

# **CARRUS CAPITAL CORPORATION**

## **Annual Information Form**

**For the fiscal year ended**

**April 30, 2017**

Suite 1128  
789 West Pender Street  
Vancouver, British Columbia V6C 1H2  
Tel: 604-687-2038

Dated: September 11, 2017

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## GLOSSARY

In this Annual Information Form, the following words or phrases have the meanings ascribed thereto:

“**AIF**” means an annual information form that is prepared pursuant to Part 6 of National Instrument 51-102 *Continuous Disclosure Obligations*.

“**Audit Committee**” means the Company’s audit committee.

“**Board**” means the Company’s board of directors.

“**Company**” or “**Carrus**” means Carrus Capital Corporation.

“**Fiscal 2016**” means the Company’s fiscal year ended April 30, 2016.

“**Fiscal 2017**” means the Company’s fiscal year ended April 30, 2017.

“**MD&A**” means management discussion and analysis, as it relates to the Company’s financial statements.

“**NI 52-110**” means National Instrument 52-110 - *Audit Committees*.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval, found at [www.sedar.com](http://www.sedar.com).

## PRELIMINARY NOTES

### Date of Information

Unless otherwise stated, the information herein is presented as at April 30, 2017, being the date of the Company's most recently completed financial year.

### Information Incorporated by Reference

Information may be incorporated by reference into an AIF provided the same is concurrently or previously filed under the Company's profile on the SEDAR. This AIF should be read in conjunction with the following documents, all of which have been previously filed on SEDAR and are hereby incorporated by reference herein:

- the Company's consolidated financial statements for Fiscal 2016 and Fiscal 2017, and the MD&A related thereto;
- the Company's information circular dated February 21, 2017 and proxy material pertaining to its annual general meeting held on March 23, 2017; and
- all of the Company's news releases and material change reports filed during and subsequent to Fiscal 2017; all of which are available under the Company's profile on SEDAR.

### Currency

Unless otherwise specified, in this AIF all references to "dollars" or to "\$" are to Canadian dollars.

### Special Note Regarding Forward-Looking Statements

Statements contained in this AIF that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation) that involve certain risks and uncertainties. Forward-looking statements include, but are not limited to, statement relating to: the Company's intention to create a diversified portfolio of investments; the investment strategy of the Company; the Company's plan to re-invest the profits of its investments to further the growth and development of the Company's investment portfolio; the principal investment objectives of the Company; the Company's intention to focus on investments in those businesses or assets in which the intrinsic value is not properly reflected in their share or other price; the actual composition of the Company's investment portfolio; variations in the Company's investment portfolio over time; its investments in a wide range of industries without regard to a specific policy on investment diversification; the Company's expectation that its investment activities will be primarily focused on enterprises located in Canada and the United States; the Company anticipating seeking investment opportunities in a variety of technologies related to alternative emerging asset classes; the closing of the previously announced private placement in September 2017; financial projections; information or expectations about the Company's business plans, results of operations, products or markets; or which otherwise make statements about future events. Such forward-looking statements can be identified by the use of words such as "intends", "anticipates", "believes", "estimates", "projects", "forecasts", "expects", "plans" and "proposes". Although the Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These include, among others, the cautionary statements under "*Description of Business*".

These cautionary statements identify important factors that could cause actual results to differ materially from those described in the forward-looking statements, and should be kept in mind when considering forward-looking statements in this AIF. Factors that could cause actual results to differ materially from the forward-looking statements include:

- the Company's ability to execute its investment strategy on acceptable terms, including its ability to identify potential investments and to successfully negotiate the terms of such investments
- need for additional capital to expand operations
- dependence on key personnel

- the Company's reliance upon a limited number of revenue sources
- ability to manage planned growth and integrate new business opportunities into existing operations

Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors which have not been anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Company was incorporated on February 12, 2010 pursuant to the *Business Corporations Act* (British Columbia) under the name "BioWest Therapeutics Inc." On August 22, 2011 the Company changed its name to "Carrus Capital Corporation".

The head office of the Company is located at Suite 1128 - 789 West Pender Street, Vancouver, British Columbia; and the registered and records office of the Company is located at PO Box 49130, 2900 - 595 Burrard Street, Vancouver, British Columbia V7X 1J5.

### **Intercorporate Relationships**

The Company does not have any subsidiaries or affiliated companies.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

#### *Business Developments*

On March 19, 2010 MIGENIX, the former parent company of the Company, completed a plan of arrangement involving itself, the Company, and a third party investor pursuant to the *Business Corporations Act* (British Columbia (the "Arrangement"). The Company was incorporated for the purpose of participating in the transactions related to the Arrangement.

The Arrangement involved a corporate reorganization of MIGENIX that was completed under a court approved plan of arrangement. Pursuant to the Arrangement, (i) the third party investor made an investment in MIGENIX in the aggregate amount of \$4,000,000; (ii) on the same date, MIGENIX caused substantially all of its business assets and liabilities, including the \$4,000,000, to be transferred to the Company. After completion of the Arrangement, among other things: (i) the shareholders of MIGENIX owned 100% of the outstanding shares of the Company, and holders of securities convertible into MIGENIX common shares held similar convertible securities of the Company; and (iii) the Company had substantially all of the same assets, liabilities, directors, management and consultants as MIGENIX previously had and pursued the business and operations previously carried on by MIGENIX, being the business of researching, developing and commercializing drugs for the treatment of infectious diseases. As part of the reorganization, the common shares of the Company were listed on the Toronto Stock Exchange ("TSX") effective March 24, 2010 under the stock symbol "BWE".

The Company carried on the business of research and development, but depleted its cash reserves to a point where it began to reduce its expenditures. This eventually resulted in the Company failing to meet continued listing requirements of the TSX. On August 19, 2011, the Company received the approval of the TSX Venture Exchange (the "TSXV") of its change of business from a biotechnology company to an investment issuer. The Company's common shares were voluntarily delisted from trading on the TSX at the close of the market on August 19, 2011, and were listed for trading on the TSXV at the open of the market on August 22, 2011. Concurrently with the Company's listing on the TSXV, the Company changed its name to "Carrus Capital Corporation" and its common

shares began trading under the stock symbol “CHQ”. The Company’s primary business since that time has been the identification and strategic investment in a diversified portfolio of public and private companies for capital growth.

On August 7, 2013, the Company dissolved all of its United States subsidiaries, which include MIGENIX Corp., M&M Holdings Inc., and Micrologix Biotech (USA) Inc.

On February 12, 2014, the Company entered into an arrangement agreement with its then wholly-owned subsidiaries: BioAB Strategies Ltd. (BioAB), BioDE Ventures Ltd. (BioDE), and BioHEP Technologies Ltd. (BioHEP), whereby:

- (a) the Company transferred certain biotechnology assets together with \$5,000 (the “**Transferred Assets**”) to each of BioAB, BioDE and BioHEP in consideration for 2,845,381 shares from each of BioAB, BioDE and BioHEP.
- (b) the authorized share capital of Carrus was altered such that a new class of common shares (the “**New Common Shares**”) and a special class of preferred shares was created. These preferred shares were assigned an aggregate redemption value equal to the fair value of the Transferred Assets.
- (c) all Carrus shareholders exchanged each of their common shares held for one New Common Share and one preferred share.
- (d) Carrus redeemed the preferred shares and as consideration, distributed the shares of BioAB, BioDE and BioHEP Shares to holder thereof. Each Carrus shareholder as of the share distribution record date, immediately after the Arrangement, held a pro-rata share of the BioAB shares, BioDE shares and BioHEP shares subsequently distributed under the Arrangement. The Company accounted for the distribution as a return on capital with a reduction of share capital based on the fair value of the Transferred Assets.

The purpose of this arrangement was to allow the Company to divest itself of the biotechnology assets, enabling it to then focus on developing its merchant banking business.

The Company owns the following investment assets as at April 30, 2017:

- (a) 216,588 shares of BlueOcean NutraScience Inc;
- (b) 80,000 shares of BioDE Ventures Ltd.; and
- (c) \$10,000 loan and 80,000 shares of BioHEP Technologies Ltd.

### *Financings*

On May 23, 2014, the Company consolidated its common shares on the basis of seven pre-consolidation common shares for one post-consolidation common share.

On October 6, 2014, the Company borrowed \$130,000 at 12% per annum interest. As additional consideration for the loan, the Company issued 260,000 common shares to the lender.

In Fiscal 2016, the Company refinanced the said loan for two additional years (expiring October 2017), at 14% annual interest.

Also in Fiscal 2016, the Company borrowed an additional \$40,000 at 14% annual interest; and as additional consideration for such loan, issued 800,000 warrants to the lender, exercisable at \$0.05 per share until October 30, 2020.

On January 6, 2017, the Company announced the completion of a private placement of 10,000,000 special warrants of the Company at a price of \$0.05 per special warrant for aggregate gross proceeds of \$500,000 (the “**SW Private Placement**”). Each special warrant entitles the holder to receive without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share at a price of \$0.05 for a

period of 24 months. In connection with the SW Private Placement, the Company also issued 731,200 special warrants to certain finders. The special warrants converted into units on May [7], 2017.

On March 20, 2017, the Company announced the completion of a private placement of 1,633,498 units at a price of \$0.15 per unit for aggregate gross proceeds of \$245,025 (the “**Unit Private Placement**”). Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.20 for a period of 24 months. In connection with the Unit Private Placement, the Company also issued 160,013 warrants to certain finders.

Subsequent to Fiscal 2017, the Company announced the completion of a private placement of 23,333,333 special warrants of the company at a price of \$0.15 per special warrant for aggregate gross proceeds of \$3,500,000 (the “**SW-2 Private Placement**”). Each special warrant entitles the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company. Each unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.20 on or before Aug. 16, 2019. In connection with the SW-2 Private Placement, the Company also issued 2,333,333 special warrants to certain finders. The special warrants will convert to units on the earlier of: (i) four months and a day after closing of the SW-2 Private Placement; or (ii) the receipt of a final prospectus qualifying the shares and underlying warrants.

In addition, the Company announced the completion of a private placement of 366,667 units at a price of \$0.15 per unit for aggregate gross proceeds of \$55,000 (the “**Unit-2 Private Placement**”). Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.20 on or before August 14, 2019.

In order to increase its investment capital, the Company may, from to time, seek addition capital through one or more debt and/or equity offerings.

The Company announced on August 30, 2017 that it had received conditional approval for a private placement consisting of 26,666,666 special warrants of the Company at a price of \$0.30 per special warrant. Each special warrant will entitle the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company with each unit comprising of one common share and one share purchase warrant. Each such warrant will entitle the holder to acquire one additional share at \$0.40 for a period of 24 months. The Company anticipates closing the private placement in September 2017.

#### *Other*

Other than as stated herein there were no acquisitions, dispositions, changes to management, or financings in the past three fiscal years (ending April 30, 2015, 2016 and 2017), other than:

- Ann Fehr resigned as Chief Financial Officer on July 27, 2017, and was replaced by Theo van der Lind on the same date;
- Yulia McCutcheon resigned as Corporate Secretary of the Company effective April 19, 2017, and was replaced by Brendan Purdy effective April 27, 2017;
- Brendan Purdy was elected as a director of the Company at the Company’s annual general meeting (“**AGM**”) held on March 23, 2017;
- Don Gordon and Chester Shynkaryk were not nominated for re-election to the board of directors of the Company (the “**Board**”) at the AGM and therefore ceased to act as directors of the Company effective March 23, 2017;
- Brandon Boddy and Troy Grant were appointed as directors of the Company effective March 23, 2017;
- Bruce A. Schmidt resigned as a director of the Company effective January 27, 2017;
- each of Chester Shynkaryk and Don Gordon joined the Board on January 10, 2014;

- Bruce Schmidt resigned as Chief Executive Officer on September 11, 2014, and was replaced by Chester Shynkaryk on the same date.

## DESCRIPTION OF BUSINESS

### General

The Company is a publicly traded investment company that seeks to invest in the securities, assets or businesses of other companies which provide returns to the Company through dividends, investment fees and capital appreciation. The Company may also engage in general merchant banking activities.

The Company's primary objective is to increase shareholder value through the identification of and investment in securities of private and publicly listed corporations offering capital appreciation potential. Investments will be acquired and held for short-term gains or long-term capital appreciation, dependent upon the specific investment. The paramount goal of the Company will be to generate maximum returns from its investments. The Company may hire professional portfolio managers to assist with meeting this objective.

The Company's Chief Executive Officer (Mr. Chester Shynkaryk) and Chief Financial Officer (Mr. Theo van der Linder) are currently contracted under consulting agreements. The Company has no employees and currently utilizes the services of consultants to carry out certain of its business operations.

### *Revised Investment Strategy*

The nature and scope of the Company's future investments is undetermined as of the date of this AIF, however the Company anticipates seeking investment opportunities in a variety of technologies related to alternative emerging asset classes. No investment restrictions have been set and no specific acquisitions or investments have been identified or negotiated; and as such the Company's business can be considered a "blind pool". While the Company has identified technologies related to alternative emerging asset classes to be of interest for future investments, it should be noted that (i) no specific sectors of that industry have been identified for investment, (ii) the current management has no expertise in that particular industry, and (iii) as such there is no guarantee the Company will make any investments in technologies related to alternative emerging asset classes, or that any such investments will be profitable.

### *Composition of Investment Portfolio*

The nature and timing of the Company's future investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. The Company expects its investment activities will be primarily focused on enterprises located in Canada and the United States, although investments may extend globally (including the purchase of securities listed on foreign stock exchanges). The Company expects to invest in a wide range of industries without regard to a specific policy on investment diversification. In this way, each investment will be assessed on its own merits and its potential to generate returns for the Company. The Company may invest heavily in a particular sector that the Company believes will continue to perform. The Company believes that any risk of limited diversification may be mitigated by closely monitoring its investments, and liquidating individual investments that show signs of weakness. The actual composition of the Company's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of financial markets and credit risk. The Company intends to focus on investments in those businesses or assets in which the intrinsic value is not properly reflected in their share or other price.

### *Investment Objectives*

The principal investment objectives of the Company are as follows:

- to seek high return investment opportunities by investing directly in equity securities of public and private companies and assisting in early stage projects by providing financial support;
- to identify early stage opportunities with attractive risk/reward ratios;
- to preserve its capital and limit the downside risk of its capital;

- to achieve a reasonable rate of capital appreciation;
- to minimize the risk associated with investments in securities; and
- to seek liquidity in its investments.

The Company's investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of senior management and approval by the Board. The Company does not anticipate the declaration of dividends to shareholders at this time and plans to re-invest the profits of its investments to further the growth and development of the Company's investment portfolio.

### *Investment Strategy*

In pursuit of superior returns and to achieve the investment objectives as stated above, while mitigating risk, the Company, when appropriate, shall employ the following disciplines:

- The Company will obtain detailed knowledge of the relevant business in which the investment will be made, as well as the target company.
- The Company may select a specific industry in which to focus its investments and in such a case may retain the services of parties knowledgeable in this space.
- The Company will maintain a flexible position with respect to the form of investment taken and may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, streaming investments, net profit interests and other hybrid instruments.
- The Company will obtain detailed knowledge of the relevant business in which the investment will be made, as well as the investee company. The Company will work closely with the investee company's management and board, and in some cases, assist in sourcing experienced and qualified persons to add to the board and/or management of the investee companies.
- Investments will be made in either private or public companies or for the Company's own account directly into project title.
- Investments may include:
  - acquisitions, short term development and resale of interests, joint venture percentage or equity holdings in the target company;
  - direct acquisition of a business or its assets via a wholly owned subsidiary and assisting in developing the underlying business;
  - capital investment in private companies, and assistance in moving them to an acquisition or merger transaction with a larger company or to the public stage through initial public offering, reverse takeover or other liquidity event;
  - early stage equity investments in public companies believed to have favourable management and business; and
  - where appropriate, acting as a third party advisor for opportunities in target or other companies, in exchange for a fee.
- The Company will have flexibility on the return sought, while seeking to recapture its capital within a reasonable period following the initial investment.
- The Company will seek to maintain the ability to actively review and revisit all of its investments on an ongoing basis. From time to time, the Company may insist on board or management representation on target companies.
- The Company will watch for liquidity of its investments and seek to realize value from same in a prudent and orderly fashion.

- The Company will take holdings in companies within the framework of the above guidelines, and which from time to time may result in the Company holding a control or complete ownership position in a target company.
- The Company will utilize the services of both independent organizations and securities dealers to gain additional information on target investments where appropriate.

Notwithstanding the foregoing, from time to time, the Board may authorize such investments outside of these disciplines as it sees fit for the benefit of the Company and its shareholders.

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

The nature and timing of the Company's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. As noted above, subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

### ***Conflicts of Interest***

Directors and senior officers are required to disclose any conflicts of interest, including holding any interest in a potential investment.

Where a conflict is determined to exist, the person having a disclosable interest shall abstain from making further decisions or recommendations concerning such matter.

The Company and its affiliates, directors, officers are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with their duties to the Company. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including companies in which the Company may invest. These persons may also engage in transactions with the Company where any one or more of them is acting in a capacity as financial advisor, broker, intermediary, principal, or counterparty, provided that such transactions are carried out on terms similar to those which would apply in a like transaction between parties not connected with any one of them and such transactions are carried out on normal commercial terms as if negotiated at arm's length.

### **Risk Factors**

#### ***Tentative Nature of the Company's Business***

The Company is an investment and merchant banking company. However the Company currently has relatively few investments. There is no assurance the Company will be able to grow this part of its investment business using the method or model currently utilized.

#### ***The Company may experience losses***

While the Company has experienced operating losses in the past several fiscal years, and it is possible it will continue to experience losses in the future. Should the Company expand or diversify its business, including making investments in other fields, it may experience losses in those new fields or industries. As such, there can be no assurance the Company will be continue to generate sufficient revenues to achieve profitability.

#### ***The Company may need additional capital***

Liquidity, or ready access to funds, is essential to financial services firms including investment companies. Failures of financial firms have often been attributable in large part to insufficient liquidity. The Company's liquidity could be impaired due to circumstances that it may be unable to control, such as a general market disruption. Further, the Company's ability to raise capital may be impaired if other market participants are seeking to raise capital at the same time. If the Company is unable to raise additional investment capital either through investment returns or new financing through securities offerings, then it will be limited in its ability to fulfill its investment objectives. This may adversely affect its long-term viability. Raising additional equity capital may dilute the interests of existing

shareholders. There can be no assurance that the Company will obtain any financing if required, on terms acceptable to it, or at all. If the Company is not able to obtain the necessary additional financing, it may be forced to scale back its business plans or eliminate them altogether.

#### *Investment Risks*

The Company may grow its business through strategic investments, acquisitions or joint ventures. In doing so, the Company expects to face numerous risks and uncertainties. Although the Company will perform due diligence on any businesses it purchases or makes an investment in, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. The Company may not be able to ascertain the value or understand the potential liabilities of the acquired businesses and their operations until an investment is made. In addition, expansion, acquisitions or joint ventures may require significant managerial attention, which may be diverted from the Company's other operations. If the Company is unsuccessful in overcoming these risks, its business, financial condition or results of operations could be materially and adversely affected. The Company may be exposed to successor liability relating to prior actions involving a predecessor company, or contingent liabilities incurred before a strategic transaction. Liabilities associated with an acquisition or a strategic transaction could adversely affect the Company's financial performance. Any failure to integrate new businesses or manage any new alliances successfully could adversely affect the Company's reputation and financial performance.

#### *Compliance with rules and requirements applicable to public companies*

Changing laws, regulations and standards relating to corporate governance and continuous disclosure result in increased legal and financial compliance costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

#### *Loss of certain key personnel may adversely impact the Company's business.*

The success of the Company's business currently depends on the management skills of certain key personnel and the relationships they have with the companies in which the Company has invested. The loss of the services of any of the Company's key personnel could impair the Company's ability to successfully continue its business.

#### *Marketability of Investments*

There is no assurance that the investment objectives of the Company will actually be achieved. The value of the shares of the Company will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Company's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors.

#### *Lack of Liquidity*

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Company may not be able to liquidate investments, including its investments in private target companies without a listed market for their securities, when it would otherwise desire to do so in order to operate in accordance with its investment policy and strategy. Such lack of liquidity could have a material adverse effect on the value of the Company's investments and, consequently, the value of the shares of the Company.

#### *Fluctuation in Investments*

Any investments in securities of public companies may be subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the shares will be sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the Company's control, including, quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic

conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments.

#### *Limited Number of Investments*

The Company intends to participate in a limited number of investments and, as a consequence, the aggregate returns realized by the Company may be substantially and adversely affected by the unfavourable performance of even a single investment. Accordingly, there can be no assurance that the Company will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of the Company to achieve its desired investment returns. Completion of one or more investments may result in a highly concentrated investment in a particular company.

#### *Reliance on the Board*

Shareholders will be required to rely on the business judgment, expertise and integrity of the directors and officers of the Company. The Company must rely substantially upon the knowledge and expertise of its directors and officers in entering into any investment agreement or investment arrangements, in determining the composition of the Company's investment portfolio, and in determining when and whether to dispose of securities owned by the Company. The death or disability of any of the Company's directors and officers could adversely affect the ability of the Company to achieve its objectives. The success of the Company will be dependent upon the Company's management and the Board successfully identifying and managing the Company's investments.

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

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

#### *Competitive Risks*

The investment business is highly competitive, and is expected to remain so. The Company's competitors include merchant and investment banks, brokerage firms, commercial banks and private equity firms. Many of the Company's competitors have substantially greater capital and resources than the Company. These competitors may limit the Company's opportunities to acquire interests in investments that are attractive to the Company. The Company may be required to invest otherwise than in accordance with its investment policy and strategy in order to meet its investment objectives; which may adversely affect its ability to achieve its desired rates of return on its investments. If the Company is unable to compete effectively with its competitors, its business and results of operations may be adversely affected.

#### *Conflicts of Interest*

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company, but will be devoting such time as may be required to effectively manage the Company. Certain of the directors and officers of the Company are engaged and will continue to be engaged in the search for investments for themselves and on behalf of others, including other private and public corporations. Accordingly, conflicts of interest may arise from time to time. Any conflicts will be subject to the procedures and remedies under the British Columbia Business Corporations Act.

## **DIVIDENDS**

The Company has never declared or paid any cash or stock dividends on its common shares since inception. Since the Company currently has a policy of investing earnings in the expansion of its business, the Company does not anticipate paying cash or stock dividends on its common shares for the foreseeable future. Future dividends on its common shares will be determined by the Board in light of circumstances existing at the time, including earnings and financial condition. There is no assurance that dividends will ever be paid.

## DESCRIPTION OF CAPITAL STRUCTURE

### Common Shares

The Company's authorized capital consists solely of common shares without par value. All of the issued common shares of the Company are fully paid and non-assessable. Each common share entitles the holder thereof to one vote per share at all meetings of shareholders. All of the common shares issued rank equally as to dividends, voting rights and distribution of assets on winding up or liquidation. Shareholders have no pre-emptive rights, nor any right to convert their common shares into other securities. There are no existing indentures or agreements affecting the rights of shareholders other than the notice of articles and articles of the Company.

As of April 30, 2017, a total of 4,725,912 common shares of the Company were issued and outstanding. As of September 11, 2017, a total of 16,407,119 common shares of the Company are issued and outstanding.

## MARKET FOR SECURITIES

### Market

The common shares of the Company are listed and posted for trading on the Tier 2 Board of the TSX Venture Exchange under the symbol "CHQ".

### Trading Price and Volume

The following table sets forth the particulars of the trading of the common shares of the Company on the TSX Venture Exchange during the most recently completed financial year ended April 30, 2017:

Month	High (CDN\$)	Low (CDN\$)	Volume
May 2016	0.02	0.02	1,028
June 2016	0.035	0.02	58,708
July 2016	0.04	0.035	25,807
August 2016	0.04	0.03	42,192
September 2016	0.04	0.035	31,309
October 2016	0.035	0.03	75,713
November 2016	0.03	0.025	54,717
December 2016	0.155	0.02	478,858
January 2017	0.20	0.135	104,819
February 2017	0.30	0.17	66,840
March 2017	0.51	0.25	343,790
April 2017	0.79	0.33	1,127,215

## PRIOR SALES

### COMMON SHARES

During the Company's most recently completed financial year, 2,433,498 common shares were issued as follows.

Date of Issuance	Price Per Security	Number of Securities
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<b>Date of Issuance</b>	<b>Price Per Security</b>	<b>Number of Securities</b>
December 22, 2016	\$0.05	100,000 <sup>(1)</sup>
January 30, 2017	\$0.05	600,000 <sup>(1)</sup>
March 14, 2017	\$0.15	1,633,498 <sup>(2)</sup>
March 21, 2017	\$0.05	100,000 <sup>(1)</sup>

Notes:

- (1) Issued upon exercise of bonus warrants issued as consideration for an unsecured loan made October 20, 2015.  
(2) Issued in connection with the Unit Private Placement.

Subsequent to Fiscal 2017, 10,000,000 common shares were issued on conversion of special warrants issued pursuant to the SW Private Placement, 583,340 warrants were exercised at \$0.05 and an additional 366,667 common shares were issued pursuant to the Unit-2 Private Placement. (See “*General Business of the Company - Three Year History - Financings*”). As of the date hereof, there are 16,407,119 common shares issued and outstanding.

### STOCK OPTIONS

During the Company’s most recently completed financial year, 1,545,000 options were granted as follows.

<b>Date of Grant</b>	<b>Exercise Price</b>	<b>Number Granted</b>	<b>Expiry Date</b>
March 30, 2017	\$0.38	1,545,000	March 30, 2022

No options have been granted subsequent to the completion of the Company’s most recently completed financial year. As of the date hereof, there are options outstanding to purchase an aggregate of 1,545,000 common shares.

### WARRANTS

During the Company’s most recently completed financial year, 1,633,498 warrants and 163,013 finder warrants were granted as follows:

<b>Date of Issuance</b>	<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
March 14, 2017	1,633,498 <sup>(1)</sup>	\$0.20	March 14, 2019
March 14, 2017	163,013 <sup>(1)</sup>	\$0.20	March 14, 2019

Note:

- (1) Issued in connection with the Unit Private Placement.

Subsequent to Fiscal 2017, 10,000,000 warrants were issued on conversion of special warrants issued pursuant to the SW Private Placement and an additional 366,667 warrants were issued pursuant to the Unit-2 Private Placement (See “*General Business of the Company - Three Year History - Financings*”). 583,340 warrants were exercised R \$0.05 subsequent to year-end. As of the date hereof, there are outstanding warrants to purchase 11,579,838 common shares.

### SPECIAL WARRANTS

During the Company’s most recently completed financial year, 10,000,000 warrants and 731,200 finder warrants as follows:

<b>Date of Issuance</b>	<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
January 6, 2017	10,00,000	\$0.05	N/A
January 6, 2017	731,200	\$0.05	N/A

Note:

(1) Issued in connection with the SW Private Placement. Each special warrant entitles the holder to receive without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share at a price of \$0.05 for a period of 24 months. The special warrants converted into units on May 10, 2017

Subsequent to Fiscal 2017, the Company issued 25,666,666 special warrants pursuant to the SW-2 Private Placement (See “*General Business of the Company - Three Year History - Financings*”). As of the date hereof, there are 16,407,119 common shares issued and outstanding.

### **ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

None of the Company’s outstanding securities are subject to escrow or any other contractual restriction on transfer.

### **DIRECTORS AND OFFICERS**

#### **Name, Occupation and Security Holding**

The name, province or state and country of residence, position with and principal business or occupation in which each director and executive officer of the Company has been engaged during the immediately preceding five years, is as follows:

<b>Name, Position, Province or State and Country of Residence</b>	<b>Principal Occupation or Employment for the Past Five Years</b>	<b>Director/Officer Since</b>
<b>Brandon Boddy</b> <sup>(1)</sup> <i>Director</i> British Columbia, Canada	Investment Advisor with Jordan Capital from April 2011 to October 2014; Investment Advisor with Canaccord Capital from June 2007 to April 2011; director of two other publicly listed companies	January 2017
<b>Troy J. Grant</b> <sup>(1)</sup> <i>Director</i> Nova Scotia, Canada	Founder and CEO of Elcora Advanced Materials Corp., a TSXV listed grapheme materials company, since June 2011; director of three other publicly listed companies.	January 2017
<b>Brendan Purdy</b> <sup>(1)</sup> <i>Director and Corporate Secretary</i> Ontario, Canada	Securities lawyer. Mr. Purdy is currently a director of Natan Resources Ltd., a public company listed on the TSXV, and Boomerang Oil, Inc. and Supreme Metals Corp., both public companies listed on the Canadian Securities Exchange	March 2017

<p><b>Chester Shynkaryk</b>  <i>Chief Executive Officer</i>                  British Columbia, Canada</p>	<p>Chief Executive Officer of the Company since September 2014; founding President of Golden Queen Mining Company Ltd. And Visionary Mining Corp.</p>	<p>September 2014</p>
<p><b>Theo van der Linde</b>  <i>CFO</i>                  British Columbia, Canada</p>	<p>Mr. van der Linde is Chartered Accountant with 20 years' extensive experience in finance, reporting, regulatory requirements, public company administration, equity markets and financing of publicly traded companies. He has served as a CFO &amp; Director for a number of TSX Venture Exchange and Canadian Securities Exchange (CSE) listed companies over the past several years. Industry experience include financial services, manufacturing, Oil &amp; gas, mining and retail industries. More recently, Mr. van der Linde has been involved with future use trends of natural resources as well as other disruptive technologies. He has worked and is currently working on projects in South Africa, West-Africa, East-Africa, Peru, United Kingdom, Sri-Lanka, the United States and Norway.</p>	<p>July 2017</p>

1. Member of Audit Committee.

*Term of Office*

The term of office for each of the Company's directors expires immediately before each annual meeting of shareholders.

*Share Ownership*

As of April 30, 2017, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 225,500 common shares, which represented approximately 4.77% of the Company's issued and outstanding common shares. The statement as to the number of common shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of the directors or executive officers of the Company, is at the date of the AIF, or was within the past ten years before the date of the AIF, a director, chief executive officer or chief financial officer of any other company (including the Company), that:

- (a) was subject to an order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer and chief financial officer.

In this section, "order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation.

No director or executive officer of the Company nor any share holder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or has been within the past ten years, a director, officer or promoter of another company which was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

No director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the past ten years, declared bankruptcy or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that director, executive officer or shareholder

No director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### **Conflicts of Interest**

There are potential conflicts of interest to which the directors and officers of the Company may be subject in connection with its operations. All of the directors and officers are, to a greater or lesser extent, engaged in and will continue to be engaged in other corporations or businesses. Accordingly, situations may arise where some or all of the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies as provided under applicable corporate law and corporate governance, including disclosing of any interest in a proposed transaction, and abstaining from voting on such matters.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

#### **Legal Proceedings**

The Company and its properties or holdings are not subject to any legal or other actions, current or pending, which may materially affect the Company's operating results, financial position or property ownership.

#### **Regulatory Actions**

The Company has not:

- (a) had any penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year;
- (b) had any other penalties or sanctions imposed against it by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; or
- (c) entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

For the purposes of this AIF, "informed person" means:

- (a) a director or executive officer of the Company;

- (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Company; and
- (c) any associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

No informed person, no proposed director of the Company and no associate or affiliate of any such informed person or proposed director, has or has had any material interest, direct or indirect, in any transaction undertaken by the Company during its three most recently completed fiscal years or during the current fiscal year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries, save and except for remuneration for services received by each of the Company's senior officers.

### **TRANSFER AGENTS AND REGISTRARS**

The registrar and transfer agent of the Company is Computershare Trust Company of Canada. The Company's register of transfer of common shares is located in Vancouver, BC.

### **MATERIAL CONTRACTS**

There are no other contracts, other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into in the most recently completed financial year ended April 30, 2017, or before the most recently completed financial year but are still in effect as of the date of this AIF.

### **INTERESTS OF EXPERTS**

The Company's auditor is Charlton & Company, Chartered Professional Accountants, Suite 1735 – 555 Burrard Street, Vancouver, BC V7X 1M9. Charlton & Company assumed the role of auditors of the Company on February 16, 2016, replacing Smythe LLP, Chartered Professional Accountants. Charlton & Company is independent from the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

### **ADDITIONAL INFORMATION**

#### **Audit Committee**

Pursuant to the provisions of NI 52-110, reporting issuers in those jurisdictions which have adopted NI 52-110 are required to provide disclosure with respect to its audit committee including the text of the audit committee's charter, composition of the committee, and the fees paid to the external auditor. Disclosure of the Company's audit committee and audit committee charter is set forth in the Company's Information Circular dated February 21, 2017, which Information Circular is filed on SEDAR and is incorporated herein by reference.

#### **Other Additional Information**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including principal holders of the Company's shares and options, is contained in the Company's Information Circular dated February 21, 2017 pertaining to the shareholders' meeting held March 23, 2017.

Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed financial year ended April 30, 2017; all as filed on SEDAR.