

## FORM 5

### **QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: QuestCap Inc. (the “Issuer”).

Trading Symbol: QSC

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

Please see attached financial statements

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

None.

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

None.

### 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Please see attached financial statements

(b) number and recorded value for shares issued and outstanding,

Please see attached financial statements

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Please see attached financial statements

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

3,023,411 shares of the Issuer remain subject to an escrow agreement in accordance with CSE listing requirements.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Title
Stan Bharti	Director and CEO
G. Scott Moore	Director
Daniyal Baizak	Director
Deb Battiston	CFO
Aaron Atin	Corporate Secretary

## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Please see attached MD&A

### Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated November 29, 2019.

Aaron Atin  
Name of Director or Senior Officer

(signed) "Aaron Atin"  
Signature

Corporate Secretary  
Official Capacity

<b>Issuer Details</b> Name of Issuer  QuestCap Inc.	For Quarter Ended  September 30, 2019	Date of Report YY/MM/D  19/11/29
Issuer Address  Suite 805 - 65 Queen St. West		
City/Province/Postal Code  Toronto, Ontario M5H2M5	Issuer Fax No. (416) 861-8165	Issuer Telephone No. (416) 861-5888
Contact Name  Aaron Atin	Contact Position  Legal Counsel	Contact Telephone No.  (416) 861-5888
Contact Email Address  aaron.atin@fmresources.ca	Web Site Address  N/A	

QuestCap Inc.  
(formerly Copper One Inc.)

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

For the three and nine months ended  
September 30, 2019 and 2018

(in Canadian dollars)

(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

# QuestCap Inc. (formerly Copper One Inc.)

## Condensed Interim Consolidated Statements of Financial Position

Unaudited

(Expressed in Canadian dollars)

As at

		September 30, 2019	December 31, 2018
	Note		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 530,732	\$ 4,379,739
Note and loans receivable	3	1,161,100	-
Amounts receivable	4	137,936	38,374
Prepaid expenses	5	386,457	62,913
Private investments at fair value through profit and loss	6	380,000	-
Total current assets		\$ 2,596,225	4,481,026
<b>Non-current assets</b>			
Exploration and evaluation assets	7	-	100,000
<b>TOTAL ASSETS</b>		<b>\$ 2,596,225</b>	<b>\$ 4,581,026</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 92,348	\$ 35,203
Total liabilities		\$ 92,348	35,203
<b>Shareholders' Equity</b>			
Share capital		18,922,990	18,922,990
Share-based payments reserves	8	246,934	520,999
Deficit		(16,666,047)	(14,898,166)
Total shareholders' equity		\$ 2,503,877	4,545,823
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 2,596,225</b>	<b>\$ 4,581,026</b>
Nature of operations and going concern	1		
Commitments and contingencies	12		
Subsequent events	13		

Approved on behalf of the Directors:

"Scott Moore"

Director

"Daniyal Baizak"

Director



# QuestCap Inc.

(formerly Copper One Inc.)

## Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss)

Unaudited

(Expressed in Canadian dollars)

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2019	2018	2019	2018
Operating expenses					
Management and consulting fees	11	\$ 312,706	\$ 117,060	\$ 744,341	\$ 348,562
Share-based payments	8	3,620	-	3,620	-
General office and administration expenses		59,439	25,452	135,007	71,058
Shareholder communications and filing fees		29,703	9,039	65,810	60,165
Travel and promotion		97,328	7,232	509,692	45,245
Accounting and legal		50,048	6,017	113,834	18,498
Exploration and evaluation expenses	7	-	77,187	155,760	126,082
Foreign exchange loss/(gain)		(4,607)	57,980	93,451	(104,005)
Total operating expenses		\$ 548,237	\$ 299,967	\$ 1,821,515	\$ 565,605
(Loss) before other income (expenses)		(548,237)	(299,967)	(1,821,515)	(565,605)
Other income (expenses)					
Unrealized gain/(loss) on investment	3	(150,492)	-	(150,492)	-
Loss on disposition of exploration and evaluation property	7	(100,000)	-	(100,000)	(6,333)
Interest income		16,460	4,629	26,441	12,817
Net (loss) and comprehensive (loss) for the period		\$ (782,269)	\$ (295,338)	\$ (2,045,566)	\$ (559,121)
(Loss) per share					
Basic and diluted		\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.02)
Weighted average number of shares outstanding:					
Basic and diluted		34,190,109	34,190,109	34,190,109	34,190,109

(The accompanying notes are an integral part of these condensed interim consolidated financial statements.)

**QuestCap Inc.**  
**(formerly Copper One Inc.)**

Condensed Interim Consolidated Statements of Cash Flows

Unaudited

(Expressed in Canadian dollars)

		Nine months ended September 30,	
	Note	2019	2018
<b>Cash (used in) provided by operations:</b>			
<b>Loss for the period</b>		\$ (2,045,566)	\$ (559,121)
Items not involving cash:			
Share-based payments	8	3,620	-
Loss on disposition of exploration and evaluation property	7	100,000	6,333
Unrealized loss on investments	3	150,492	-
Change in working capital items:			
Receivables		(99,562)	383,680
Prepaid expenses and deposits		(323,544)	21,273
Accounts payable and accrued liabilities		57,145	67,125
<b>Net cash (used in) provided by operating activities</b>		<b>(2,157,415)</b>	<b>(80,710)</b>
<b>Investing activities</b>			
Notes and loans issued	3	(1,311,592)	-
Purchase of investments	6	(380,000)	-
Exploration and evaluation assets	7	-	(75,000)
<b>Net cash (used in) investing activities</b>		<b>(1,691,592)</b>	<b>(75,000)</b>
Change in cash and cash equivalents		(3,849,007)	(155,710)
Cash and cash equivalents, beginning of period		4,379,739	4,838,783
<b>Cash and cash equivalents, end of period</b>		<b>\$ 530,732</b>	<b>\$ 4,683,073</b>
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 530,732	\$ 4,683,073

**QuestCap Inc.**  
**(formerly Copper One Inc.)**

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited

(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share-based payments		Share-based payments reserve	Deficit	Total
				Options	Warrants			
Balance, December 31, 2017		34,190,109	\$18,922,990	\$ 536,888	\$ 1,087,494	\$ 1,624,382	\$(15,289,987)	\$ 5,257,385
Expiry of options	8	-	-	(15,889)	-	(15,889)	15,889	-
Expiry of warrants	8	-	-	-	(1,087,494)	(1,087,494)	1,087,494	-
Net loss for the period		-	-	-	-	-	(559,121)	(559,121)
<b>Balance, September 30, 2018</b>		<b>34,190,109</b>	<b>\$18,922,990</b>	<b>\$ 520,999</b>	<b>\$ -</b>	<b>\$ 520,999</b>	<b>\$(14,745,725)</b>	<b>\$ 4,698,264</b>
Balance, December 31, 2018		34,190,109	\$18,922,990	\$ 520,999	\$ -	\$ 520,999	\$(14,898,166)	\$ 4,545,823
Stock options granted		-	-	3,620	-	3,620	-	3,620
Expiry of options	8	-	-	(277,685)	-	(277,685)	277,685	-
Net loss for the period		-	-	-	-	-	(2,045,566)	(2,045,566)
<b>Balance, September 30, 2019</b>		<b>34,190,109</b>	<b>\$18,922,990</b>	<b>\$ 246,934</b>	<b>\$ -</b>	<b>\$ 246,934</b>	<b>\$(16,666,047)</b>	<b>\$ 2,503,877</b>

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 1. Nature of operations and going concern

QuestCap Inc. (the "Company") operates under the *Canada Business Corporations Act*. The Company completed a change of business to an investment issuer under the rules of the Canadian Securities Exchange ("CSE") on September 4, 2019. The Company's common shares commenced trading on the CSE under the symbol "QSC" on September 5, 2019 and were delisted from the TSX Venture Exchange effective August 13, 2019. The Company announced the change of its name from "Copper One Inc." to "QuestCap Inc.", following approval by the Company's shareholders on September 25, 2019.

These condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. The Company has an accumulated deficit of \$16,666,047, working capital of \$2,503,877 as at September 30, 2019 and has a net loss totaling \$2,045,566 during the nine months ended September 30, 2019. The Company's current source of operating cash flow is dependent on the marketability of its investments, and there can be no assurances that sufficient funding, including adequate financing, will be available to cover the general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the sale of investments and issuance of equity or debt. Management believes its working capital will be sufficient to support activities for the next twelve months and expects to raise additional funds when required and available. There can be no assurance that funds will be available to the Company under acceptable terms or at all.

The condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2019 were reviewed, approved and authorized for issue by the Board of Directors on November 28, 2019. The head office and principal address of the Company is at Suite 805, 65 Queen Street West, Toronto, Ontario M5H 2M5.

### 2. Significant accounting policies

#### ***Basis of preparation***

These condensed interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2018 were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim consolidated financial statements in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for investments which are reflected at fair value and certain financial instruments which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited

(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *New and future accounting pronouncements*

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's financial statements for the year ended December 31, 2018, except for the adoption of the following new standards and interpretations issued by the IASB that were effective as of January 1, 2019.

IFRS 16 - Leases ("IFRS 16") replaces IAS 17 - Leases. The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. There was no impact on the Company's interim financial statements upon adoption of IFRS 16 on January 1, 2019.

IFRIC 23 – Uncertainty over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment or group of tax treatments that it used or plans to use in its income tax filings. There was no impact on the Company's interim consolidated financial statements upon adoption of IFRIC 23 on January 1, 2019.

#### *Financial instruments*

Financial assets and financial liabilities are recognized of the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments consist of cash, amounts receivable, private investments, notes and loans receivable, accounts payable and accrued liabilities.

##### *i. Investments*

Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in profit (loss).

At each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and reflects such valuations in the financial statements.

Transaction costs are expensed as incurred in profit (loss). The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in the statements of comprehensive loss. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith. The three levels are defined as follows:

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### i. *Investments (continued)*

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

Publicly-traded investments:

1. Securities, including shares, options and warrants that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 in note 10.
2. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2 in note 10.
3. Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2 in note 10.

The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

Privately-held investments:

1. Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 as disclosed in note 10. Options and warrants of private companies are carried at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### i. *Investments (continued)*

##### *Privately held investments (continued):*

investment, the Company will take general market conditions into account when valuing the privately-held investments in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

2. An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact in the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:
  - Political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
  - Receipt by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
  - Filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
  - Release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
  - Important positive management changes by the investee company that the Company's management believes will have a positive impact on the investee company's ability to achieve its objectives and build value for shareholders.
3. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:
  - Political changes in a country in which the investee company operates that increases the tax burden on companies, that prohibit mining where it was previously allowed, that increases the need for permitting or approvals, etc;
  - Denial of the investee company's application for environmental, mining, aboriginal or similar approvals that prohibit the investee company from proceeding with its project(s);
  - The investee company releases negative exploration results;

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### i. *Investments (continued)*

Privately-held investments (continued):

- Changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
- The investee company is placed into receivership or bankruptcy; and
- Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

Investments in associates:

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over, the financial and operating policies. Investments in associates are held as part of the Company's investment portfolio and carried in the statement of financial position at fair value even though the Company may have significant influence over the companies. This treatment is permitted by IAS 28, Investments in Associates and Joint Ventures ("IAS 28"), which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the profit (loss) within unrealized gains or losses on investments.

Investments in subsidiaries:

As an investment entity, the Company does not consolidate its investments in subsidiaries, except for those subsidiaries providing services that relate to the Company's investment activities. Instead, the investment in a subsidiary is measured at fair value through profit or loss. This treatment is permitted by IFRS 10, Consolidated Financial Statements ("IFRS 10"), which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in profit (loss) within unrealized gains or losses on investments.

Loans receivable:

1. Secured debentures are carried at cost. The recoverability of the secured debentures is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. At that time the carrying amount is written down to fair value. Secured debentures are financial instruments classified at amortized cost.
2. Convertible debentures and convertible notes issued from publicly traded companies are carried at the higher of the value of the loan or the fair value of the common shares or units receivable from the conversion assuming the conversion can be done at the Company's option.



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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### i. *Investments (continued)*

Loans receivable (continued):

The conversion feature of convertible debentures and convertible notes issued from private companies are carried at nominal value.

##### ii. *Amounts receivable*

Receivables are classified at amortized cost and are initially recorded at the fair value of the amount expected to be received and subsequently measured at amortized cost less any provision for impairment. Individual significant receivables are considered for recoverability when they are past due or when other objective evidence is received that suggests a specific counterparty will default.

##### iii. *Financial liabilities*

All financial liabilities are classified at amortized cost except for financial derivatives and any financial liabilities from inception classified at fair value through profit or loss. All financial liabilities are recognized initially at fair value plus directly attributable transaction costs except for those designated at fair value through profit and loss.

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in profit (loss). Financial liabilities at amortized cost are measured at initial cost, plus interest calculated using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

##### iv. *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### *Accounting pronouncements not yet adopted*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2020 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### Accounting pronouncements not yet adopted (continued)

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however, early adoption is permitted.

#### **Significant accounting judgments, estimates and assumptions**

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are as follows:

- *Fair value of investments not quoted in an active market or private company investments*  
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Notes 6 and 10 for further details.
- *Fair value of financial derivatives*  
Investments in options and warrants which are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants and options are observed at intrinsic value. Refer to Notes 6 and 10 for further details.
- *Fair value/impairment of loans receivable*  
The recoverability of loans receivable is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. Convertible debentures and convertible notes issued to publicly traded companies are carried at the higher of the loan receivable value of the fair value of the common shares or units receivable from the conversion assuming the conversion can be done at the Company’s option. Refer to Notes 3 and 10 for further details.

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

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### 2. Significant accounting policies (continued)

#### *Significant accounting judgments, estimates and assumptions (continued)*

- *Share-based payments*

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price of the Company's shares at date of issue, expected dividend yield, expected life, and expected volatility. Certain inputs are estimates which involve considerable judgment and are, or could be, affected by factors that are out of the Company's control. Refer to Note 8 for further details.

- *Investment entity*

Management has determined that the Company qualifies for the exemption from consolidation given that the Company has the following typical characteristics of an investment entity:

- a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

### 3. Notes and loans receivable

		September 30, 2019	December 31, 2018
OjO Electric LLC	Unsecured & convertible	\$ 386,035	-
Newdene Gold Inc.	Unsecured & convertible	301,068	-
Blue Sky Energy Inc.	Unsecured	10,046	-
Flora Growth Corp.	Unsecured & convertible	463,951	-
		\$ 1,161,100	\$ -

On July 24, 2019, the Company entered into a convertible promissory note with OjO Electric LLC ("OjO"), a California limited liability company, for US\$400,000 (\$523,960). Interest accrued at a rate of 7% per annum. The principal and any accrued interest were to convert automatically in the event OjO closed an equity financing prior to the maturity date. The principal and interest would convert into the number, class and series of securities as those issued by OjO in a qualified equity financing at the conversion price. This note was unsecured.

On October 16, 2019, the convertible promissory note with OjO, was converted to 772,071 common shares of OjO Electric Corp. upon the closing of their equity financing and listing on the TSX Venture Exchange under the symbol "OJO". The conversion price included all principal, accrued interest and withholding taxes owed to the Company at the time of conversion. The shares will be held in escrow and released in five tranches at 6-month intervals ranging from October 16, 2019 to October 16, 2021. As at September 30, 2019, the shares are trading at a price of \$0.50 per share. Consequently, the value of the promissory note has been written down to \$386,035.

# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

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### 3. Notes and loans receivable (continued)

On August 5, 2019, the Company entered into a loan agreement with Flora Growth Corp. ("Flora") whereby the Company agreed to lend Flora up to US\$500,000 (the "Principal") (\$662,150). Interest is accrued and calculated at a rate of 10% per annum on the Principal that has been drawn down plus any unpaid interest. As at September 30, 2019, \$458,625 has been drawn down and interest of \$5,326 has been accrued. The Principal and accrued interest is due and payable on demand by the Company. Flora and the Company may negotiate repayment of the loan through the transfer of securities or other investment products, subject to a subsequent written agreement. Deborah Battiston, CFO of the Company, is the CFO of Flora, Stan Bharti, President and CEO of the Company, is the Executive Chairman of Flora, and Fred Leigh, a former director of the Company, is a director of Flora.

On September 16, 2019, the Company entered into a loan agreement with Blue Sky Energy Inc. ("Blue Sky") whereby the Company agreed to lend Blue Sky \$10,000. Interest is accrued and calculated at 12% per annum. Scott Moore Chairman of the Company is a director of Blue Sky.

On September 17, 2019, the Company entered into a 60-day loan agreement with Newdene Gold Inc., whereby the Company agreed to lend \$300,000. Interest is accrued and calculated at a rate of 10% per annum.

### 4. Amounts receivable

	September 30, 2019	December 31, 2018
Sales taxes recoverable	\$ 34,436	\$ 38,374
Other (Note 11)	103,500	-
	<u>\$ 137,936</u>	<u>\$ 38,374</u>

### 5. Prepaid expenses

	September 30, 2019	December 31, 2018
Prepaid insurance	\$ 945	\$ 9,450
Prepaid expenses (Note 11)	385,512	53,463
	<u>\$ 386,457</u>	<u>\$ 62,913</u>

### 6. Investments at fair value through profit and loss

At September 30, 2019 the Company's investment portfolio consisted of one privately held investment for a total fair value of \$380,000 (December 31, 2018: \$nil).

Private Issuer	Note	Security description	Cost	Estimated Fair Value	% of FV
Varianz Corp.		12,666,667 common shares	\$ 266,000	\$ 266,000	70.0%
		12,666,667 warrants	114,000	114,000	30.0%
Total private investments			<u>\$ 380,000</u>	<u>\$ 380,000</u>	<u>100.0%</u>

# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited

(Expressed in Canadian dollars)

### 6. Investments at fair value through profit and loss (continued)

The Company purchased 12,666,667 subscription receipts ("Subscription Receipts") of Varianz Corp., ("Varianz") at a price of \$0.03 per Subscription Receipt. Each Subscription Receipt will entitle the Company to receive, one unit of Varianz. Each unit is comprised of one common share of Varianz and one common share purchase warrant exercisable for a period of 24 months from the date of issue, at a price of \$0.06 per warrant.

Varianz has entered into a binding letter of intent with Savanna Capital Corp. ("Savanna"), a company listed on the TSX Venture Exchange, to complete a reverse takeover of Savanna ("RTO") such that the common shares and warrants of Varianz will be converted into free trading shares and warrants of such publicly listed entity (the "Resulting Issuer") upon the completion of the RTO.

Upon satisfaction of certain release conditions each Subscription Receipt shall be deemed to be exercised, for one unit of Varianz. The unit will immediately be consolidated on a 3.25:1 consolidation ratio basis and the unit will immediately be exchanged pursuant to the RTO, into one unit of the Resulting Issuer (a "Resulting Issuer Unit"). Each Resulting Issuer Unit will be comprised of one common share in the capital of the Resulting Issuer (a "Resulting Issuer Share") and one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each Resulting Issuer Warrant shall be exercisable to acquire one Resulting Issuer Share at a price per Resulting Issuer Warrant of \$0.195 for a period of 24 months from the issue date of such warrant.

The aggregate subscription proceeds will only be available to Varianz upon the completion of the RTO.

Deborah Battiston, the CFO of the Company, is a director and CFO of Savanna, and Fred Leigh, a former director of the Company, is a director of Savanna.

### 7. Exploration and evaluation assets and expenditures

	Las Morras Option \$	Total \$
Balance, December 31, 2018	100,000	100,000
Impairment writedown	(100,000)	(100,000)
Balance, September 30, 2019	-	-

#### *Las Morras option*

On November 14, 2017, the Company acquired an option to purchase a 100% interest in the Las Morras gold project (the "Project"), located in the Extremadura region of Spain, from Emerita Resources Corp. ("Emerita") pursuant to a binding letter agreement dated November 10, 2017 (the "Agreement").

Pursuant to the Agreement, Emerita granted the Company an option (the "Option") to acquire a 100% interest in the Project. As consideration for the Option, the Company paid \$100,000 in cash. In order to exercise the Option and acquire a 100% interest in the Project, the Company was required to:

# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

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### 7. Exploration and evaluation assets and expenditures (continued)

- pay \$100,000 in cash to Emerita within 24 months of the execution of the Agreement;
- spend \$500,000 on exploration activities on the Project within 24 months of the execution of the Agreement;
- pay \$250,000 in cash to Emerita within 36 months of the execution of the Agreement;
- spend \$1,500,000 on exploration activities on the Project within 48 months of the execution of the Agreement; and
- grant to Emerita a 2% net smelter returns royalty on the Project.

This transaction was at arm's length and the Company did not pay any finder's fees in connection with this transaction.

As of September 30, 2019, the Company spent \$271,743 on exploration activities related to the Project. The Las Morras option has been terminated and the Company no longer holds any interest in the Project.

### 8. Share-based payments reserves

	Options			Warrants			Total
	Number of options	Weighted average exercise price	Estimated grant date fair value of options	Number of warrants	Weighted average exercise price	Estimated Grant Date Fair Value of warrants	
<b>December 31, 2017</b>	<b>1,961,800</b>	<b>\$ 0.26</b>	<b>\$ 536,888</b>	<b>19,700,288</b>	<b>\$ 0.20</b>	<b>\$ 1,087,494</b>	<b>\$ 1,624,382</b>
Expired	(20,000)	1.00	(15,889)	(19,700,288)	0.20	(1,087,494)	(1,103,383)
<b>December 31, 2018</b>	<b>1,941,800</b>	<b>\$ 0.25</b>	<b>\$ 520,999</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 520,999</b>
Granted	100,000	0.05	3,620	-	-	-	3,620
Expired	(618,000)	0.70	(277,685)	-	-	-	(277,685)
<b>September 30, 2019</b>	<b>1,423,800</b>	<b>\$ 0.18</b>	<b>\$ 246,934</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 246,934</b>

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed 5 years.

During the nine months ended September 30, 2019, the Company recorded expired unexercised stock options of \$277,685 (September 30, 2018 - \$15,889) to deficit.

The following options were in existence at September 30, 2019:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price (\$)	Fair value at grant date (\$)	Grant date share price (\$)	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
1,323,800	1,323,800	11-Oct-2016	11-Oct-2021	0.19	243,314	0.19	190%	5	0	0.76%
100,000	100,000	26-Sep-2019	26-Sep-2024	0.05	3,620	0.05	95%	5	0	1.40%
1,423,800	1,423,800				246,934					

# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
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### 8. Share-based payments reserves (continued)

Options issued by the Company are priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model is adjusted based on managements' best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option is calculated based on the history of option exercises. The weighted average remaining contractual life of the options exercisable at September 30, 2019 was 2.2 years (December 31, 2018 – 2.5 years).

On September 26, 2019, the Company granted 100,000 stock options to a director of the Company. The options have an estimated value of \$3,620 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 95.3%; risk-free interest rate of 1.40% and an expected average life of 5 years.

### 9. Capital management

The Company considers its capital structure to consist of share capital and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support its capital management objectives:

- to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- to give shareholders sustained growth in value by increasing shareholders' equity; while
- taking a conservative approach towards financial leverage and management of financial risks

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company is not subject to externally imposed capital requirements other than those of the Canadian Securities Exchange, where investment entities must have minimum net assets of \$2,000,000, at least 50% of which has been allocated to at least 2 specific investments. As at September 30, 2019, the Company may not be compliant with the policies of the CSE. The impact of this violation is not known and is ultimately dependent on the discretion of the CSE.

### 10. Financial instruments

Financial assets and financial liabilities at September 30, 2019 and December 31, 2018 are as follows:

	Financial assets at amortized cost	Assets at fair value through profit and loss	Financial liabilities at amortized cost	Total
September 30, 2019				
Cash and cash equivalents	\$ 530,732	\$ -	\$ -	\$ 530,732
Amounts receivable	137,936	-	-	137,936
Private investments	-	380,000	-	380,000
Note and loans receivable	775,065	386,035	-	1,161,100
Accounts payable and accrued liabilities	-	-	(92,348)	(92,348)
December 31, 2018				
Cash and cash equivalents	\$ 4,379,739	\$ -	\$ -	\$ 4,379,739
Receivables	38,374	-	-	38,374
Accounts payable and accrued liabilities	-	-	(35,203)	(35,203)

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 10. Financial instruments (continued)

The Company's operations involve the purchase and sale of securities. In addition, the Company may have loans outstanding. Accordingly, the majority of the Company's assets are currently comprised of financial instruments which can expose it to several risks, including liquidity, credit, and market risks. A discussion of the Company's use of financial instruments and their associated risks is provided below:

#### *Credit risk*

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities will not perform their underlying obligations. The total carrying value of these financial instruments at September 30, 2019 was \$1,299,036 (December 31, 2018 - \$38,374).

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. In addition, some of the investments the Company holds are lightly-traded public corporations or not publicly traded and may not be easily liquidated.

The Company generates cash flow from proceeds from the disposition of its investments. There can be no assurances that sufficient funding, including adequate financing, will be available to cover the general and administrative expenses necessary for the maintenance of a public company. All of the Company's assets, liabilities and obligations are due within one year.

As at September 30, 2019, the Company had net working capital of \$2,503,877 (December 31, 2018- \$4,445,823), which included cash and cash equivalents of \$530,732 (December 31, 2018- \$4,379,739), investments of \$380,000 (December 31, 2018- \$nil), note and loans receivable of \$1,161,100 (December 31, 2018- \$nil), amounts receivable of \$137,936 (December 31, 2018- \$38,374) and prepaid expenses of \$386,457 (December 31, 2018- \$62,913), offset by current liabilities of \$92,348 (December 31, 2018- \$35,203). The Company expects to rely on its existing net working capital to finance its planned activities.

The following table shows the Company's sources of liquidity by assets at September 30, 2019:

	Total	Less than 1 year
Cash and cash equivalents	\$ 530,732	\$ 530,732
Note and loans receivable	1,161,100	1,161,100
Amounts receivable	137,936	137,936
Prepaid expenses	386,457	386,457
Private investments	380,000	380,000
Total current assets - September 30, 2019	\$ 2,596,225	\$ 2,596,225



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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

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### 10. Financial instruments (continued)

#### *Market risk*

a) **Currency risk**

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and its functional currency is the Canadian dollar. The Company's foreign currency risk arises primarily with respect to the United States dollar. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not engage in hedging activities to mitigate this risk.

As at September 30, 2019, the Company had the following financial assets and liabilities denominated in foreign currencies (amounts posted in Canadian dollars):

<b>September 30, 2019</b>	<b>United States dollars</b>
Cash	\$ 285
Note receivable	386,035
Loan receivable	463,951
Trade and other payables	(663)
	<b>\$ 849,608</b>

A 10% increase in the value of the Canadian dollar against all foreign currencies in which the Company held financial instruments as of September 30, 2019 would result in an estimated increase (decrease) in income of approximately (\$77,000) (December 31, 2018 - \$nil).

b) **Interest rate risk**

A 1% increase in interest rates based on the balance of cash and cash equivalents at September 30, 2019, would result in a negligible increase in annual interest income. All liabilities as of September 30, 2019 are non-interest bearing.

c) **Price and concentration risk**

The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at unfavourable prices. The Company is also exposed to concentration risk, as at September 30, four debt and equity investments (Flora Growth Corp., OjO Electric LLC, Newdene Gold Inc., and Varianz Corp.) made up approximately 59% of the total assets of the Company. A 10% decrease in the fair value of these investments would result in a loss of approximately \$153,000 at September 30, 2019.

#### *Fair value hierarchy*

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

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

# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
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### 10. Financial instruments (continued)

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at September 30, 2019:

	Level 1	Level 2	Level 3	TOTAL
<b>As at September 30, 2019</b>				
Convertible promissory note	\$ -	\$ 386,035	\$ -	\$ 386,035
Private investments	-	-	380,000	380,000
Total	\$ -	\$ 386,035	\$ 380,000	\$ 766,035

For a summary of Level 2 investments, see Note 3, OjO Electric LLC.

Within Level 3, the Company includes private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these investments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly traded companies.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at September 30, 2019:

Description	Fair value	Valuation technique	Significant unobservable input(s)	Range of significant unobservable input(s)
Varianz Corp.	\$ 380,000	Recent financing	Marketability of shares	0% discount

#### Varianz Corp.

The valuation at September 30, 2019 was based on the subscription receipt price of \$0.03 per share. Management has determined that there are no reasonable possible alternative assumptions that would change the fair value significantly as at September 30, 2019. A 10% change in fair value would result in a change in income of approximately \$38,000 at September 30, 2019.

As valuations of investments for which market quotations are not readily available are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the limited size of the Company's private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

### 11. Related party transactions and balances

#### *Related Party Disclosures*

Refer to Notes 3 and 6.

# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018 - unaudited  
(Expressed in Canadian dollars)

### 11. Related party transactions and balances (continued)

#### *Related Party Transactions*

During the three and nine months ended September 30, 2019 and 2018, the Company entered into the following transactions in the ordinary course of business with related parties from an accounting perspective that are not subsidiaries of the Company.

	Purchase of goods and services			
	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Forbes & Manhattan, Inc.	\$ -	\$ 30,000	\$ 30,000	\$ 60,000
2227929 Ontario Inc.	\$ 90,000	\$ 30,000	\$ 210,000	\$ 90,000

Mr. Stan Bharti is the Executive Chairman of Forbes. The Company is part of the Forbes Group of Companies and continues to receive the benefits of such membership, including access to various professionals, and strategic advice from the Forbes Board of Advisors. An administration fee of \$10,000 per month through April 2019 and \$25,000 per month from May 2019 was charged by Forbes pursuant to a consulting agreement. On March 14, 2019, Mr. Bharti was appointed President and CEO and director of the Company, as a result amounts paid to Forbes from April 1, 2019 on are included as part of compensation of key management, directors and officers. As at September 30, 2019, receivables included \$103,500 owing from Forbes.

The Company shares office space with other corporations who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment, supplies, and certain other services are administered by 2227929 Ontario Inc., to whom the Company pays a monthly fee. For the three and nine months ended September 30, 2019, the Company was charged \$90,000 and \$210,000 for these services (three and nine months ended September 30, 2018: \$30,000 and \$90,000). In addition, as at September 30, 2019, prepaid expenses included a \$240,000 advance paid to 2227929 Ontario Inc. Fred Leigh, a former director of the Company, is a director of 2227929 Ontario Inc.

#### *Compensation of Key Management, Directors and Officers*

The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2019 and 2018 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Short-term benefits	\$ 112,583	\$ 60,000	\$ 322,833	\$ 169,500
Share-based payments	3,620	-	3,620	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Refer to Note 8.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amount, which are actual amounts spent by the transacting parties.

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# QuestCap Inc. (formerly Copper One Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

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### 12. Commitments and contingencies

#### Management contracts

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$3,900,000 to be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Additional minimum management contract commitments remaining under these contracts approximate \$605,000 due within one year.

#### Legal Proceedings

The Company is from time to time named in various legal proceedings. The Company has not estimated or accrued any amounts related to such proceedings as they are believed to be without merit.

### 13. Subsequent events

On October 8, 2019, the Company acquired a 1% net smelter royalty in respect of minerals removed from the property covered by 81 mineral claims and one surveyed mining lease known as the Troilus Mine, located in Northern Quebec (the "Royalty"). The Troilus Mine is owned and controlled exclusively by Troilus Gold Corp. (TSX:TLG). In consideration for the Royalty, the Company has agreed to pay to the vendor, a private company, \$10,000,000, payable in four equal cash payments of \$2,500,000 (the "Installments"). The Installments are due on the dates that fall 90, 180, 270 and 360 days from the execution date. Additional details can be found in the Company's press release dated October 8, 2019.

On October 11, 2019, the Company granted a total of 1,600,000 stock options to certain officers, directors and consultants of the Company pursuant to the Company's stock option plan. The stock options vest immediately and may be exercised at a price of \$0.125 per option for a period of five years from the date of grant.

**QuestCap Inc.**  
**(formerly Copper One Inc.)**

**Management's Discussion and Analysis**

**For the three and nine months ended September 30, 2019**

## **Introduction**

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This Management's Discussion and Analysis ("MD&A") of financial results and related data of QuestCap Inc. ("QuestCap" or the "Company") is intended to complement and supplement the condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 (the "Financial Statements") and should be read in conjunction with the Financial Statements as well as the audited annual consolidated financial statements of the Company for the year ended December 31, 2018. The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The commentary is current to November 28, 2019 unless otherwise indicated. References to the 1st, 2nd, 3rd and 4th quarters of 2019 or Q1-2019, Q2-2019, Q3-2019 and Q4-2019, and the 1st, 2nd, 3rd and 4th quarters of 2018 or Q1-2018, Q2-2018, Q3-2018 and Q4-2018 mean the three months ended March 31, June 30, September 30 and December 31, 2019 and 2018 respectively. The reader should be aware that historical results are not necessarily indicative of future performance. The Company is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario. The Company's common shares commenced trading on the TSX Venture Exchange ("TSXV") on November 16, 2009 under the symbol "CUO.V" and prior to that, traded on the Canadian National Stock Exchange. On March 19, 2019, the common shares of the Company were halted from trading on the TSXV as a result of an announcement of a proposed Change of Business (defined below under Company Outlook and Recent Developments) to an investment issuer. The Company completed the change of business to an investment issuer under the rules of the Canadian Securities Exchange ("CSE") on September 4, 2019. The Company's common shares commenced trading on the CSE under the symbol "QSC" on September 5, 2019 and were delisted from the TSX Venture Exchange effective August 13, 2019. The Company announced the change of its name from "Copper One Inc." to "QuestCap Inc.", following approval by the Company's shareholders on September 25, 2019.

## **Cautionary Note Regarding Forward-Looking Statements**

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Except for statements of historical fact relating to QuestCap, certain information contained herein constitutes forward-looking information under Canadian securities legislation. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". The information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected. With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the Company's lack of operating history as an investment company; the volatility of the market price of the common shares of the Company; risks relating to the trading price of the common shares of the Company relative to net asset value; risks relating to available investment opportunities and competition for investments; the volatility of the share prices of investments in public companies; the dependence on management, directors and the investment committee; risks relating to additional funding requirements; potential conflicts of interest and potential

transaction and legal risks, conflict of interests and litigation risks, as more particularly described under the heading “*Risk Factors*” in this MD&A. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

### ***Description of Business***

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QuestCap Inc. is a publicly listed investment company on the Canadian Securities Exchange (“CSE”) trading under the symbol “QSC”. The Company makes use of the experience, expertise and opportunity flow of its management and board of directors (the “Board”) to opportunistically make investments that the Company believes will provide superior returns. Such investments may include the acquisition of equity, debt or other securities of publicly traded or private companies or other entities.

The Company’s condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements.

### ***Investment Evaluation Process***

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In selecting securities for the investment portfolio of the Company, the Investment Committee will consider various factors in relation to any particular issuer, including:

- inherent value of its assets;
- proven management, clearly defined management objectives and strong technical and professional support;
- future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- anticipated rate of return and the level of risk; and
- financial performance, including consistency of positive cash flow.

### ***Composition of Investment Portfolio***

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The nature and timing of the Company’s investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company.

The Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

### ***Investment Strategy***

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The Company’s investment strategy guidelines are:

- The Company may invest in securities of both public and private companies or other entities that the Company believes have the potential for superior investment returns.

- The Company will endeavor to maintain a flexible position with respect to the form of investment taken and may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants, options, royalties, net profit interests and other hybrid instruments.
- The Company will not invest in physical commodities, derivatives, “short” sales or other similar transactions (except that the Company may sell call options to purchase securities owned by the Company as a means of locking in gains or avoiding future losses).
- The Company will not be precluded from investing in any particular industry. The Company’s management and the Board have experience and expertise in a wide range of industry sectors and will pursue opportunities in those sectors that the Company believes from time to time offer the best opportunities for the creation of enhanced value for the Company’s shareholders. Similarly, there are no restrictions on the size or market capitalization of companies or other entities in which the Company may invest, subject to the provisions hereof.
- The Company has no specific policy with respect to investment diversification. Each investment will be assessed on its own merits and based upon its potential to generate above market gains for the Company.
- Immediate liquidity shall not be a requirement.
- The Company may, from time to time and in appropriate circumstances, seek a more active role regarding investment situations and investee companies where the involvement of the Company is expected to make a significant difference to the success of the Company’s investment. In appropriate circumstances, this may involve the Company, either alone or jointly with other shareholders, seeking to influence the governance of public or private issuers by seeking board seats, launching proxy contests or taking other actions to enhance shareholder value, or becoming actively involved in the management or board oversight of investee companies.
- The Company may also make investments in special situations, including event-driven situations such as corporate restructurings, mergers, spin offs, friendly or hostile take-overs, bankruptcies or leveraged buyouts. Such special situations may include, without limitation, investments in one or more public companies, by take-over bid or otherwise, where there is an opportunity to invest to gain control over the strategic direction of such public companies, whether using the shares of the Company as currency or otherwise. Such situations may also involve the Company lending money, directly or indirectly.
- Depending upon market conditions and applicable laws, the Company may seek to sell any or all of its investments when it concludes that those investments no longer offer the potential to generate appropriate gains for the Company, or when other investment opportunities reasonably available to the Company are expected to offer superior returns. This may include the disposition of any or all of the Company’s investments in a particular sector or of a particular nature, or any or all of the Company’s investments more generally, without prior notice to the Company’s shareholders.
- Subject to applicable laws and regulatory requirements, the Company may also from time to time seek to utilize its capital to repurchase shares of the Company.
- The Company may, from time to time, use borrowed funds to purchase or make investments or to fund working capital requirements, or may make investments jointly with third parties.
- Depending upon the Company’s assessment of market conditions and investment opportunities, the Company may, from time to time, be fully invested, partially invested or entirely uninvested such that the Company is holding only cash or cash-equivalent balances while the Company actively



seeks to redeploy such cash or cash-equivalent balances in suitable investment opportunities. Funds that are not invested or expected to be invested in the near-term, while the Company actively seeks to redeploy such funds in one or more suitable investment opportunities, may, from time to time as appropriate, be placed into high quality money market investments.

- All investments shall be made in compliance with applicable laws in relevant jurisdictions and shall be made in accordance with the rules and policies of any applicable regulatory authorities. From time to time, the board of directors of the Company may authorize such additional or other investments outside of the guidelines described herein as it sees fit for the benefit of the Company and its shareholders.

### ***Fiscal 2019 Performance Highlights***

	Three months ended September 30,		Nine months ended September 30,	
Operating Results	2019	2018	2019	2018
Unrealized (loss) on investment, net	\$(150,492)	\$ -	\$(150,492)	\$ -
Interest income	16,460	4,629	26,441	12,817
Loss on disposition of exploration and evaluation property	(100,000)		(100,000)	(6,333)
Net (loss) and comprehensive (loss)	(782,269)	(295,338)	(2,045,566)	(559,121)
Basic and diluted (loss) per share	(0.02)	(0.01)	(0.06)	(0.02)

During the recently completed quarter, the Company completed its change of business to an investment issuer. Prior to that, the Company was a mining company listed on the TSXV. The Company had been evaluating mining projects and had acquired an option to purchase a 100% interest in the Las Morras gold project in the Extremadura region of Spain. During Q3 2019, the Company disposed of the option due to uncertainty of the option holders' ability to maintain the project in good standing. The Company recognised a loss on disposition of \$100,000.

As an investment issuer, the Company has acquired four loans and one investment at fair value through profit and loss.

The Company has recognized interest income of \$16,460 during Q3 2019 (Q3 2018 - \$4,629) and \$26,441 during the nine months ended September 30, 2019 (\$12,817 - 2018). The interest generated in the prior year was a result of interest earned on cash balances held in the Company's tier one bank.

The Company recognized an unrealized loss on its investment in OjO Electric LLC., ("OjO") as described in Note 3 to the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2019. The convertible promissory note with OjO, was converted to 772,071 common shares of OjO Electric Corp., upon the closing of their equity financing and listing on the TSX Venture Exchange under the symbol "OJO". The conversion price included all principal, accrued interest and withholding taxes owed to the Company at the time of conversion. The shares will be held in escrow and released in five tranches at 6-month intervals ranging from October 16, 2019 to October 16, 2021. As at September 30, 2019, the shares are trading at a price of \$0.50 per share. Consequently, the value of the promissory note has been written down to \$386,035, resulting in an unrealized loss on the investment of \$150,492.

See the Financial Results section of this report for a discussion of the Company's operating expenses

## **Company Outlook and Recent Developments**

At September 30, 2019, the Company has four loans and one investment at fair value through profit and loss.

On July 24, 2019, the Company entered into a convertible promissory note with OjO, a California limited liability company, for US\$400,000 (\$523,960). Interest accrued at a rate of 7% per annum. The principal and any accrued interest were to convert automatically in the event OjO closed an equity financing prior to the maturity date. The principal and interest would convert into the number, class and series of securities as those issued by OjO in a qualified equity financing at the conversion price. This note was unsecured.

On October 16, 2019, subsequent to the end of the quarter, the convertible promissory note with OjO was converted to 772,071 common shares of OjO Electric Corp. upon the closing of their equity financing and listing on the TSX Venture Exchange under the symbol "OJO". The conversion price included all principal, accrued interest and withholding taxes owed to the Company at the time of conversion. The shares will be held in escrow and released in five tranches at 6-month intervals ranging from October 16, 2019 to October 16, 2021. As at September 30, 2019, the shares are trading at a price of \$0.50 per share. Consequently, the value of the promissory note has been written down to \$386,035.

On August 5, 2019, the Company entered into a loan agreement with Flora Growth Corp. ("Flora") whereby the Company agreed to lend Flora up to US\$500,000 (the "Principal"). Interest is accrued and calculated at a rate of 10% per annum on the Principal that has been drawn down plus any unpaid interest. The Principal and accrued interest is due and payable on demand by the Company. Flora and the Company may negotiate repayment of the loan through the transfer of securities or other investment products, subject to a subsequent written agreement. As at the date of this report, USD\$498,409 has been loaned to Flora. Deborah Battiston, CFO of the Company, is the CFO of Flora, Stan Bharti, President and CEO of the Company, is the Executive Chairman of Flora, and Fred Leigh, a former director of the Company, is a director of Flora.

On September 16, 2019, the Company entered into a loan agreement with Blue Sky Energy Inc. ("Blue Sky") whereby the Company agreed to lend Blue Sky \$10,000. Interest is accrued and calculated at 12% per annum. Scott Moore, Chairman of the Company is a director of Blue Sky.

On September 17, 2019, the Company entered into a 60-day loan agreement with Newdene Gold Inc., whereby the Company agreed to lend \$300,000. Interest is accrued and calculated at a rate of 10% per annum.

Subsequent to the end of the quarter, on October 8, 2019, the Company acquired a 1% net smelter royalty in respect of minerals removed from the property covered by 81 mineral claims and one surveyed mining lease known as the Troilus Mine, located in Northern Quebec (the "Royalty"). The Troilus Mine is owned and controlled exclusively by Troilus Gold Corp. (TSX:TLG). In consideration for the Royalty, the Company has agreed to pay to the vendor, a private company, \$10,000,000, payable in four equal cash payments of \$2,500,000 (the "Installments"). The Installments are due on the dates that fall 90, 180, 270 and 360 days from the execution date.

On November 12, 2019 the Company purchased a convertible promissory note in the principal amount of \$300,000 from Newdene Gold Inc. ("the Note"). The Note is due on November 12, 2021 and bears interest at a rate of 10% per annum. At maturity, the Company has the option to convert the Note into 3,000,000 common shares held by the private company of Routemaster Capital Inc. (TSXV: RM) in full and final satisfaction of any unpaid principal and accrued interest outstanding at such time. The convertible promissory note replaces the 60-day loan entered into on September 17, 2019 referred to above.

**Investment at Fair Value Through Profit and Loss, as at September 30, 2019**

At September 30, 2019, the Company's investment portfolio consisted of one privately-held investment for a total fair value of \$380,000.

**Varianz Corp.**

During the nine months ended September 30, 2019, the Company invested \$380,000 in subscription receipts for 12,266,667 common shares and 12,266,667 share purchase warrants of Varianz Corp. ("Varianz"), which is a private company located in Bogota, Columbia engaged in the production of medical cannabis. As at September 30, 2019, the Varianz position represented approximately 1.3% of the total assets of the Company. A 10% decline in the fair market value of Varianz would result in an estimated loss of \$38,000.

Varianz has entered into a binding letter of intent with Savanna Capital Corp. ("Savanna"), a company listed on the TSX Venture Exchange, to complete a reverse takeover of Savanna ("RTO") such that the common shares and warrants of Varianz will be converted into free trading shares and warrants of such publicly listed entity (the "Resulting Issuer") upon the completion of the RTO.

Upon satisfaction of certain release conditions each subscription receipt shall be deemed to be exercised, for one unit of Varianz. The unit will immediately be consolidated on a 3.25:1 consolidation ratio basis and the unit will immediately be exchanged pursuant to the RTO, into one unit of the Resulting Issuer (a "Resulting Issuer Unit"). Each Resulting Issuer Unit will be comprised of one common share in the capital of the Resulting Issuer (a "Resulting Issuer Share") and one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each Resulting Issuer Warrant shall be exercisable to acquire one Resulting Issuer Share at a price per Resulting Issuer Warrant of \$0.195 for a period of 24 months from the issue date of such warrants.

The aggregate subscription proceeds will only be available to Varianz upon the completion of the RTO.

Deborah Battiston, the CFO of the Company, is a director and CFO of Savanna, and Fred Leigh, a former director of the Company, is a director of Savanna.

**Selected Quarterly Financial Information**

For the three months ended	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
(Expressed in Canadian dollars\$)				
Net (loss)	\$ (782,269)	\$ (813,695)	\$ (449,602)	\$ (152,441)
(Loss) per share				
- basic and diluted	(0.02)	(0.02)	(0.01)	(0.00)
Total assets	2,596,225	3,353,647	4,142,329	4,581,026

  

For the three months ended	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
(Expressed in Canadian dollars\$)				
Net (loss) income	\$ (295,338)	\$ (108,774)	\$ (155,009)	\$ 4,069,140
(Loss) income per share				
- basic and diluted	(0.01)	(0.00)	(0.00)	0.12
Total assets	4,805,909	5,013,929	5,190,944	5,297,905

### **Liquidity and Capital Resources**

The Company does not have any operating assets that generate revenues. The Company recorded a net loss of \$2,045,566 for the nine months ended September 30, 2019 (September 30, 2018 – \$559,121).

In management's view, given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the execution and development of its new investment strategy and business operations. Such execution and development may take years to complete and the amount of resulting income, if any, is difficult to determine.

QuestCap relies upon various sources of funds for its ongoing operating activities. These resources include proceeds from dispositions of investments and interest from investments. In the nine months ended September 30, 2019, operating activities used net cash of \$2,157,415 (September 30, 2018 – used net cash of \$80,710).

### **Currency Risk**

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. As at September 30, 2019 and December 31, 2018, the Company had the following financial assets denominated in foreign currency (expressed in Canadian dollars):

<b>September 30, 2019</b>	<b>United States dollars</b>
Cash	\$ 285
Note receivable	386,035
Loan receivable	463,951
Trade and other payables	(663)
	<b>\$ 849,608</b>

At September 30, 2019, the United States dollar ("USD") was converted to a Canadian dollar ("CAD") at a rate of 1.3243. A 10% increase in the USD-CAD exchange rate would result in an increase in net income of approximately \$77,000.

### **Capital Management**

The Company considers its capital structure to consist of share capital and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support its capital management objectives:

- a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- b) to give shareholders sustained growth in value by increasing shareholders' equity; while
- c) taking a conservative approach towards financial leverage and management of financial risks

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company is not subject to externally imposed capital requirements other than those of the Canadian Securities Exchange, where investment entities must have minimum net assets of \$2,000,000, at least 50% of which has been allocated to at least 2 specific investments. As at September 30, 2019, the Company may not be compliant with the policies of the CSE. The impact of this violation is not known and is ultimately dependent on the discretion of the CSE.

### **Working Capital**

As at September 30, 2019, the Company had a working capital (see Non-GAAP measures) of \$2,503,877 (December 31, 2018 – \$4,445,823).

### **Cash Flows**

#### ***Cash Flows for the three months ended September 30, 2019 and 2018***

(Expressed in Canadian dollar \$)	For the three months ended September 30,	
	2019	2018
Cash (used in) provided by operating activities	\$ (312,268)	\$ (164,270)
Cash (used in) investing activities	(1,691,592)	-
Change in cash and cash equivalents	\$ (2,003,860)	\$ (164,270)

Cash of \$312,268 was used by operating activities during the three months ended September 30, 2019 compared to \$164,270 used by operating activities during the three months ended September 30, 2018. Cash used in the three months ended September 30, 2019 was higher as a result of prepayment of \$240,000 for rent and office services. Cash provided by operating activities in the three months ended September 30, 2018 was mainly the result of changes in non-cash working capital items, including the receipt of sales taxes receivable.

Cash of \$1,691,592 was used by investing activities during the three months ended September 30, 2019 compared to \$nil used by investing activities during the three months ended September 30, 2018. Cash used was comprised of the purchase of an investment and the issuance notes and loans receivable.

#### ***Cash Flows for the nine months ended September 30, 2019 and 2018***

(Expressed in Canadian dollar \$)	For the nine months ended September 30,	
	2019	2018
Cash (used in) provided by operating activities	\$ (2,157,415)	\$ (80,710)
Cash (used in) investing activities	(1,691,592)	(75,000)
Change in cash and cash equivalents	\$ (3,849,007)	\$ (155,710)

Cash of \$2,157,415 was used by operating activities during the nine months ended September 30, 2019 compared to \$80,710 used by operating activities during the nine months ended September 30, 2018. Cash used in the nine months ended September 30, 2019 was higher as a result of prepayment of expenses and advances, including prepayment of \$240,000 for rent and office services and \$510,000 for travel. Cash provided by operating activities in the nine months ended September 30, 2018 was mainly the result of changes in non-cash working capital items.

Cash of \$1,691,592 was used by investing activities during the nine months ended September 30, 2019 compared to \$75,000 used by investing activities during the nine months ended September 30, 2018. Cash used was comprised of the purchase of an investment and the issuance of notes and loans receivable. Cash of \$75,000 used in investing activities in the nine months ended September 30, 2018 was for an option payment on the Las Morras project.

## **Financial Results**

### ***For the three months ended September 30, 2019 and 2018***

	For the three months ended September 30,	
	2019	2018
Operating expenses		
Management and consulting fees	\$ 312,706	\$ 117,060
Share-based payments	3,620	-
General office and administration expenses	59,439	25,452
Shareholder communications and filing fees	29,703	9,039
Travel and promotion	97,328	7,232
Accounting and legal	50,048	6,017
Exploration and evaluation expenses	-	77,187
Foreign exchange loss (gain)	(4,607)	57,980
Total operating expenses	548,237	299,967
(Loss) before other income	(548,237)	(299,967)
Other income		
Loss on disposition of exploration and evaluation property	(100,000)	-
Unrealized gain/(loss) on investment	(150,492)	-
Interest income	16,460	4,629
Net (loss) and comprehensive (loss) for the period	\$ (782,269)	\$ (295,338)

The Company recorded a net loss and comprehensive loss of \$782,269 during the three months ended September 30, 2019 compared to net loss of \$295,338 during the same period in the prior year. The Company incurred additional travel and promotion and management and consulting fees in connection with evaluating potential opportunities and additional legal fees related to the Change of Business in the period. In addition, the Company had a foreign exchange gain of \$4,607 as a result of the revaluation of working capital items held in US dollars compared to a loss of \$57,980 in the same period of the prior year. The Company incurred a \$100,000 loss related to the disposition of the Company's exploration asset, and an unrealized loss of \$150,492 on its convertible promissory note with OjO.

***For the nine months ended September 30, 2019 and 2018***

	For the nine months ended September 30,	
	2019	2018
Operating expenses		
Management and consulting fees	\$ 744,341	\$ 348,562
General office and administration expenses	135,007	71,058
Shareholder communications and filing fees	65,810	60,165
Travel and promotion	509,692	45,245
Accounting and legal	113,834	18,498
Exploration and evaluation expenses	155,760	126,082
Foreign exchange loss (gain)	93,451	(104,005)
Total operating expenses	1,821,515	565,605
Loss before other income (expenses)	(1,821,515)	(565,605)
Other income (expenses)		
Loss on disposition of exploration and evaluation property	(100,000)	(6,333)
Unrealized gain/(loss) on investment	(150,492)	-
Interest income	26,441	12,817
Net (loss) and comprehensive (loss) for the period	\$ (2,045,566)	\$ (559,121)

The Company recorded a net loss and comprehensive loss of \$2,045,566 during the nine months ended September 30, 2019 compared to net loss of \$559,121 during the same period in the prior year. The Company incurred additional travel and promotion and management and consulting fees in connection with evaluating potential opportunities and additional legal fees related to the Change of Business in the current period. In addition, the Company incurred a foreign exchange loss of \$93,451 as a result of the revaluation of working capital items held in US dollars compared to a gain of \$104,005 in the same period of the prior year. The Company incurred a \$100,000 loss related to the disposition of the Company's exploration asset, and an unrealized loss of \$150,492 on its convertible promissory note with OjO.

**Exploration and Evaluation**

**Las Morras**

On November 14, 2017, the Company acquired an option to purchase a 100% interest in the Las Morras gold project (the "Project"), located in the Extremadura region of Spain, from Emerita Resources Corp. ("Emerita") pursuant to a binding letter agreement dated November 10, 2017 (the "Agreement").

Pursuant to the Agreement, Emerita granted the Company an option (the "Option") to acquire a 100% interest in the Project. As consideration for the Option, the Company paid \$100,000 in cash. In order to exercise the Option and acquire a 100% interest in the Project, the Company was required to:

- pay \$100,000 in cash to Emerita within 24 months of the execution of the Agreement;
- spend \$500,000 on exploration activities on the Project within 24 months of the execution of the Agreement;
- pay \$250,000 in cash to Emerita within 36 months of the execution of the Agreement;
- spend \$1,500,000 on exploration activities on the Project within 48 months of the execution of the Agreement; and
- grant to Emerita a 2% net smelter returns royalty on the Project.

This transaction was at arm's length and the Company did not pay any finder's fees in connection with this transaction.

As of September 30, 2019, the Company spent \$271,743 on exploration activities related to the Project. The Las Morras option has been terminated and the Company no longer holds any interest in the Project.

### **Financial Commitments and Contractual Obligations**

#### **Management commitments**

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$3,900,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts approximate \$605,000 due within one year.

#### **Legal Proceedings**

The Company is from time to time named in various legal proceedings. The Company has not estimated or accrued any amounts related to such proceedings as they are believed to be without merit.

### **Transactions with Related Parties**

See Notes 3 and 6 to the condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019.

During the three and nine months ended September 30, 2019 and 2018, the Company entered into the following transactions in the ordinary course of business with related parties from an accounting perspective that are not subsidiaries of the Company:

	Purchase of goods and services			
	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Forbes & Manhattan, Inc.	\$ -	\$ 30,000	\$ 30,000	\$ 60,000
2227929 Ontario Inc.	\$ 90,000	\$ 30,000	\$ 210,000	\$ 90,000

Mr. Stan Bharti is the Executive Chairman of Forbes. The Company is part of the Forbes Group of Companies and continues to receive the benefits of such membership, including access to various professionals, and strategic advice from the Forbes Board of Advisors. An administration fee of \$10,000 per month through April 2019 and \$25,000 per month from May 2019 was charged by Forbes pursuant to a consulting agreement. On March 14, 2019, Mr. Bharti was appointed President and CEO and director of the Company, as a result amounts paid to Forbes from April 1, 2019 on are included as part of compensation of key management, directors and officers. As at September 30, 2019, receivables included \$103,500 owing from Forbes.

The Company shares office space with other corporations who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment, supplies, and certain other services are administered by 2227929 Ontario Inc., to whom the Company pays a monthly fee. For the three and nine months ended September 30, 2019, the Company was charged \$90,000 and \$210,000 for these services (three and nine months ended September 30, 2018: \$30,000 and \$90,000). In addition, as at September 30, 2019, prepaid expenses included a \$240,000 advance paid to 2227929 Ontario Inc. Fred Leigh, a former director of the Company, is a director of 2227929 Ontario Inc.

#### **Compensation of Key Management, Directors and Officers**

The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2019 and 2018 were as follows:



	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Short-term benefits	\$ 112,583	\$ 60,000	\$ 322,833	\$ 169,500
Share-based payments	3,620	-	3,620	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

See to Note 8 to the condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amount, which are actual amounts spent by the transacting parties.

### ***Off Balance Sheet Arrangements***

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### ***Financial Instruments***

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

#### ***Fair value***

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statements of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company has determined the carrying values of its financial instruments as follows:

- The carrying values of cash, amounts receivable, accounts payable and accrual liabilities approximate their fair values due to the short-term nature of these instruments.
- Public and private investments and notes and loans receivable are carried at amounts in accordance with the Company's accounting policies as set out in Note 2 of the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2019.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at September 30, 2019:

	Level 1	Level 2	Level 3	TOTAL
<b>As at September 30, 2019</b>				
Convertible promissory note	\$ -	\$ 386,035	\$ -	\$ 386,035
Private investments	-	-	380,000	380,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 386,035</b>	<b>\$ 380,000</b>	<b>\$ 766,035</b>

The convertible promissory note is classified as a Level 2 investment, as the publicly-traded shares are currently held in escrow and will be moved to Level 1 once released from escrow.

Within Level 3, the Company includes private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these investments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly traded companies.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at September 30, 2019:

<i>Description</i>	<i>Fair value</i>	<i>Valuation technique</i>	<i>Significant unobservable input(s)</i>	<i>Range of significant unobservable input(s)</i>
			Marketability of	
Varianz Corp.	\$ 380,000	Recent financing	shares	0% discount

#### Varianz Corp.

The valuation at September 30, 2019 was based on the subscription receipt price of \$0.03 per share. Management has determined that there are no reasonable possible alternative assumptions that would change the fair value significantly as at September 30, 2019. A 10% change in fair value would result in a change in income of approximately \$38,000 at September 30, 2019.

#### **Outstanding Share Data**

As at the date hereof, there were 34,190,109 common shares of the Company outstanding and 3,023,800 stock options outstanding with a weighted average exercise price of \$0.15 per option.

- 1,323,800 at an exercise price of \$0.19, expiring October 11, 2021
- 100,000 at an exercise price of \$0.05, expiring September 26, 2024
- 1,600,000 at an exercise price of \$0.125, expiring October 11, 2024

#### **Non-GAAP Measures**

This MD&A contains the term working capital. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These non-GAAP measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

### **Working Capital**

Current assets	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 530,732	\$ 4,379,739
Private investments at fair value through profit and loss	380,000	-
Note and loans receivable	1,161,100	-
Amounts receivable	137,936	38,374
Prepaid expenses and deposits	386,457	62,913
Total current assets	2,596,225	4,481,026
Current liabilities		
Accounts payable and accrued liabilities	\$ 92,348	\$ 35,203
Total liabilities	92,348	35,203
Working capital (current assets less current liabilities)	\$ 2,503,877	\$ 4,445,823

### **Net cash (used in) provided by operating activities**

(Expressed in Canadian dollars \$)	Three months ended June 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash (used in) operating activities before change in working capital items	\$ (528,157)	\$ (295,338)	\$ (1,791,454)	\$ (552,788)
Cash provided by (used in) change in working capital items	215,889	131,068	(365,961)	472,078
Net cash (used in) provided by operating activities	\$ (312,268)	\$ (164,270)	\$ (2,157,415)	\$ (80,710)

### **New and future accounting pronouncements**

On January 1, 2019, the Company adopted IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's condensed interim consolidated financial statements.

### **Significant accounting policies**

#### **Financial instruments**

Financial assets and financial liabilities are recognized of the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments consist of cash, amounts receivable, private investments, notes and loans receivable, accounts payable and accrued liabilities.

#### **i. Investments**

Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in profit (loss).

At each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and reflects such valuations in the financial statements.

Transaction costs are expensed as incurred in profit (loss). The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in the statements of comprehensive loss. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith. The three levels are defined as follows:

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

Publicly-traded investments:

1. Securities, including shares, options and warrants that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 in note 10.
2. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2 in note 10.
3. Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2 in note 10.

The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

Privately-held investments:

1. Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 as disclosed in note 10. Options and warrants of private companies are carried at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or

unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take general market conditions into account when valuing the privately-held investments in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

2. An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact in the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:
  - Political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
  - Receipt by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
  - Filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
  - Release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
  - Important positive management changes by the investee company that the Company's management believes will have a positive impact on the investee company's ability to achieve its objectives and build value for shareholders.
3. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:
  - Political changes in a country in which the investee company operates that increases the tax burden on companies, that prohibit mining where it was previously allowed, that increases the need for permitting or approvals, etc;
  - Denial of the investee company's application for environmental, mining, aboriginal or similar approvals that prohibit the investee company from proceeding with its project(s);
  - The investee company releases negative exploration results;
  - Changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
  - The investee company is placed into receivership or bankruptcy; and
  - Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

#### Investments in associates:

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over, the financial and operating policies. Investments in associates are held as part of the Company's investment portfolio and carried in the statement of financial position at fair value even though the Company may have significant influence over the companies. This treatment is permitted by IAS 28, Investments in Associates and Joint Ventures ("IAS 28"), which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the profit (loss) within unrealized gains or losses on investments.

#### Investments in subsidiaries:

As an investment entity, the Company does not consolidate its investments in subsidiaries, except for those subsidiaries providing services that relate to the Company's investment activities. Instead, the investment in a subsidiary is measured at fair value through profit or loss. This treatment is permitted by IFRS 10, Consolidated Financial Statements ("IFRS 10"), which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in profit (loss) within unrealized gains or losses on investments.

#### Loans receivable:

1. Secured debentures are carried at cost. The recoverability of the secured debentures is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. At that time the carrying amount is written down to fair value. Secured debentures are financial instruments classified at amortized cost.
2. Convertible debentures and convertible notes issued from publicly traded companies are carried at the higher of the value of the loan or the fair value of the common shares or units receivable from the conversion assuming the conversion can be done at the Company's option. The conversion feature of convertible debentures and convertible notes issued from private companies are carried at nominal value.

##### i. *Amounts receivable*

Receivables are classified at amortized cost and are initially recorded at the fair value of the amount expected to be received and subsequently measured at amortized cost less any provision for impairment. Individual significant receivables are considered for recoverability when they are past due or when other objective evidence is received that suggests a specific counterparty will default.

##### ii. *Financial liabilities*

All financial liabilities are classified at amortized cost except for financial derivatives and any financial liabilities from inception classified at fair value through profit or loss. All financial liabilities are recognized initially at fair value plus directly attributable transaction costs except for those designated at fair value through profit and loss.

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in profit (loss). Financial liabilities at amortized cost are measured at initial cost, plus interest calculated using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### ***Accounting pronouncements not yet adopted***

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Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2020 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however, early adoption is permitted.

### ***Management Changes***

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On March 14, 2019, Stan Bharti was appointed as President, CEO and director of the Company. Mr. Bharti replaced Paul Pint who resigned from the Board. G. Scott Moore, the former President and CEO of the Company, continues as Chairman of the Board.

On March 19, 2019, Fred Leigh was appointed to the Board, following the resignation of Thomas Olesinski from the Board.

On September 26, 2019, Daniyal Baizak was appointed to the Board, following the resignation of Fred Leigh from the Board.

### ***Critical Judgments and Estimation Uncertainties***

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

are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are as follows:

- *Fair value of investments not quoted in an active market or private company investments*  
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Notes 6 and 10 for further details.
- *Fair value of financial derivatives*  
Investments in options and warrants which are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants and options are observed at intrinsic value. Refer to Notes 6 and 10 for further details.
- *Fair value/impairment of loans receivable*  
The recoverability of loans receivable is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. Convertible debentures and convertible notes issued to publicly traded companies are carried at the higher of the loan receivable value of the fair value of the common shares or units receivable from the conversion assuming the conversion can be done at the Company's option. Refer to Notes 3 and 10 for further details.
- *Share-based payments*  
The Company uses the Black-Scholes option pricing model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price of the Company's shares at date of issue, expected dividend yield, expected life, and expected volatility. Certain inputs are estimates which involve considerable judgment and are, or could be, affected by factors that are out of the Company's control. Refer to Note 8 for further details.
- *Investment entity*  
Management has determined that the Company qualifies for the exemption from consolidation given that the Company has the following typical characteristics of an investment entity:
  - a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
  - b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  - c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

## ***Risks and Uncertainties***

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The Company is exposed to a number of risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following outlines certain risk factors specific to the Company. These risk factors could materially affect the Company's future results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.



### *No Operating History as an Investment Issuer*

The Company does not have any record of operating as an investment issuer or undertaking merchant banking operations. The Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its financial objectives as estimated by management or at all. Furthermore, past successes of management or the Board does not guarantee future success.

### *Portfolio Exposure and Sensitivity to Political and Macro-Economic Conditions*

Given the nature of the Company's current and proposed investment activities, the results of operations and financial condition of the Company will be dependent upon the market value of the securities that will comprise the Company's investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect a particular sector. Various factors affecting a sector could have a negative impact on the Company's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Company may invest in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. This may create an irregular pattern in the Company's investment gains and revenues (if any).

Macro factors such as fluctuations in commodity prices and global political and economic conditions could also negatively affect the Company's portfolio of investments. The Company may be adversely affected by the falling share prices of the securities of investee companies; as such, share prices may directly and negatively affect the estimated value of the Company's portfolio of investments. Moreover, company-specific risks could have an adverse effect on one or more of the investments that may comprise the portfolio at any point in time. Company-specific and industry specific risks that may materially adversely affect the Company's investment portfolio may have a materially adverse impact on operating results. The factors affecting current macro-economic conditions are beyond the control of the Company.

### *Cash Flow, and Revenue and Liquidity*

The Company's revenue and cash flow is generated primarily from financing activities, dividends and/or royalty payments on investments and proceeds from the disposition of investments. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Company, or if the value of its investments decline, resulting in losses upon disposition.

### *Private Issuers and Illiquid Securities*

The Company may invest in securities of private issuers, illiquid securities of public issuers and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Company and there is no assurance that an adequate market will exist for investments made by the Company. Many of the investments made by the Company may be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Company or other investors.

### *Trading Price of the Common Shares Relative to Net Asset Value*

The Company is neither a mutual fund nor an investment fund and, due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of the common shares of the Company, at any time, may vary significantly from the Company's net asset value per common share of the Company. This risk is separate and distinct from the risk that the market price of the common shares of the Company may decrease.

### *Concentration of Investments*

Other than as described in the Company's filings under its profile on SEDAR, there are no restrictions on the proportion of the Company's funds and no limit on the amount of funds that may be allocated to any particular investment. The Company may participate in a limited number of investments and, as a result, its financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly concentrated investment in a particular company, commodity or geographic area, resulting in the performance of the Company depending significantly on the performance of such company, commodity or geographic area.

### *Available Opportunities and Competition for Investments*

The success of the Company's operations will depend upon, among other things: (a) the availability of appropriate investment opportunities; (b) the Company's ability to identify, select, acquire, grow and exit those investments; and (c) the Company's ability to generate funds for future investments. The Company can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments. These competitors may limit the Company's opportunities to acquire interests in investments that are attractive to the Company.

The Company may be required to invest otherwise than in accordance with its investment policy and strategy in order to meet its investment objectives. If the Company is required to invest other than in accordance with its investment policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

### *Share Prices of Investments*

Investments in securities of public companies are subject to volatility in the share prices of such companies. There can be no assurance that an active trading market for any of the subject shares comprising the Company's investment portfolio is sustainable. The trading prices of such subject shares could be subject to wide fluctuations in response to various factors beyond the Company's control, including, but not limited to, quarterly variations in the subject companies' results of operations, changes in earnings, results of exploration and development activities, estimates by analysts, conditions in the resource industry and general market or economic conditions. In recent years, equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments.

### *Dependence on Management, Directors and Investment Committee*

The Company is dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success may depend upon the continued service of these individuals to the Company. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm its ability to maintain or grow assets and raise funds.

From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If the Company is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

### *Additional Financing Requirements*

The Company may have ongoing requirements for funds to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or debt financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on its ability grow its investment portfolio.

### *No Guaranteed Return*

There is no guarantee that an investment in the securities of the Company will earn any positive return in the short-term or long-term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. The past performance of management of the Company provides no assurance of its future success.

### *Potential Conflicts of Interest*

Certain of the directors and officers of the Company are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to the Company. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to the Company or companies in which the Company may invest, managing of investment funds, purchases and sales of securities and investment and management counselling for other clients. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's results of operations and financial condition.

### *Due Diligence*

The due diligence process undertaken by the Company in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company will rely on resources available,

including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

#### *Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

#### *Non-controlling Interests*

The Company's investments include equity securities of companies that it does not control. Such instruments and securities may be acquired through trading activities or through purchases of securities from the issuer. These investments are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or the management of the investee Company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing was to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

#### *Litigation*

The Company has entered into legally binding agreements with various third parties on a consulting and partnership basis. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and the Company may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause the Company to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on the Company.

#### **Additional Information**

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Additional information about the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).