

360 Capital Financial Services Group Inc.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

(Expressed in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
360 Capital Finance Services Group Inc.

We have audited the accompanying consolidated financial statements of 360 Capital Finance Services Group Inc. which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016 and 2015 and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 360 Capital Finance Services Group Inc. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of 360 Capital Finance Services Group Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 1, 2017

360 Capital Financial Services Group Inc.
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015
(Expressed in Canadian Dollars)

	Note	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash		271,026	110,361
Amounts receivable		1,749	7,836
Due from related companies	6	10,861	-
Promissory notes	3	-	50,000
Prepaid expenses and deposits		-	10,867
		283,636	179,064
Long-term investments	4	706,000	34,979
		989,636	214,043
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	172,121	69,946
Due to related parties	6	27,596	14,242
Deferred revenue		27,500	-
		227,217	84,188
Subordinated debt	6	63,440	60,000
		290,657	144,188
Equity			
Share capital	7	3,385,291	3,187,791
Contributed surplus	7	344,697	344,697
Accumulated deficit		(3,031,009)	(3,462,633)
		698,979	69,855
		989,636	214,043

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)
SUBSEQUENT EVENTS (Note 13)

These consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2017. Approved on behalf of the Board by:

/s/ "John Gan" , Director

/s/ "Donald Gordon" , Director

The accompanying notes are an integral part of these consolidated financial statements

360 Capital Financial Services Group Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Note	2016 \$	2015 \$
Revenue			
Insurance services commission		15,291	13,714
Financial advisory services		52,406	22,084
		67,697	35,798
Expenses			
Bad debts		-	10,000
Commissions		4,961	5,230
Office and miscellaneous	6	64,252	174,368
Professional fees	6	141,954	125,040
Regulatory and transfer agent fees		19,838	19,250
Salaries and benefits	6	94,573	187,547
		325,578	521,435
Loss from operations		(257,881)	(485,637)
Other income (expenses)			
Write off of interest	3	-	(4,688)
Interest and other income		1,107	10,029
Share of loss from investment in associate	4	(13,979)	(26,764)
Unrealized gain on recognition of fair value of former associate	4	696,000	-
Gain on disposal of intangible asset	5	6,377	307
		689,505	(21,116)
Net income (loss) and comprehensive income (loss)		431,624	(506,753)
Earnings (loss) per common share – basic and diluted		0.01	(0.01)
Weighted average number of common shares outstanding – basic and diluted		49,317,400	48,073,290

The accompanying notes are an integral part of these consolidated financial statements

360 Capital Financial Services Group Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

	Note	2016 \$	2015 \$
OPERATING ACTIVITIES			
Net income (loss) for the year		431,624	(506,753)
Items not affecting cash:			
Unrealized gain on investment	4	(696,000)	-
Share of loss from investment in associate	4	13,979	26,764
Interest accrual on subordinated debt	6	3,440	-
Share-based compensation	6	47,500	-
		(199,457)	(479,989)
Changes in non-cash working capital items:			
Amounts and other receivable		6,087	1,820
Prepaid expense		10,867	(3,754)
Accounts payable and accrued liabilities		102,174	46,247
Deferred revenue		27,500	-
Due to related parties		2,494	2,372
Cash used in operating activities		(50,335)	(433,304)
INVESTING ACTIVITIES			
Redemption of short-term investments		-	101,574
Proceeds from repayment of promissory notes	3	50,000	2,040
Proceeds on disposal (cost of acquisition) of intangible asset	5	-	29,429
Long-term investment in associate	4	(10,000)	-
Recovery of loan from associate	4	21,000	(6,000)
Cash provided by investing activities		61,000	127,043
FINANCING ACTIVITIES			
Issuance of common shares	7	150,000	150,000
Issuance of subordinated debt	6	-	60,000
Cash provided by financing activities		150,000	210,000
Change in cash		160,665	(96,261)
Cash, beginning of year		110,361	206,622
Cash, end of year		271,026	110,361
Supplemental disclosures:			
Cash paid for interest		-	-
Cash paid for income taxes		-	-
Non-cash transactions:			
Shares issued for consulting services	6	47,500	-

The accompanying notes are an integral part of these consolidated financial statements

360 Capital Financial Services Group Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital		Contributed Surplus	Accumulated Deficit	Total
	Number of Common Shares	Amounts			
		\$	\$	\$	\$
Balance at December 31, 2014	43,854,112	3,037,791	344,697	(2,955,880)	426,608
Shares issued for cash	5,000,000	150,000	-	-	150,000
Comprehensive loss	-	-	-	(506,753)	(506,753)
Balance at December 31, 2015	48,854,112	3,187,791	344,697	(3,462,633)	69,855
Shares issued for cash	6,000,000	150,000	-	-	150,000
Shares issued for services	1,900,000	47,500	-	-	47,500
Comprehensive income	-	-	-	431,624	431,624
Balance at December 31, 2016	56,754,112	3,385,291	344,697	(3,031,009)	698,979

The accompanying notes are an integral part of these consolidated financial statements

360 Capital Financial Services Group Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

360 Capital Financial Services Group Inc. ("360 Capital" or "Company") was incorporated in British Columbia on February 19, 2009. On September 30, 2013 pursuant to a Plan of Arrangement and Amalgamation Agreement (the "Plan"), Global MGA Financial Inc. ("Global") amalgamated with Carnelian Strategic Capital Corp. ("Carnelian"), which was a reporting issuer incorporated in British Columbia on May 3, 2013. Pursuant to the Plan, the amalgamated company was named 360 Capital Financial Services Group Inc.

On November 27, 2013, shares of 360 Capital were listed on the Canadian Securities Exchange ("CSE") for trading under the trading symbol TSZ.

The Company, through its subsidiaries, is developing, growing and operating financial services businesses and distribution through acquisition, partnership, joint-venture, and strategic alliance and cooperation – in Canada and Asia Pacific. These financial services include merchant banking and advisory services for companies seeking a public listing in Canada. The Company's registered address is 440-890 West Pender Street, British Columbia, Canada.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for at least the next twelve months. The Company has incurred losses since its inception and has an accumulated deficit of \$3,031,009 as at December 31, 2016. In addition, the Company has experienced negative cash flows from operations. These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, identifying and acquiring businesses or assets, and generating profitable operations in the future. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, and are prepared in accordance with accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Legal Name	Place of Incorporation	Principal Activity
Global MGA (Hong Kong) Limited	Hong Kong	Holding Company
Zhaoying (Shanghai) Management Consulting Co. Ltd. (China WOFE)	China	Holding Company
Mega Bright Financial Incorporated	British Columbia, Canada	Insurance Agency
360 Securities Ltd.	British Columbia, Canada	Financial Services Company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Zhaoying (Shanghai) Management Consulting Co. Ltd. was inactive and Global MGA (Hong Kong) Limited had limited transactions. During the year ended December 31, 2016, the Company dissolved the Zhaoying (Shanghai) Management Consulting Co. Ltd. as it had been inactive since incorporation.

The accounting policies of its subsidiaries are consistent with the policies adopted by the Company.

Foreign Currencies

The reporting and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date.

In preparing the consolidated financial statements of the individual subsidiaries, transactions in currencies other than the parent's functional currency, which is the Canadian dollar, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items that are denominated in currencies other than the functional currency are translated at the period end exchange rates. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss in the period.

Financial Instruments

i) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as financial assets at FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company's amounts due from related companies are classified as loans and receivables as at December 31, 2016.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally of the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. The Company's long-term investments are classified as financial assets as available for sale.

Purchase and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable, due to related parties and subordinated debt are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has no financial instruments classified as financial liabilities at FVTPL at December 31, 2016.

Cash and Cash Equivalents

Cash and cash equivalents are classified as fair value through profit or loss and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions.

Intangible Assets

The Company's intangible asset is comprised of a book of agency relationships with insurance customers purchased from an unrelated party and is measured at cost. The insurance customers are considered to have an estimated life of up to 10 years, being the expected period over which insurance premiums and agency commissions are likely to be earned from the customer. Accordingly, the cost of the agency relationships is amortized over that period. The agency relationships are assessed for impairment and expected remaining life annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of comprehensive income (loss).

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associates

The Company follows the equity method of accounting for its investments in associates in which it owns less than 50% and over which it exercises significant influence. Under this method, the Company includes in its net earnings its share of the net earnings or losses of the associate less dividends received, if any.

Once management determines that it no longer has significant influence, it recognizes the investment at fair value, with any gain or loss recognized in net income. Following recognition at fair value, the investment is treated as fair value through profit and loss with any gain or losses accounted through comprehensive income.

Share Capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to earnings.

Share-based Payment Transactions

The Company offers equity-settled share-based payments to directors, officers, employees and non-employees. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve. Equity-settled awards are not re-measured subsequent to the initial grant date. Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Earnings (Loss) per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is based on the weighted average number of common shares and stock options outstanding at the beginning of or granted during the period, calculated using the treasury stock method. Under this method, the proceeds from the exercise of the options are assumed to be used to repurchase the Company's shares. The difference between the number of shares assumed purchased and the number of options assumed exercised is added to the actual number of shares outstanding to determine diluted shares outstanding for purposes of calculating diluted earnings per share. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive, in which case the information is not presented.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense is comprised of current and deferred tax components. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method. Under this method, the Company calculates all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the period end date. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the period end date.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of the financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Revenue Recognition

Insurance services commission revenue is generally based on the Company's gross commissions on insurance premiums received in respect of the closing of insurance contracts. Commission income is recorded when the amount is able to be determined and measured reliably based on commission contracts or arrangements, it is probable that economic benefits in the form of payment of the commissions will be received by the Company, and the insurance contract between the insured and the insurer is binding such that the insurer cannot avoid the obligation to pay the commission. This is also the point at which the Company is obligated to pay the agent's share of the commission to the agent and the costs to pay the agent can be measured reliably.

Financial advisory services revenue, such as consulting fees earned, is generally recognized when the related services have been provided, the amount is determinable and the collectability is reasonably assured. The specific terms of the advisory services arrangements governing how and when such revenue will be recognized depend on the arrangement. Non-refundable fees are recognized when they have been received and there are no outstanding conditions which may cause such fees to be refunded.

Interest income is recognized as earned on an accrual basis.

Income or loss related to the Company's share of investments in associates is accounted using the equity method. See also Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

- a. the determination of deferred income tax assets and liabilities;
- b. the determination of the useful life of the intangible asset;
- c. the valuation and measurement of the investments, including the determination of fair value.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- d. the determination of the functional currency of the Company;
- e. the determination of the revenue recognition policy for insurance commission;
- f. the determination of the revenue recognition policy for financial advisory services income;
- g. the classification and treatment of the Company's investment in associates and the determination of whether or not it has significant influence over the associate;
- h. the evaluation of the Company's ability to continue as a going concern

Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. A provision is recognized when, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

New Accounting Pronouncements Adopted During the Year

During the year ended December 31 2016, the Company did not adopt any new accounting standards and interpretations.

New Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards Issued But Not Yet Effective (continued)

The following standard will be effective for annual periods beginning on or after January 1, 2017:

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

IFRS 9 *Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVOTCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 - *Revenue from Contracts with Customers* - On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

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

IFRS 16 – *Leases* - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16.

The extent of the impact of adoption of these standards on the consolidated financial statements of the Company has not been determined.

3. PROMISSORY NOTES

A loan was advanced to a customer to whom the Company provided consulting services during the year ended December 31, 2014. The principal of the loan was \$50,000 with an interest rate of 7.5% due December 31, 2015. The loan was secured by an assignment of tax refunds. The principal portion of the note was fully repaid in 2016. The accrued interest portion in the amount of \$4,688 was not recovered and included in write off of interest expense in the statement of comprehensive loss for the year ended December 31, 2015.

4. LONG-TERM INVESTMENTS

(a) Silver Maple Ventures Inc.

On August 29, 2014, the Company acquired a 29% interest in Silver Maple Ventures Inc. ("SMV") by purchasing 2,175,000 common shares of SMV at \$0.025 per share for aggregate cash consideration of \$54,375. The initial value of the Company's investment in SMV at the time the interest was originally acquired, was based on the subscription price for the shares. The Company was granted a pre-emptive right enabling it to maintain its percentage equity interest in SMV upon subsequent equity financing of SMV.

SMV was incorporated under the Business Corporation Act of British Columbia on October 18, 2013. It is registered as an Exempt Market Dealer in British Columbia, Alberta and Ontario. SMV proposes to raise funds by providing funding and investment services to accredited and non-accredited investors via online platform and representative networks. The shares of SMV are not currently listed on any stock exchange.

During 2015, the Company advanced various amounts to SMV. These advances were unsecured and bear interest at the rate of 3% per annum and matured on December 31, 2016. As of December 2016, the loan and accrued interest of \$1,345 was fully repaid.

During the year ended December 31, 2016, management determined that it had lost significant influence over SMV. Specifically, management determined that influence was lost on September 30, 2016 because the Company's interest in SMV had been reduced below 20% as a result of SMV continuing to issue shares to subscribers between July and September 2016. Although the Company had the right to do so, it did not participate in these subscriptions, as a result its interest was diluted to approximately 18.5%. In addition, the Company had not had any representation on SMV's Board of Directors for some time prior to September 30, 2016, and it was no longer active in SMV's management. Subsequently, the Company's interest in SMV was further diluted to approximately 16.6%.

As a result of no longer having significant influence, the Company was required to reclassify its investment in SMV to fair value. Management's determination of fair value at September 30, 2016 was based on the fact that SMV had issued approximately 1 million shares to subscribing shareholders pursuant to an offering memorandum at a price of \$0.32 per share to September 30, 2016. As SMV continued to issue additional shares to subscribers between October 2016 and January 2017 at \$0.32 per share, management determined that the fair value of the investment in SMV should continue to be based on the \$0.32 per share value at December 31, 2016..

The Company has also determined to classify its investment on SMV as an available for sale financial instrument, which will result in any gains or losses as a result of changes in fair value being accounted and presented in other comprehensive income or loss.

Summarized financial information for SMV (100% basis) prepared in accordance with IFRS as at September 30, 2016 is as follows:

	As at September 30, 2016
	\$
Total current assets	361,681
Total non-current assets	59,654
Total assets	421,335
Total current liabilities	254,710
Total non-current liabilities	46,000
Total liabilities	300,710
Total deficit	120,625
Total liabilities and deficit	421,335

During the year ended September 30, 2015, SMV generated revenue of \$155,109 and incurred operating expenses totalling \$773,500, for a net loss and comprehensive loss of \$618,391. As the Company's net loss from SMV was substantially higher than its carrying value, the full amount of investment was written off as of September 30, 2016, giving rise to recognition of a share of loss from investment in associate of \$13,979.

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4. LONG-TERM INVESTMENTS (continued)

(a) Silver Maple Ventures Inc. (continued)

The initial recognition of the investment at fair value gives rise to a gain on recognition of fair value of former associate of \$696,000, which has been recognized as other income through operations. There was no changes in the subsequent measurement and as a result, no other comprehensive income or loss has been recorded to December 31, 2016.

(b) Investment in LottoGopher Holding Inc. ("LottoGopher")

During the year ended December 31, 2016, the Company purchased 40,000 common shares of LottoGopher Holdings Inc. at \$0.25 per share for a total of \$10,000. The Company holds approximately 0.35% interest of LottoGopher as a result of this investment.

The summary of the carrying value of investments throughout the year is as follows:

	SMV	LottoGopher	Total
	\$	\$	\$
Carrying value, December 31, 2014	55,743	-	55,743
Loan to associate	6,000	-	6,000
Loss of SMV in 2015	(26,764)	-	(26,764)
Carrying value, December 31, 2015	34,979	-	34,979
Loan repayment	(21,000)	-	(21,000)
Loss of investment in 2016	(13,979)	-	(13,979)
Carrying value, September 30, 2016	-	-	-
Adjustment on initial recognition as available for sale	696,000	-	696,000
Purchase of investment	-	10,000	10,000
Balance, December 31, 2016	696,000	10,000	706,000

5. INTANGIBLE ASSET

During the year ended December 31, 2015, the Company disposed of a book of agency relationships to an unrelated party for cash consideration of \$29,429. The cost of the agency relationships consisted of an intangible asset comprising agency relationships with insurance customers and was determined at the time of original acquisition to have an estimated finite life of 10 years.

	Insurance Portfolio
	\$
Cost	
Balance, December 31, 2014	31,724
Transfer file fees	(307)
Disposal	(31,417)
Balance, December 31, 2015	-
Accumulated amortization	
Balance, December 31, 2014	2,295
Disposal	(2,295)
Balance, December 31, 2015	-
Net carrying value	
December 31, 2015	-

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5. INTANGIBLE ASSET (continued)

As the intangible asset was fully disposed in 2015, the whole amount of proceeds was recorded as gain on disposal of and there is no impact to the statement of financial position as at December 31, 2016. During the year ended December 31, 2016, the Company disposed of a remaining book of agency relationships. This intangible had no cost base, and was disposed of for proceeds of \$6,377.

	2016	2015
	\$	\$
<i>Disposition of agency relationships</i>		
Proceeds of disposition, net of commission	6,377	29,542
Net carrying amount	-	29,122
Gain on disposal of intangible asset	6,377	307

6. RELATED PARTY TRANSACTIONS AND BALANCES

Details of outstanding balances with related parties including key management personnel are as follows:

	2016	2015
	\$	\$
Due from related companies with common shareholders	10,860	-
Due to directors	27,596	14,242

In addition, included in accounts payable and accrued liabilities is \$134,846 (2015 - \$48,875) due to officers and directors for consulting fees, salary payable and expense reimbursements.

On November 18, 2016, the Company entered into a promissory note with a director to borrow \$60,000 at 5% per annum, due January 31, 2018. On November 18, 2016, the promissory note was extended to June 30, 2018 with interest payable upon maturity. During the year ended December 31, 2016, interest expense in the amount of \$3,440 was accrued on this note (2015 - \$nil).

The amounts are unsecured, do not bear any interest and have no fixed terms of repayment.

Compensation of the executive management team and directors

The Company has identified its directors and senior officers as its key management personnel:

During the year ended December 31, 2016, the Company entered into two consulting agreements with two officers for providing consulting and fundraising activities. See also Note 11. On December 2, 2016, the Company issued 1,900,000 common shares to these officers. The fair value of these shares was determined to be \$47,500 based on the price from the concurrent private placement. These consulting fees have been recorded in salaries and benefits expense.

During the year ended December 31, 2016, the Company paid consulting fees of \$60,000 (2015 - \$65,346) to an officer who is also a director of the Company. These amounts are included in professional fees expenses.

For the year ended December 31, 2016, total compensation of \$53,750 (2015 - \$109,375) was paid to the Company's executive management team and directors. These amounts are included in salaries and benefits expenses.

During the year ended December 31, 2016, the Company paid marketing fees of \$25,200 (2015 - \$65,100) to a director of the Company. These amounts are included in office and miscellaneous expenses.

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7. SHARE CAPITAL

Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. All issued shares are fully paid.

On December 2, 2016, the Company issued 1,900,000 common shares to two officers of the Company for providing consulting services (see Notes 6 and 11).

On December 12, 2016, the Company completed a non-brokered private placement and issued 6,000,000 units ("Units") for proceeds of \$150,000 at \$0.025 per Unit. Each Unit comprised one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of \$0.05 per share for three years.

Escrow Shares

As at December 31, 2016, the Company has no shares held in escrow (2015 – 7,188,914 shares).

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers.

The continuity of share purchase options for the year ended December 31, 2016 is as follows:

Expiry Date	Exercise Price	December 31, 2015	Granted	Exercised	Expired/ Cancelled	December 31, 2016	Options Exercisable
October 14, 2018	\$0.10	3,000,000	-	-	-	3,000,000	3,000,000
Weighted average exercise price						\$0.10	\$ 0.10
Weighted average contractual remaining life (years)						1.79	1.79

The continuity of share purchase options for the year ended December 31, 2015 is as follows:

Expiry Date	Exercise Price	December 31, 2014	Granted	Exercised	Expired/ Cancelled	December 31, 2015	Options Exercisable
December 31, 2015	\$0.16	333,333	-	-	(333,333)	-	-
October 14, 2018	\$0.10	3,000,000	-	-	-	3,000,000	3,000,000
		3,333,333	-	-	(333,333)	3,000,000	3,000,000
Weighted average exercise price							\$ 0.10
Weighted average contractual remaining life (years)							2.79

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7. **SHARE CAPITAL** (continued)

Warrants

The continuity of warrants for the year ended December 31, 2016 is as follows:

Expiry Date	Exercise Price	December 31, 2015	Granted	Exercised	Expired/Cancelled	December 31, 2016
December 12, 2019	\$0.05	-	6,000,000	-	-	6,000,000
May 30, 2016	\$0.20	6,250,000	-	-	(6,250,000)	-
		6,250,000	6,000,000	-	(6,250,000)	6,000,000
Weighted average exercise price						\$0.05
Weighted average contractual remaining life (years)						2.95

The continuity of warrants for the year ended December 31, 2015 is as follows:

Expiry Date	Exercise Price	December 31, 2014	Granted	Exercised	Expired/Cancelled	December 31, 2015
May 30, 2016	\$0.20	6,250,000	-	-	-	6,250,000
Weighted average exercise price						\$0.20
Weighted average contractual remaining life (years)						0.4

8. **INCOME TAXES**

The Company has Canadian non-capital loss carry forwards that have not been recognized. Tax laws and regulations are subject to interpretation and inherent uncertainty; therefore, management's assessments involve judgments, estimates and assumptions about current and future events. Although management believe these estimates and assumptions are reasonable and appropriate, the final determination could be materially different than that which is reflected in the Company's provision.

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The amount of income tax expense shown in the consolidated statements of comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2016	2015
	\$	\$
Canadian statutory income tax rate	26.00%	26.00%
Income tax expense (recovery) at statutory rate	112,222	(131,756)
Effect on income taxes of:		
Non-deductible amounts	12,591	632
Other	(180,960)	(8,360)
Change in unrecognized tax assets	56,147	139,484
Income tax recovery	-	-

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8. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

	2016	2015
	\$	\$
Non-capital losses	767,035	710,888
Unrecognized deferred tax assets	(767,035)	(710,888)
Deferred income tax assets	-	-

As at December 31, 2016, the Company has Canadian non-capital loss carry forwards of \$2,950,133 (2015 - \$2,734,183) that may be available for tax purposes. The expiry dates of the losses are as follows:

Expiry	\$
December 31, 2028	74,243
December 31, 2029	290,915
December 31, 2030	433,593
December 31, 2031	355,383
December 31, 2032	351,376
December 31, 2033	151,171
December 31, 2034	541,027
December 31, 2035	536,475
December 31, 2036	215,950
	<u>2,950,133</u>

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Fair values

The Company's financial instruments consist of cash, promissory notes, long-term investments, accounts payable, due from (to) related parties and subordinated debt. The fair values of the Company's financial assets and liabilities approximate their carrying amounts because of their current nature.

	2016	2015
	\$	\$
<i>Assets:</i>		
Fair value through profit or loss (i)	271,026	110,361
Loans and receivables (ii)	10,861	55,707
Available-for-sale (iii)	706,000	-
<i>Liabilities:</i>		
Other financial liabilities (iv)	144,188	144,188

- (i) Cash
- (ii) Amounts receivable, due from related companies and promissory notes
- (iii) Long-term investments
- (iv) Accounts payable, due to related parties and subordinated debt

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued)

Fair values (continued)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
<i>As at December 31, 2016</i>				
Cash	271,026	271,026	-	-
Long-term investments	706,000	-	696,000	10,000
<i>As at December 31, 2015</i>				
Cash	110,361	110,361	-	-

Currency Risk

It is management's opinion that the Company is not exposed to significant currency risk as its short-term investments are all denominated in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company may experience some cash flow interest rate risk because of holding investments which bear interest at variable rates.

Credit, Liquidity, and Market Risks

Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risks associated with receivables are managed and exposure to potential loss is assessed as minimal. Market risks associated with short-term investments are assessed as minimal as they are considered short-term in nature.

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9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued)

All of the Company's financial liabilities have maturities of one year or less:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
	\$	\$	\$	\$	\$
<i>As at December 31, 2016</i>					
Accounts payable	172,121	(172,121)	(172,121)	-	-
Due to related parties	27,596	(27,596)	(27,596)	-	-
Subordinated debt	63,440	(66,690)	-	(66,690)	-
Total	263,157	(266,407)	(199,717)	(66,690)	-
<i>As at December 31, 2015</i>					
Accounts payable	69,946	(69,946)	(69,946)	-	-
Due to related parties	14,242	(14,242)	(14,242)	-	-
Subordinated debt	60,000	(63,625)	-	(63,625)	-
Total	144,188	(147,813)	(84,188)	(63,625)	-

10. CAPITAL MANAGEMENT

The Company's objectives for managing capital (defined as all components of equity) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Company manages capital by issuing new shares or new debt. There are no externally imposed capital requirements

11. COMMITMENTS AND CONTINGENT LIABILITIES

- a) The Company is committed to consulting fees of \$60,000 in total per year to an officer who is also a director, until cancellation of the consulting agreement, which requires notice of 30 to 90 days by either party.
- b) The Company is contingently liable for a two year severance obligation in the event of termination of the CEO without casuse or notice.
- c) During the year ended December 31, 2016, the Company entered into a consulting agreement with an officer to provide consulting services. The term of the agreement is one year, commencing November 1, 2016. Compensation to the consultant includes issuance of 500,000 common shares (issued), and the issue of 500,000 common shares upon closing of a minimum \$500,000 private placement. In addition, the consultant is to receive 2,000,000 shares to be held in escrow of which 25% are to be released immediately and the remaining 1,500,000 are to be released at 500,000 shares each successive quarter (see Note 13(b)). The consultant also receives the granting of 1,250,000 stock options (granted subsequent to year end – see Note 13(a)). The consultant is also entitled to 4% cash and 4% warrants on money raised for 360 Capital's clients.
- d) During the year ended December 31, 2016, the Company entered into a consulting agreement with an officer to provide investor relations services. The term of the agreement is one year, commencing November 15, 2016. Compensation to the consultant includes issuance of 500,000 common shares (issued), and the issue of 500,000 common shares upon closing of a minimum \$500,000 private placement. In addition, the consultant is to receive 1,000,000 shares to be held in escrow of which 25% are to be released immediately and the remaining 750,000 are to be released at 250,000 shares each successive quarter (see Note 13(b)). The consultant also receives 1,000,000 common shares upon successful funding of \$1,000,000 and granting of 1,250,000 stock options (granted subsequent to year end – see Note 13(a)). The consultant is also entitled to 4% cash and 4% warrants on money raised for 360 Capital's clients.

12. SEGMENTED REPORTING

The Company's business as described in Note 1 is considered and reported as one operating segment.

13. SUBSEQUENT EVENTS

- a) On February 17, 2017, the Company granted 5,700,000 stock options to officers, directors and consultants of the Company, with an exercise price of \$0.05 expiring on February 16, 2022.
- b) On March 3, 2017, the Company issued 750,000 common shares to the two consultants as disclosed in Note 11(c) and (d) for the release of second batch of escrow shares. Both consulting agreements were terminated in April 2017.