GRAVITAS SPECIAL SITUATIONS FUND

FINANCIAL STATEMENTS

PERIOD FROM JANUARY 24, 2018 (DATE OF FORMATION) TO DECEMBER 31, 2018

Independent Auditor's Report

To the Trustee of Gravitas Special Situations Fund:

Opinion

We have audited the financial statements of Gravitas Special Situations Fund (the "Trust"), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from January 24, 2018 (date of formation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

MNP LLP

Toronto, Ontario

Chartered Professional Accountants

April 1, 2019

Licensed Public Accountants

GRAVITAS SPECIAL SITUATIONS FUND

Statement of Financial Position
(Expressed in Canadian dollars)
As at December 31, 2018

ASSETS		
Current assets		
Investments at fair value (Note 5)	$	794,579
Cash		56,896
		851,475
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		34,550
		34,550
Net Assets Attributable to Holders of Redeemable Units	$	816,925
Net Assets Attributable to Holders of Redeemable Unit per Class		
Class A		723,831
Class F		93,094
	$	816,925
Number of Redeemable Units Outstanding		
Class A		67,600
Class F		9,275
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	$	10.71
Class F		10.04

Commitments and indemnities (Note 6)

Approved on behalf of the Trust by the Trustee on April 1, 2019

/s/ Chris Guthrie
Chris Guthrie
Trustee

GRAVITAS SPECIAL SITUATIONS FUND

Statement of Comprehensive Income
(Expressed in Canadian dollars)
For the period from January 24, 2018 (date of formation) to December 31, 2018

Income		
Dividends and interest income	$	681
Net realized gain on sale of financial assets at fair value through profit and loss		14,000
Change in unrealized appreciation on financial assets at fair value through profit and loss		90,394
		105,075
Expenses		
Performance fees		9,400
Trailer fees		5,459
Management fees		7,966
Audit fees		10,085
General and administrative expenses		35,101
Bank fees		75
		68,086
Increase in Net Assets from Operations Attributable to Holders of Redeemable Units	$	36,989
Increase (decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	$	55,888
Class F		(18,899)
Weighted Average of Redeemable Units Outstanding During the period		
Class A		64,652
Class F		6,820
Increase (decrease) in Net Assets from Operations Attributable to Holders of Redeemable Units per Unit		
Class A	$	0.86
Class F		(2.77)

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

GRAVITAS SPECIAL SITUATIONS FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
(Expressed in Canadian dollars)
For the period from January 24, 2018 (date of formation) to December 31, 2018

	Net assets attributable to holders of redeemable units, beginning	Proceeds from redeemable units issued	Issuance costs	Increase in net assets attributable to holders of redeemable units/equity	Net assets attributable to holders of redeemable units, end of period
Class A	$ –	$ 704,350	$ (36,407)	$ 55,888	$ 723,831
Class F	–	115,000	(3,007)	(18,899)	93,094
	$ –	$ 819,350	$ (39,414)	$ 36,989	$ 816,925

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

GRAVITAS SPECIAL SITUATIONS FUND

Statement of Cash Flows
(Expressed in Canadian dollars)
For the period from January 24, 2018 (date of formation) to December 31, 2018

Cash provided by (used in):		
Operating Activities		
Increase in Net Assets Attributable to Holders of Redeemable Units	$	36,989
Change in non-cash balances		
Accounts payable and accrued liabilities		34,550
Investments at fair value		(794,579)
Cash used in operating activities		(723,040)
Financing Activities		
Subscriptions		819,350
Issuance costs		(39,414)
Cash provided by financing activities		779,936
Increase in cash and cash equivalents during the period		56,896
Cash and cash equivalents, beginning of period		–
Cash and cash equivalents, end of period	$	56,896
Supplemental information		
Interest received	$	181
Dividends received		500

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

GRAVITAS SPECIAL SITUATIONS FUND

Schedule of Investment Portfolio
(Expressed in Canadian dollars)
As at December 31, 2018

Number of shares/units	Investments owned		Average cost	Fair value	% of net asset value
	Equities				
200,000	Cellcube Energy Storage Systems Inc.		40,420	38,000	4.65%
50,000	Aurcana Corp.		31,130	39,500	4.84%
900,000	Jiulian Resources Inc.		32,612	72,000	8.81%
130,000	E3 Metals Corp.		38,333	41,600	5.09%
50,000	First Vanadium Corp.		59,685	40,000	4.90%
60,000	Franchise Cannabis Corp.		60,000	60,000	7.34%
2,400,000	International Cannabrands Inc.		180,000	180,000	22.03%
175,000	Wavefront Technology Solutions Inc.		36,201	38,500	4.71%
250,000	Mexican Gold Corp.		28,852	36,856	4.51%
100,000	Sub Rec-Blacklist Fn Resouces		50,000	47,000	5.75%
180,000	Deer Horn Capital Inc.		21,625	39,175	4.80%
			578,858	632,631	77.43%
	Warrants				
100,000	Cellcube Energy Storage Systems Inc.		19,580	9,546	1.17%
50,000	Aurcana Corp.		18,870	14,743	1.80%
900,000	Jiulian Resources Inc.		21,388	71,901	8.80%
130,000	E3 Metals Corp.		13,667	7,200	0.88%
175,000	Wavefront Technology Solutions Inc.		16,299	5,956	0.73%
250,000	Mexican Gold Corp.		21,148	24,961	3.06%
180,000	Deer Horn Capital Inc.		14,375	27,641	3.38%
			125,327	161,948	19.82%
Total Investments Owned		$	704,185	794,579	97.25%
Cash				56,896	6.96%
Other liabilities, net				(34,550)	-4.21%
Net Assets Attributable to Holders of Redeemable Units			$	816,925	**100.00%**

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

NOTE 1. STATUTES AND NATURE OF ACTIVITIES

Gravitas Special Situations Fund (the “Trust”) is an unincorporated, limited purpose trust formed in the Province of Alberta on January 24, 2018. The address of the Trust’s registered office is 333 Bay Street, Suite 1700, Toronto, Ontario, M5H 2R2.

The principal purpose of the Trust is to, among other things, to acquire a diversified portfolio of investments, primarily directly and/or indirectly in the securities of private and public issuers located primarily in Canada and the United States in order to generate capital growth and all transactions related thereto.

Chris Guthrie, an individual resident in the City of Toronto, in the Province of Ontario, is the Trustee of the Trust. The Trust is governed by the terms of the Trust Indenture.

Beneficial interests in the Trust are divided into Trust Units of multiple Classes. There is no limit to the number of Trust Units or the number of Classes that may be issued subject to any determination to the contrary made by the Trustee. Each Trust Unit within a particular Class will be of equal value, however, the value of a Trust Unit in one Class may differ from the value of a Trust Unit in another Class. There are currently three Classes of Trust Units being offered for sale by the Trust, Class A Trust Units, Class F Trust Units and Class O Trust Units. In addition to the Trust Units described, the Trust may create additional Classes of Trust Units with such attributes and characteristics as the Trustee may determine, and which may be offered for sale to such persons as the Trustee may determine.

The Trustee has appointed Gravitas Securities Inc., a corporation incorporated under the laws of the Province of Alberta, to act as manager (the “Manager”) of the Trust. The Manager is responsible for the management of the Trust pursuant to a management agreement (the “Management Agreement”).

Under the Trust Indenture, the Trust will continue for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on January 24, 2018.

NOTE 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRS effective as of April 1, 2019 which is the date the financial statements were approved and authorized fo issue by the Trustee on behalf of the Trust.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss which are presented at fair value.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash on hand and deposits held with a Canadian chartered bank and is recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value due to its short-term nature.

Functional and presentation currency and basis of evaluation

The financial statements are presented in Canadian dollars which is the Trust’s functional and presentation currency. The following is the summary of the significant accounting policies followed by the Trust:

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting judgments, estimates and assumptions

The preparation of the Trust's financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies, reported amounts of assets, liabilities, revenues and expenses at the date of the financial statements and during the reporting period.

Estimates and assumptions are continuously evaluated and are based on the Manager's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Trust, the Manager is required to make significant judgments about whether or not the business of the Trust is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IFRS 9 – Financial Instruments. The most significant judgments made include the determination that certain investments are fair value through profit or loss ("FVTPL").

The Trust holds financial instruments that are not quoted in active markets. Fair values may be determined using reputable pricing vendors (for derivatives) or indicate prices from market makers/brokers. Broker quotes as obtained from pricing sources may be indicative and not executable or binding. Securities not listed upon a recognized public stock exchange, or securities for which a last sale or closing price are unavailable or securities for which market quotations are inaccurate, unreliable or not reflective of all available material information, are valued at their estimated fair value, determined by using appropriate and accepted industry valuation techniques including valuation models. The estimated fair value of a security determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. The estimates include consideration of liquidity and model inputs related to items such as credit risk and volatility. Valuation techniques utilized by the Partnership are described in Note 4. Changes in assumption about these factors could affect the reported fair value of financial instruments and the level where the instruments are disclosed in the fair value hierarchy. To assess the significance, the Trust performs a sensitivity analysis of these estimates to the fair value of the Partnership's holdings (see Note 8).

Valuation of investments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. Investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques based on observable and unobservable market data. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Net Assets' date. Valuation techniques used include the use of; net asset values of investment funds, comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Determining whether the Trust is an investment entity

The Manager of the Trust evaluated the facts and circumstances to determine whether the Trust meets the definition of an investment entity under IFRS 10-*Consolidated Financial Statements*. The Manager concluded that the Trust will have more than one investor, the investors are not related, and the investments of the Trust are being evaluated at their fair value each reporting period. The Manager determined that the Trust meets the definition of an investment entity and will apply the exception to consolidating its investments as required under IFRS 10.

The fair value of the Trust's investments as at the financial reporting date is determined as follows:

Common shares in quoted companies

All securities listed on a recognized public stock exchange are generally valued at their last bid price. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Common shares with restrictions on disposal for certain period of time are discounted by the Manager after considering the restriction period remaining after the reporting date, financial performance of the investee company and the stock exchange the common shares are listed on.

Common shares in a private company

Investments in securities having no quoted market values or in illiquid securities are valued using valuation techniques. Valuation techniques include, but are not limited to, referencing the current value of similar instruments, using recent arm's length market transactions, discounted cash flow analyses or other valuation models.

Warrants

Warrants are valued at fair value using the Black-Scholes model which considers the following factors and assumptions: exercise price, expected rate of dividend, stock historical volatility, risk-free interest rate, and expected life of the warrant.

Offsetting financial instrument

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business the Trust enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

Recognition and derecognition of financial assets and liabilities

The Trust recognizes financial assets or liabilities designated as trading securities on the trade date - the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statement of comprehensive income.

Other financial assets are derecognized and only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or they expire.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is derived from interest and dividends. Interest income is recognized based on the effective interest rate basis. Dividends, if any, are recognized as of the ex-dividend date. Transaction costs related to the acquisition or disposal of investments are recognized in the Statement of comprehensive income.

Unit issue costs

Expenses related to the initial offering of the Trust Units and agent's fees have been accounted for as a reduction of net assets attributable to holders of redeemable units.

Redeemable Units

The Trust's redeemable units provide unitholders with the right to redeem their interest in the Trust subject to the conditions below; to receive cash equal to their proportionate share of the series net asset value of the Fund on demand subject to certain conditions. These redeemable units involve multiple contractual obligations on the part of the Fund and therefore meet the criteria for classification as financial liabilities.

The Trust's obligation for net assets attributable to holders of redeemable units is measured at fair value through profit or loss with the fair value being the redemption amount as of the reporting date.

Units are redeemable at the demand of the Unitholders at a price determined and payable in accordance with the conditions attached to the Units.

Net Assets Attributable Redeemable Units per Unit

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the period.

Increase (decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the increase (decrease) in net assets attributable to holders of redeemable units per unit attributed to each Class of Units, divided by the weighted average number of units outstanding of that class during the period.

Income taxes

The Trust has qualified as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Act"). The Trust intend to pay or make payable in the calendar year to the unitholders all the net income and such portion of the net taxable capital gains which will result in the Trust paying no tax under the current provisions of the Act. As a result, under existing tax legislation, the net income and net taxable capital gains so paid or payable will be taxable in the hands of the unitholders and not the Trust. Accordingly, no provision for income taxes has been made in these financial statements. Net capital losses may be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses arising in taxation year 2018 may be carried forward twenty years. Non-capital losses carried forward may reduce future taxable income.

NOTE 4. CHANGES IN ACCOUNTING POLICIES

IFRS 15 – Revenue from contracts with customers (“IFRS 15”)

On January 1, 2018, the Trust adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 18 "Revenue" and establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Under IFRS 15, the initial steps in revenue recognition are to identify the appropriate contracts with customers and define the performance obligations in the contracts. Revenue is recognized when the performance obligations are satisfied — when "control" of goods or services transfers to the customers. IFRS 15 also requires the transaction price to be allocated to each separate performance obligation in proportion to stand-alone selling prices. In addition, variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

Revenue associated with principal trading and investment income are excluded from the scope of IFRS 15.

There was no impact on adoption of IFRS 15 on the Trust's standard revenue contracts.

IFRS 9 – Financial instruments (“IFRS 9”)

On January 1, 2018, the Trust adopted IFRS 9 “Financial Instruments”, which includes a principle-based approach for classification and measurement of financial assets and a forward looking ‘expected credit loss’ model. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Trust reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Impairment of financial assets under IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. The Trust applies this model to its trade receivables. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information (“FLI”) is incorporated into the estimation of ECL allowances, which involves significant judgment. The calculation of ECL allowances is based on the expected value of the probability-weighted scenarios to measure expected cash shortfalls, discounted at the effective interest rate. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default (“PD”) is an estimate of the likelihood of default over a given time horizon;
- The loss given default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default (“EAD”) is an estimate of the exposure at a future default date.

Under IFRS 9, all financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears or greater is automatically considered impaired. Any financial instruments where the borrower has filed for bankruptcy will also be considered to be impaired.

NOTE 4. CHANGES IN ACCOUNTING POLICIES (Continued)

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when there is evidence that there is no realistic prospect of future recovery.

As permitted under IFRS 9, the Trust applies a simplified approach to its amounts receivable relating to accrued income whereby lifetime ECLs are recognized at initial recognition. The Trust does not currently apply a credit risk rating to its financial assets as there are no expected future credit losses.

Trade and other payables are consistently recorded at amortized cost. Due to their short-term nature or applicable market-rate terms, the carrying value approximates their fair value.

Cash previously classified as FVTPL under IAS 39 is still classified as FVTPL as these financial assets are not held in a business model whose objective is to collect contractual cash flows and sell financial assets.

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods.

All other financial assets including securities owned are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Financial assets and liabilities are recognized when the Trust becomes a party to the contractual provision 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 Trust has transferred substantially all risks and rewards of ownership. Regular way purchases and sales of financial assets are accounted for at the trade date.

The Trust classifies its financial instruments by category according to their nature and their characteristics. The Manager determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Trust classifies its financial assets and financial liabilities as outlined below:

Financial instrument	Category	Measurement
Assets		
Cash	FVTPL	Fair value
Investments at fair value	FVTPL	Fair value
Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

(Expressed in Canadian dollars)

NOTE 5. INVESTMENTS OWNED

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Trust's investments owned fall as of December 31, 2018.

	Level 1	Level 2	Level 3	Total
Cash	$ 56,896	$ -	$ -	$ 56,896
Investments at fair value – shares	632,631	-	-	632,631
Investments at fair value - warrants	-	161,948	-	161,948
	$ 689,527	$ 161,948	$ -	$ 851,475

Warrants

Warrants are carried at fair value using the Black-Scholes model which requires various inputs as described in Note 3. The Manager has valued the warrants using stock historical volatilities ranging from 79% to 411%, risk free interest rate of 1.80% - 1.89% and expected rate of dividends of 0%.

NOTE 6. RELATED PARTY TRANSACTIONS

Management fees

Pursuant to the terms of the Management Agreement, the Manager is entitled to a management fee (the "Management Fee") calculated as a percentage of the Net Asset Value of each Class of Units. The Management Fee may vary from Class to Class and will be deducted as an expense in the Statement of Comprehensive Income.

The Trust will pay the Manager a quarterly management fee equal to 1/4 of 1.0% of the Net Asset Value of the Class A Units, plus any applicable federal and provincial taxes, calculated and accrued on the last business day of every quarter (the "Valuation Date") and payable quarterly in arrears.

The Trust will pay the Manager a quarterly management fee equal to 1/4 of 1.0% of the Net Asset Value of the Class F Units, plus any applicable federal and provincial taxes, calculated and accrued on each Valuation Date and payable quarterly in arrears.

Subject to the discretion of the Manager, subscribers who purchase Class O Units must either: (i) enter into an agreement with the Manager which identifies the management fee negotiated with the subscriber which is payable by the subscriber directly to the Manager; or (ii) enter into an agreement with the Trust which identifies the quarterly management fee negotiated with the subscriber which is payable by the Trust to the Manager (including any applicable and federal and provincial taxes. In each circumstance, the Class O Management Fee, is calculated and accrued on each Valuation Date and payable quarterly in arrears.

In accordance with the Management Agreement, the Trust indemnifies the Manager and its directors, officers, employees and agents from and against any and all losses, claims, costs, damages and liabilities, including reasonable legal fees or disbursements reasonable incurred, brought or commenced against the Manager parties.

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

Performance fees

Pursuant to the terms of the Management Agreement, and subject to the attainment of the High Water Mark, the Manager is entitled to a performance fee (the "Performance Fee") equal to 20% of the amount by which the Net Asset Value per Unit of the Class A and Class F Units as at the last business day of the fiscal year exceeds a threshold annualized increase of 5% over the High Water Mark.

The High Water Mark (the "High Water Mark") for a Unit as at any date means. (i) during the fiscal year in which the Unit is issued, its subscription price; (ii) during the subsequent fiscal year, the greater of its subscription price or Net Asset Value per Unit of that Class as of the first day of such subsequent fiscal year if the Manager received a Performance Fee in respect of such Unit for the prior fiscal year; and (iii) during all subsequent fiscal years, the higher of the Net Asset Value per Unit of that Class as at the first day of such fiscal year and any previous fiscal year.

In the case of Class O Units, the Performance Fee, if any, will be negotiated with each investor for Class O Units.

Trailer fees

Pursuant to the terms of the Agency Agreement, the Trust will pay trailer fees to registered dealers quarterly based on the subscription proceeds attributable to each of the Class A Trust Units held in each registered dealer's client accounts in an amount equal to 1% per annum. For clarity, no trailer fees are paid in respect of the Class F Trust Units or the Class O Trust Units. The trailer fees, plus any applicable taxes, will be calculated by the Trust on the last day of each quarter beginning with the quarter in which the Class A Trust Units were issued and pro-rated for the quarter of issue based on the number of days from and including the issue date to and including the last day of the quarter and for the quarter in which the Class A Trust Units were redeemed based on the number of days from and including the first day of the quarter to and including the redemption date. The trailer fees will be paid quarterly and will be payable for so long as the Class A Trust Units remain outstanding.

The Trust indemnifies the Agent, its Dealing Representatives, its affiliates and its directors, officers, employees, partners, agents, advisors and shareholders harmless from and against any and all losses, claims, actions, suits, proceedings, damages, liabilities or expenses incurred.

The Trust's related parties include its joint key management and other related parties, as described below.

During the period ended December 31, 2018, the Trust was charged by the Manager $5,459 for management fees of which $5,459 remains payable at December 31, 2018 and $9,400 for performance fees of which $9,400 remains payable at December 31, 2018.

These transactions were carried out in the normal course of business and are measured at the exchange amount, i.e. the amount established and agreed upon by the parties.

NOTE 7. UNIITS OF TRUST

The Trust is authorized to issue an unlimited number of Trust units.

The Trust manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 9 while maintaining sufficient liquidity to meet obligations. All Trust units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Trust and the right to one vote at any meeting of the Trustees.

As at December 31, 2018, there was 67,600 Class A units and 9,275 Class F units issued and outstanding.

NOTE 8. UNITHOLDER ENTITLEMENTS

The units of the Trust have the following entitlements:

(i) On the last business day of the fiscal year, an amount equal to the Net Income of the Trust for the year
(ii) On the last business day of the fiscal year, an amount equal to the Net Realized Capital Gains of the Trust for the year
(iii) Upon termination of the Trust, the remaining property of the Trust pro rata with the holders of their respective Class of Trust Units in accordance to the aggregate number of Trust Units of that Class owned by such Unitholder.
(iv) On the last day of each fiscal year, an amount equal to the Net Income of the Trust for the taxation year of the Trust ending in such fiscal year not previously paid or made payable in the fiscal year, shall be payable to Unitholders of record on such day, pro rata in accordance with the number that Class of Trust Units then held (before giving effect to any issuances of Trust Units on such date). Further, on the last day of each fiscal year, an amount equal to the Net Realized Capital Gains of the Trust for the taxation year of the Trust ending in such fiscal year not previously paid or made payable in the fiscal year shall be payable to Unitholders of record on such date, pro rata in accordance with the number of Trust Units of that Class then held (before giving effect to any issuances of Trust Units on such date), except to the extent of Net Realized Capital Gains in respect of which the tax payable by the Trust would be refunded as a "capital gains refund" as defined in the Tax Act (and in applicable provincial tax legislation) for the taxation year of the Trust ending in such fiscal year. For greater certainty, it is the intention of the Trustee that sufficient Net Income and Net Realized Capital Gains of the Trust be paid or payable to Unitholders in each fiscal year so that the Trust is not liable to pay tax under Part I of the Tax Act for the taxation year of the Trust ending in such fiscal year.

Redemptions

Following the expiration of the Lock-up Period and subject to the discretion of the Trustee or the Manager all or any part of the Trust Units registered in the name of the Unitholder may be surrendered for redemption at any time at the demand of the Unitholder.

On each Redemption Date that is the last Business Day in any fiscal year after the date the Trust Unit was issued (or if such date is not a Business Day, then on the next Business Day thereafter), the Trustee or the Manager shall pay to each holder of Class A Trust Units, Class F Trust Units and/or Class O Trust Units who has requested redemption out of the Trust Property an amount equal to the Net Asset Value per Trust Unit of that Class on the Redemption Date on which the redemption occurs, multiplied by the number of Trust Units of that Class to be redeemed, together with the proportionate share attributable to such Trust Units of that Class of any distribution of Net Income and Net Realized Capital Gains of the Trust which has been declared and not paid prior to the Redemption Date and less any redemption or other fees and taxes payable by the Unitholder or required to be deducted.

Except as otherwise determined by the Manager, in its sole discretion, the maximum aggregate number of Trust Units that may be redeemed by the Trust on any applicable Redemption Date shall not exceed 25% of the total number of Trust Units issued and outstanding on such Redemption Date.

Redemption shall not be applicable to Trust Units tendered for redemption by a Unitholder, if the redemption of Trust Units will result in the Trust losing its status as a "mutual fund trust" for the purposes of the Income Tax Act.
The Trustee or the Manager, in its sole discretion, may suspend the redemption of Trust Units or a Class of Trust Units, or payments in respect thereof.

The Trustee may, in his sole discretion, require any Unitholder to redeem any or all Trust Units held by the Unitholder after giving thirty (30) Business Days prior written notice to the Unitholder. Any redemption made pursuant to this shall be made at a redemption price equal to the Class Net Asset Value of the Class of Trust Units being redeemed, plus any and all accrued distributions payable in respect of the Trust Unit being redeemed

NOTE 9. FINANCIAL INSTRUMENTS

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and, company news related to specific securities within the Trust. The level of risk depends on the Trust's investment bjective and the type of securities it invests in.

There have been no changes in the current year with respect to the Trust’s policies and procedures surrounding management of financial instrument risks.

Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to honor its financial obligation or commitment that it has entered into with a Trust. The Trust minimizes credit risk by maintaining its primary bank account at a reputable financial institution. Credit risk related to the accounts receivable and the subscription receivable is minimized due to the short term nature of the asset.

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Trust’s maximum exposure to credit risk is reflected in the carrying values recorded in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Trust may not be able to settle or meet its obligations on time or at a reasonable price. In order to maintain sufficient liquidity, the Trust invests its assets in securities that are traded in an active market and can be readily disposed. The Trust has minimal liquidity risk as the Trust units are not redeemable throughout the Trust term. In addition, the Trust aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All of the Trust's current liabilities have contractual maturities of less than 30 days and are subject to normal trade terms unless otherwise noted in these financial statements.

The Trust has no financial liabilities that are due later than one year.

Market risk

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Portfolio Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The Trust's investments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2018, 97% of the Trust’s Net Assets were invested in common shares and warrants of other companies. If security prices on the investments had increased or decreased by 10% as at the year end, with all other factors remaining constant, Net Assets could possibly have increased or decreased by $79,458. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The value of securities with restriction on disposal is also susceptible to other price risk. These values, which are discounted based on the Manager’s judgment, do not necessarily represent the amounts that may be ultimately realized, nor values that would have been used had there been no restriction on disposal of such securities.

NOTE 9. FINANCIAL INSTRUMENTS (Continued)

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category. As at December 31, 2018, the Trust's portfolio investments are held in resource issuers involved in mineral exploration, development and/or production.

NOTE 10. FILING OF FINANCIAL STATEMENTS

These financial statements have not been filed with the provincial regulators pursuant to the exemption under section 2.11 of National Instrument 81-106 Investment Fund Continuous Disclosure ("NI 81-106"). This exemption is available when the financial statements have been sent to the unit holders by the Trust, as required under NI 81-106.