Number	Amount \$				
Balance at December 31, 2016 (Restated, Note 4)	6,006,703	3,546,413	171,697	(3,281,595)	(133,195)	303,320
Net loss	-	-	-	(42,524)	-	(42,524)
Balance at September 30, 2017	6,006,703	3,546,413	171,697	(3,324,119)	(133,195)	260,796
Net income	-	-	-	250,460	-	250,460
Other comprehensive income	-	-	-	-	3,009	3,009
Balance at December 31, 2017	6,006,703	3,546,413	171,697	(3,073,659)	(130,186)	514,265
Stock options exercised	165,000	31,961	(15,461)	-	-	16,500
Share-based compensation	-	-	41,200	-	-	41,200
Net income	-	-	-	505,980	-	505,980
Balance at September 30, 2018	6,171,703	3,578,374	197,436	(2,567,679)	(130,186)	1,077,945

*See accompanying Notes to the condensed consolidated interim financial statements.*

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended Sep. 30, 2018	Nine Months Ended Sep. 30, 2018	Three Months Ended Sep. 30, 2017	Nine Months Ended Sep. 30, 2017
<b>Operating activities</b>				
Net income (loss) for the period	\$ (652,567)	\$ 505,980	\$ (129,518)	\$ (42,524)
Items not involving cash				
Depreciation	743	2,229	743	2,140
Share-based compensation	-	41,200	-	-
(Gain) Loss on revaluation of investments measured at fair value through profit or loss (Note 4)	665,824	(525,650)	140,173	70,086
	14,000	23,759	11,398	29,702
(Decrease) Increase in non-cash operating working capital (Note 13)	13,844	(10,893)	14,952	(3,127)
	<b>27,844</b>	<b>12,866</b>	<b>26,350</b>	<b>26,575</b>
<b>Investing activities</b>				
Fixed assets purchased	-	-	-	(1,784)
Decrease (Increase) in long-term receivable	-	-	(1,310)	20,673
	-	-	<b>(1,310)</b>	<b>18,889</b>
<b>Financing activities</b>				
Decrease in amounts owing to a related party	(214)	(16,410)	(14,905)	(29,997)
Issuance of share capital	-	16,500	-	-
	<b>(214)</b>	<b>90</b>	<b>(14,905)</b>	<b>(29,997)</b>
Increase in cash position during the period	27,630	12,956	10,135	15,467
Cash, beginning of period	83,468	98,142	47,990	42,658
<b>Cash, end of period</b>	<b>\$ 111,098</b>	<b>\$ 111,098</b>	<b>\$ 58,125</b>	<b>\$ 58,125</b>

Additional information is presented in Note 13.

*See accompanying Notes to the condensed consolidated interim financial statements.*

# CONSOLIDATED FIRSTFUND CAPITAL CORP.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

(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 condensed consolidated interim 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 issuing additional equity. These circumstances indicate the existence of material uncertainties that cast significant doubt as to the Company’s ability to continue as a going concern.

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 condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, certain information and disclosure normally included in consolidated annual financial statements prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRIC have been omitted or condensed.

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the years ended December 31, 2017 and 2016. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2017 and 2016.

The condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2018 and 2017 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2018. Shortly thereafter, the financial statements are made available to shareholders.

### 3. Significant accounting policies

#### (a) Principles of consolidation

The condensed consolidated interim 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.

These condensed consolidated interim financial statements include the accounts of Consolidated Firstfund Capital Corp., and its wholly-owned subsidiaries, Costar Marketing Corp. and ILP Marketing Ltd.

#### (b) Cash

Cash includes 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	Financial asset at fair value through profit or loss
Accounts receivable	Loans and receivables
Long-term receivable	Loans and receivables
Investment in preferred shares	Available-for-sale
Investment in common shares	Financial asset at fair value through profit or loss
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.

### 3. Significant accounting policies (continued)

#### (c) *Financial instruments (continued)*

##### (ii) 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.

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.

##### (iii) Loans and receivables

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

##### (iv) Other liabilities

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

##### (v) 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.

##### (vi) 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) *Investments*

The Company accounts for its investments in companies over which it has significant influence using the exemptions afforded to a venture capital company, whereby the investment is valued at fair value through profit and loss.

### 3. Significant accounting policies (continued)

#### (d) Investments (continued)

The other investments are classified as available-for-sale. Unless there is a significant or prolonged decline in the value of an available-for-sale investment, the carrying values of available-for-sale investments, and the amount of any such adjustment is included in other comprehensive income. When there is a significant or prolonged decline in the value of an investment, the carrying value of any such investment accounted for using available-for-sale method is reduced to its estimated fair value, and the amount of any such reduction is included in the statement of income and other comprehensive income as other operating income.

#### (e) Property and equipment

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.

#### (f) 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.

#### (g) 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.

### 3. Significant accounting policies (continued)

#### (g) *Impairment of financial assets (continued)*

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.

#### (h) *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.

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.

### 3. Significant accounting policies (continued)

#### (i) *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.

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.

### 3. Significant accounting policies (continued)

(i) *Income taxes (continued)*

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.

(j) *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.

(k) *Revenue recognition*

Fee income is recognized as the services are rendered and invoiced, the price of the services is fixed or determinable and collection is reasonably assured.

Rental income is recognized as income in the month earned, the price of the services is fixed or determinable and collection is reasonably assured.

Other income consists of administrative and overhead costs charged to a related party. Other income is recognized as income in the month earned, the price of the services is fixed or determinable and collection is reasonably assured.

(l) *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.

### 3. Significant accounting policies (continued)

#### (m) *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 at each reporting date. According to IAS 28, the definition of significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In assessing whether significant influence exists, management considers the Company's representation on the Vitality Board of Directors, the Company's participation in the Vitality policy-making process, any material transactions between the Company and Vitality, the interchange of managerial personnel between the Company and Vitality, and the Company's provision of essential technical information to Vitality.

### 3. Significant accounting policies (continued)

(m) *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 of the consolidated financial statements of the Company for the years ended December 31, 2017 and 2016 for further details.

### 4. Prior period revisions

The Company has retrospectively revised the accounts for the following items causing the restatement of the 2016 comparatives.

- a) Prior to 2017 the Company disclosed the aggregate amount of the cumulative dividends on its redeemable preference shares. In the 2017 fiscal year, management determined the accounting treatment for these dividends should be to accrue the cumulative dividends on an annual basis because these shares are redeemable and presented as a financial liability.
- b) Management has determined the Company had significant influence over Vitality Products Inc. which should be restated retrospectively. As a venture capital company and pursuant to the exemptions in IAS 28 “*Investments in Associates and Joint Ventures*”, management determined the accounting treatment for the Company’s investment in Vitality Products Inc. common shares to be measured at fair value through profit or loss. This investment was previously classified as available-for-sale and measured at fair value through other comprehensive income.

The following table summarizes the effect of these changes on the consolidated financial statements as at and for the year ended December 31, 2016:

#### 4. Prior period revisions (continued)

	Published on SEDAR	Adjustment	Revised balance
	\$	\$	\$
Consolidated statements of financial position			
Redeemable preference shares	40,000	57,600	97,600
Deficit	(3,289,899)	8,304	(3,281,595)
Accumulated other comprehensive loss	(67,291)	(65,904)	(133,195)
Consolidated statements of income and comprehensive income			
Unrealized gain on investments at fair value through profit or loss	-	175,217	175,217
Accrued dividends on preference shares	-	(2,400)	(2,400)
Net income	31,984	172,817	204,801
Other comprehensive income (loss)	125,567	(175,217)	(49,650)
Total comprehensive income (loss)	157,551	(2,400)	155,151
Consolidated statements of changes in shareholders' equity			
Deficit, beginning of year	(3,321,883)	(164,513)	(3,486,396)
Deficit, end of year	(3,289,899)	8,304	(3,281,595)
Accumulated other comprehensive loss, beginning of year	(192,858)	109,313	(83,545)
Accumulated other comprehensive loss, end of year	(67,291)	(65,904)	(133,195)

As a result of the restatement of the consolidated financial statements of the Company for the year ended December 31, 2016, the opening balances for the year ended December 31, 2017 have been adjusted.

#### 5. 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.

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 published its final version of IFRS 9, which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*", and modifications to IFRS 7, "*Financial Instruments: Disclosures*", in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting.

To assess the classification and measurement of its financial assets, the Company analyzed its business model for managing financial assets, the respective cash flow characteristics, and the contractual terms of these assets. The adoption of IFRS 9 is expected to change the Company's accounting policy for recognition, classification and measurement of financial instruments. As a result, all of its financial assets that were previously considered available-for-sale will be reclassified as assets at fair value through profit or loss.

This new standard is effective for annual periods beginning on or after January 1, 2018.

## 5. Adoption of new and revised standards and interpretations (continued)

### *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 principal 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, 2018. Management has assessed this standard as not having any impact on the Company's financial statements.

### *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.

Management has not yet assessed the impact this standard will have on the Company's consolidated financial statements.

## 6. Receivables

	As at September 30, 2018	As at December 31, 2017
	\$	\$
Current:		
Accounts receivable from related parties (see Note 14)	82,298	79,625
GST/HST receivable	2,546	693
Total current	84,844	80,318
Long-term receivable from related parties (see Note 14)	14,602	14,602
Total receivables	99,446	94,920

## 7. Investments

		As at September 30, 2018	As at December 31, 2017
		\$	\$
Investments in Vitality Products Inc.			
Common shares measured at fair value through profit or loss (Note 4)	(a)	1,156,430	630,780
Preference shares measured at fair value through other comprehensive income	(b)	139,014	139,014
		<b>1,295,444</b>	<b>769,794</b>
Investments in partnerships measured at cost			
	(c)	-	-
		<b>1,295,444</b>	<b>769,794</b>

### (a) Common shares

The Company owns 22.5% (2017 - 27.1%) of the issued and outstanding common shares of Vitality Products Inc. The Company has elected to use the exemptions allowed under IAS 28, "Investments in Associates and Joint Ventures" for venture capital companies to report this investment at fair value through profit or loss (Note 4).

### (b) Preferred shares

The Company owns 100% (2017 - 100%) of the issued non-voting, redeemable Class "A" Preference Shares, Series 3 of Vitality Products Inc. which bear a 6% cumulative dividend. These shares are redeemable by the Company or retractable by Vitality for a redemption price of \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. Vitality can force the conversion to common shares at a price equal to the lesser of the current market price per share and \$0.25 per common share plus all unpaid dividends accrued thereon to the date of conversion.

This investment is classified as available-for-sale and is measured at fair value through other comprehensive income.

### (c) Investments in partnerships

During 2017, management assessed the value of this investment and determined it was impaired.

## 8. Property and equipment

	<b>Office furniture and equipment</b>
	<b>\$</b>
<b>Cost</b>	
As at December 31, 2016	52,604
Additions	1,784
Disposals	(16,619)
As at December 31, 2017	37,769
Additions	-
Disposals	(3,207)
<b>As at September 30, 2018</b>	<b>34,562</b>
<b>Accumulated depreciation</b>	
As at December 31, 2016	39,367
Depreciation	2,882
Disposals	(16,619)
As at December 31, 2017	25,630
Depreciation	2,229
Disposals	(3,207)
<b>As at September 30, 2018</b>	<b>24,652</b>
<b>Net book value</b>	
As at December 31, 2016	13,237
As at December 31, 2017	12,139
<b>As at September 30, 2018</b>	<b>9,910</b>

Included in property and equipment is artwork with a value of \$5,084 (2017 - \$5,084) that are not subject to amortization.

## 9. Accounts payable and accrued liabilities

	<b>As at September 30, 2018</b>	<b>As at December 31, 2017</b>
	<b>\$</b>	<b>\$</b>
Accounts payable to third parties	595	578
Accrued liabilities to related parties (see Note 14)	14,700	13,300
Accrued liabilities to third parties	29,451	36,170
<b>Total accounts payable and accrued liabilities</b>	<b>44,746</b>	<b>50,048</b>

## 10. Redeemable preference shares

(a) *Authorized*

10,000 non-voting Series B preference shares

(b) *Issued*

	As at September 30, 2018		As at December 31, 2017	
	Shares	Amount	Shares	Amount
		\$		\$
Series B preference shares	4,000	100,000	4,000	100,000

The Series B preference shares 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 redemption price is \$10 per share plus any cumulative dividends. The Company may force conversion into common shares at the lower of \$5 per share and the current market value price per common share.

Included in the balance at September 30, 2018 are aggregate cumulative preference shares dividends in arrears of \$60,000 (2017 - \$57,600).

## 11. Capital stock and reserves

(a) *Authorized*

Unlimited voting common shares, no par value

660 Series A non-voting preference shares, no par value with a 9% non-cumulative dividend

(b) *Issued and outstanding*

	As at September 30, 2018		As at December 31, 2017	
	Shares	Amount	Shares	Amount
		\$		\$
Common shares	6,171,703	3,578,374	6,006,703	3,546,413

On June 4, 2018, the Company issued 165,000 common shares to directors, officers and employees upon the exercise of stock options at an exercise price of \$0.10 per share for proceeds totaling \$16,500.

## 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 600,670 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, 2016			510,000	0.19
Expired			(330,000)	0.24
Outstanding, December 31, 2017			180,000	0.10
Exercised			(165,000)	0.10
Expired			(15,000)	0.10
Granted	June 5, 2018	June 5, 2023	200,000	0.30
Outstanding, September 30, 2018			200,000	0.30
Options exercisable at September 30, 2018			200,000	0.30

310,000 stock options with an exercise price of \$0.25 per common share expired on June 5, 2017.

20,000 stock options with an exercise price of \$0.10 per common share expired on September 4, 2017. The stock options were held by an option holder who ceased to provide services to the Company on June 6, 2017. Under the plan, the expiry date of these stock options changed from June 4, 2018 to September 4, 2017.

165,000 stock options with an exercise price of \$0.10 per common share were exercised by option holders on June 4, 2018.

15,000 stock options with an exercise price of \$0.10 per common share expired on June 4, 2018.

200,000 stock options outstanding as at September 30, 2018 with an exercise price of \$0.30 per common share expire on June 5, 2023.

Share-based compensation recognized during the period was \$41,200 (2017 - \$Nil).

## 11. Capital stock and reserves (continued)

### (c) Options (continued)

The following assumptions were used for the Black-Scholes valuation of stock options granted during 2018:

	<b>2018</b>
Risk-free interest rate	<b>2.12%</b>
Expected life of options	<b>5 years</b>
Fair value per option granted	<b>\$0.2060</b>
Annualized volatility	<b>87%</b>
Dividend rate	<b>0.00%</b>

Annualized volatility is based on the historical volatility of the Company's common share price on the TSX Venture Exchange.

## 12. Consolidated statements of accumulated other comprehensive loss

	<b>Nine Months Ended Sep. 30, 2018</b>	Nine Months Ended Sep. 30, 2017
	\$	\$
Unrealized (losses)/gains on available-for-sale investments		
Balance, beginning of the period (restated, Note 4)	<b>(130,186)</b>	(133,195)
Net change during the period	-	-
Balance, end of the period	<b>(130,186)</b>	(133,195)
Accumulated other comprehensive loss	<b>(130,186)</b>	(133,195)

## 13. Additional information relating to the statements of cash flows

	<b>Nine Months Ended Sep. 30, 2018</b>	Nine Months Ended Sep. 30, 2017
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	<b>(4,526)</b>	6,427
Prepaid expenses	<b>(1,065)</b>	(3,851)
Accounts payable and accrued liabilities	<b>(5,302)</b>	(5,703)
	<b>(10,893)</b>	(3,127)

#### 14. Related party transactions

- (a) Included in accounts receivable is \$82,298 (2017 - \$101,927) owing from companies and limited partnerships managed by companies under common control. This balance primarily represents three months (2017 - four months) of outstanding management fees and is unsecured, non-interest bearing, and has no specific terms of repayment.
- (b) The amount owed to a related party of \$300,339 (2017 - \$515,182) is 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 6 months of the statement of financial position date. However, pursuant to IAS 1 this amount is presented as a current liability.
- (c) Included in accounts payable is \$14,700 (2017 - \$13,300) in accrued directors' fees and other amounts owing to Directors. This amount is non-interest bearing, has no collateral attached, and there are no specific repayment terms.
- (d) Included in long-term receivable is \$Nil (2017 - \$190,606) owing from Vitality Products Inc. (see Note 7). The receivable was non-interest bearing and non-secured, with no specific terms of repayment.
- (e) Included in long-term receivable is \$14,602 (2017 - \$14,602) owing from a limited partnership under common control. The receivable is non-interest bearing, non-secured, with no specific terms of repayment. Although this receivable may be demanded the company has no intention of doing so in the next 12 months and therefore presents it as a long-term receivable.
- (f) Included in fee income is management fees of \$231,776 (2017 - \$235,230) earned from a company under common control and rental income of \$4,500 (2017 - \$4,500) earned from Vitality Products Inc.
- (g) Included in other income is \$2,343 (2017 - \$1,758) earned from companies and limited partnerships under common control.
- (h) Included in office, administration and rent expense is premises rent of \$26,370 (2017 - \$26,370) paid to a company under common control.
- (i) Key management personnel compensation:  
  
Included in salaries and benefits is \$67,500 (2017 - \$67,500) paid to the CEO of the Company. Included in consulting is \$9,000 (2017 - \$4,000) paid to the CFO of the Company. Included in share-based compensation is \$35,020 (2017 - \$Nil) recognized as the valuation of the stock options granted to Officers and Directors. Included in other expenses is \$1,400 (2017 - \$1,400) accrued and payable to Directors.
- (j) Included in salaries and benefits is \$22,500 (2017 - \$22,500) paid to an individual related to directors and officers of the Company. Included in share-based compensation is \$6,180 (2017 - \$Nil) recognized as the valuation of the stock options granted to an individual related to directors and officers of the Company.

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

## 15. 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 shareholder's equity and its redeemable preferred shares. 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.

## 16. 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 period ended September 30, 2018, 98% (\$231,776) of the Company's fee income was denominated in US dollars (2017 - 98% (\$235,230)).

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 US dollars:

	As at Sep. 30, 2018	As at Sep. 30, 2017
Accounts receivable	79,001	101,642
Net statement of financial position exposure	79,001	101,642

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 \$7,900 (2017 - \$10,164).

### (b) Other price risk

The Company is exposed to equity price risks arising from its investment in the Vitality Products Inc. common shares that is measured at fair value through profit or loss.

### (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.

## 16. Financial instruments (continued)

### (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 preferred shares. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

The Company mitigates the risk associated with cash 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 of \$7,701 (2017 - \$7,701) 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).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2018 and December 31, 2017:

	Classification <sup>(1)</sup>	Fair Value Hierarchy	September 30, 2018 Fair Value	December 31, 2017 Fair Value
			\$	\$
<b>Financial Assets:</b>				
Cash	FVTPL	1	111,098	98,142
Investments <sup>(2)</sup>	FVTPL	1	1,156,430	630,780
Investments <sup>(3)</sup>	AFS	2	139,014	139,014
<b>Financial Liabilities:</b>				
Redeemable preference shares	OL		100,000	100,000

(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.

## 16. Financial instruments (continued)

### (e) Fair value (continued)

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

The fair values of cash, accounts receivable and accounts payable as at September 30, 2018 and December 31, 2017 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 September 30, 2018 and December 31, 2017 approximates its carrying value as this balance is due on demand.

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 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 Company's redeemable preference shares as at September 30, 2018 and December 31, 2017 approximates its carrying value due to the redemption feature of this obligation.

## 17. Segmented information

The Company and its subsidiaries operate in two geographic segments: Canada and United States. Revenue in Canada includes an unrealized gain of \$525,650 (2017 - unrealized loss of \$70,086) on the investments measured at fair value through profit or loss. Revenue in the United States includes \$231,776 attributable to one customer (2017 - \$235,230).

Revenues and assets attributable to each geographic segment are as follows:

	As at or for the period ended September 30, 2018		
	Canada	US	Total
	\$	\$	\$
Revenues	532,495	231,776	764,271
Fixed assets	9,910	-	9,910

  

	As at or for the period ended September 30, 2017		
	Canada	US	Total
	\$	\$	\$
Revenues	(63,828)	235,230	171,402
Fixed assets	12,881	-	12,881