DIFFERENCE
CAPITAL

Interim Condensed Financial Statements

Unaudited (prepared in Canadian dollars)

For the quarter ended March 31, 2015

STATEMENTS OF FINANCIAL POSITION (unaudited)

As at Amounts in thousands of Canadian dollars (except per share amounts)		**March 31, 2015**		**December 31, 2014**
ASSETS				
Current				
Cash and cash equivalents	**$**	**24,171**	$	11,799
Marketable securities *[note 3]*		**598**		687
Prepaid expenses, deposits and other receivables		**1,354**		674
Withholding tax receivable		**907**		—
Due from broker		**32**		1,133
Interest receivable		**1,808**		2,145
Total current assets		**28,870**		16,438
Other receivables		**193**		200
Investments *[note 4]*		**84,615**		98,314
Total assets	**$**	**113,678**	$	114,952
LIABILITIES				
Current				
Marketable securities sold short *[note 3]*	**$**	**—**	$	23
Performance and management fees payable *[note 11]*		**1,234**		213
Accounts payable and accrued liabilities		**215**		416
Due to broker		**271**		26
Convertible debentures		**648**		1,724
Total current liabilities		**2,368**		2,402
Convertible debentures *[note 6]*		**43,739**		46,616
Total liabilities		**46,107**		49,018
SHAREHOLDERS' EQUITY				
Share capital *[note 7]*		**167,959**		176,555
Equity component of convertible debentures *[note 6]*		**3,563**		3,823
Contributed surplus		**51,256**		44,259
Deficit		**(155,207)**		(158,703)
Total shareholders' equity		**67,571**		65,934
Total liabilities and shareholders' equity	**$**	**113,678**	$	114,952

Net Asset Value per share *[note 14]*				
Basic and diluted	**$**	**1.86**	$	1.73

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

On behalf of the Board of Directors:

"John Albright"
Director

"Michael Wekerle"
Director

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited)

For the three months ended March 31 Amounts in thousands of Canadian dollars (except for common shares and per share amounts)	**2015**	**2014**
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) on disposal of investments and marketable securities	**$ (8,350)**	$ 3,053
Net change in unrealized gain on investments and marketable securities	**14,161**	1,151
	5,811	4,204
OTHER INCOME		
Interest, dividends and other income	**898**	1,702
Participation in advisory fees and equity capital market revenue *[note 11]*	**73**	277
Gain on repurchase of convertible debentures *[note 6]*	**375**	—
	1,346	1,979
EXPENSES		
Management fees *[note 11]*	**569**	849
Performance fees *[note 11]*	**866**	—
Provision for uncollectible receivables	**40**	248
Harmonized sales tax	**256**	150
Professional fees	**337**	382
Operating, general and administrative *[note 11]*	**166**	147
Financing costs	**1,347**	1,426
Transaction costs	**80**	123
Total expenses	**3,661**	3,325
Net gain and comprehensive gain	**$ 3,496**	**$ 2,858**
Weighted average number of common shares outstanding *[note 13]*		
Basic and diluted	**37,040,065**	39,132,334
Gain per share *[note 13]*		
Basic and diluted	**$0.09**	$0.07

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

STATEMENTS OF CHANGES IN EQUITY (unaudited)

For the three months ended March 31, Amounts in thousands of Canadian dollars		**2015**		**2014**
Share capital				
Balance, beginning of the period	**$**	**176,555**	$	180,875
Common shares repurchased and cancelled *[note 7]*		**(8,596)**		—
Balance, March 31		**167,959**		180,875
Equity component of convertible debentures				
Balance, beginning of the period		**3,823**		4,119
Convertible debentures repurchased and cancelled *[note 6]*		**(260)**		(1)
Balance, March 31		**3,563**		4,118
Contributed surplus				
Balance, beginning of the period		**44,259**		41,159
Common shares repurchased and cancelled *[note 7]*		**6,735**		—
Convertible debentures repurchased and cancelled *[note 6]*		**262**		1
Balance, March 31		**51,256**		41,160
Deficit				
Balance, beginning of the period		**(158,703)**		(110,615)
Net gain and comprehensive gain for the period		**3,496**		2,858
Balance, March 31		**(155,207)**		(107,757)
Net change in equity during the period		**1,637**		2,858
Equity, beginning of the period *[note 12]*		**65,934**		115,538
Balance, March 31	**$**	**67,571**	$	118,396

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

STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended March 31, Amounts in thousands of Canadian dollars	2015	2014
OPERATING ACTIVITIES		
Net gain for the period	**$ 3,496**	$ 2,858
Items not affecting cash:		
Net realized gain (loss) on disposal of investments and marketable securities	**8,350**	(3,053)
Net change in unrealized (gain) on investments and marketable securities	**(14,161)**	(1,151)
Participation in advisory fees payable in shares	**7**	(101)
Amortization of financing costs on convertible debentures	**311**	312
(Gain) on repurchase of convertible debentures	**(375)**	—
Conversion of interest payment into equities	**(242)**	—
Net change in non-cash working capital balances	**(160)**	(5,881)
Purchase of marketable securities	**(819)**	(958)
Proceeds from disposal of marketable securities	**4,883**	9,159
Purchase of investments	**(2,806)**	(16,982)
Proceeds from disposal and maturity of investments	**18,562**	698
Cash provided by (used in) operating activities	**17,046**	(15,099)
FINANCING ACTIVITIES		
Common shares repurchased and cancelled *[note 7]*	**(1,861)**	—
Convertible debentures repurchased and cancelled *[note 6]*	**(2,813)**	(9)
Cash used in financing activities	**(4,674)**	(9)
Net increase (decrease) in cash during the period	**12,372**	(15,108)
Cash and cash equivalents, beginning of the period	**11,799**	24,229
Cash and cash equivalents, end of the period	**$ 24,171**	$ 9,121
Interest received	**$ 607**	$ 501
Dividends received	**90**	35
Interest paid	**2,073**	2,564

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

SCHEDULE OF INVESTMENTS (unaudited)

Amounts in thousands of Canadian dollars

	INVESTMENT TYPE	COUNTRY	March 31, 2015 AVERAGE COST $	FAIR VALUE $
PUBLICLY LISTED				
TOTAL LISTED SECURITIES			6,254	943
UNLISTED				
MEDIA				
Blue Ant Media Inc.	equity securities	Canada	4,787	5,745
Thunderbird Films Inc.	equity securities	Canada	6,000	6,000
			10,787	11,745
HEALTHCARE				
InfraReDx, Inc.	convertible promissory note and warrants	United States	5,093	3,829
Aurinia Pharmaceuticals Inc.	warrants	Canada	90	1,148
BrainScope Company Inc.	equity securities	United States	1,563	1,955
Cardiac Dimensions Pty. Ltd.	equity securities	United States	2,183	2,537
Fem Med Formulas Limited Partnership	convertible debentures	Canada	2,500	-
			11,429	9,469
E-COMMERCE				
BuildDirect.com Technologies Inc.	equity securities	Canada	7,000	9,514
FINANCIAL TECHNOLOGIES				
Carta Solutions Holding Corporation	equity securities and warrants	Canada	3,505	3,986
Ethoca Solutions Inc.	equity securities	Canada	1,508	1,508
Guestlogix Inc.	promissory notes and warrants	Canada	2,000	1,976
Mogo Finance Technology Inc.	equity securities	Canada	2,000	2,000
			9,013	9,470
AD TECHNOLOGIES				
Appinions Inc.	equity securities	United States	1,748	343
Appinions Inc.	convertible debentures	United States	2,512	2,314
Vision Critical Communications Inc.	equity securities	Canada	4,324	4,324
			8,584	6,981
MEDIA TECHNOLOGIES				
Hootsuite Media Inc.	equity securities	Canada	2,080	2,410
iPowow! Inc.	equity securities	Canada	5,462	1,329
Quickplay Media Inc.	equity securities	Canada	3,365	3,365
			10,907	7,104
EDUCATION TECHNOLOGIES				
Cricket Media Group Ltd.	convertible debentures	Canada	3,500	1,925
Bluedrop Performance Learning Inc.	convertible debentures	Canada	3,625	3,625
			7,125	5,550
ENTERPRISE SOFTWARE				
Vena Solutions	units	Canada	500	500
Vena Solutions	convertible debentures	Canada	3,347	3,347
Embotics Corporation	convertible debentures	Canada	1,000	1,000
			4,847	4,847
HARDWARE				
Baanto International Ltd.	equity securities	Canada	300	157
Baanto International Ltd.	convertible debentures	Canada	2,700	2,025
BTI Systems Inc.	equity securities	United States	1,887	1,880
BTI Systems Inc.	convertible debentures	United States	252	254
			5,139	4,316
GAMING				
WG Limited ("World Gaming")	equity securities	Canada	30,943	3,659
			30,943	3,659
CLEAN TECHNOLOGIES				
Crailar Technologies, Inc.	convertible debentures	Canada	3,310	481
Enhanced Systems Technologies	equity securities	Australia	3,335	-
			6,645	481
REAL ESTATE				
Difference RM Holdings Corp.	equity securities	United States	5,432	6,925
			5,432	6,925
OTHER				
Waterloo Innovation Network LP	limited partnership units		2,000	2,000
Other equities	equity securities, warrants and units		2,804	1,211
Other debt	debt		1,610	400
			6,414	3,611
TOTAL INVESTMENTS			**130,519**	**84,615**

SCHEDULE OF INVESTMENTS (continued) (unaudited)

Amounts in thousands of Canadian dollars

PORTFOLIO INVESTMENTS AND FAIR VALUE

Significant purchases, sales and changes in valuation of investments for the period ended March 31, 2015 included the following:

Bluedrop Performance Learning Inc. ("Bluedrop")
In February 2015, the Company invested an additional $0.6 million in an unsecured convertible debenture of BlueDrop. The convertible debenture pays 14.0% interest, matures on December 30, 2016, and is convertible into common shares of BlueDrop at the option of the Company at any time prior to the maturity date at a conversion price of $0.15 per common share.

Chieftain Residential, LP ("Chieftain")
In January 2015, the Company sold its interest in Chieftain for aggregate proceeds of US$10.2 million or $12.9 million at the exchange rate applicable on the closing date.

InfraReDx, Inc. ("infraReDx")
As at March 31, 2015, the Company held US$5.0 million in infraReDx secured convertible debentures and preferred share warrants. During the quarter, the Company recorded a further $2.3 million in unrealized depreciation in its infraReDx convertible debentures and warrants based on qualitative observations reflecting the current financial situation of infraReDx following the withdrawal of its initial public offering.

iPowow! Inc. ("iPowow")
As at March 31, 2015, the Company recorded a further $0.4 million in unrealized depreciation in iPowow investments based on qualitative observations reflecting the current financial situation of iPowow.

Lignol Energy Corporation ("Lignol")
During 2014, the Company placed Lignol into receivership. The Company, as a senior secured creditor, recovered approximately $5.2 million in total cash distributions from the sale of the Lignol assets and assumed a 21% interest in Australian Renewal Fuels Limited, a publicly traded company on the Australian Securities exchange. The Company wrote off its investments in Lignol, resulting in a net gain on investment of $4.4 million during the quarter.

Quickplay Media Inc. ("Quickplay")
In February 2015, the Company invested an additional $1.0 million in Quickplay common shares.

WG Limited ("World Gaming")
In January 2015, the Company agreed to convert all of its convertible debentures plus outstanding accrued interest at 30% face value into common shares of World Gaming. In addition, the Company invested an additional US$0.5 million in units of World Gaming (each a "Unit"). Each Unit consists of 1 common share and 1 common share purchase warrant. The Company recorded an unrealized appreciation of $0.3 million in its World Gaming investment in 2015 based on fair value established from most recent round of financing, qualitative observations reflecting the current financial situation of World Gaming, and a positive foreign currency movement.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015 (unaudited - in Canadian dollars)

1. COMPANY INFORMATION

Difference Capital Financial Inc. ("Difference Capital" or the "Company") is a publicly listed company (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 a 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed financial statements of Difference Capital 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, 2014.

These unaudited interim condensed financial statements should be read in conjunction with Difference Capital's 2014 annual audited financial statements.

These financial statements were authorized for issuance by the Board of Directors of Difference Capital on May 12, 2015. The following are the significant accounting policies used in the preparation of these financial statements:

Basis of presentation

The financial statements of Difference Capital have been prepared on a going concern basis and on the historical cost basis, except for marketable securities and investments that have been measured at fair value to the extent required or permitted under the applicable accounting standards. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

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. Estimating fair value requires that judgment be applied to the specific facts and circumstances of each investment. Actual results could differ from these estimates.

Future accounting changes

The Company continues to monitor the potential changes proposed by the IASB and considers the impact changes in the standards would have on the Company's operations.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board on July 24, 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 requires financial instrument classification and related measurement practices to be based primarily on an entity's business model objectives when managing those financial assets and on the extent to which contractual cash flows exist within the financial assets. The standard also introduces a new expected loss impairment model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the potential impacts of this new standard on the financial statements.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15")

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is evaluating the potential impacts of this new standard on the financial statements.

Amendments to IFRS 10, Consolidated Financial Statements ("IFRS 10") and IAS 28, Investment in Associates and Joint Ventures ("IAS 28")

The amendments were issued September 2014 and are effective in annual periods beginning on or after January 1, 2016, to be applied prospectively. The amendments require that upon sale or contribution of assets between an investor and its associate or joint venture, full gain recognition on the transfer is recognized when a transaction involves assets that do not constitute a business under IFRS 3. These amendments are not expected to have any impact on the Company.

Additional amendments were issued in December 2014 and are effective for the annual period beginning on or after January 1, 2016, to be applied retrospectively. The amendments clarify the requirements when accounting for investment entities. These amendments are not expected to have any impact on the Company.

Annual Improvements 2012-2014 Cycle

Annual Improvements 2012-2014 Cycle was issued in September 2014 and is effective for the annual period beginning on or after January 1, 2016. Five minor amendments to different accounting standards were issued as part of the Annual Improvement process of which includes IFRS 7, Financial Instruments: Disclosures and IAS 34, Interim Financial Reporting. These amendments are not expected to have any impact on the Company.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1 were issued in December 2014 and are effective for the annual period beginning on or after January 1, 2016. The amendments clarify existing requirements relating to materiality and aggregation, along with presentation of subtotals in the financial statements. These amendments are not expected to have any impact on the Company.

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3. MARKETABLE SECURITIES AND MARKETABLE SECURITIES SOLD SHORT

Marketable securities and marketable securities sold short consist of the following:

As at	March 31, 2015		December 31, 2014	
	Marketable securities $000	Marketable Securities sold short $000	Marketable securities $000	Marketable Securities sold short $000
Equity securities	598	-	687	23
	598	**-**	687	23

4. INVESTMENTS

Investments consist of the following by investment type:

As at	March 31, 2015 $000	December 31, 2014 $000
Equity securities	60,008	57,819
Convertible debentures	18,397	21,790
Debentures, loans and promissory notes	2,350	6,400
Partnership interests	2,000	10,504
Warrants	1,860	1,801
	84,615	98,314

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

5. 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 % March 31, 2015	December 31, 2014
Difference RM Holding Corp.	Subsidiary	United States	100%	100%
World Gaming	Subsidiary	Canada	70%	23%
Gotham Analytics, LLC	Associate	United States	48%	48%
iPowow Inc.	Associate	Canada	31%	44%
Appinions Inc.	Associate	United States	23%	23%

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.

During the quarter ended March 31, 2015, the Company converted all of its convertible debentures plus outstanding accrued interest at 30% face value into common shares of World Gaming. In addition, the Company invested an additional US$0.5 million in units of World Gaming (each a "Unit"). Each Unit consists of 1 common share and 1 common share purchase warrant. As at March 31, 2015, the Company owned approximately 70% of the issued and outstanding shares of World Gaming.

Other than the current investments in associates and subsidiaries listed above, the Company has no further financial commitments.

6. CONVERTIBLE DEBENTURES

From the 2015 Debenture Normal Course Issuer Bid renewal period (December 10, 2014) to March 31, 2015, the Company had repurchased $3.5 million principal amount of its Debentures.

During the three months ended March 31, 2015, the Company had repurchased $3.5 million principal amount of the Debentures, for an aggregate consideration of $2.8 million. Out of the amount paid, $3.2 million was recorded as a reduction to the liability component of the Debentures, $0.3 million was recorded as a reduction to the Equity Component of the Debentures, $0.4 million was recorded as a gain on repurchase of convertible debentures in Net Income, and $0.3 million was recorded as an increase in Contributed Surplus.

The balance of the Debentures outstanding and the changes in the liability component of the Debentures during the period ended March 31, 2015 were as follows:

	$000
Liability component, January 1, 2014	49,030
Accretion of discount	1,167
Normal course issuer bid repurchases	(3,581)
Liability component, December 31, 2014	46,616
Accretion of discount	311
Normal course issuer bid repurchases	(3,188)
Liability component, March 31, 2015	**43,739**

The changes in the principal amount of Debentures outstanding during the period ended March 31, 2015 was as follows:

	$000
Principal amount, December 31, 2014	51,831
Normal course issuer bid repurchases	(3,523)
Principal amount, March 31, 2015	**48,308**

7. 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. 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
Common shares, balance, January 1, 2014	39,132,334	180,875
Normal course issuer bid repurchases	(934,600)	(4,320)
Common shares, December 31, 2014	38,197,734	176,555
Normal course issuer bid repurchases	(1,868,800)	(8,596)
Common shares, March 31, 2015	**36,328,934**	**167,959**

From the 2015 Share Normal Course Issuer Bid renewal period (December 10, 2014) to March 31, 2015, the Company had repurchased 2.0 million Common Shares.

During the three months ended March 31, 2015, 1.9 million Common Shares were repurchased under the 2015 Share NCIB at an average cost of $1.00 per Common Share for total consideration of $1.9 million. Contributed Surplus was increased by $6.7 million for the cost of the Common Shares repurchased below their stated value.

8. 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 March 31, 2015	Held for Trading $000	FVTPL Designated at inception $000	Total $000	Amortized Cost $000	Total $000
Assets					
Marketable securities	598	-	598	-	598
Investments	-	84,615	84,615	-	84,615
Cash	-	-	-	24,171	24,171
Prepaid expenses, deposits and other receivables	-	-	-	1,354	1,354
Withholding tax receivable	-	-	-	907	907
Due from broker	-	-	-	32	32
Interest receivable	-	-	-	1,808	1,808
Other receivables	-	-	-	193	193
Total Financial Assets	**598**	**84,615**	**85,213**	**28,465**	**113,678**
Liabilities					
Accounts payable and accrued liabilities	-	-	-	1,449	1,449
Due to broker	-	-	-	271	271
Convertible debentures	-	-	-	44,387	44,387
Total Financial Liabilities	**-**	**-**	**-**	**46,107**	**46,107**

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As at December 31, 2014	Held for Trading $000	FVTPL Designated at inception $000	Total $000	Amortized Cost $000	Total $000
Assets					
Marketable securities	687	-	687	-	687
Investments	-	98,314	98,314	-	98,314
Cash	-	-	-	11,799	11,799
Prepaid expenses, deposits and other receivables	-	-	-	674	674
Due from broker	-	-	-	1,133	1,133
Interest receivable	-	-	-	2,145	2,145
Other receivables	-	-	-	200	200
Total Financial Assets	**687**	**98,314**	**99,001**	**15,951**	**114,952**
Liabilities					
Marketable securities sold short	23	-	23	-	23
Accounts payable and accrued liabilities	-	-	-	629	629
Due to broker	-	-	-	26	26
Convertible debentures	-	-	-	48,340	48,340
Total Financial Liabilities	**23**	**-**	**23**	**48,995**	**49,018**

For the three-month period ended March 31, 2015 the total of the change in unrealized gain (loss) and realized gain (loss) from disposal on financial assets designated as held for trading ("HFT") was $0.4 million [March 31, 2014 – $0.4 million], the total of the change in unrealized gain (loss) and realized gain (loss) from disposal on financial assets designated as fair value through profit and loss ("FVTPL") was $5.4 million [March 31, 2014 – $3.5 million] and the total of the change in unrealized gain (loss) and realized gain (loss) on financial liabilities designated as HFT was nil [March 31, 2014 – $0.2 million].

9. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company is exposed to a variety of risks as a result of holding financial instruments: market risk (which includes interest rate risk, currency risk, and other 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 March 31, 2015, the Company holds the following fixed-rate debt instruments: (a) $20.0 million [December 31, 2014 - $23.1 million] in convertible debentures with a weighted average interest rate of 9.65% [December 31, 2014 – 8.86%] and a weighted average term to maturity of approximately 1.3 years [December 31, 2014 – 1.4 years]; and (b) $2.6 million [December 31, 2014 - $6.9 million] in non-convertible debentures with a weighted average interest rate of 14.59% [December 31, 2014 – 10.56%] and a weighted average term to maturity of approximately 0.3 years [December 31, 2014 – 1.7 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.

As at March 31, 2015, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately $0.3 million [December 31, 2014 - $ 0.4 million]. If interest rates were lower by 1% per annum, the potential effect would be an increase in net income of approximately $0.3 million [December 31, 2014 - $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 March 31, 2015, the Company is primarily exposed to foreign exchange risk through its US dollar denominated investments of $22.4 million [December 31, 2014 - $34.2 million] which represents approximately 19.8% [December 31, 2014 – 29.8%] 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 decrease or increase by approximately $0.2 million respectively [December 31, 2014 - $0.3 million].

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 loss of approximately $8.5 million [December 31, 2014 - $9.9 million]. Refer to the Schedule of Investments and notes 3 and 4 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 is exposed to credit risk through certain debt instruments held in the investments and marketable securities portfolios. Refer to the Schedule of Investments and notes 3 and 4 for additional details 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 March 31, 2015 is $22.6 million [December 31, 2014 - $30.0 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 March 31, 2015, the Company's liquidity risk is limited to exposure to accounts payable and accrued liabilities and accrued interest on convertible debentures, which are due within 12 months of March 31, 2015.

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

As at March 31, 2015	Less than one year $000	One to three years $000	Over three years $000	Total $000
Financial Liabilities				
Performance and management fees payable	1,234	-	-	**1,234**
Accounts payable and accrued liabilities	215	-	-	**215**
Due to broker	271	-	-	**271**
Accrued interest on convertible debentures	3,883	7,729	1,932	**13,544**
Convertible debentures	-	-	48,308	**48,308**
Total Financial Liabilities	**5,603**	**7,729**	**50,240**	**63,572**

As at December 31, 2014	Less than one year $000	One to three years $000	Over three years $000	Total $000
Financial Liabilities				
Performance and management fees payable	213	-	-	**213**
Accounts payable and accrued liabilities	416	-	-	**416**
Due to broker	26	-	-	**26**
Accrued interest on convertible debentures	4,147	8,293	4,146	**16,586**
Convertible debentures	-	-	51,831	**51,831**
Total Financial Liabilities	**4,802**	**8,293**	**55,977**	**69,072**

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 convertible debentures, so as to rank ahead of 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.

10. FAIR VALUE MEASUREMENT

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 or liabilities;
(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 March 31, 2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Equities	1,069	-	59,537	60,606
Convertible debentures	-	254	18,143	18,397
Debentures, loans and promissory notes	-	-	2,350	2,350
Partnership interest	-	-	2,000	2,000
Warrants	-	1,175	685	1,860
Total Financial Assets	**1,069**	**1,429**	**82,715**	**85,213**

As at December 31, 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Equities	5,148	-	53,358	58,506
Convertible debentures	-	254	21,536	21,790
Debentures, loans and promissory notes	-	-	6,400	6,400
Partnership interest	-	-	10,504	10,504
Warrants	-	833	968	1,801
Total Financial Assets	**5,148**	**1,087**	**92,766**	**99,001**
Equities sold short	23	-	-	23
Total Financial Liabilities	**23**	**-**	**-**	**23**

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. During the period ended March 31, 2015, there were no transfers from Level 2 to Level 1 [March 31, 2014 - $0.2 million] and there were no transfers from Level 1 to Level 2, Level 2 to 3 and vice versa [March 31, 2014 – nil].

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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 March 31, 2015:

Investment Type	Fair Value $000	Valuation techniques and unobservable inputs applied
Equity securities	39,530	Transaction price
	7,625	Third party transaction/pricing
	6,925	Appraised value
	4,854	Market comparable companies EV/Sales multiple (1.2X-8.5X) Discount (25% - 75%)
	603	Other
Convertible debentures	8,354	Transaction price
	9,789	Market comparable companies Implied market yield (9% - 12%) EV/Sales multiple (1.4X-4.0X) Discount (25% - 100%)
Debentures, loans and promissory notes	2,350	Transaction price
Partnership interest	2,000	Transaction price
Warrants	685	Other
	82,715	

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

	Three months ended March 31, 2015 $000	Year ended December 31, 2014 $000
Opening balance, beginning of period	92,766	115,129
Purchases	6,050	24,119
Sales	(20,851)	(7,179)
Realized gains	(5,306)	(450)
Transfers into level 3	-	2,250
Change in unrealized gain (loss)	10,056	(41,103)
Balance, end of period	**82,715**	**92,766**
Total change in unrealized gain (loss) of assets held as at end of period	4,750	(41,553)

11. RELATED PARTY TRANSACTIONS

Management Agreement

For the period ended March 31, 2015, management fees of $0.6 million [March 31, 2014 **–** $0.8 million] and performance fees of $0.9 million [March 31, 2014 – nil] were accrued. As at March 31, 2015, performance and management fees payable to the manager were $1.2 million [March 31, 2014 **–** $0.3 million]. The outstanding management fees payables were paid subsequent to March 31, 2015. While performance fees accrue during the year, they are only paid after the year-end based on performance as at December 31, 2015.

Under the terms of the Management Agreement, the Company is entitled to receive 40% of all advisory and equity capital market revenues generated by Difference Capital Management Inc. ("DCM") and the Company is required to reimburse DCM for certain operating expenses. For the period ended March 31, 2015, the Company accrued revenue of $0.1 million from such advisory fees [March 31, 2014 **–** $0.3 million].

Waterloo Innovation Network Inc., a company controlled by the CEO of the Company, owes the Company a debt of approximately $167,000 including accrued interest.

In the fourth quarter of 2014, the Company made a $350,000 short term loan to an arm's length nutraceutical manufacturer of topical neuropathic pain reliever (the "Nutraceutical Manufacturer"). The Company had hoped to establish synergies between this manufacturer and Fem Med. Due to the high-risk nature of this investment, the Company's CEO had provided a personal guarantee on the performance of this loan. During the quarter, the Nutraceutical Manufacturer was placed into receivership.

12. 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 management believes that it has sufficient working capital for ongoing operations.

The Company's capital consists of the following:

As at	March 31, 2015 $000	December 31, 2014 $000
Shareholders' equity	67,571	65,934
Convertible debentures – long term portion	43,739	46,616
Total capital	**111,310**	**112,550**

13. BASIC AND DILUTED GAIN PER SHARE

The following table presents the calculation of basic and fully diluted gain per common share for the period ended March 31:

	2015 $000	2014 $000
Basic gain (loss) per share		
Net gain	**3,496**	2,858
Weighted average common shares	**37,040,065**	39,132,334
Basic gain per share	**0.09**	0.07
Fully diluted gain (loss) per share		
Net gain	**3,496**	2,858
Weighted average common shares after taking into effect dilutive convertible debentures	**37,040,065**	39,132,334
Fully diluted gain per share	**0.09**	0.07

In calculating diluted gain per common share for the periods ended March 31, 2015 and 2014, the Company excluded nil (2014 – 7,717,486) purchase warrants and 8,401,391 (2014 – 9,712,352) common shares from the conversion of the convertible debentures as their impact was anti-dilutive.

14. NET ASSET VALUE

The financial statements contain references to “Net Asset Value” (basic and fully diluted) (“NAV”), which is a non-IFRS financial measure. The basic NAV is calculated by subtracting the aggregate fair value of the liabilities of the Company from the aggregate fair 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 account for any dilutive impact of outstanding securities of the Company that are convertible into or exercisable for Common Shares that have been converted or exercised. The term net asset value per share does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

15. SUBSEQUENT EVENTS

In April 2015, Appinions was purchased through a share exchange by ScribbleLive, a private, Toronto based leading provider of content marketing software platforms backed by several prominent venture capitalists.

Also in the month of April, the Company invested an additional $0.5 million in Class “B” Special Shares of Baanto International Ltd.