



Unaudited Interim Condensed Financial Statements  
September 30, 2018

**Notice to Shareholders:**

The Company's independent auditor has not performed a review of these unaudited interim condensed financial statements for the period ended September 30, 2018.

# STATEMENTS OF FINANCIAL POSITION

As at	September 30,	December 31,
Amounts in thousands of Canadian dollars (except per share amounts)	2018	2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 178	\$ 9,284
Distribution receivables	—	341
Marketable securities <i>[note 4]</i>	176	368
Prepaid expenses, deposits and other receivables	80	68
Interest receivable	76	53
<b>Total current assets</b>	<b>510</b>	10,114
Investments <i>[notes 5 and 14]</i>	58,514	66,919
<b>Total assets</b>	<b>\$ 59,024</b>	\$ 77,033
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 166	\$ 208
Due to related parties <i>[notes 6 and 14]</i>	13,792	2,261
Accrued interest	78	970
Convertible debentures <i>[notes 2, 7 and 12c]</i>	—	28,556
<b>Total current liabilities</b>	<b>14,036</b>	31,995
Debentures <i>[note 8]</i>	6,700	—
<b>Total liabilities</b>	<b>20,736</b>	31,995
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>[note 9]</i>	134,380	134,429
Equity component of convertible debentures <i>[note 7]</i>	—	2,151
Contributed surplus	81,300	79,131
Deficit	(177,392)	(170,673)
<b>Total shareholders' equity</b>	<b>38,288</b>	45,038
<b>Total liabilities and shareholders' equity</b>	<b>\$ 59,024</b>	\$ 77,033
<b>Net Asset Value per share</b>	<b>\$ 6.58</b>	\$ 7.74

See accompanying notes, which are an integral part of these financial statements.

On behalf of the Board of Directors:

"Corey Delaney"  
Director

"Henry Kneis"  
Director

# STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Amounts in thousands of Canadian dollars (except for common shares and per share amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>				
Net realized gain (loss) on disposal of investments and marketable securities	\$ (22)	\$ 143	\$ 719	\$ (1,833)
Net change in unrealized gain (loss) on investments and marketable securities	130	(3,045)	(4,029)	(166)
	<b>108</b>	<b>(2,902)</b>	<b>(3,310)</b>	<b>(1,999)</b>
<b>OTHER INCOME</b>				
Interest, dividends and other income [note 14]	153	366	556	1,304
Gain (loss) on repurchase and redemption of convertible debentures [note 7]	(131)	—	(74)	9
	<b>22</b>	<b>366</b>	<b>482</b>	<b>1,313</b>
<b>EXPENSES</b>				
Employee compensation and benefits [note 17]	266	280	861	990
Professional fees	184	182	740	533
General and administrative	80	111	282	361
Provision for uncollectible receivables	—	167	—	184
Financing costs	406	809	1,937	2,419
Transaction costs	27	3	72	36
<b>Total expenses</b>	<b>963</b>	<b>1,552</b>	<b>3,891</b>	<b>4,523</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (833)</b>	<b>\$ (4,088)</b>	<b>\$ (6,719)</b>	<b>\$ (5,209)</b>
<b>Weighted average number of common shares outstanding [note 16]</b>				
Basic and diluted	5,816,543	5,825,129	5,816,661	5,845,548
<b>Loss per share [note 16]</b>				
Basic and diluted	<b>\$(0.15)</b>	<b>\$(0.70)</b>	<b>\$(1.16)</b>	<b>\$(0.89)</b>

See accompanying notes, which are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Amounts in thousands of Canadian dollars	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
<b>Share capital</b>				
Balance, beginning of the period	\$ 134,429	\$ 134,845	\$ 134,429	\$ 135,397
Normal course issuer bid common shares repurchased and cancelled [note 9]	(49)	(370)	(49)	(922)
<b>Balance, June 30</b>	<b>134,380</b>	<b>134,475</b>	<b>134,380</b>	<b>134,475</b>
<b>Equity component of convertible debentures</b>				
Balance, beginning of the period	1,044	2,151	2,151	2,180
Convertible debentures redeemed and cancelled [note 7]	(1,044)	—	(2,151)	—
Normal course issuer bid convertible debentures repurchased and cancelled [note 7]	—	—	—	(29)
<b>Balance, June 30</b>	<b>—</b>	<b>2,151</b>	<b>—</b>	<b>2,151</b>
<b>Contributed surplus</b>				
Balance, beginning of the period	80,203	78,713	79,131	78,143
Stock option expense [note 10]	10	35	77	143
Normal course issuer bid common shares repurchased and cancelled [note 9]	43	309	43	760
Convertible debenture redeemed and cancelled [note 7]	1,044	—	2,049	—
Normal course issuer bid convertible debentures repurchased and cancelled [note 7]	—	—	—	11
<b>Balance, June 30</b>	<b>81,300</b>	<b>79,057</b>	<b>81,300</b>	<b>79,057</b>
<b>Deficit</b>				
Balance, beginning of the period	(176,559)	(170,612)	(170,673)	(169,491)
Net loss	(833)	(4,088)	(6,719)	(5,209)
<b>Balance, June 30</b>	<b>(177,392)</b>	<b>(174,700)</b>	<b>(177,392)</b>	<b>(174,700)</b>
<b>Net change in equity during the period</b>	<b>(829)</b>	<b>(4,114)</b>	<b>(6,750)</b>	<b>(5,246)</b>
Equity, beginning of the period	39,117	45,097	45,038	46,229
<b>Balance, June 30</b>	<b>\$ 38,288</b>	<b>\$ 40,983</b>	<b>\$ 38,288</b>	<b>\$ 40,983</b>

See accompanying notes, which are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

Amounts in thousands of Canadian dollars	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (833)	\$ (4,088)	\$ (6,719)	(5,209)
Items not affecting cash:				
Net realized (gain) loss on disposal of investments and marketable securities	22	(143)	(719)	1,833
Net change in unrealized (gain) loss on investments and marketable securities	(130)	3,045	4,029	166
Amortization of financing costs on convertible debentures	36	221	475	655
(Gain) loss on repurchase/redemption of convertible debentures	131	—	74	(9)
Conversion of interest revenue into equities and debentures	(90)	—	(281)	(304)
Equity-based compensation	10	35	77	143
Net change in non-cash working capital balances	(362)	(557)	(3,025)	1,024
Effect of exchange rate changes on cash and cash equivalents	(14)	(56)	12	(106)
Purchase of marketable securities	—	—	—	(2,224)
Proceeds from disposal of marketable securities	298	100	485	583
Purchase of investments	(3,273)	—	(5,933)	(4,250)
Proceeds from disposal and maturity of investments	3,084	139	10,989	1,857
<b>Cash used in operating activities</b>	<b>(1,119)</b>	<b>(1,304)</b>	<b>(536)</b>	<b>(5,841)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of debentures <i>[note 8]</i>	—	—	6,700	—
Proceeds from related party loan <i>[note 6]</i>	6,794	—	13,897	—
Redemption and repayment of convertible debentures <i>[note 7]</i>	(14,161)	—	(29,161)	—
Normal course issuer bid common shares repurchased and cancelled <i>[note 9]</i>	(6)	(62)	(6)	(164)
Normal course issuer bid convertible debentures repurchased and cancelled <i>[note 7]</i>	—	—	—	(394)
<b>Cash used in financing activities</b>	<b>(7,373)</b>	<b>(62)</b>	<b>(8,570)</b>	<b>(558)</b>
<b>Net decrease in cash during the period</b>	<b>(8,493)</b>	<b>(1,366)</b>	<b>(9,106)</b>	<b>(6,399)</b>
Cash and cash equivalents, beginning of the period	8,671	5,815	9,284	10,848
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 178</b>	<b>\$ 4,449</b>	<b>\$ 178</b>	<b>\$ 4,449</b>
Interest received	\$ 68	\$ 112	\$ 188	\$ 457
Dividends received	-	40	40	120
Interest paid	789	1,166	2,399	2,348

See accompanying notes, which are an integral part of these financial statements.

# SCHEDULE OF INVESTMENTS

			September 30, 2018	
	INVESTMENT TYPE	COUNTRY	AVERAGE COST	FAIR VALUE
Amounts in thousands of Canadian dollars			\$	\$
<b>FINANCIAL TECHNOLOGIES</b>				
Carta Solutions Holding Corporation	equity securities	Canada	4,996	
Ethoca Solutions Inc.	equity securities	Canada	1,508	
Mogo Finance Technology Inc.	equity securities	Canada	10,408	
			16,912	14,606
<b>HEALTHCARE</b>				
BrainScope Company Inc.	equity securities	United States	1,950	
Cardiac Dimensions Pty. Ltd.	equity securities	United States	2,492	
			4,442	5,361
<b>INTERNET</b>				
BuildDirect.com Technologies Inc.	equity securities and warrants	Canada	7,713	
BuildDirect.com Technologies Inc.	convertible promissory notes	Canada	796	
Vision Critical Communications Inc.	equity securities	Canada	4,997	
ScribbleLive Technologies Inc.	equity securities	Canada	4,609	
Hootsuite Media Inc.	equity securities	Canada	2,080	
			20,195	8,583
<b>MEDIA and MEDIA TECHNOLOGIES</b>				
Blue Ant Media Inc.	equity securities	Canada	4,787	
Cricket Media Group Ltd.	convertible debentures	Canada	4,575	
			9,362	5,745
<b>TECHNOLOGIES</b>				
Vena Solutions	equity securities	Canada	4,677	
Baanto International Ltd.	equity securities	Canada	3,770	
Other	convertible debentures, equity securities	Canada & U.S.	751	
			9,198	8,197
<b>OTHER</b>				
Difference RM Holdings Corp.	equity securities	United States	6,320	
Waterloo Innovation Network LP	limited partnership units	Canada	2,000	
Wekerloo Developments Inc.	loan	Canada	1,000	
Other	convertible debentures, equity securities and units	Canada	546	
			9,866	16,021
<b>TOTAL INVESTMENTS</b>			<b>69,975</b>	<b>58,514</b>

## **SCHEDULE OF INVESTMENTS (continued)**

### **PORTFOLIO INVESTMENTS AND FAIR VALUE**

Significant purchases, sales and changes in valuation of investments for the three months ended September 30, 2018 included the following:

#### **Difference RM Holdings Corp. ("Difference RM")**

As at June 30, 2018, the Company's carrying value in Difference RM reflects the cash and loan receivable held by DRM USA (see note 6 for additional details).

#### **Mogo Finance Technology Inc. ("Mogo")**

During the quarter ended September 30, 2018, the Company sold the remaining \$3.1 million principal amount of Mogo debentures and invested \$3.1 million in Mogo common shares. The Company marks to market its investments in Mogo, resulting in approximately \$0.3 million of unrealized gain during the quarter.

#### **Carta Solutions Holding Corporation ("Carta")**

In September 2018, the Company converted \$1.3 million of short-term loans to Carta plus accrued interest into preferred shares of Carta.

#### **Cardiac Dimensions Pty Ltd. ("Cardiac")**

In September 2018, the Company converted \$0.3 million of Cardiac convertible debentures plus accrued interest into preferred shares of Cardiac.

#### **Other**

The Company recorded \$0.3 million of unrealized foreign currency translation loss in the Company's U.S. investments.

# NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

## 1. COMPANY INFORMATION

Difference Capital Financial Inc. (“Difference Capital” or the “Company”) is a publicly listed company on the Toronto Stock Exchange (TSX: DCF) incorporated and domiciled in Canada. The registered address of the Company is Wildeboer Dellelce Place, Suite 800, 365 Bay Street, Toronto, Ontario, M5H 2V1.

Difference Capital is an investment company focused on creating shareholder value through strategic investments in growth companies. The Company aims to generate medium- to long-term capital growth by investing in a diversified investment portfolio consisting predominantly of securities of private companies, particularly in the technology, media and healthcare sectors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and consistent with International Financial Reporting Standards (“IFRS”) accounting policies Difference Capital adopted in its financial statements as at and for the year ending December 31, 2017.

These unaudited interim condensed financial statements should be read in conjunction with Difference Capital’s 2017 annual audited financial statements.

These financial statements were authorized for issuance by the Board of Directors of Difference Capital on November 14, 2018. The following are the significant accounting policies used in the preparation of these financial statements:

### **Basis of presentation and going concern considerations**

The financial statements of Difference Capital have been prepared on a going concern basis and under the historical cost convention, except for marketable securities and investments, which are measured at fair value. The financial statements are presented in Canadian dollars, which is also the Company’s functional currency. These financial statements do not include adjustments to the carrying values of the assets and liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

On June 15, 2018, the Company redeemed \$15.0 million in principal amount of its convertible unsecured subordinated debentures (the “Convertible Debentures”) outstanding and maturing on July 31, 2018 (see Note 7 for additional disclosure on the redemption).

On July 31, 2018, the Company repaid the remaining \$14.2 million principal amount of the Convertible Debentures (see Note 7 for additional details on the repayment).

To fulfill its Convertible Debenture repayment obligation, the Company generated funds from the sale of investments, including its ownership interest in a 618 acre parcel of undeveloped land in the City of Rancho Mirage, California. In addition, the Company issued a non-brokered private placement of senior debentures for aggregate gross proceeds of \$6.7 million (see Note 8 for additional details on the private debentures).

Management continues work on its plan of improving the liquidity of its portfolio holdings in order to satisfy its financial obligations and meet its working capital needs. Due to the illiquid nature of the private and smaller capitalization public investments in the portfolio, the success of management’s plan cannot be assured and may be subject to significant change.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Standards effective January 1, 2018

##### (i) IFRS 9 FINANCIAL INSTRUMENTS

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"), which replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

The new standard provides a new approach for the classification of financial assets, which is based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Under IFRS 9, financial assets are classified as either fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost and financial liabilities are categorized as either FVTPL or amortized cost. For financial liabilities designated as fair value through profit or loss, IFRS 9 requires the presentation of the effects of changes in the liability's credit risk in other comprehensive income instead of net income. Classification and measurement of liabilities remains generally unchanged under IFRS 9.

Upon transition to IFRS 9, the Company's financial assets and financial liabilities previously classified as held-for-trading and those designated as fair value through profit and loss under IAS 39 are now categorized as FVTPL. All assets previously classified as loans and receivables and other liabilities under IAS 39 are now classified as amortized cost under IFRS 9. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by transitional provisions within IFRS 9. There is no impact or adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets are classified as FVTPL or amortized cost. Financial liabilities are classified as FVTPL or amortized cost.

The Company records financial instruments at fair value upon initial recognition. Regular way purchases and sales of financial assets are recognized at their trade date. The Company classifies its investments, marketable securities, marketable securities sold short, and cash at fair value through profit or loss. After recognition, financial assets measured at fair value with unrealized gains or losses presented in the statements of income (loss) and comprehensive income (loss) in the period in which they arise. All other financial assets, including distribution receivables, prepaid expenses, deposits and other receivables, and interest receivable, are measured at amortized cost. All financial liabilities, including accounts payables and accrued liabilities, due to related party and convertible debentures, are classified at amortized cost using the effective interest rate method. Transaction costs associated with convertible debentures are amortized through income over the life of the instrument.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Standards effective January 1, 2018 (continued)

##### (ii) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard did not have a material impact to the Company as interest and dividend income and gains and losses on investments are generated by transactions that are outside the scope of IFRS 15.

#### Critical accounting estimates and judgments

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Key areas of estimation where management has made difficult, complex or subjective judgments include the determination of the fair value of privately held investments, which include debt and equity securities.

##### *Business model assessment under IFRS 9 and application of the fair value option*

Determining the appropriate business model and assessing whether cash flows generated by an asset constitute solely payments of principal and interest (SPPI) is sometimes complex and may require significant judgement. The objective of the Company is to achieve long-term capital appreciation and its investment portfolio is managed on a fair value basis. The Company has assessed the business model, the manner in which the investment portfolio are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Company's investment portfolio.

##### *Fair value of privately held investments*

Estimating fair value requires that judgment be applied to the specific facts and circumstances of each investment. Actual results could differ from these estimates. Refer to Note 13, Fair Value Measurement, for specific disclosure on fair value estimation of privately held investments.

##### *Equity based compensation*

The compensation expense for awards of stock options is estimated using the Black-Scholes option pricing model, which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in Note 10.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Future accounting changes

##### IFRS 16, *Leases* (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, which replaces the previous lease standard, IAS 17, *Leases*, and related interpretations. The new standard requires all leases, other than short-term leases, to be reported on-balance sheet through recognition of a right-of-use asset and a corresponding liability for future lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its financial statements.

### 3. IMPAIRMENT

As at September 30, 2018, there were no interest or other receivables identified as impaired [December 31, 2017 - nil]. The movements in the provision for impairment of interest and other receivables were as follows:

	\$000
<b>Provision, as at January 1, 2017</b>	3
Provision for uncollectible receivables	183
Provision utilized	(186)
<b>Provision, as at December 31, 2017 and September 30, 2018</b>	-

Refer to Note 12 on credit risk, which discusses how the Company seeks to mitigate credit risk where possible.

### 4. MARKETABLE SECURITIES

Marketable securities consist of the following:

As at	September 30, 2018 \$000	December 31, 2017 \$000
Equity securities	176	368
	<b>176</b>	<b>368</b>

### 5. INVESTMENTS

Investments consist of the following by investment type:

As at	September 30, 2018 \$000	December 31, 2017 \$000
Equity securities	42,492	38,304
Convertible debentures	-	11,180
Debentures, loans and promissory notes	1,046	2,280
Partnership interests	700	1,320
U.S. subsidiary holding real estate, cash or inter-company debt	14,276	13,835
	<b>58,514</b>	<b>66,919</b>

See Schedule of Investments on pages 6 and 7 for further details.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 6. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Information about the Company's interests in unconsolidated associates and subsidiaries are as follows:

Name	Relationship	Principal Place of Business	Ownership interest and Voting Rights %	
			September 30 2018	December 31 2017
Difference RM Holding Corp.	Subsidiary	United States	100%	100%
Gotham Analytics, LLC	Associate	United States	39%	39%
WG Limited	Associate	Canada	38%	38%

Difference RM Holding Corp. ("DRM") owns 100% of Difference RM Holding USA Inc. ("DRM USA"), which in turn owns 52% of Difference RM Properties LLC ("DRM Properties"). Prior to March 2018, DRM Properties owned a 40% tenants-in-common interest in a 618 acre parcel of undeveloped land in the City of Rancho Mirage, California, immediately to the southeast of Palm Springs. In March 2018, DRM Properties sold its ownership interest in the undeveloped land for cash and a small residual interest in the acquiring entity. In June 2018, DRM Properties received cash proceeds from the sale of the residual interest in the acquiring entity.

During the quarter ended June 30, 2018, DRM Properties distributed the initial cash proceeds from the sale, representing approximately 95% of total proceeds, to its partners. During the quarter ended September 30, 2018, DRM Properties distributed the remaining cash proceeds from the sale to its partners. As at September 30, 2018, the Company's carrying value in DRM reflects the cash and loan receivable held by DRM USA.

The Company pays withholding taxes, legal, professional, and other fees and expenses on behalf of DRM Properties and recovers these amounts from DRM Properties throughout the year. During the nine months ended September 30, 2018, the Company paid \$3.4 million in withholding taxes and expenses on behalf of DRM Properties [September 30, 2017 - \$0.2 million]. As at September 30, 2018, there were no amounts payable to or receivable from DRM Properties [December 31, 2017 - \$2.3 million payable]. No provisions or expense for doubtful receivables were recognized related to the amounts owing from DRM Properties as at September 30, 2018 and December 31, 2017.

In June 2018, the Company received a loan advance of USD 5.5 million (\$7.1 million) from DRM USA from the proceeds of the land sale. The Company received from DRM USA a further USD 5.2 million (\$6.8 million) in loan advance during the quarter ended September 30, 2018. As at September 30, 2018, the outstanding loan payable was USD 10.6 million (\$13.9 million). The loan is payable on demand and bears an interest rate of 2.32% per annum. The Company expects to repay the loan advance in the second half of 2018 upon the winding up of DRM USA.

The Company has no current commitments or intentions to provide financial or other support, including commitments or intentions to assist the subsidiaries in obtaining financial support, to the associates and subsidiaries listed above.

### 7. CONVERTIBLE DEBENTURES

In July 2013, the Company issued the Convertible Debentures in an aggregate principal amount of \$56.1 million.

The Convertible Debentures matured on July 31, 2018 and bear interest at a rate of 8% per annum payable January 31, 2014 and semi-annually thereafter. Subsequent to the Consolidation (as defined in Note 9), each \$1,000 principal amount of the Convertible Debentures is convertible into

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 7. CONVERTIBLE DEBENTURES (continued)

34.78 Common Shares of the Company, at the option of the holder, representing a conversion price of \$28.75 per share. On or after July 31, 2017 and prior to the maturity date, the Convertible Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest. The Convertible Debentures are compound financial instruments that consist of the debt instrument and the equity conversion feature. At initial recognition, the Company allocated the proceeds between liabilities and equity. The allocation was performed by first estimating the fair value of the Convertible Debentures, which is the liability in absence of the conversion feature using a market rate of interest of 10%. The Company then used the residual method to determine the value of the equity component represented by the conversion feature. The amounts allocated between liabilities and equity, net of transaction costs, were \$48.7 million and \$4.1 million, respectively.

On December 13, 2016, the Company received approval from the TSX to renew its NCIB ("2017 Debentures NCIB") to repurchase its Convertible Debentures. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Convertible Debentures during Company-imposed black-out periods, and, subject to pre-determined pricing and volume restrictions imposed by the Company, to the rules and policies of the TSX and to specific terms of the 2017 Debentures NCIB. Outside of these pre-determined blackout periods, debentures were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to acquire up to \$3.2 million principal amount of its Convertible Debentures, representing 10% of the public float of the outstanding Convertible Debentures. The 2017 Debentures NCIB expired on December 14, 2017.

On January 29, 2018, the Company received approval from the TSX to renew its NCIB ("2018 Debentures NCIB") to repurchase its Convertible Debentures. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Convertible Debentures during Company-imposed black-out periods, and, subject to pre-determined pricing and volume restrictions imposed by the Company, to the rules and policies of the TSX and to specific terms of the 2018 Debentures NCIB. Outside of these pre-determined blackout periods, debentures were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to acquire up to \$2.9 million principal amount of its Convertible Debentures, representing 10% of the public float of the outstanding Convertible Debentures. The 2018 Debentures NCIB expired on July 31, 2018.

During the three months ended September 30, 2018 and 2017, the Company did not repurchase any Convertible Debentures through the NCIB.

On June 15, 2018 (the "Redemption Date"), the Company redeemed \$15.0 million of its outstanding principal amount of the Convertible Debentures. The Convertible Debentures were redeemed at par, plus accrued and unpaid interest up to but excluding the Redemption Date. Out of the amount paid, \$15.0 million was recorded as a reduction to the liability component of the Convertible Debentures [December 31, 2017 – nil], \$1.1 million was recorded as a reduction to the equity component of the Convertible Debentures [December 31, 2017 – nil], \$0.1 million was recorded as a gain on repurchase and redemption of convertible debentures in the statements of income (loss) and comprehensive income (loss) [December 31, 2017 – nil], and \$1.0 million was recorded as an increase in contributed surplus [December 31, 2017 – nil].

On July 31, 2018, the Company repaid the remaining \$14.2 million principal amount of the Convertible Debentures.

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2018 (in Canadian dollars)**

**7. CONVERTIBLE DEBENTURES (continued)**

The changes in the liability component of the Convertible Debentures during the periods ended September 30, 2018 and December 31, 2017 were as follows:

	<b>\$000</b>
<b>Liability component, January 1, 2017</b>	28,059
Accretion of discount	883
Normal course issuer bid repurchased and cancelled	(386)
<b>Liability component, December 31, 2017</b>	<b>28,556</b>
Accretion of discount	476
Convertible Debentures redeemed or repaid	(29,032)
<b>Liability component, September 30, 2018</b>	<b>-</b>

The changes in the principal amount of the Convertible Debentures outstanding during the periods ended September 30, 2018 and December 31, 2017 were as follows:

	<b>\$000</b>
<b>Principal amount, January 1, 2017</b>	29,561
Normal course issuer bid repurchased and cancelled	(400)
<b>Principal amount, December 31, 2017</b>	<b>29,161</b>
Convertible Debentures redeemed or repaid	(29,161)
<b>Principal amount, September 30, 2018</b>	<b>-</b>

**8. PRIVATE DEBENTURES**

On June 21, 2018, the Company issued a non-brokered private placement of senior debentures (the "Private Debentures") for aggregate gross proceeds of \$6.7 million.

The Private Debentures will mature on June 30, 2020 and bear an interest rate of 12% per annum calculated and payable quarterly, in arrears, in cash, on March 31st, June 30th, September 30th and December 31st (each an "Interest Payment Date") in each year commencing September 30, 2018.

The Private Debentures may be redeemed in whole or in part at the option of the Company on not more than 45 days and not less than 15 days prior notice at a price equal to their principal amount plus accrued and unpaid interest (the "Redemption Amount"). In the event the Private Debentures are redeemed prior to June 30, 2019, the holder shall be entitled to receive, in addition to the Redemption Amount, any interest that would have otherwise accrued from the redemption date through June 30, 2019. The Private Debentures are also subject to a cash covenant, whereby any cash generated from the Company's portfolio, excluding some trading flexibility around our public positions, in excess of \$4.0 million will be used to redeem Private Debentures on a pro rata basis on each Interest Payment Date, if applicable. During the quarter ended September 30, 2018, no Private Debentures were redeemed.

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 9. SHARE CAPITAL

The Company has two authorized classes of shares: an unlimited number of common shares without par value and an unlimited number of preference shares without par value, issuable in series. The Common Shares are listed for trading on the TSX. No preference shares have been issued.

A summary of the changes to the Company's share capital is as follows:

	Number of Shares	Stated Value \$000
<b>Common shares, January 1, 2017</b>	5,858,637	135,397
Normal course issuer bid repurchased and cancelled	(41,916)	(969)
Common shares, December 31, 2017	<b>5,816,721</b>	<b>134,429</b>
Normal course issuer bid repurchased and cancelled	<b>2,100</b>	<b>(49)</b>
<b>Common shares, September 30, 2018</b>	<b>5,814,621</b>	<b>134,380</b>

On September 13, 2016, the Company received approval from the TSX to renew its normal course issuer bid ("2016 Common Shares NCIB") to repurchase its Common Shares. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Common Shares during Company-imposed black-out periods, and, subject to pre-determined pricing and volume restrictions imposed by the Company, to the rules and policies of the TSX and to specific terms of the 2016 Common Shares NCIB. Outside of these pre-determined blackout periods, shares were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to repurchase up to 1.6 million of its pre-Consolidation Common Shares, representing 10% of the public float of the outstanding Common Shares. The 2016 Common Shares NCIB expired on September 14, 2017.

On November 30, 2016, shareholders of the Company approved the consolidation of its Common Shares on the basis of one post consolidation Common Share for every five pre-consolidation common shares outstanding (the "Consolidation").

On January 29, 2018, the Company received approval from the TSX to renew its normal course issuer bid ("2018 Common Shares NCIB") to repurchase its Common Shares. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Common Shares during Company-imposed black-out periods, and, subject to pre-determined pricing and volume restrictions imposed by the Company, to the rules and policies of the TSX and to specific terms of the 2018 Common Shares NCIB. Outside of these pre-determined blackout periods, shares were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to repurchase up to 301,251 of its Common Shares, representing 10% of the public float of the outstanding Common Shares. The 2018 Common Shares NCIB will expire on January 30, 2019.

In connection with the 2018 Common Shares NCIB, the Company repurchased 2,100 Common Shares during the three months ended September 30, 2018 [September 30, 2017 – nil] at an average price of \$2.79 per Common Share [September 30, 2017 – nil] for total consideration of \$0.0 million [September 30, 2017 – nil]. Contributed surplus was increased by \$0.0 million [September 30, 2017 – nil] for the cost of the Common Shares repurchased below their stated value.

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 10. STOCK OPTION PLAN

The Company has an incentive stock option plan (the "Stock Option Plan"), as amended and restated on June 30, 2013, for the directors, officers and employees of the Company.

Under the Stock Option Plan, the number of Common Shares that may be issued as a result of the grant of options shall not exceed 10% of the number of the then-issued and outstanding Common Shares of the Company at the time of grant. As at September 30, 2018, 10% of the issued and outstanding Common Shares was 581,462 Common Shares [December 31, 2017 – 581,672].

During the three months ended September 30, 2018 and 2017, the Company did not grant any options. During the nine months ended September 30, 2018 the Company granted 75,000 options (September 30, 2017 - nil) to its three independent directors. Each option is exercisable for a ten-year period, expiring March 5, 2028, to acquire one common share at a price of \$3.00 per share. One-third of the options vested immediately; one-third of the options shall vest on the first anniversary of the grant date; and one-third of the options shall vest on the second anniversary of the grant date.

For options granted in 2016, each option is exercisable for a ten-year period, expiring March 13, 2026, to acquire one common share at a price of \$6.70 per share. One-third of the options vested immediately; one-third of the options vested on the first anniversary of the grant date; and one-third of the options vested on the second anniversary of the grant date.

As at September 30, 2018, an additional 241,462 Common Shares [December 31, 2017 – 240,005] could have been granted under the Company's Stock Option Plan.

The fair value of options granted in March 2018 was estimated at \$1.17 per option using the Black-Scholes option pricing model. The following inputs were used:

Year of grant	2018
Risk-free interest rate	2.20%
Expected dividend yield	0%
Expected share price volatility	45%
Expected option life (years)	5
Expected forfeiture rate	9%

Due to the short time the Company has been in existence, expected share price volatility was based on a weighted average historical share price volatility of the Company as well as a selection of peers. The weighted average expected life of the options was based on expectations of future employee behaviour. The Company estimates a new 9% annual forfeiture rate based on expectation of future forfeitures. The Company will adjust the impact of the revision of original forfeiture estimates, if any, in the statements of loss and comprehensive loss, with a corresponding adjustment to equity.

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 10. STOCK OPTION PLAN (continued)

The following is a summary of the stock option activity under the Company's Stock Option Plan as at September 30, 2018 and December 31, 2017:

	Number of options	Weighted average exercise price
Options outstanding, January 1, 2017	405,000	\$6.70
Options exercisable, January 1, 2017	135,000	\$6.70
Options granted	-	-
Options cancelled	(55,000)	\$6.70
Options outstanding, December 31, 2017	350,000	\$6.70
Options exercisable, December 31, 2017	270,000	\$6.70
Options granted	75,000	\$3.00
Options cancelled	(85,000)	\$6.70
<b>Options outstanding, September 30, 2018</b>	<b>340,000</b>	<b>\$5.88</b>
<b>Options exercisable, September 30, 2018</b>	<b>290,000</b>	<b>\$6.38</b>

The equity-based compensation expense under the share option plan for the nine months ended September 30, 2018 of \$0.1 million [September 30, 2017 – \$0.2 million] has been included in employee compensation and benefits.

Options outstanding and exercisable as at September 30, 2018 are as follows:

Year of Grant	Expiry date	Exercise Price	Options Outstanding	Options Exercisable
2016	2026	\$6.70	265,000	265,000
2018	2028	\$3.00	75,000	25,000

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**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2018 (in Canadian dollars)

**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following tables present the carrying amounts of the Company's financial assets and financial liabilities by category:

As at September 30, 2018			
	FVTPL \$000	Amortized Cost \$000	Total \$000
<b>Assets</b>			
Marketable securities	176	-	176
Investments	58,514	-	58,514
Cash and cash equivalents	-	178	178
Prepaid expenses, deposits and other receivables	-	80	80
Interest receivable	-	76	76
<b>Total Financial Assets</b>	<b>58,690</b>	<b>334</b>	<b>59,024</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	-	166	166
Due to related party	-	13,792	13,792
Accrued interest	-	78	78
Private Debentures	-	6,700	6,700
<b>Total Financial Liabilities</b>	<b>-</b>	<b>20,736</b>	<b>20,736</b>

As at December 31, 2017					
	Held for Trading \$000	FVTPL Designated at Inception \$000	Total \$000	Loans, receivables and other liabilities \$000	Total \$000
<b>Assets</b>					
Marketable securities	368	-	368	-	368
Investments	-	66,919	66,919	-	66,919
Cash and cash equivalents	-	-	-	9,284	9,284
Distribution receivables	-	-	-	341	341
Prepaid expenses, deposits and other receivables	-	-	-	68	68
Interest receivable	-	-	-	53	53
<b>Total Financial Assets</b>	<b>368</b>	<b>66,919</b>	<b>67,287</b>	<b>9,746</b>	<b>77,033</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	-	-	-	208	208
Due to related party	-	-	-	2,261	2,261
Accrued interest on convertible debentures	-	-	-	970	970
Convertible debentures	-	-	-	28,556	28,556
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,995</b>	<b>31,995</b>

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company's business activities expose it to a variety of financial risks: market risk (which includes interest rate risk, currency risk, and price risk), credit risk, and liquidity risk. The following is a description of these risks and how they are managed:

#### a) Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, commodity prices or credit spreads.

##### *Interest rate risk*

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

As at September 30, 2018, the Company holds the following fixed-rate debt instruments: (a) no convertible debentures [December 31, 2017 – \$11.2 million with a weighted average interest rate of 9.1% and an average term of 1.2 years]; and (b) \$1.1 million [December 31, 2017 – \$2.3 million] in non-convertible debentures with a weighted average interest rate of 10.3% [December 31, 2017 – 4.6%] and a weighted average term to maturity of approximately 0.2 years [December 31, 2017 – 0.0 years]. Should market interest rates rise, then the fair value of these convertible and non-convertible debentures may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. Additionally, the economic exposure to interest rate risk is mitigated by the Company's intention to either convert the debentures into the related underlying equities or, in the case of non-convertible debentures, to hold the instrument until maturity.

As at September 30, 2018, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately \$0.0 million [December 31, 2017 – \$0.1 million]. If interest rates were lower by 1% per annum, the potential effect would be an increase in net income of approximately \$0.0 million [December 31, 2017 – \$0.1 million].

##### *Currency risk*

Changes in currency rates will affect the carrying value of financial instruments denominated in currencies other than the Canadian dollar. As at September 30, 2018, the Company is primarily exposed to foreign exchange risk through its US dollar denominated investments, net of its US dollar denominated debt, of \$11.7 million [December 31, 2017 – \$24.6 million], which represent approximately 19.8% [December 31, 2017 – 31.9%] of total assets. The Company does not currently hedge its foreign currency exposure. If the Canadian dollar strengthened or weakened by 5% in relation to the foreign currencies, the investments would decrease or increase in value by approximately \$0.6 million, respectively [December 31, 2017 – \$1.2 million].

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### *Price risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's marketable securities and investments are susceptible to price risk arising from uncertainties about their future values. If the fair value of these financial assets were to increase or decrease by 10%, the Company would incur an associated increase or decrease in net gain (loss) of approximately \$5.9 million [December 31, 2017 – \$6.7 million]. Refer to the Schedule of Investments and Notes 4 and 5 for additional details regarding the fair value of marketable securities and investments, respectively.

#### b) Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. The Company's exposure to credit risk principally arises from the risk of non-payment of its debt investments or the interest due on debts provided to portfolio companies and its cash deposits held with a financial institution.

The table below analyzes the Company's maximum exposure to credit risk at the reporting date:

As at	September 30, 2018 \$000	December 31, 2017 \$000
Cash and cash equivalents	178	9,284
Distribution receivables	-	341
Convertible debentures	-	11,180
Debentures, loans and promissory notes	1,046	2,280
Accrued interest	76	53
Other receivables	32	68
	<b>1,332</b>	<b>23,206</b>

Cash deposits are held through a large Canadian bank with a credit rating of AA.

The Company's debt securities are primarily invested in private growth companies in technology-related industries. Given the nature of lending to these types of businesses, no collateral is generally held in respect of these loans. In the event of a default on the Company's debt investments, the Company will bear a risk of loss of principal and accrued interest of the investment. The credit quality of these debts is based on the financial performance of the underlying businesses. A change in credit quality is reflected in the fair value of the debt instrument.

As at September 30, 2018, there were \$0.0 million of debts overdue [December 31, 2017 – \$1.3 million]. For the three-month and nine-month periods ended September 30, 2018 and 2017, no unrealized losses were attributable to changes in credit risk of the debt instruments.

During the three-month and nine-month periods ended September 30, 2018 and 2017, no impairment in respect of accrued interest was taken.

#### c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. The Company aims to invest principally in private companies with a medium- to long-term investment horizon. These investments are inherently illiquid. Capital invested

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

and potential capital gains are only realized when the investment is partially or fully sold, either through an M&A or IPO transaction, which can take years to materialize. For the majority of its investments, the Company has little to no control over the timing and management of the ultimate liquidity events.

The following are the contractual maturities of financial liabilities including estimated interest payments:

As at September 30, 2018	Less than one year \$000	One to three years \$000	Over three years \$000	Total \$000
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	166	-	-	<b>166</b>
Due to related party	13,792	-	-	<b>13,792</b>
Accrued interest	78	-	-	<b>78</b>
Private debentures	-	6,700	-	<b>6,700</b>
<b>Total Financial Liabilities</b>	<b>14,036</b>	<b>6,700</b>	-	<b>20,736</b>

  

As at December 31, 2017	Less than one year \$000	One to three years \$000	Over three years \$000	Total \$000
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	208	-	-	<b>208</b>
Due to related party	2,261	-	-	<b>2,261</b>
Accrued interest on convertible debentures	970	-	-	<b>970</b>
Convertible debentures	29,161	-	-	<b>29,161</b>
<b>Total Financial Liabilities</b>	<b>32,600</b>	-	-	<b>32,600</b>

#### Risk management

The Company manages risks on corporate investments through its approach to planning, setting of investment criteria, performance of due diligence on investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. The Company seeks to mitigate company specific business risk by investing, where possible, in the highest-ranking securities in the capital structure, so as to rank ahead of the common shares of the issuer. The Company seeks to mitigate credit risk by investing, where possible, in senior debt securities and/or by limiting the amount of debt that may rank ahead of, or pari passu to, the securities being purchased. The Company seeks to mitigate interest rate risk by investing in relatively short duration convertible debentures and conventional debt – typically no longer than three years in term. The Company considers exposure to foreign currency assets as a hedge against the possible decrease in the value of the Canadian dollar.

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 13. FAIR VALUE MEASUREMENT

The following tables summarize the valuation of the Company's financial assets and liabilities reported at fair value by the fair value hierarchy levels described in Note 2, Summary of Significant Accounting Policies in the Company's 2017 annual audited financial statements:

As at September 30, 2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Equities	9,948	-	32,720	42,668
Convertible debentures	-	-	-	-
Debentures, loans and promissory notes	-	-	1,046	1,046
Partnership interest	-	-	700	700
U.S. subsidiary holding cash and loan	-	-	14,276	14,276
<b>Total Financial Assets</b>	<b>9,948</b>	<b>-</b>	<b>48,742</b>	<b>58,690</b>

As at December 31, 2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Equities	6,379	-	32,293	38,672
Convertible debentures	-	4,805	6,375	11,180
Debentures, loans and promissory notes	-	-	2,280	2,280
Partnership interest	-	-	1,320	1,320
U.S. subsidiary holding real estate	-	-	13,835	13,385
<b>Total Financial Assets</b>	<b>6,379</b>	<b>4,805</b>	<b>56,103</b>	<b>67,287</b>

Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstance that caused the transfer. There were no transfers between the various levels of the fair value hierarchy for the periods ended September 30, 2018 and 2017.

The following table presents the changes in fair value measurements of investments classified as Level 3:

	Three months ended September 30, 2018 \$000	Nine months ended September 30, 2018 \$000	Year ended December 31, 2017 \$000
Opening balance, beginning of period	48,878	56,103	60,286
Purchases	129	179	1,852
Sales	-	(7,099)	(4,543)
Realized gain (loss)	-	506	(2,504)
Transfers	87	87	-
Change in unrealized gain	(352)	(1,034)	1,012
Balance, end of period	<b>48,742</b>	<b>48,742</b>	<b>56,103</b>
Total change in unrealized gain (loss) for investments held at end of period	<b>(352)</b>	<b>(528)</b>	<b>(1,492)</b>

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# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2018 (in Canadian dollars)

### 13. FAIR VALUE MEASUREMENT (continued)

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at September 30, 2018:

INVESTMENT TYPE	FAIR VALUE	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE	WEIGHTED AVERAGE (6)	REASONABLE POSSIBLE SHIFT +/- IN UNOBSERVABLE INPUTS (7)	IMPACT TO VALUATION FROM CHANGES IN INPUTS +/- (7)
<b>FINANCIAL TECHNOLOGIES</b>							
Equity securities	1,367	Transaction price	Purchase price (3)	N/A	N/A	N/A	N/A
Equity securities	3,467	Transaction price	Third-party transactions (2)	N/A	N/A	N/A	N/A
Equity securities	-	Liquidation analysis (1)	Estimated net realizable value	N/A	N/A	N/A	N/A
<b>HEALTHCARE</b>							
Equity securities	5,361	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Debt	-	Transaction price	Purchase price	N/A	N/A	N/A	N/A
<b>INTERNET</b>							
Equity securities	6,124	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
Equity securities	2,460	Market comparable companies	Revenue multiple (4)	7.6x	7.6x	0.5x	106/(106)
Convertible debentures and equity securities	-	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
<b>MEDIA/MEDIA TECHNOLOGIES</b>							
Equity securities	5,745	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
Convertible debentures	-	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
<b>TECHNOLOGIES</b>							
Equity securities	6,922	Transaction price	Third-party transactions Discount (5)	N/A	N/A	N/A	N/A
Equity securities	1,275	Liquidation analysis	N/A	15%-20%	15%-20%	N/A	N/A
<b>OTHER</b>							
Subsidiaries holding cash and loan advance	14,277	Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A
Limited partnership units	699	Net asset value	Net asset value per unit	N/A	N/A	N/A	N/A
Debt	1,047	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Equity securities	-	Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A
Debt securities	-	Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A

(1) Represents investments valued based on quantitative and qualitative observations reflecting the current financial situation of the investment

(2) Represents investments valued based on recent completed third-party transactions including external funding round, secondary market trades or merger/acquisition events near the measurement date

(3) Represents investments valued at cost which is representative of fair value at the measurement date

(4) Represents investments valued using revenue or earnings multiples depending on the stage of development of the business. The revenue or earnings multiples are derived from the market capitalization of peer group

(5) Represents amount used when the Company has determined market participants would take into account these discounts when valuing the investments

(6) Unobservable inputs were weighted based on the fair value of the investments included in the range

(7) The impact to valuation from changes in inputs disclosed in the above table shows the relative increase or decrease in the input variables deemed to be subjected to the most judgment and estimate and the respective impact on the fair value of the investments. Changes in market comparable multiples, market yields, discount rates, each in isolation, would change the value of the Company's investments. Generally, an increase (decrease) in market yields or discount rates or decrease (increase) in market comparable multiples would result in a higher (lower) fair value of the Company's investments.

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 14. RELATED PARTY TRANSACTIONS

On November 2, 2017, the Company made a \$1.0 million short term loan (see Schedule of Investments, page 6, Other) to Wekerloo Developments Inc. (“Wekerloo”), a private commercial real estate holding company wholly-owned by Michael Wekerle, the Company’s Executive Chair who, directly and indirectly, owns approximately 46% of the Common Shares of the Company. The loan earned interest of 3.5% per annum and had an initial term of three months. Wekerloo used the proceeds of the loan to make a payment towards the purchase of an interest in a commercial real estate investment in Waterloo, Ontario. As further consideration for making the loan, and at no additional cost, the Company has the right to become a 50% co-investor in such real estate investment. In March 2018, the Company extended the loan, plus accrued interest, to December 31, 2018 at 10%.

The Company currently holds common shares (“Mogo Shares”) of Mogo Finance Technology Inc. (“Mogo”). With respect to its investment in Mogo, the Company is an associate of Michael Wekerle. As of November 14, 2018, Michael Wekerle held an aggregate of 2,550,972 Mogo Shares directly and the Company held 2,449,163 Mogo Shares. The two parties collectively had control or direction of an aggregate of 5,000,135 Mogo Shares, representing 21.8% of the issued and outstanding Mogo Shares.

See note 6 relating to the loan advance from DRM USA.

### 15. CAPITAL MANAGEMENT

The Company’s objectives in managing capital are to maintain a capital structure that allows the Company to meet its growth objectives and build long-term shareholder value, while satisfying its financial obligations and meeting its working capital needs.

The Company’s capital consists of shareholders’ equity, the Convertible Debentures and the Private Debentures. The Company’s management is responsible for the management of capital. The Company’s Board of Directors is responsible for reviewing and approving the Company’s capital policy and management.

The Company continued to prudently manage its liquidity and capital and, where desirable, deleverage its statement of financial position.

The Company does not have any externally imposed capital requirements.

The Company’s capital consists of the following:

As at	September 30, 2018 \$000	December 31, 2017 \$000
Shareholders’ equity	38,288	45,038
Convertible Debentures	-	28,556
Private Debentures	6,700	-
<b>Total capital</b>	<b>44,988</b>	<b>73,594</b>

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 (in Canadian dollars)

### 16. BASIC AND DILUTED LOSS PER SHARE

The following table presents the calculation of basic and fully diluted loss per common share for the periods ended September 30:

\$000 except for common shares and per share amounts	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
<b>Basic income (loss) per share</b>				
Net income (loss)	(833)	(4,088)	(6,719)	(5,209)
Weighted average Common Shares	5,816,543	5,825,1297	5,816,661	5,845,548
Basic income (loss) per share	\$(0.15)	\$(0.70)	\$(1.16)	\$(0.89)
<b>Fully diluted income (loss) per share</b>				
Net income (loss)	(833)	(4,088)	(6,719)	(5,209)
Weighted average Common Shares after taking into effect dilutive convertible debentures and stock options	5,816,543	5,825,129	5,816,661	5,845,548
Fully diluted income (loss) per share	\$(0.15)	\$(0.70)	\$(1.16)	\$(0.89)

In calculating fully diluted loss per common share for the periods ended September 30, 2018 and 2017, the Company excluded nil [2017 – 1,014,296] Common Shares from the conversion of the Convertible Debentures and 340,000 [2017 – 405,000] Common Shares related to outstanding stock options as their impact was anti-dilutive.

### 17. COMPENSATION OF KEY MANGAGEMENT

The remuneration of directors and other key management personnel of the Company for the periods ended September 30 were as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Salaries	299	299	897	648
Stock options	10	12	77	104
<b>Total Compensation</b>	<b>309</b>	<b>311</b>	<b>974</b>	<b>752</b>

In addition to their annual salary, key management personnel are entitled to an annual incentive cash bonus pool equivalent to 20% of the increase in investable assets over a hurdle rate of 3.0% per annum, with a perpetual high watermark beginning with investable assets as at December 31, 2014. Investable assets are determined by subtracting the aggregate fair value of the liabilities of the Company (excluding any convertible debentures or debenture issued by the Company) from the aggregate fair value of the assets of the Company on the date on which the calculation is being made. For the purposes of the annual incentive cash bonus calculation, investable assets exclude any equity and debt capital raised or repurchased by the Company during the period in which the calculation is being made. Individual bonus pool allocations to management and employees are subject to Board approval. As at September 30, 2018, no accrual for the annual incentive bonus pool was made [December 31, 2017 – nil].