DIFFERENCE CAPITAL FINANCIAL INC.
MANAGEMENT DISCUSSION AND ANALYSIS

for the quarter ended September 30, 2015

November 10, 2015

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
November 10, 2015

This Management's Discussion and Analysis ("MD&A") dated November 10, 2015 presents an analysis of the financial position of Difference Capital Financial Inc. ("Difference Capital" or the "Company") as at September 30, 2015, compared with December 31, 2014, and the results of operations for the three and nine month periods ended September 30, 2015, compared to the three and nine month periods ended September 30, 2014 and the three month period ended June 30, 2015. It is supplementary information and should be read in conjunction with the Company's audited financial statements and accompanying notes as at December 31, 2014 and unaudited interim financial statements and accompanying notes for the period ended September 30, 2015. All dollar amounts in this MD&A are reported in Canadian dollars, unless otherwise stated.

Regulatory filings for Difference Capital may be found on SEDAR at www.sedar.com, while other information related to the Company is published on the Company's website at www.differencecapital.com.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 1, 2014, the Company adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes. The financial statements for the three and nine months ended September 30, 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited financial statements for the year ended December 31, 2014.

FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Company, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to: the Company's investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Company's financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Company's investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its management team; risks affecting the Company's investments; global political and economic conditions; investments by the

Company in private issuers which have illiquid securities; management of the growth of the Company; exchange rate fluctuations; and other risks and factors discussed in this MD&A under "Risk Factors".

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This document contains references to "net asset value" (basic and fully diluted) ("Net Asset Value" or "NAV"), which is a non-IFRS financial measure. The Company calculates basic NAV 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 accounting for any dilutive impact of outstanding securities of the Company that are convertible into or exercisable for common shares as if they had 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. Management believes that the measure can provide information useful to its shareholders in understanding the Company's performance and facilitate the comparison of the results of its ongoing operations, and may assist in the evaluation of the Company's business, relative to that of its peers.

ABOUT DIFFERENCE CAPITAL

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. The Company's current investment strategy is primarily, albeit not exclusively, focused on investments in debt and equity securities in mid to later stage privately held target companies ("Target Companies").

The Company believes that its continued growth and success is strongly linked to its management team and human capital in addition to its strong partnerships with current and potential investee partners. The Company has assembled a dynamic management team, which brings together different skillsets that uniquely position it to identify investment opportunities and add value to these investments, thus driving returns for its shareholders. The Company believes that having management aligned with shareholders will be a key driver of long-term performance. As of November 10, 2015 management and directors own approximately 38.7% of the Company's issued and outstanding common shares.

Recent Event

Effective June 1, 2015, the Company acquired Difference Capital Inc. ("DCI") (the "Internalization Acquisition") for an aggregate purchase price of $2.4 million and terminated without penalty its management agreement (the "Management Agreement") with Difference Capital Management Inc. ("DCM" or the "Manager"). Upon the completion of the Internalization Acquisition, all DCI and DCM employees became employed directly by the company. DCI is in the process of being wound down and dissolved.

Prior to June 1, 2015, the Company's operations and portfolio were managed by the Manager, under the terms of the Management Agreement. Please see "Related Party Transactions – Management Agreement" for more details on the Management Agreement and the compensation arrangements thereunder.

The Company is located in the Province of Ontario, Canada and its principal address is 130 Adelaide Street West, Suite 1010, Toronto, Ontario, M5H 3P5. The Company's registered office is located at Wildeboer Dellelce Place, Suite 800, 365 Bay Street, Toronto, Ontario, M5H 2V1. The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

BUSINESS STRATEGY

The Company provides investors with an opportunity to gain exposure to unique investments. The Company generally, albeit not exclusively, seeks to invest in the mid-to later-stages of a Target Company's development or in emerging technologies that are developed and validated but may be in the early stage of commercialization. This strategy allows the Company to invest in enterprises that are commercially viable and have visibility toward high growth. In the past, the Company has also made significant investments in early-stage private companies as well as opportunistic investments in distressed United States real estate. The Company no longer seeks to allocate capital to real estate investments, and seeks to divest such assets. The Company is not bound to commit to any particular sector, thereby allowing for diversification; however, the present focus is generally on technology-related, media-related and other growth focused, intellectual property-rich Target Companies. This approach may change over time as market conditions change and the capital markets respond. The Company evaluates each opportunity on its merits. The Company enters investments at a stage where potential exists to maximize strong returns and manages risk by applying the considerable business expertise of its directors and officers to the investments undertaken. With the continued investment of the Company's resources into strategically targeted sectors, the Company is well positioned to benefit from a global economic recovery and positive trends in Canadian and international growth companies. There are very few merchant banks in Canada focused on this sector, providing an opportunity for our team to capitalize on evolving growth trends.

While the Company has in the past made aggregate investments in the securities of a single issuer of up to $30 million, typical initial investment allocations range from $2.0 million to $5.0 million. The Company continues to make investments in issuers in the form of both equity and debt, depending on the suitability and circumstances of each issuer.

In pursuit of returns, the Company, when appropriate, employs the following disciplines:

- The Company seeks to invest in later stage financings of private Target companies. These rounds are typically labeled as series C or D rounds or "Pre-IPO".
- The Company seeks investments that include as many of the following characteristics as possible: (i) a product/service with national/international market potential; (ii) an established business model with high gross margins that support strong competitive advantages; (iii) the ability to sustain growth rates in excess of 25% per annum; (iv) protected intellectual property; (v) scalability; and (vi) currently generating revenue in excess of several million dollars.
- At this time, the Company seeks investments primarily, albeit not exclusively, in the technology and media sectors where we have developed domain expertise and focuses on investments with clear paths to liquidity in a two to three year period. As investment issuers need to be managed for cash flow in

order to reduce financing risks associated with delayed liquidity events, certain sectors will not be considered by the Company.

- The Company has a target rate of return when entering an investment in a Target Company of greater than a typical equity index return. Returns are expected to materialize partially from income on its debt and convertible debenture holdings, but primarily through capital gains based on the growth of its equity and equity-linked securities.
- The Company acquires a detailed knowledge of the business and sector of the Target Company.
- Where appropriate, the Company seeks board representation or board observation rights.
- The Company utilizes the services of independent advisors and consultants to acquire additional information about Target Companies where appropriate.

The Company also considers opportunistic investments that come to its attention through its proprietary deal flow. The Company has extensive experience with a variety of asset classes and strategies including real estate, arbitrage, structured products, long/short equity, market-making, and proprietary trading. The Company is well-positioned to evaluate unique investments that offer significant potential returns on both an absolute and risk-adjusted basis. Such opportunities exist due to structural, market, legal, regulatory, tax, informational or other idiosyncratic inefficiencies. It is the Company's plan that should it identify a strategy or asset class that it believes merits significant investment beyond its own allocation, the Company may choose to contribute such assets to a separate vehicle and offer to existing shareholders and other potential investors the ability to co-invest with the Company in this new entity. Since 2013, the Company has chosen to deemphasize alternative asset classes in order to focus its efforts on the late stage, pre-IPO growth companies described above.

The Company is currently focused on the overall liquidity of its balance sheet. It intends to make only very few select new investment in the coming quarters, while focusing on supporting existing investee companies and on monetizing such positions when and where possible.

Q3 2015 REVIEW

The Company continued to make significant progress during the quarter in stabilizing and positioning its portfolio. The sale of WG Ltd. ("World Gaming") in September and InfraReDx, Inc. ("Infraredx") in October significantly reduced the exposure to earlier stage positions and boosted the cash position. Many of the mostly later stage investments continue to progress well and the IPO capable and public positions now represent over 55% of the portfolio. While capital markets have cooled somewhat, they remain open and M&A opportunities continue to look strong.

The Company continued to prudently manages its liquidity, and where desirable, de-lever its balance sheet. Subsequent to quarter-end, the Company successfully completed a substantial issuer bid to repurchase from holders of its outstanding convertible debentures up to $12.0 million aggregate principal amount of the debentures at a purchase price of $880 per $1000 principal amount of the debentures. To date, the Company has repurchased a total of $20.5 million, or 37%, of the original $56.1 million principal amount of convertible debentures issued, leaving $35.6 million debentures currently outstanding. Management and the board of directors are committed to dealing with the remaining debentures in a manner that is non-dilutive to shareholders. The debentures mature on July 31, 2018.

RESULTS OF OPERATIONS

The selected interim financial information set out below for the eight most recently completed quarters has been derived from the Company's unaudited interim financial statements and accompanying notes posted on www.sedar.com. Readers should read the following financial information in conjunction with those statements and notes.

($000's, except per share amounts)	2015			2014				2013
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Net realized gain (loss) on disposals of investments and marketable securities	(19,248)	346	(8,350)	227	340	1,015	3,053	(731)
Net change in unrealized gain (loss) on investments and marketable securities	26,650	(1,925)	14,161	(23,407)	(9,958)	(11,217)	1,151	(17,138)
Other income	625	709	1,346	1,031	2,163	1,848	1,979	1,950
Total expenses	(4,204)	(4,361)	(3,661)	(3,756)	(4,591)	(4,641)	(3,325)	(3,804)
Net income (loss)	3,823	(5,231)	3,496	(25,905)	(12,046)	(12,995)	2,858	(20,163)
Earnings (loss) per share	0.11	(0.14)	0.09	(0.68)	(0.31)	(0.33)	0.07	(0.52)
Total assets	111,243	107,692	113,678	114,952	139,925	157,125	169,280	168,814
Total liabilities	45,426	45,698	46,107	49,018	47,927	52,255	50,884	53,276
Net asset value	65,817	61,994	67,571	65,934	91,998	104,870	118,396	115,538
Shares outstanding	35,941	35,941	36,329	38,198	38,350	38,856	39,132	39,132
Net asset value per share	1.83	1.72	1.86	1.73	2.40	2.70	3.03	2.95
Share price	0.76	0.82	0.93	1.14	1.37	1.74	2.23	2.75

Quarter Ended September 30, 2015

Net income for the quarter ended September 30, 2015 was $3.8 million, or $0.11 per share compared to a net loss of $12.0 million, or $0.31 per share for the quarter ended September 30, 2014 and a net loss of $5.2 million, or $0.14 per share for the quarter ended June 30, 2015.

During the quarter, World Gaming, a Difference Capital portfolio company, sold its operational assets to Cineplex Inc. ("Cineplex"). As part of the transaction, Cineplex paid US$10.0 million to acquire the assets in exchange for 80% ownership of the new company, and will invest an additional US$5.0 million to expand the business model. In connection with the transaction, the Company expects to receive approximately $5.8 million, net of transaction costs, in Q4 2015. The Company also expects to receive in Q3 2016, approximately $0.8 million that is being held in escrow, net of transaction costs. In addition, the Company will continue to hold a small indirect equity interest in the new company going forward. The transaction resulted in a net overall gain for the Company during the quarter, shown as a net change in unrealized appreciation offset by realized capital losses, as further discussed below.

For the three months ended September 30, 2015, the Company recognized $19.2 million of net realized capital losses, primarily from the World Gaming transaction. During the same period last year, net realized gains on investments and marketable securities were $0.3 million.

The Company recorded $26.7 million of net unrealized gain on investments and marketable securities during the third quarter of 2015, compared to $10.0 million of net unrealized loss in the third quarter of 2014. The net unrealized gain recorded during the quarter was primarily due to the reversal of previously unrealized loss on its investment in World Gaming that was realized when it was sold. In addition, the Company marked up its investments in Infraredx, based on the expected proceeds from the sale of Infraredx debentures subsequent to quarter-end, and Ethoca Solutions Inc. ("Ethoca"), based on the valuation established from the most recent round of financing completed by Ethoca. These gains were partially offset by mark-downs on some of our early-stage private investments.

Other income decreased from $2.2 million for the three months ended September 30, 2014 to $0.6 million for the three months ended September 30, 2015. The decrease in other income was primarily due to lower interest and dividend income totaling $0.6 million, down from $1.6 million in the same period of 2014, due to smaller holdings of convertible debentures and debentures.

Total expenses during the quarter ended September 30, 2015 were $4.2 million compared to $4.6 million for the quarter ended September 30, 2014. Included in total expenses during the quarter was a non-recurring $1.4 million transaction cost related to the World Gaming sale. Similarly, total expenses in the same period last year were also impacted by non-recurring professional fees associated with the Diversified Royalty Corp. (formerly known as “BENEV Capital Inc.”) and the Lignol Energy Corporation (“Lignol”) receivership proceedings.

Nine Months Ended September 30, 2015

For the nine months ended September 30, 2015, the Company reported a net income of $2.1 million, or $0.06 per share, versus a net loss of $22.2 million, or $0.57 per share, for the nine months ended September 30, 2014.

The Company recorded $27.3 million of net realized loss on dispositions of investments and marketable securities during the nine months ended September 30, 2015 compared with $4.4 million in net realized gain in the prior year. The realized loss was primarily attributed to the dispositions of World Gaming and Lignol, partially offset by realized gains from sales of investments in Aurinia Pharmaceuticals Inc. (“Aurinia”) and Chieftain Residential LP (“Chieftain”).

For the nine months ended September 30, 2015, the Company recorded $38.9 million of net change in unrealized appreciation on investments and marketable securities, compared to a net change in unrealized depreciation of $20.0 million during the same period last year. The unrealized appreciation was primarily due to the reversal of previously unrealized gains and losses on investments in World Gaming, Lignol, Aurinia and Chieftain that were realized when the positions were sold or written-off.

Other income for the nine months ended September 30, 2015 decreased to $2.7 million compared to $6.0 million in the prior year. Other income included interest and dividend income from the investment portfolio totaling $2.1 million, versus $4.9 million in the same period of 2014. Also included in other income was the 40% revenue participation in DCM’s advisory revenue business of $0.1 million, compared to $0.6 million in 2014.

Total expenses during the nine months ended September 30, 2015 and 2014 were $12.2 million and $12.6 million, respectively. Included in 2015 total expenses was $2.4 million of acquisition costs related to the Internalization Acquisition and $1.4 million of transaction costs on the sale of World Gaming. The increase was offset by lower management fees, professional fees, and bad debt compared to the prior year.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ended September 30, 2015, cash used in operating activities was $2.7 million, compared to cash provided by operating activities of $12.1 million during the same period in 2014. The Company received $7.2 million in net proceeds of investments and marketable securities compared to $16.3 million in net proceeds during the same quarter last year.

As at September 30, 2015, the Company had $19.6 million of cash and cash equivalents versus $11.8 million as at December 31, 2014. In addition, the Company had $6.9 million of distribution receivable as at September 30, 2015 from the World Gaming transaction, of which $5.8 million is expected to be received in Q4 2015. Total investable assets, calculated as Net Asset Value excluding the convertible debentures outstanding, as of September 30, 2015 were $109.5 million compared to $112.6 million at December 31, 2014.

As at September 30, 2015, the Company's investment and marketable securities portfolios were $83.9 million compared to $99.0 million at December 31, 2014.

As at September 30, 2015, the Company had $47.6 million in outstanding principal on its 8.0% convertible unsecured subordinated debenture due July 31, 2018 (the "Debentures") with a total carrying value of $43.7 million in long-term debt and $3.5 million in equity. Subsequent to quarter end, the Company completed its substantial issuer bid ("the Offer") to purchase for cancellation from holders (the "Debentureholders") of the outstanding Debentures up to $12.0 million aggregate principal amount of the issued and outstanding Debentures at a purchase price of $880 per $1,000 principal amount of Debentures. A total of $18.8 million aggregate principal amount of Debentures had been deposited pursuant to the Offer. As the aggregate principal amount of Debentures deposited under the Offer exceeded the maximum aggregate principal amount of the Offer, a pro rata factor was applied such that Debentureholders who deposited Debentures had approximately 63.8% of their principal amount of Debentures deposited taken up and paid for by the Company. Accordingly, the Company took up $12.0 million aggregate principal amount of Debentures for total consideration of $10.6 million plus accrued and unpaid interest of $0.2 million. A total of $35.6 million Debentures now remain outstanding.

During the quarter, shareholders' equity increased by $3.9 million to $65.8 million.

Net Asset Value as at September 30, 2015 was $65.8 million or $1.83 per share compared to $65.9 million, or $1.73 per share, as at December 31, 2014, and $92.0 million, or $2.40 per share as at September 30, 2014.

In December 2014, the Company obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid (the "2015 NCIB") to repurchase for cancellation up to 2.4 million of its common shares and up to $4.2 million principal amount of its convertible debentures ("Debentures"), through to December 9, 2015. The Company did not repurchase any Debentures or common shares during the quarter. As at September 30, 2015, the Company has completed its 2015 NCIB program.

On October 1, 2015, Nipro Corporation completed the acquisition of Infraredx. The Company had invested US$5.0 million in convertible debentures of Infraredx and expects to receive approximately that amount from the transaction, subject to certain conditions being met. On October 16, 2015, approximately US$3.5 million, representing the first tranche from the transaction, was received. The remaining amount has been placed in escrow to cover potential indemnification claims and will be released to the Company in two tranches 12 and 18 months following closing.

The Company believes it has adequate working capital to support its operations. The Company's primary use of cash is to make investments and to pay for operating expenses.

INVESTMENTS

The table below provides a summary of the Company's investments by industry sector as at September 30, 2015:

Industry Sector	Average Cost ($000)	Fair Value ($000)
Financial Technologies	6,913	8,895
Healthcare	11,411	11,731
Internet	20,946	18,354
Media/Media Technologies	22,949	13,613
Technologies	23,589	19,855
Other	16,911	9,775
	102,719	**82,223**

See Schedule of Investments on pages 6 and 7 of the unaudited interim financial statements and accompanying notes for the period ended September 30, 2015 for additional details.

Significant purchases, sales and changes in valuation of investments during the quarter ended September 30, 2015 included the following:

Ethoca Solutions Inc. ("Ethoca")
In July 2015, Ethoca completed a US$45.0 million primary and secondary equity offering round led by a major private equity firm. As at September 30, 2015, the common shares of Ethoca held by the Company were revalued based on this most recent round of financing. The revaluation resulted in approximately $2.1 million of unrealized gain during the three months ended September 30, 2015.

InfraReDx, Inc. ("Infraredx")
Subsequent to quarter end, Infraredx was sold to Nipro Corporation. The Company had invested US$5.0 million in convertible debentures of Infraredx and expects to receive approximately that amount from the transaction, subject to certain conditions being met. The Company's investment in Infraredx was valued based on the expected proceeds from the transaction as at September 30, 2015, resulting in approximately $2.8 million in unrealized gain during the quarter. See note 17 - Subsequent Events for additional details.

Mogo Finance Technology Inc. ("Mogo")
In June 2015, Mogo completed its initial public offering, issuing 5 million common shares at a price of $10 per share. The Company's shares in Mogo are subject to a lock-up agreement which expires on December 22, 2015. At September 30, 2015, the Company assessed Mogo's fair value based on its September 30, 2015 closing price less a 7.5% discount to reflect the trading restriction.

Scribble Technologies Inc. ("Scribblelive")
In April 2015, Appinions, a portfolio company of the Company, was purchased through a share exchange by Scribblelive. As at September 30, 2015, the Company adjusted its holding of Scribblelive based on the expected shares to be received from the transaction valued at the most recent round of financing. As a result, the Company recorded approximately $1.7 million in unrealized loss during the quarter.

Vena Solutions ("Vena")
In August 2015, the Company invested an additional $0.5 million in Vena units (“Unit”). Each Unit consists of one common share and one-half of one common share warrant.

WG Limited ("World Gaming")
In September 2015, World Gaming sold its operational assets to Cineplex Inc ("Cineplex"). As part of the transaction, Cineplex paid US$10.0 million to acquire the assets in exchange for 80% ownership of the new company, and will invest an additional US$5.0 million to expand the business model. In connection with this sale, the Company expects to receive approximately $6.6 million in aggregate, net of transaction costs. Of this amount, the Company expects to receive $5.8 million in Q4 2015 and $0.8 million from escrow in Q3 2016. In addition, the Company will continue to hold a small indirect equity interest in the new company going forward. The transaction resulted in a gain of $6.3 million during the quarter for the Company.

Other
During the quarter ended September 30, 2015, the Company made fair value adjustments to its investments in Crailar Technologies, Inc., Cricket Media Group Ltd., and iPowow! Inc. based on comparable publicly traded instruments and/or qualitative observations reflecting the current financial situation of these companies.

MARKETABLE SECURITIES

Marketable securities and marketable securities sold short are acquired principally for the purpose of selling or repurchasing in the near term. Marketable securities include equity securities, debt securities 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 owned and marketable securities sold short consist of the following:

	September 30, 2015		December 31, 2014	
	Marketable securities	Securities sold short	Marketable securities	Securities sold short
	($000)	($000)	($000)	($000)
Equity securities	1,682	25	687	23
	1,682	25	687	23

RELATED PARTY TRANSACTIONS

Management Agreement

Prior to June 1, 2015, the Company had a Management Agreement with DCM. Pursuant to the Management Agreement, as compensation for the management services provided to the Company by the Manager, the Company paid the Manager a Management Fee in the amount equal to 2% per annum (plus HST) of the Company’s monthly management fee net asset value (the “Management Fee NAV”), calculated and payable monthly as of the last business day of each month. 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. In addition to the Management Fee, the Manager was entitled to receive, for each fiscal year of the Company, a performance fee (the “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. No Performance Fee has been payable to the Manager since 2012.

Under the terms of the Management Agreement, the Company was also entitled to receive 40% of all advisory and equity capital market revenues generated by DCM and the Company was required to reimburse DCM for certain operating expenses.

Effective June 1, 2015, the Company acquired DCI and terminated without penalty the Management agreement with DCM.

Other Related Party Transactions

As part of its investment process and where the Company is making a significant investment relative to the total outstanding equity of an investee, the Company may seek representation on the board of directors of such investee companies, or the rights to attend and observe board meetings.

The Company reimbursed DCM $0.1 million for occupancy cost during the period.

During 2015, the Company’s Chairman personally funded US$0.6 million to Gotham Analytics LLC (“Gotham”), a Difference Capital portfolio company, for working capital needs. Given the current financial situation of Gotham, Difference Capital had declined any further funding participation in this company.

CONTRACTUAL OBLIGATIONS

The table below is a summary of the Company’s contractual obligations at September 30, 2015:

(thousands of dollars)	**Total**	**1 year or less**	**2**	**3**
Marketable securities sold short	25	25	-	-
Accrued annual incentive plan	304	304	-	-
Accounts payable and accrued liabilities	779	779	-	-
Interest on Convertible Debentures	11,424	3,808	3,808	3,808
Convertible Debentures	47,598	-	-	47,598
Total	60,130	4,916	3,808	51,406

The Company pays management a bonus pool equivalent to 20% of the increase in investable assets over a hurdle rate of 3.0% per annum, with a perpetual high water mark beginning with the December 31, 2014 total investable assets. Investable assets are determined by subtracting the aggregate fair value of the liabilities of the Company (excluding any convertible debentures or debenture issued by the Company) from the aggregate fair value of the assets of the Company on the date on which the calculation is being made. For the purposes of the annual incentive cash bonus calculation, investable assets exclude any equity and debt capital raised or repurchased by the Company during the period in which the calculation is being made. As at September 30, 2015, $0.3 million of annual incentive bonus plan was accrued.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and assumptions 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 revenues 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, as further explained below. Actual results could differ from these estimates.

Included in the Company's investment portfolio are the following types of investments:

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 last traded market price where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances on 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 any restrictions on the disposition 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; valued as though converted to common shares if the price of the underlying common shares exceeds the conversion price; or valued based on quoted market prices of similar convertible debt investments of the same issuer. 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 valuation, 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 last traded market 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.

FUTURE ACCOUNTING CHANGES

The Company continues to monitor the potential changes proposed by the International Accounting Standards Board 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, 2018. 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 a significant 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 a significant 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 a significant 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 a significant impact on the Company.

OUTSTANDING SHARE DATA

The Company has two authorized classes of shares: an unlimited number of common shares and an unlimited number of preference shares, issuable in series.

As at November 10, 2015, there were 35,940,934 common shares outstanding. There are no outstanding preference shares.

As at November 10, 2015, there was an aggregate principal amount of $35.6 million of Debentures outstanding, convertible into 6,190,957 common shares at a conversion price of $5.75 per common share.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's disclosure controls and procedures are designed to provide reasonable assurance the information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under securities laws and include controls and procedures that are designed to ensure that information is accumulated and communicated to management including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) to allow timely decisions regarding disclosure. The CEO and CFO, together with management, are responsible for the design of the Company's disclosure control and procedures (as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*). Management, under the direction of the CEO and CFO, has evaluated the effectiveness of the disclosure controls and procedures as at September 30, 2015, and has concluded that they are reasonably assured that such controls and procedures were effective.

Management, under the supervision of the CEO and CFO, is responsible for the design and maintenance of adequate internal controls over financial reporting for the purposes of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to its inherent limitations, internal controls over financial reporting can only provide reasonable, not absolute, assurance that the financial statements are free of misstatements. Management, under the direction of the CEO and CFO, evaluated the effectiveness of the Company's internal controls over financial reporting as at September 30, 2015 and has concluded that internal control over financial reporting was appropriately designed and operating effectively. There have been no changes during the quarter ended September 30, 2015 in the Company's internal controls over financial reporting that have materially affected, or are reasonable likely to materially affect, the Company's internal controls over financial reporting.