Financial Statements

Difference Capital Financial Inc.
(formerly Difference Capital Funding Inc.)

For the Year Ended December 31, 2013

Independent auditors' report

To the Shareholders of
Difference Capital Financial Inc. (formerly Difference Capital Funding Inc.)

We have audited the accompanying financial statements of **Difference Capital Financial Inc.** [the "Company"], which comprise the balance sheets as at December 31, 2013 and 2012, the statements of operations and deficit, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013 and 2012, the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 26, 2014.

DIFFERENCE CAPITAL FINANCIAL INC.
(formerly Difference Capital Funding Inc.)

BALANCE SHEETS

As at December 31, Amounts in thousands (except per share amounts)		**2013**		**2012**
ASSETS				
Cash and cash equivalents	**$**	**24,229**	$	9,396
Prepaid expenses, deposits, and other receivables		**1,339**		187
Due from broker		**—**		2,280
Accrued interest *[note 3]*		**2,327**		745
Marketable securities *[note 3]*		**23,906**		26,472
Investments *[notes 3 and 14]*		**116,579**		54,262
Total assets	**$**	**168,380**	$	93,342
LIABILITIES				
Marketable securities sold short	**$**	**786**	$	—
Performance and management fees payable *[note 8]*		**651**		1,880
Accounts payable and accrued liabilities		**468**		578
Due to broker		**140**		1,029
Accrued interest on convertible debentures *[note 4]*		**2,207**		—
Convertible debentures *[note 4]*		**49,030**		—
Total liabilities		**53,282**		3,487
EQUITY				
Share capital *[note 5]*		**180,875**		86,455
Special Warrants *[note 5]*		**—**		53,250
Equity component of convertible debentures *[note 4]*		**4,119**		—
Contributed surplus		**41,159**		40,747
Deficit		**(111,055)**		(90,597)
Total equity		**115,098**		89,855
Total liabilities and equity	**$**	**168,380**	$	93,342

Net Asset Value per share *[note 11]*				
Basic and diluted	**$**	**2.94**	$	3.29

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

On behalf of the Board:

"John Albright"
Director

"Michael Wekerle"
Director

DIFFERENCE CAPITAL FINANCIAL INC.
(formerly Difference Capital Funding Inc.)

STATEMENTS OF OPERATIONS AND DEFICIT

Years Ended December 31, Amounts in thousands (except per share amounts)	**2013**	**2012**
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain on disposal of investments and marketable securities	**$ 1,680**	$ 872
Net change in unrealized gain (loss) on investments and marketable securities	**(19,113)**	6,026
	(17,433)	6,898
OTHER INCOME		
Interest, dividends and other income	**4,696**	906
Participation in advisory fees and equity capital market revenue *[note 8]*	**1,167**	—
	5,863	906
EXPENSES		
Management fees *[note 8]*	**2,753**	563
Performance fees *[note 8]*	**—**	1,253
Provision for uncollectible receivables	**665**	—
Harmonized Sales Tax	**512**	393
Professional fees	**1,368**	693
Operating, general and administrative *[note 8]*	**541**	359
Financing costs	**2,823**	13
Transaction costs	**226**	254
Total expenses	**8,888**	3,528
Net income (loss) for the year	**$ (20,458)**	$ 4,276

Weighted average number of common shares outstanding *[note 10]*		
Basic and diluted	**32,536,465**	10,628,429
Earnings (loss) per share *[note 10]*		
Basic and diluted	**$(0.63)**	**$0.40**

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

DIFFERENCE CAPITAL FINANCIAL INC.
(formerly Difference Capital Funding Inc.)

STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, Amounts in thousands	**2013**	2012
Share capital		
Balance, beginning of the year	**$ 86,455**	$ 55,525
Issuance of share capital, net of issuance costs *[note 5]*	**95,276**	30,930
Common shares repurchased and cancelled *[note 5]*	**(856)**	—
Balance, end of the year	**180,875**	86,455
Special Warrants		
Balance, beginning of the year	**53,250**	—
Issuance of Special Warrants *[note 5]*	**45**	53,979
Issuance costs of Special Warrants	**—**	(729)
Exercise of Special Warrants for common shares	**(53,295)**	—
Balance, end of the year	**—**	53,250
Equity component of convertible debentures		
Balance, beginning of the year	**—**	—
Issuance of convertible debentures, net of issuance costs *[note 4]*	**4,136**	—
Convertible debentures repurchased and cancelled *[note 4]*	**(17)**	—
Balance, end of the year	**4,119**	**—**
Contributed surplus		
Balance, beginning of the year	**40,747**	40,747
Common shares repurchased and cancelled *[note 5]*	**390**	—
Convertible debentures repurchased and cancelled *[note 4]*	**22**	—
Balance, end of the year	**41,159**	40,747
Deficit		
Balance, beginning of the year	**(90,597)**	(93,382)
Net income (loss) for the year	**(20,458)**	4,276
Distribution of Feronia shares	**—**	(1,491)
Balance, end of the year	**(111,055)**	(90,597)
Net change in equity during the year	**25,243**	86,965
Equity, beginning of the year	**89,855**	2,890
Equity, end of the year	**$ 115,098**	$ 89,855

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

DIFFERENCE CAPITAL FINANCIAL INC.
(formerly Difference Capital Funding Inc.)

STATEMENTS OF CASH FLOWS

Years Ended December 31, Amounts in thousands	**2013**	2012
OPERATING ACTIVITIES		
Net income (loss) for the year	**$ (20,458)**	$ 4,276
Items not affecting cash:		
Net realized gain on disposal of investments and marketable securities	**(1,680)**	(872)
Net change in unrealized (gain) loss on investments and marketable securities	**19,113**	(6,026)
Participation in advisory fees payable in shares	**(145)**	—
Amortization of financing costs on convertible debentures	**570**	—
Net change in non-cash working capital balances	**(330)**	(170)
Purchase of marketable securities	**(26,567)**	(49,542)
Proceeds from disposal of marketable securities	**24,329**	27,213
Purchase of investments	**(76,027)**	(50,631)
Proceeds from disposal of investments	**1,931**	2,576
Cash used in operating activities	**(79,264)**	(73,176)
FINANCING ACTIVITIES		
Proceeds from common shares and special warrants, net of issuance costs *[note 5]*	**41,981**	82,502
Proceeds from convertible debentures, net of issuance costs *[note 4]*	**52,812**	—
Common shares repurchased and cancelled *[note 5]*	**(466)**	—
Convertible debentures repurchased and cancelled *[note 4]*	**(211)**	—
Proceeds from loan	**555**	—
Repayment of loan	**(555)**	—
Proceeds from promissory note *[note 8]*	**2,500**	3,000
Repayment of promissory note *[note 8]*	**(2,519)**	(3,013)
Cash provided by financing activities	**94,097**	82,489
Net increase in cash during the year	**14,833**	9,313
Cash and cash equivalents, beginning of the year	**9,396**	83
Cash and cash equivalents, end of the year	**$ 24,229**	$ 9,396

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

1. DESCRIPTION OF BUSINESS

Difference Capital Financial Inc. (formerly Difference Capital Funding Inc.) ("Difference Capital" or the "Company") is a Toronto-based specialty finance company focused on creating shareholder value through strategic investments in growth companies, particularly in the technology, media and healthcare sectors, as well as opportunistic investments in undervalued financial assets and real property. As of October 21, 2013, the Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "DCF". Prior thereto, the common shares were listed on the TSX Venture Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company is considered an Investment Company under Accounting Guideline 18 – *Investment Companies* ("AcG – 18").

The following are the significant accounting policies used in the preparation of the financial statements:

Use of estimates
The preparation of the Company's financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as 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 certain investments. Actual results could differ from these estimates.

Marketable securities
Marketable securities consist of common shares, convertible debentures and warrants of public company issuers that are publicly traded on recognized stock exchanges. Marketable securities are carried at their fair value and any changes in fair value are recognized in income as a change in unrealized gain (loss) on investments. Marketable securities held long are valued at the bid price as at the balance sheet date. Short positions in marketable securities are valued at the ask price as at the balance sheet date. Securities for which market quotations are unreliable or not reflective of all available material information, are valued at their fair value using commonly acceptable valuation techniques based on available sources of information.

Investments
Investments consist of common shares, membership units, convertible debentures, debentures, promissory notes, and warrants of public and private companies and limited partnerships that are not publicly traded investments. Investments are carried at fair value and any changes in the fair value are recognized in income as changes in unrealized gain (loss) on investments. When investments are initially recognized, the fair value is generally the value of consideration paid.

Subsequent to initial recognition, the fair value is determined on the basis of the expected realizable value of the investments as if they were disposed of in an orderly manner over a reasonable period of time. Given that these investments are generally not quoted in an active market, the Company considers the most appropriate market valuation techniques, which maximizes the use of relevant observable inputs. Such valuation techniques include but are not limited to comparable recent arm's length transactions, discounted cash flow analysis, option pricing models, multiples of earnings or production, liquidation approach, the movement in economic and sector indicators such as market indices and comparison with other securities of similar companies. Specific techniques listed above or a combination of these techniques may be employed by the Company based on its best estimate and judgment under the applicable circumstance.

The process of valuing investments for which no active market exists includes significant uncertainties and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

Cash and cash equivalents
Cash is comprised of deposits held with financial institutions and cash equivalents consists of bank term deposits with original maturities of three months or less.

Acquisition and Transaction costs
Acquisition and transaction costs relating to marketable securities and investments are recognized as expenses as incurred.

Foreign currency translation
The value of monetary assets and liabilities quoted in foreign currencies are translated into Canadian currency at the exchange rate in effect as at the relevant balance sheet date. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the foreign exchange rates prevailing on the dates of such transactions. Exchange gains and losses are included in income in the period in which they occur.

Revenue recognition and Investment Transactions
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The Company applies the following specific revenue recognition policies:

Investment transactions are accounted for on a trade date basis. Realized gain or loss on sale of investments and unrealized gain or loss on investments, are determined based on the weighted average cost. Interest income is recorded on an accrual basis. Dividend income is recognized on the ex-dividend date.

Under the terms of the Management Agreement with Difference Capital Management Inc. (“DCM”), the Company is entitled to a 40% share of all advisory and equity capital market revenue generated by DCM. The Company recognizes revenue as services are provided under contractual arrangements between DCM and its advisory clients.

Provision for uncollectible receivables
Accrued interest and other receivables are considered impaired when there is objective evidence that the carrying amount of the accrued interest or receivable is not collectible. When an impaired receivable is identified, the carrying amount of the loan or receivable is reduced to its estimated realizable amount.

Earnings (loss) per share
Basic earnings (loss) per share is calculated by dividing net income by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated using the weighted average number of shares that would have been outstanding during the year had all potential common shares been issued at the beginning of the year, or when other potential dilutive instruments were granted or issued, if later. Refer to note 10 for further details.

Income Tax

The Company records income tax expense using the liability method of income tax allocation. Under this method, income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases. Further income tax assets and liabilities are determined for each temporary difference based on income tax rates that are expected to be in effect when the asset or liability is settled.

Convertible debentures

Convertible debentures are separated into their liability and equity components on the balance sheet. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest method, until extinguished upon conversion, maturity or a normal course issuer bid. The fair value of the equity component of the convertible debentures is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component. The issuance costs have been allocated on a pro-rata basis between the debt and equity components. Refer to note 4 for further details.

The remainder of this page is intentionally blank. Investments, Accrued Interest and Marketable Securities follows.

3. INVESTMENTS, ACCRUED INTEREST AND MARKETABLE SECURITIES

The Company's investments (excluding marketable securities) and accrued interest are as follows:

		December 31, 2013			December 31, 2012		
		Fair Value (excluding accrued interest) $000	Accrued Interest $000	Total $000	Fair Value (excluding accrued interest) $000	Accrued Interest $000	Total $000
Appinions Inc.	convertible debentures – 6%	**1,936**	**196**	**2,132**	1,990	60	2,050
	convertible debentures – 10%	**856**	**63**	**919**	-	-	-
	preferred shares	**214**	**-**	**214**	-	-	-
	warrants	**-**	**-**	**-**	-	-	-
Baanto International Ltd.	convertible debentures	**2,700**	**9**	**2,709**	-	-	-
	common shares	**300**	**-**	**300**	-	-	-
Blue Ant Media Inc.	common shares	**4,787**	**-**	**4,787**	-	-	-
Bluedrop Performance Learning Inc.	convertible debentures	**3,000**	**1**	**3,001**	-	-	-
BTI Systems Inc.	preferred shares	**1,893**	**-**	**1,893**	-	-	-
BuildDirect.com Technologies Inc.	common shares	**5,000**	**-**	**5,000**	-	-	-
Carta Solutions Holding Corporation	units	**2,000**	**-**	**2,000**	-	-	-
Chieftain Residential Limited Partnership	partnership interest	**7,977**	**-**	**7,977**	4,975	-	4,975
	promissory note	**2,659**	**163**	**2,822**	-	-	-
Crailar Technologies Inc.	convertible debentures	**1,686**	**83**	**1,769**	-	-	-
Difference RM Holding Corporation	common shares	**5,807**	**-**	**5,807**	5,432	-	5,432
Enterprise Group, Inc.	convertible debentures	**3,432**	**41**	**3,473**	-	-	-
ePals Corporation	convertible debentures	**3,500**	**233**	**3,733**	-	-	-
Fem MED Formulas Limited Partnership	convertible debentures	**1,900**	**213**	**2,113**	2,500	67	2,567
GuestLogix Inc.	promissory note	**1,950**	**260**	**2,210**	1,950	20	1,970
	warrants	**320**	**-**	**320**	320		320
InfraReDx, Inc.	convertible debentures and preferred shares warrants	**8,061**	**251**	**8,312**	1,992	10	2,002
iPowow! Inc.	preferred shares	**3,000**	**-**	**3,000**	-	-	-
	common shares	**1,028**	**-**	**1,028**	-	-	-
iPowow! Ltd.	convertible debentures	**-**	**-**	**-**	517	2	519
Lignol Energy Corporation	secured grid promissory note	**9,428**	**142**	**9,570**	-	-	-
QuickPlay Media Inc.	common shares	**2,365**	**-**	**2,365**	2,365	-	2,365
Thunderbird Films Inc.	common shares	**4,000**	**-**	**4,000**	4,000	-	4,000
Vena Solutions Canada Inc.	convertible debentures	**3,000**	**47**	**3,047**	-	-	-
Vision Critical Communications Inc.	preferred shares	**3,500**	**-**	**3,500**	-	-	-
Wasabi Energy Limited	debentures	**-**	**-**	**-**	3,101	12	3,113
	warrants	**-**	**-**	**-**	-	-	-
WG Limited ("Virgin Gaming")	convertible debentures – 5%	**14,399**	**272**	**14,671**	21,458	566	22,024
	convertible debentures – 10%	**4,450**	**143**	**4,593**	-	-	-
	common shares	**3,238**	**-**	**3,238**	-	-	-
Wheels Group Inc.	preferred shares	**950**	**-**	**950**	-	-	-
Other debt	debt	**2,966**	**134**	**3,100**	1,645	8	1,653
Other equity	common shares, warrants and units	**4,277**	**-**	**4,277**	2,017	-	2,017
		116,579	**2,251**	**118,830**	54,262	745	55,007

Significant investments during 2013 and 2012 included the following:

Appinions Inc. ("Appinions")
Appinions' Influencer Exchange service allows public relations agencies and brand owners to identify the influencers for any topic, brand, issue or person.

On June 29, 2012, the Company made a US$2.0 million investment in Appinions in the form of convertible senior debentures, with a three year term, paying interest of 6.0% per annum, convertible into common shares of Appinions at the option of the Company at US$0.06103 per share. On March 19, 2013, the Company made a US$0.25 million investment in Appinions in the form of a new issue of convertible senior debentures and warrants. The new series of convertible debentures pay 10% interest per annum, mature on March 19, 2014 and are convertible into common shares at US$0.0858 per share. The warrants are exercisable into common shares at a price of US$0.1107 per share and expire on March 19, 2014. On April 14, 2013, the Company invested a further US$0.56 million into the new issue of convertible debentures and warrants. During the quarter ended September 30, 2013, the Company purchased an aggregate of approximately US$0.25 million of Appinions preferred shares and warrants in the secondary market. In February 2014, Appinions exercised the option to extend the maturity date of the March 2014 debentures by six months.

Baanto International Ltd. ("Baanto")
Baanto is a developer of touch sensing solutions. Baanto is developing products incorporating both active and passive implementations of its technologies for touchscreens and interactive white boards in sizes ranging from 8" to over 250".

In December 2013, the Company invested $2.7 million in Baanto in the form of Series U convertible debentures paying 10% interest per annum payable annually and convertible into common shares of Baanto at a rate of 122 Baanto common shares per $1,000 principal amount of Baanto debentures, representing a conversion price of approximately $8.20 per share. The Baanto debentures have a maturity date of December 19, 2016. In addition, the Company purchased from Baanto 44,776 common shares at a price of $6.70 per share.

Blue Ant Media Inc. ("Blue Ant")
Blue Ant is an independent media company that creates content in lifestyle, travel, documentary, music and entertainment categories.

In July 2013, the Company acquired 3,829,795 common shares of Blue Ant for total consideration of $4.8 million in a related party transaction (see Note 8).

Bluedrop Performance Learning Inc. ("Bluedrop")
Bluedrop provides a cloud-based e-Learning platform focusing on defense and aerospace, healthcare, energy and public sector clients.

In December 2013, the Company invested $3.0 million in Bluedrop in the form of unsecured convertible debentures paying 14% interest per annum payable quarterly and convertible into common shares of Bluedrop at a price of $0.15 per common share with a maturity of December 30, 2016.

BTI Systems Inc. ("BTI Systems")
BTI Systems is a provider of intelligent networking software and systems that empower content and service providers to capitalize on the demand for bandwidth driven by long-term trends in cloud services, mobility, and internet video.

In December 2013, the Company invested $1.9 million through the purchase of preferred share of BTI Systems at $0.37 per share.

BuildDirect.com Technologies Inc. ("BuildDirect")
BuildDirect is an online supplier of home improvement products and other heavy goods.

In October 2013, the Company made a $5.0 million investment in BuildDirect, through the purchase of 1,428,571 common shares of BuildDirect at $3.50 per share.

Carta Solutions Holding Corporation ("Carta")
Carta is an international transaction processing and payments technology company, specializing in prepaid and mobile payments.

In August 2013, the Company purchased from Carta 2.5 million units (the "Carta Units") at $0.80 per Carta Unit for a total consideration of $2.0 million. Each Carta Unit consists of one common share of Carta and ¼ of one common share purchase warrant, with each whole warrant exercisable for an additional common share at an exercise price of $1.25 until June 30, 2016. In the event any common shares of Carta are issued by Carta for less than $0.80 per share while the warrants are exercisable, the exercise price of the warrants shall be reduced by the same percentage that the price per common share issued by Carta is below $0.80.

Chieftain Residential, L.P. ("Chieftain")
Chieftain is a residential real estate investment platform that focuses on purchasing distressed single family homes.

In 2012, the Company purchased US$5.0 million in limited partnership units in Chieftain. On January 29, 2013, the Company purchased another US$2.5 million of limited partnership units in Chieftain. On March 27, 2013, the Company made a further investment in Chieftain of US$2.5 million in the form of a promissory note due March 27, 2018, paying interest of 8.0% per annum upon maturity.

Crailar Technologies Inc. ("Crailar")
Crailar has developed proprietary technologies for the production of flax fibers, typically used in linen production, that can be woven into fabrics indistinguishable from cotton.

During February 2013, the Company purchased $1.8 million of Crailar Debentures, which pay 10% per annum interest and are convertible into common shares of Crailar at a price of $2.90 per common share with a maturity date of September 30, 2017. In July 2013, the Company invested a further $1.5 million in Crailar in the form of secured convertible debentures (the "New Crailar Debentures") and warrants, the Company holds a total of $3.3 million in par value of convertible debentures. The New Crailar Debentures pay 10% interest per annum, mature July 26, 2016 and were initially convertible into common shares at $2.00 per share. In exchange for the release of a portion of the secured assets used to secure the New Crailar Debentures, the terms of the New Crailar Debentures were amended such that the New Crailar Debentures may now be converted into common shares at $1.25 instead of $2.00 per common share. Each $1,000 of principal amount is entitled to 800 common share purchase warrants of Crailar. The warrants are exercisable into common shares of Crailar at a price of $1.25 per share and expire on July 26, 2016. As at December 31, 2013, the last bid price of Crailar's publicly-listed convertible debentures provided a benchmark for the fair value of these debentures, and the fair value of the warrants was nil. During the year ended December 31, 2013, approximately $1.6 million change in unrealized depreciation was recorded for the Crailar Debentures. We also hold the publicly-listed convertible debentures in our Marketable Securities.

Difference RM Holding Corporation ("Difference RM")
On November 27, 2012, the Company invested US$5.4 million in Difference RM, a wholly-owned subsidiary. Difference RM owns 100% of Difference RM Holding USA Inc., which in turn owns 52% of Difference RM Properties LLC ("DRM Properties"). DRM Properties owns a 40% tenants-in-common interest in a 635 acre parcel of undeveloped land in the City of Rancho Mirage, California, immediately to the southeast of Palm Springs.

Enterprise Group, Inc. ("Enterprise")
Enterprise is a consolidator of engineering and construction services companies operating in the energy, utility and transportation infrastructure industries.

In May 2013, the Company purchased $2.7 million of convertible unsecured subordinated debentures of Enterprise. The debentures bear interest at the rate of 6% per annum payable quarterly and are convertible into 2,000 common shares of Enterprise for each $1,000 of principal amount, representing a conversion price of $0.50 per common share, and have a maturity date of May 17, 2015. As at December 31, 2013, the fair value of the debentures was based on the conversion value of the debentures at Enterprise's last traded common share price of $0.78 per share. In December, the Company converted $0.5 million of the debentures into Enterprise common shares. Subsequent to year end, the Company converted the remaining $2.2 million of the debentures into Enterprise common shares.

ePals Corporation ("ePals")
ePals is an education media company offering elementary and secondary school administrators, teachers, students and parents a safe and secure platform for building educational communities.

On March 20, 2013, the Company invested $1.0 million into a new issue of senior secured convertible debentures of ePals. The debentures pay 10% interest per annum and have a maturity date of October 31, 2014, with an option for the issuer to extend the maturity date to October 31, 2016. The conversion price is $0.40 per common share of ePals. In May 2013, the Company made additional investments of $2.5 million in ePals in a second tranche of these same convertible debentures. The Company also owns listed convertible debentures of ePals included as part of marketable securities on the balance sheets.

Fem MED Formulas Limited Partnership ("Fem MED")
Fem MED is a mass channel retail brand of doctor-formulated, condition-specific supplements designed specifically to address women's most common health concerns.

On August 30, 2012, the Company made a $2.5 million investment in Fem MED in the form of secured convertible debentures, with a three-year term, accruing interest at 8% per annum and payable on maturity. The debentures are convertible into limited partnership units of Fem MED at a price of $2.50 per unit. As at December 31, 2013, $0.6 million in unrealized depreciation was recorded for Fem MED.

GuestLogix Inc. ("GuestLogix")
GuestLogix is a global provider of onboard store technology and payment solutions designed and developed to help airlines and other travel operators create, manage, and control onboard retail environments that are tailored to their needs and the needs of their passengers.

On November 30, 2012, the Company invested $2.0 million in GuestLogix in the form of a promissory note (the "GuestLogix Notes") and 1,000,000 warrants (the "GuestLogix Warrants") to purchase common shares in the capital of GuestLogix (the "GuestLogix Common Shares"). The GuestLogix Notes bear interest at a rate of 12% payable on the earlier of: (i) March 31, 2014; and (ii) the completion of a corporate transaction. The GuestLogix Warrants are exercisable into GuestLogix

Common Shares at $0.80 per GuestLogix Common Share at any time prior to the earlier of: (a) November 30, 2014; and (b) the completion of a corporate transaction.

On August 1, 2013, the GuestLogix Notes were amended to bear interest at a rate of 9% from June 1, 2014 (with interest accrued to that point to be payable on May 31 2014), with the principal repayable on the earlier of: (i) July 1, 2015; and (ii) the completion of a corporate transaction. The GuestLogix Warrants were amended to be exercisable into GuestLogix Common Shares at any time prior to the earlier of: (a) November 30, 2015; and (b) the completion of a corporate transaction. The exercise price of the GuestLogix Warrants was adjusted to $0.80 per GuestLogix Common Share prior to December 1, 2014 and $0.81 per GuestLogix Common Share thereafter.

InfraReDx, Inc. ("InfraReDx")

InfraReDx is a private medical device company dedicated to helping provide practitioners with the information needed for enhanced clinical decision making in treating coronary artery disease.

On November 30, 2012, the Company invested US$2.0 million in InfraReDx in the form of secured convertible debentures and preferred share warrants. The convertible debentures pay 6.0% interest per annum and convert, at the discretion of the Company, into either: (i) common shares of InfraReDx at the initial public offering ("IPO") price; (ii) common shares at $0.62 per share upon an asset sale, acquisition or merger; or, (iii) into preferred shares upon, and at the same price as, a preferred equity financing. Warrants are exercisable into InfraReDx's Series E Preferred Stock at $0.04 per share at any time prior to November 30, 2017. During May 2013, the Company invested a further US$3.0 million in InfraReDx in the form of secured convertible debentures and preferred share warrants of InfraReDx. The new convertible debentures have the same terms and conditions as the US$2.0 million investment made in November 2012. In August 2013, InfraReDx announced that it had received a US$25 million equity investment from a third party. The investment was made in Series E Preferred Stock at a price of US$0.62 per share. As at December 31, 2013, the fair value of the debentures was $4.8 million and the fair value for the warrants was $3.3 million.

iPowow! Inc. ("iPowow")

iPowow is an interactive media company on the leading edge of the global shift towards participation television and second screen content. iPowow gives broadcasters, TV producers and advertisers the power to create a new breed of participation television with compelling engagement for the viewer.

During the quarter ended June 30, 2013, the Company converted the debenture into common shares of iPowow, the parent company of iPowow Ltd. at a conversion price of AUD$0.50 per common share. The Company also purchased an additional $0.5 million of iPowow common shares at a price of $1.00 per common share. In July and August 2013, the Company advanced a total of $0.7 million to iPowow in the form of bridge loans, paying 10.0% interest per annum. In August 2013, the Company invested $3.0 million in iPowow in the form of preferred shares. The bridge loans and any accrued interest thereon were exchanged for preferred shares and included as part of the $3.0 million investment. The preferred shares carry a right to an 8.0% cumulative annual dividend and are convertible into common shares at par, or $2.00 per common share.

Lignol Energy Corporation ("Lignol")

Lignol is a producer of biofuels and other valuable biochemicals from waste biomass. The Company has a biodiesel refinery in Australia, and also owns cellulosic ethanol technology with a pilot bio refinery in Burnaby, Canada.

On February 27, 2013, the Company invested $2.7 million in Lignol in the form of a secured grid promissory note (the "Note"). The Note paid 8.0% interest per annum with an original maturity date of February 27, 2014. The maximum principal amount of the Note at the time was $5.0 million for which Lignol could, from time to time, with proper notice, make additional borrowings up to the stated maximum. In April 2013, Lignol borrowed a further $2.3 million under the Note. In July 2013, the Company agreed to increase the principal amount of the Note to $6.25 million and extended the maturity date of the Note to August 30, 2014. Lignol borrowed a further $1.0 million under the Note in July 2013. In August 2013, the Company entered into a new secured grid promissory note (the "New Note") with Lignol. The New Note replaced the Note, pays 9.0% interest per annum with a maturity date of December 31, 2014 (the "Maturity Date"). The maximum principal amount that may be drawn down under the New Note is $12.5 million for which Lignol can, from time to time, with proper notice, make additional borrowings up to the stated maximum, with any amounts in excess of $9.75 million provided at the sole discretion of the Company. Lignol is required to pay the Company fifty percent of the principal and accrued interest prior to the Maturity Date, on the later of: (i) the completion of a qualified financing; and (ii) the exercise of all outstanding and issued Lignol warrants issued to the Company. For each $1,000 drawn down under the New Note, the Company has been issued 3,555 Lignol warrants. The warrants are exercisable into common shares of Lignol at $0.15 per share at any time prior to December 31, 2014. Lignol borrowed a further $3.7 million in August 2013, and $2.0 million in November 2013, bringing the total principal to $11.8 million, as at December 31, 2013. During the year ended, December 31, 2013, approximately $2.4 million change in unrealized depreciation was recorded for the New Note. The Company held 41.9 million warrants, and the fair value of these warrants was $nil.

QuickPlay Media Inc. ("QuickPlay")
QuickPlay is a provider of cloud-based infrastructure for premium media services used by large communication companies.

On August 8, 2012, the Company made a $2.4 million investment in QuickPlay in the form of common shares.

Thunderbird Films Inc. ("Thunderbird")
Thunderbird is a multiplatform media production, distribution and rights management company.

On December 4, 2012, the Company invested $4.0 million in Thunderbird in the form of common shares.

Vena Solutions Canada Inc. ("Vena")
Vena Solutions delivers a flexible performance management solution available for budgeting, forecasting, planning, reporting, analytics, and other mission-critical finance and accounting processes to large and mid-market companies around the world.

In November 2013, the Company invested $3.0 million in Vena in the form of unsecured convertible debentures paying 10% interest per annum and convertible into common shares of Vena at a price of $1.85 per share with a maturity date of November 4, 2016.

Vision Critical Communications Inc. ("Vision")
Vision is a customer engagement, market research and data analytics company.

In December 2013, the Company acquired 1 million Series 2 Class B Preferred Shares of Vision for total consideration of $3.5 million.

Wasabi Energy Limited ("Wasabi")
Wasabi is an emerging power producer that also invests in sustainable technologies to deliver power from waste heat and geothermal sources in the U.S., U.K. and Australia.

On December 19, 2012, the Company invested AUD $3.0 million in Wasabi in the form of a debenture and warrants to purchase common shares of Wasabi. The debentures pay 8% interest per annum and matured on December 14, 2013. The warrants were exercisable into common shares of Wasabi at $0.02 per share at any time prior to December 14, 2013 and expired out-of-the-money. On December 30, 2013, the company was placed into voluntary administration. Based on the information received through the administrator's report, the company's debenture were valued at nil as of December 31, 2013.

WG Limited ("Virgin Gaming")
Virgin Gaming is a destination for competitive console gamers to meet, challenge each-other and play in tournament challenges for cash, points and prizes.

On January 24, 2013, the Company sold $1.1 million face amount of Virgin Gaming debentures at a 20.0% premium to its acquisition price for a realized gain of $0.2 million. During January and February 2013, the Company purchased $2.4 million of Virgin Gaming common shares from Virgin Gaming shareholders through a number of separate transactions. In June 2013, the Company received 921,663 Virgin Gaming common shares as a $0.9 million interest payment on the debentures as per the terms of the debentures. In August 2013, the Company purchased an aggregate of approximately $1.4 million of Virgin Gaming common shares in the secondary market. In September 2013, the Company made an additional $5.0 million investment in Virgin Gaming in the form of a new issue of convertible unsecured debentures. The new series of convertible debentures bear interest at a rate of 10.0% per annum, mature on September 30, 2016 and are convertible into common shares at $1.10 per share. As at December 31, 2013, the Company owned approximately 18.2% of Virgin Gaming, on a fully diluted basis. For the year ended December 31, 2013, approximately $7.9 million change in unrealized depreciation was recorded for the Virgin Gaming investments.

Wheels Group Inc. ("Wheels")
Wheels is a logistics provider for third party logistics (3PL) supply chains. It provides supply chain solutions for domestic and international transportation and distribution services through truck, rail, air and ocean carriers.

In September 2013, the Company purchased in a secondary market transaction 1 million Series 1A preferred shares of Wheels at $0.95 per share for a total consideration of $0.95 million.

Marketable Securities

Marketable securities include, but are not limited to, the following investments:

Aurinia Pharmaceuticals Inc. ("Aurinia")
Aurinia is a Canadian company in the life sciences industry focused on the development of voclosporin, a candidate medicine for the treatment of lupus nephritis and other autoimmune diseases.

In September 2013, the Company invested $2 million for an aggregate of 44,444,444 units of Aurinia. Each unit consists of one common share of Aurinia and one-half of one common share purchase warrant. Each warrant is exercisable into one common share of Aurinia at a price of $0.05 per share and expires on September 20, 2016. Aurinia's common shares were consolidated on a 50:1 basis on the TSX Venture Exchange on October 23, 2013. As at December 31, 2013, the Company held 888,888 Aurinia common shares with a fair value of $3.90 and 465,778 Aurinia warrant with a fair value of $1.40.

Benev Capital Inc. ("Benev")
As at December 31, 2013, the Company held 2.5 million shares of Benev with a fair value of $4.0 million, representing approximate 6.3% of the total outstanding shares of Benev. Benev is a merchant bank with approximately $69 million cash on hand.

See Note 14 Subsequent Events for details on additional purchases of Benev shares subsequent to year end.

Crailar Technologies Inc. ("Crailar")
On September 20, 2012, the Company made a $2.5 million investment in Crailar (formerly Naturally Advanced Technologies Inc.) in the form of listed convertible secured debentures, with a five-year term, paying 10% per annum interest and convertible into common shares of Crailar at a price of $2.90 per common share with a maturity date of September 30, 2017. As at December 31, 2013, the Company had a principal amount of $1.7 million with a fair value of $0.8 million.

ePals Corporation ("ePals")
In October 2012, the Company invested $3.0 million in ePals in the form of listed convertible debentures with a maturity date of October 31, 2014, and an option for the issuer to extend to October 31, 2016. The ePals debentures have a two-year term, pay interest semi-annually at a rate of 6.5% and are convertible into common shares in the capital of ePals at a price of $0.60 per ePals share at the option of the Company. As at December 31, 2013, the convertible debentures had a fair value of $2.7 million.

Lignol Energy Corporation
On March 7, 2013, 7,666,667 Lignol subscription receipts held by the Company converted to Lignol units. During the quarter, 16,666,667 units of Lignol held by the Company expired, and such units were automatically converted into 16,666,667 common shares and 8,333,333 common share purchase warrants, leaving the Company holding 32.7 million shares and 8.3 million common share purchase warrants of Lignol as at June 30, 2013. During the quarter ended September 30, 2013, the Company purchased 13.4 million common shares through two separate transactions, 7.9 million common shares at a price of $0.12 per Lignol share and 5.5 million common shares at a price of $0.13 per Lignol share. As at December 31, 2013, the Company held 46.1 million common shares of Lignol representing 30.3% of total basic shares and 8.3 million common share purchase warrants. The fair value of the common shares was $0.07 per share and the fair value of the warrants was $nil.

Trimel Pharmaceutical Inc. ("Trimel")
Trimel is a specialty pharmaceutical company actively developing medications for male hypogonadism, female sexual dysfunction, and various respiratory disorders.

As at December 31, 2013, the Company held 7.7 million shares of Trimel with a fair value of $0.40 per share.

Wheels Group Inc.
In September 2013, the Company purchased in a secondary market transaction 1 million common shares of Wheels at $0.85 per share for a total consideration of $0.85 million. As at December 31, 2013, the fair value of the common shares was $0.80 per share.

Other marketable securities
During periods where capital is not committed to long-term investments, the Company seeks to deploy its capital in other listed and/or liquid investments. Holding periods in this portfolio tend to be significantly shorter than strategic investments, as they tend to be opportunistic in nature. As at December 31, 2013, the Company held approximately $4.8 million [December 31, 2012 - $15.0

million], at fair value, in listed equity securities in this tactical portfolio, excluding those investments referenced above.

4. CONVERTIBLE DEBENTURES

In July 2013, the Company issued senior unsecured convertible debentures (the "Debentures") in an aggregate principal amount of $56.1 million.

The Debentures mature on July 31, 2018 and bear interest at a rate of 8% per annum payable first on January 31, 2014 and semi-annually thereafter. Each $1,000 principal amount of the Debentures is convertible into 173.91 common shares of the Company, at the option of the holder, representing a conversion price of $5.75 per share. The Debentures are not redeemable prior to July 31, 2016. On and after July 31, 2016 and prior to July 31, 2017, the Debentures may be redeemed from holders selected by the Company, in whole or in part, from time to time 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, provided that the current market price on the date on which the notice of redemption is given is not less than 125% of the conversion price. After the Company has sent a notice of redemption, any subsequent conversion of such Debentures that were the subject of the notice, prior to the date of redemption, shall be at the discretion of the Company. On or after July 31, 2017 and prior to the maturity date, the 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.

At initial recognition, the Company allocated the proceeds of the Debentures between liabilities and equity. The allocation was performed by first estimating the fair value of the 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 3, 2013, the Company announced a normal course issuer bid ("NCIB") to repurchase its Debentures. The Company is authorized to repurchase for cancellation up to $2.0 million principal amount of its Debentures, representing 3.5% of the issued and outstanding Debentures. The NCIB expires on December 4, 2014. As at December 31, 2013, the Company had repurchased $232,000 principal amount of the Debentures, for an aggregate consideration of $210,849. Out of the amount paid, $203,680 was recorded as a reduction to the liability component of the Debentures, $17,111 was recorded as a reduction to the Equity Component of the Debentures, $11,614 was charged to Net Income, and $21,556 was recorded as an increase in Contributed Surplus.

The balance of Debentures outstanding and changes in the liability component during the year ended December 31, 2013 was as follows:

Year ended December 31,	**$000**
Liability component, January 1, 2013	-
Issuance of convertible debentures	51,687
Issuance costs	(3,012)
Accretion of discount	559
Normal course issuer bid repurchases	(204)
Liability component, December 31, 2013	**49,030**

5. SHARE CAPITAL

The Company has two authorized classes of shares: an unlimited number of Common Shares and an unlimited number of Preference Shares, issuable in series.

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

	Number of Shares [1]	**Share Capital $000**
Common shares, December 31, 2011	**1,509,635**	**55,525**
Issuance of share capital [2]	10,373,101	30,930
Common shares, balance, December 31, 2012	**11,882,736**	**86,455**
Issuance of share capital on exercise of Special Warrants [3]	15,434,898	53,295
Issuance of share capital on equity offering [4]	12,000,000	41,981
Share repurchase [5]	(185,300)	(856)
Common shares, December 31, 2013	**39,132,334**	**180,875**

Notes:

(1) After giving effect to two separate consolidations, each being one Common Share for every 10 old Common Shares on May 24, 2012 and June 13, 2013.

(2) 7,177,626 Common Shares issued on May 20, 2012 under a private placement and 2,915,933 Common Shares issued on June 8, 2012. On December 18, 2012, the Company issued 279,541 Common Shares in exchange for 35,578 Ethoca Solutions Inc. common shares.

(3) On February 6, 2013, the Company announced that the Special Warrants issued on October 3, and 4, 2012 were exercised into 11,453,908 Common Shares and 57,269,530 Purchase Warrants. On March 11, 2013, the Company filed a final short form prospectus (the "Prospectus") qualifying the distribution of 3,981,070 units of the Company issuable upon the exercise of 3,981,070 Special Warrants issued by the Company on November 19, 2012. Upon exercise, each Special Warrant entitled the holder thereof to receive, for no additional consideration, one unit. Each unit consisted of one Common Share and five Common Share Purchase Warrants. Each ten Purchase Warrants entitle the holder to purchase one Common Share at an exercise price of $6.00 per Share until October 3, 2014.

(4) On July 26, 2013, the Company completed its public offering of Common Shares (the "Equity Offering") pursuant to which the Company sold 12 million Common Shares for aggregate net proceeds of $42.0 million. The Common Shares sold pursuant to the Equity Offering were priced at $3.75 per share.

(5) The Company has obtained applicable regulatory approval to purchase for cancellation, from time to time, its issued and outstanding Common Shares, through the facilities of the TSX. The Company also received approval from the TSX for an automatic purchase plan, which allows 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 NCIB, all trades entirely at the broker's discretion. Outside of these predetermined black-out periods, Shares will be purchased in accordance with management's discretion. Under its NCIB, the Company may purchase up to

1,000,000 Common Shares, representing 2.5% of the issued and outstanding Common Shares on the date of the receipt of regulatory approval through to December 4, 2014. Pursuant to the policies of the TSX, daily purchases made by the company will not exceed 17,049 Common Shares other than block purchase exceptions. During the year ended December 31, 2013, 185,300 Common Shares were repurchased under the NCIB at an average cost of $2.52 per Common Share for total consideration of $466,437. Contributed Surplus was increased by $390,045 for the cost of the Shares repurchased below their stated value.

6. INCOME TAXES

As at December 31, 2013, the Company has capital losses of approximately $149.8 million [December 31, 2012 – $151.7 million] and non-capital losses of approximately $18.8 million [December 31, 2012 – $14.1 million] that may be carried forward to reduce income taxes in future years. If not utilized, the non-capital losses will expire as follows:

2014	$442,399
2015	367,041
2026	801,603
2027	1,673,226
2028	2,982,447
2029	3,447,337
2030	1,120,101
2031	978,440
2032	2,309,061
2033	4,650,327
	$18,771,982

The Company has recorded a valuation allowance for the full amount of its future income tax assets related to capital and non-capital losses carried forward because it is uncertain that these tax losses will be utilized in the foreseeable future, and accordingly, the Company has not recognized any tax recoveries in its financial statements. The value of unused tax losses and deductible temporary differences for which no future income tax assets have been recognized, is approximately $28.2 million [December 31, 2012 – $23.3 million].

7. FINANCIAL INSTRUMENTS

Financial instruments – fair value estimation

Financial instruments carried at fair value include investments and marketable securities. The fair value measurements underlying the carrying value of investments and marketable securities are classified within a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

(i) Level 1 Quoted prices (unadjusted) in active markets for identical assets;
(ii) Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
(iii) Level 3 Inputs for the asset or liability that are not based on observable market data.

The following tables present the level within the fair value hierarchy for the Company's investments and marketable securities:

As at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets ($000)				
Equities	20,258	103	41,230	61,591
Convertible Debentures	-	3,545	48,312	51,857
Debentures and Loans	-	-	2,240	2,240
Partnership Interests	-	-	7,977	7,977
Promissory Notes	-	-	12,087	12,087
Warrants	-	1,450	3,283	4,733
Total Financial Assets	**20,258**	**5,098**	**115,129**	**140,485**
Equities sold short	786	-	-	786
Total Financial Liabilities	**786**	**-**	**-**	**786**

As at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets ($000)				
Equities	17,062	3,811	13,753	34,626
Convertible Debentures	-	5,598	30,096	35,694
Debentures and Loans	-	-	5,054	5,054
Partnership Interests	-	-	4,975	4,975
Promissory Notes	-	-	-	-
Warrants	-	383	2	385
Total Financial Assets	**17,062**	**9,792**	**53,880**	**80,734**

During the year ended December 31, 2013, there were $1.8 million of equities transferred from Level 2 to Level 1 [December 31, 2012 – $1.6 million] and there were no transfers from Level 1 to Level 2 [December 31, 2012 – nil].

The following tables present the changes in fair value measurements of investments classified as Level 3.

For the year ended December 31	**2013 $000**	**2012 $000**
Opening balance, January 1	**53,880**	-
Purchases	**76,817**	52,260
Sales	**(3,326)**	(2,400)
Realized gains	**230**	400
Change in unrealized depreciation	**(12,472)**	3,620
Balance, end of year	**115,129**	53,880
Total change in unrealized depreciation of assets held as at December 31	**(12,242)**	3,620

The following paragraphs provide additional information regarding the Company's approach to measuring the fair value of its investment portfolio:

Common shares and membership units are valued using quoted market prices if they are traded on a recognized stock exchange or over the counter and are generally valued using the quoted bid price as at the balance sheet dates. The fair value of securities that are subject to trading restrictions are recorded at a value which takes into account the length and nature of the restrictions and the liquidity of the security. Private investments for which no quoted market value exists, or investments in restricted or thinly traded securities, are recorded at estimated fair value. Convertible debentures and convertible debts are valued at par, if the price of the underlying common shares is less than the conversion price or if the underlying common shares are not publicly traded; valued as though converted to common shares if the price of the underlying common shares exceeds the conversion price; valued based on quoted market prices of similar convertible debt investments of the same issuer; or valued at estimated fair value if there is concern of impairment. When these investments are initially recognized, fair value is generally the value of consideration paid. Subsequent to initial recognition, the fair value of these investments is determined by the Company using an appropriate valuation methodology after considering: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable company trading and transaction multiples, where applicable, and other pertinent considerations.

For public company warrants (i.e., the underlying security of which is traded on a recognized stock exchange), the Black-Scholes valuation model is used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life of the instrument and expected volatility of the underlying security. To the extent that the market inputs are insufficient or unreliable, the warrants are valued at their intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized stock exchange, fair value is determined consistently with other investments that do not have an active market as described above.

Financial instrument – risk management

The Company is exposed to the following risks as a result of holding financial instruments: market risk (which includes fair value risk, interest rate risk and currency 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 December 31, 2013, the Company holds the following fixed-rate debt instruments: (a) $53.6 million [December 31, 2012 – $36.4 million] in convertible debentures with a weighted average interest rate of 7.80% [December 31, 2012 – 6.07%] and a weighted average term to maturity of approximately 1.6 years [December 31, 2012 – 1.9 years]; and (b) $14.9 million [December 31, 2012 – $5.0 million] in non-convertible debentures with a weighted average interest rate of 8.68% [December 31, 2012 – 9.60%] and a weighted average term to maturity of approximately 1.7 years [December 31, 2012 – 1.1 years]. Should market interest rates rise, then the fair value of these convertible and non-convertible debentures will decrease. Conversely, should market interest rates fall, the fair value of these assets will 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.

The Company is also exposed to interest rate risk through its debt instruments. If interest rates were higher by 1% per annum, the potential effect would be a decrease in net income of approximately $1.0 million [December 31, 2012 – $0.7 million]. If interest rates were lower by 0.5% per annum, the potential effect would be an increase in net income of approximately $0.5 million [December 31, 2012 – $0.4 million].

Currency risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the Canadian dollar. As at December 31, 2013, the Company is exposed to foreign exchange risk through its US dollar-denominated investments of $31.1 million [December 31, 2012 – $16.0 million] and its Australian dollar-denominated investments of nil [December 31, 2012 – $3.5 million], which together represent approximately 18% of total assets. The Company does not currently hedge its foreign currency exposure. If the Canadian dollar strengthened or weakened by 1% in relation to the foreign currencies, the investments would have decreased or increased by approximately $0.3 million [December 31, 2012 – $0.2 million], respectively.

Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads. The Company incurs other price risk through its portfolio of investments and marketable securities. 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 income of approximately $14.0 million [December 31, 2012 – $8.1 million], respectively. Refer to note 3 for additional detail regarding the fair value of investments and marketable securities.

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 is exposed to credit risk through certain debt instruments held in the investments and marketable securities portfolios. Refer to note 3 for additional detail regarding the nature of these financial assets. The Company seeks to mitigate credit risk where possible by obtaining security over the assets of the issuer and by limiting the size of its investments to an amount such that the Company's debentures could be repaid through the liquidation of a defaulting issuer.

The Company considers its maximum exposure to credit risk as at December 31, 2013 to be $68.5 million [December 31, 2012 – $41.5 million].

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's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. As at December 31, 2013, the Company's liquidity risk is limited to exposure to performance and management fees payable, accounts payable and accrued liabilities, and accrued interest on convertible debentures, which are due within 12 months of December 31, 2013.

The following are the contractual maturities of financial liabilities including estimated interest payment at December 31, 2013 and 2012:

As at December 31, 2013	**Less than one year**	**One to three years**	**Over three years**	**Total**
Financial Liabilities ($000)				
Performance and management fees payable	651	-	-	**651**
Accounts payable and accrued liabilities	468	-	-	**468**
Due to broker	140	-	-	**140**
Accrued interest on convertible debentures	4,825	8,936	8,936	**22,697**
Convertible debentures	-	-	55,847	**55,847**
Total Financial Liabilities	**6,084**	**8,936**	**64,783**	**79,803**

As at December 31, 2012	**Less than one year**	**One to three years**	**Over three years**	**Total**
Financial Liabilities ($000)				
Performance and management fees payable	1,880	-	-	**1,880**
Accounts payable and accrued liabilities	578	-	-	**578**
Due to broker	1,029	-	-	**1,029**
Total Financial Liabilities	**3,487**	**-**	**-**	**3,487**

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 convertible debentures, debentures, promissory notes, or preferred shares, so as to rank higher than the common shares in the capital structure of the issuer. The Company seeks to mitigate credit risk by investing, where possible, in senior debt securities, requiring security – either specific collateral or a general pledge of assets, requiring that pre-paid interest be held in escrow, 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 debentures – 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.

8. RELATED PARTY TRANSACTIONS

Management Agreement

The Company has a management agreement with DCM (the "Management Agreement"). The Company accrues and pays management fees on the basis of 2% per annum of the Company's monthly management fee net asset value (the "Management Fee NAV"). The Management Fee NAV is determined by subtracting the aggregate fair value of the liabilities (excluding any convertible debentures or debentures that have a term of greater than one year that have been 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. The Company accrues a performance fee equal to 20% of any increase in the performance fee net asset value (the "Performance Fee NAV") from the start of the fiscal year in question to the end of that fiscal year (the "Performance Year") less the two-year Government of Canada bond rate (the "Hurdle Rate"), with the Hurdle Rate subject to a maximum of 5%. The Performance Fee NAV is determined by subtracting the aggregate fair value of the liabilities (excluding any convertible debentures or debentures that have a term of greater than one year that have been 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 year ended December 31, 2013, management fees of $2.8 million [2012 – $0.6 million] and performance fees of nil [2012 – $1.3 million] were accrued. As at December 31, 2013, performance and management fees payable to the manager were $0.7 million [December 31, 2012 – $1.9 million]. The outstanding payables were paid subsequent to December 31, 2013.

Under the terms of the Management Agreement, the Company is entitled to a 40% share of DCM revenue earned after direct costs on advisory and equity capital market revenues from investee companies beginning January 1, 2013. Additionally, as of July 1, 2013, the Company is entitled to receive 40% of *all* advisory and equity capital market revenues generated by DCM. For the year ended December 31, 2013, the Company accrued revenue of $1.2 million from such advisory fees [2012 – nil]. Also under the terms of the Management Agreement, the Company is required to reimburse DCM for certain operating expenses beginning January 1, 2013. As at December 31, 2013, advisory fee receivable from DCM was $0.5 million [2012 – nil].

Other Related Party Transactions

In May 2013, the Company issued a $2.5 million promissory note (the "Note") bearing interest at 5% per annum to Michael Wekerle, the Chief Executive Officer and a director of the Company. The amounts funded under the Note were used primarily to satisfy certain contractual obligations as well as for general corporate purposes. The Note and accrued interest of $18,836 were repaid on July 5, 2013.

In July 2013, the Company entered into a share purchase agreement with a private company 50% controlled by Michael Wekerle, pursuant to which the Company agreed to purchase 3,829,795 common shares of Blue Ant for total consideration of $4.8 million, a price substantiated by other arm's-length institutional transactions in the preceding months.

These transactions occurred in the normal course of operations and were recorded at the exchange amount that had been established and agreed to by the related parties.

9. CAPITAL MANAGEMENT

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

The Company's capital is comprised of shareholders' equity and long-term debt. 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 does not have any externally imposed capital requirements and believes that it has sufficient working capital for ongoing operations.

The Company's capital consists of the following:

As at December 31,	**2013 ($000)**	**2012 ($000)**
Shareholders' equity	115,098	89,855
Convertible debentures	49,030	-
Total capital	**164,128**	**89,855**

10. BASIC AND DILUTED EARNINGS PER SHARE

The following table presents the calculation of basic and fully diluted earnings per common share for years ended December 31

Year ended December 31,	**2013 $000**	**2012 $000**
Basic earnings per share		
Net income (loss)	**(20,458)**	4,276
Weighted average common shares	**32,536,465**	10,628,429
Basic earnings per share	**$(0.63)**	$0.40
Fully diluted earnings per share		
Net income (loss)	**(20,458)**	4,276
Weighted average common shares after taking into effect dilutive convertible debentures	**32,536,465**	10,628,429
Fully diluted earnings per share	**$(0.63)**	$0.40

In calculating diluted earnings per common share for the year ended December 31, 2013, the Company excluded 9,712,352 common shares from the conversion of the convertible debentures, as their impact was anti-dilutive.

11. NET ASSET VALUE

The financial statements contain references to "Net Asset Value" (basic and fully diluted) ("NAV"), which is a non-GAAP financial measure. The basic NAV is calculated by subtracting the aggregate carrying value of the liabilities of the Company from the aggregate carrying value of the assets of the Company on the date on which the calculation is being made and NAV per share as NAV divided by the total number of common shares of the Company outstanding as at a specific date. Fully diluted

NAV is calculated by taking basic NAV and accounting for any dilutive impact of outstanding securities of the Company that are convertible into or exercisable for Common Shares have been converted or exercised. The term net asset value per share does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies.

12. COMPARATIVE FIGURES

Certain comparative figures from the prior period have been reclassified to conform to the current period's presentation.

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The CICA Accounting Standards Board requires all investment entities applying Accounting Guideline 18 to adopt International Financial Reporting Standards ("IFRS") for years beginning on or after January 1, 2014. The Company will adopt IFRS for the fiscal year 2014 starting January 1, 2014. The fiscal 2014 financial statements will include comparative 2013 financial results under IFRS. The Company will report its financial results for the quarter ended March 31, 2014 on an IFRS basis, including comparative IFRS financial results and an opening balance sheet as at January 1, 2013.

14. SUBSEQUENT EVENTS

Between January 1 and March 26, 2014, the date of this report, the Company acquired 8.6 million additional shares of Benev. As at March 26, 2014, the Company owned and controlled 11.0 million Benev shares, representing approximately 28.4% of the total outstanding shares of Benev. DCF acquired the Benev shares for investment and potentially strategic purposes.

15. COMMITMENTS

As at December 31, 2013, the Company had a commitment to purchase an additional investment in Embotics, totalling $1 million in convertible debentures, subject to Embotics meeting certain performance targets.