Interim Condensed Financial Statements

Unaudited (prepared in Canadian dollars)

For the quarter and nine months ended September 30, 2017

Notice to Shareholders:

The Company’s independent auditor has not performed a review of these unaudited interim condensed financial statements for the period ended September 30, 2017.

STATEMENTS OF FINANCIAL POSITION (unaudited)

As at Amounts in thousands of Canadian dollars (except per share amounts)		**September 30, 2017**		**December 31, 2016**
ASSETS				
Current				
Cash and cash equivalents	**$**	**4,449**	$	10,848
Distribution receivables *[note 3]*		**798**		2,898
Marketable securities *[note 4]*		**438**		735
Prepaid expenses, deposits and other receivables		**219**		170
Interest receivable		**382**		164
Total current assets		**6,286**		14,815
Investments *[note 5]*		**63,578**		60,834
Total assets	**$**	**69,864**	$	75,649
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**166**	$	379
Accrued interest on convertible debentures		**387**		983
Convertible debentures *[notes 2, 7 & 11c]*		**28,328**		—
Total current liabilities		**28,881**		1,362
Convertible debentures *[notes 2, 7 & 11c]*		**—**		28,059
Total liabilities		**28,881**		29,421
SHAREHOLDERS' EQUITY				
Share capital *[note 8]*		**134,475**		135,397
Equity component of convertible debentures *[note 7]*		**2,151**		2,180
Contributed surplus		**79,057**		78,143
Deficit		**(174,700)**		(169,492)
Total shareholders' equity		**40,983**		46,228
Total liabilities and shareholders' equity	**$**	**69,864**	$	75,649
Net Asset Value per share Basic and diluted	**$**	**7.04**	$	7.89

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

On behalf of the Board of Directors:

"Corey Delaney"
Director

"Henry Kneis"
Director

STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

Amounts in thousands of Canadian dollars (except for common shares and per share amounts)	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on disposal of investments and marketable securities	**$ 143**	$ (2,863)	**$ (1,833)**	$ (13,963)
Net change in unrealized gain (loss) on investments and marketable securities	**(3,045)**	(2,002)	**(166)**	11,890
	(2,902)	(4,865)	**(1,999)**	(2,073)
OTHER INCOME				
Interest, dividends and other income	**366**	290	**1,304**	929
Gain on repurchase of convertible debentures *[note 7]*	**—**	—	**9**	162
	366	290	**1,313**	1,091
EXPENSES				
Employee compensation and benefits *[notes 9 & 15]*	**280**	515	**990**	1,954
Professional fees	**182**	142	**533**	460
General and administrative	**90**	159	**298**	472
Provision for uncollectible receivables	**167**	—	**184**	3
Harmonized sales tax	**21**	28	**63**	84
Financing costs	**809**	884	**2,419**	2,718
Transaction costs	**3**	8	**36**	17
Total expenses	**1,552**	1,736	**4,523**	5,708
Net income (loss) and comprehensive income (loss)	**$ (4,088)**	$ (6,311)	**$ (5,209)**	$ (6,690)
Weighted average number of common shares outstanding *[note 14]*				
Basic and diluted	**5,825,129**	5,871,874	**5,845,548**	5,872,221
Income (loss) per share *[note 14]*				
Basic and diluted	**$(0.70)**	**$(1.08)**	**$(0.89)**	**$(1.14)**

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

STATEMENTS OF CHANGES IN EQUITY (unaudited)

Amounts in thousands of Canadian dollars	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Share capital				
Balance, beginning of the period	**$ 134,845**	$ 135,715	**$ 135,397**	$ 135,715
Normal course issuer bid common shares repurchased and cancelled *[note 8]*	**(370)**	(125)	**(922)**	(125)
Balance, September 30	**134,475**	135,590	**134,475**	135,590
Equity component of convertible debentures				
Balance, beginning of the period	**2,151**	2,382	**2,180**	2,593
Normal course issuer bid convertible debentures repurchased and cancelled *[note 7]*	**—**	—	**(29)**	(211)
Balance, September 30	**2,151**	2,382	**2,151**	2,382
Contributed surplus				
Balance, beginning of the period	**78,713**	77,613	**78,143**	77,126
Stock option expense *[note 9]*	**35**	109	**143**	524
Normal course issuer bid common shares repurchased and cancelled *[note 8]*	**309**	97	**760**	97
Normal course issuer bid convertible debentures repurchased and cancelled *[note 7]*	**—**	—	**11**	72
Balance, September 30	**79,057**	77,819	**79,057**	77,819
Deficit				
Balance, beginning of the period	**(170,612)**	(156,937)	**(169,491)**	(156,558)
Net income (loss) and comprehensive income (loss)	**(4,088)**	(6,311)	**(5,209)**	(6,690)
Balance, September 30	**(174,700)**	(163,248)	**(174,700)**	(163,248)
Net change in equity during the period	**(4,114)**	(6,230)	**(5,246)**	(6,333)
Equity, beginning of the period	**45,097**	58,773	**46,229**	58,876
Balance, September 30	**$ 40,983**	$ 52,543	**$ 40,983**	$ 52,543

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

STATEMENTS OF CASH FLOWS (unaudited)

Amounts in thousands of Canadian dollars	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
OPERATING ACTIVITIES				
Net income (loss) for the period	**$ (4,088)**	$ (6,311)	**$ (5,209)**	$ (6,690)
Items not affecting cash:				
Net realized (gain) loss on disposal of investments and marketable securities	**(143)**	2,863	**1,833**	13,963
Net change in unrealized (gain) loss on investments and marketable securities	**3,045**	2,002	**166**	(11,890)
Amortization of financing costs on convertible debentures	**221**	219	**655**	669
Gain on repurchase of convertible debentures	**—**	—	**(9)**	(162)
Conversion of interest revenue into equities and debentures	**—**	—	**(304)**	—
Equity-based compensation	**35**	109	**143**	524
Net change in non-cash working capital balances	**(557)**	(612)	**1,024**	(1,542)
Effect of foreign exchange on cash	**(56)**	(56)	**(106)**	(303)
Purchase of marketable securities	**—**	(414)	**(2,224)**	(414)
Proceeds from disposal of marketable securities	**100**	961	**583**	1,257
Purchase of investments	**—**	(258)	**(4,250)**	(1,180)
Proceeds from disposal and maturity of investments	**139**	637	**1,857**	10,349
Cash provided by (used in) operating activities	**(1,304)**	(860)	**(5,841)**	4,581
FINANCING ACTIVITIES				
Normal course issuer bid common shares repurchased and cancelled *[note 8]*	**(62)**	(28)	**(164)**	(28)
Normal course issuer bid convertible debentures repurchased and cancelled *[note 7]*	**—**	—	**(394)**	(2,646)
Cash used in financing activities	**(62)**	(28)	**(558)**	(2,674)
Net increase (decrease) in cash during the period	**(1,366)**	(888)	**(6,399)**	1,907
Cash and cash equivalents, beginning of the period	**5,815**	15,846	**10,848**	13,051
Cash and cash equivalents, end of the period	**$ 4,449**	$ 14,958	**$ 4,449**	$ 14,958
Interest received	**$ 112**	$ 147	**$ 457**	$ 768
Dividends received	**40**	40	**120**	120
Interest paid	**1,166**	1,292	**2,348**	2,698

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

SCHEDULE OF INVESTMENTS (unaudited)

Amounts in thousands of Canadian dollars	INVESTMENT TYPE	COUNTRY	September 30, 2017 AVERAGE COST $	FAIR VALUE $
FINANCIAL TECHNOLOGIES				
Carta Solutions Holding Corporation	equity securities	Canada	3,629	
Carta Solutions Holding Corporation	loans	Canada	1,234	
Ethoca Solutions Inc.	equity securities	Canada	1,508	
Mogo Finance Technology Inc.	equity securities	Canada	4,224	
Mogo Finance Technology Inc.	convertible debentures	Canada	4,000	
			14,595	13,993
HEALTHCARE				
BrainScope Company Inc.	equity securities	United States	1,820	
Cardiac Dimensions Pty. Ltd.	equity securities	United States	2,183	
			4,003	4,670
INTERNET				
BuildDirect.com Technologies Inc.	equity securities	Canada	7,713	
BuildDirect.com Technologies Inc.	convertible promissory notes	Canada	796	
Vision Critical Communications Inc.	equity securities	Canada	4,997	
Scribble Technologies Inc.	equity securities	Canada	4,609	
Hootsuite Media Inc.	equity securities	Canada	2,080	
			20,195	9,558
MEDIA/MEDIA TECHNOLOGIES				
Thunderbird Films Inc.	equity securities	Canada	6,000	
Blue Ant Media Inc.	equity securities	Canada	4,787	
Cricket Media Group Ltd.	convertible debentures	Canada	4,575	
			15,362	11,444
TECHNOLOGIES				
Vena Solutions	equity securities	Canada	1,030	
Vena Solutions	convertible debentures	Canada	3,647	
Baanto International Ltd.	equity securities	Canada	1,070	
Baanto International Ltd.	convertible debentures	Canada	2,700	
Bluedrop Performance Learning Inc.	convertible debentures	Canada	3,000	
ViXS Systems Inc	convertible debentures	Canada	340	
Other	equity securities	Canada & USA	1,005	
			12,792	12,021
OTHER				
Difference RM Holdings Corp.	equity securities	United States	6,266	
Waterloo Innovation Network LP	limited partnership units	Canada	2,000	
Other	convertible debentures, equity securities and units	Canada	550	
			8,816	11,892
TOTAL INVESTMENTS			**75,763**	**63,578**

SCHEDULE OF INVESTMENTS (unaudited) (continued)

PORTFOLIO INVESTMENTS AND FAIR VALUE

There were no significant purchases or sales of investments during the quarter. Significant changes in valuation of investments during the quarter were mainly attributed to a $1.4 million unrealized fair value loss in BuildDirect.com Technologies Inc. ("BuildDirect"), $0.7 million mark-to-market decrease in Mogo Finance Technology Inc. common shares, and $0.9 million of unrealized foreign currency translation loss in the Company's U.S. investments.

1. COMPANY INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed financial statements 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 ended December 31, 2016.

These unaudited interim condensed financial statements should be read in conjunction with Difference Capital's 2016 annual audited financial statements.

These financial statements were authorized for issuance by the Board of Directors of Difference Capital on November 8, 2017. 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 under the historical cost convention, except for marketable securities and investments, which are measured at fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The Company has $29.2 million in principal amount of its Debentures outstanding and maturing on July 31, 2018. As of the issuance date of these unaudited interim condensed financial statements (November 8, 2017), the Debentures have a remaining term to maturity of less than one year. Management is closely monitoring the liquidity of its portfolio holdings. Management has a plan that augments existing cash on hand by generating funds from the sale of select investments, the receipt of the principal amount of debentures on their maturity dates, and the receipt of certain holdbacks on companies previously sold to fulfill the Debenture repayment obligation. Due to the illiquid nature of the private and smaller capitalization public investments and real property in the portfolio, the success of management's plan cannot be assured and may be subject to significant change. As such, management may also consider other options to generate sufficient liquidity to fulfill the Debenture repayment obligation including, but not limited to, debt extension or refinancing.

Readers are directed to Note 11 c) for disclosure of the risks surrounding the Company's funding requirements and liquidity position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Fair value of privately held investments

Estimating fair value requires that judgment be applied to the specific facts and circumstances of each investment. Actual results could differ from these estimates. Refer to Note 12, Fair Value Measurement, for specific disclosure on fair value estimation of privately held investments.

Equity based compensation

The compensation expense for awards of stock options is estimated using the Black-Scholes option pricing model, which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in Note 9.

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 IASB 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 plans to adopt the new standard on the required effective date. During 2017, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the standard is not expected to have a material impact on the measurement basis of the financial assets held by the Company since the majority of the financial assets are measured at fair value through profit or loss ("FVTPL"). The Company expects to continue measuring at fair value all financial assets currently held at fair value. Debt securities are expected to be measured at FVTPL under IFRS 9 as the Company does not expect to hold the assets to collect contractual cash flows. Therefore, no impact on the Net Asset Value and the results of the Company is expected from the adoption of IFRS 9.

IFRS 15, *Revenue from Contracts with 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 new standard is not expected to have a significant impact on the Company's financial statements.

3. DISTRIBUTION RECEIVABLES

Distribution receivables as at September 30, 2017 of $0.8 million (December 31, 2016 - $2.9 million) included the following:

- $0.3 million from the sale of BTI Systems Inc. held in escrow to cover potential indemnification claims [December 31, 2016 - $0.4 million]. As at September 30, 2017, the escrow was past due. The Company has taken a $0.1 million allowance for impairment with respect to this distribution receivable; and
- $0.5 million from the sale of Quickplay Media Inc. held in escrow to cover potential indemnification claims, which is anticipated to be released in the fourth quarter of 2017 [December 31, 2016 - $0.5 million].

4. MARKETABLE SECURITIES

Marketable securities consist of the following:

As at	September 30, 2017 $000	December 31, 2016 $000
Equity securities	438	735
	438	735

5. INVESTMENTS

Investments consist of the following by investment type:

As at	September 30, 2017 $000	December 31, 2016 $000
Equity securities	35,634	35,064
Convertible debentures	14,819	12,370
Debentures, loans and promissory notes	1,284	730
Partnership interests	1,320	1,320
Real estate	10,521	11,320
Warrants	-	30
	63,578	**60,834**

See Schedule of Investments on pages 7 & 8 for further details.

6. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

Name	Relationship	Principal Place of Business	Ownership interest and Voting Rights % as at September 30, 2017	December 31, 2016
Difference RM Holding Corp.	Subsidiary	United States	100%	100%
Gotham Analytics, LLC	Associate	United States	40%	40%
WG Limited	Associate	Canada	38%	38%

6. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES (continued)

Difference RM Holding Corp. 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.

The Company pays legal, professional, and other fees and expenses on behalf of DRM Properties and recovers these amounts from DRM Properties through capital calls throughout the year. During the nine months ended September 30, 2017, the Company paid $0.2 million [year ended December 31, 2016 - $0.5 million] in expenses on behalf of DRM Properties and received $0.2 million [year ended December 31, 2016 - $0.4 million] through capital calls. A receivable from DRM Properties of $0.1 million is outstanding as at September 30, 2017 [December 31, 2016 - $0.1 million]. No provisions or expense for doubtful receivables were recognized related to the amounts owing from DRM Properties as at and for the periods ended September 30, 2017 and December 31, 2016.

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

7. CONVERTIBLE DEBENTURES

The changes in the liability component of the Debentures during the period ended September 30, 2017 were as follows:

	$000
Liability component, January 1, 2016	32,432
Accretion of discount	888
Normal course issuer bid repurchased and cancelled	(5,261)
Liability component, December 31, 2016	28,059
Accretion of discount	654
Normal course issuer bid repurchased and cancelled	(385)
Liability component, September 30, 2017	**28,328**

As at September 30, 2017, the Debentures have a remaining term to maturity of less than one year and as such, has been reclassified as current liabilities.

The changes in the principal amount of the Debentures outstanding during the period ended September 30, 2017 were as follows:

	$000
Principal amount, January 1, 2016	35,146
Normal course issuer bid repurchased and cancelled	(5,585)
Principal amount, December 31, 2016	29,561
Normal course issuer bid repurchased and cancelled	(400)
Principal amount, September 30, 2017	**29,161**

On December 13, 2016, the Company received approval from the TSX to renew its Normal Course Issuer Bid ("2017 Debentures NCIB") to repurchase its Debentures. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Debentures during Company-imposed black-out periods, and, subject to pre-determined pricing and volume restrictions imposed by the Company, to the rules and policies of

7. CONVERTIBLE DEBENTURES (continued)

the TSX and to specific terms of the 2017 Debentures NCIB. Outside of these pre-determined blackout periods, Debentures were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company is authorized to acquire up to $3.2 million principal amount of its Debentures, representing 10% of the public float of the outstanding Debentures. The 2017 Debentures NCIB will expire on December 14, 2017.

During the three months ended September 30, 2017 and 2016, the Company did not repurchase Debentures.

During the nine months ended September 30, 2017, the Company repurchased $0.4 million principal amount of the Debentures [September 30, 2016 – $2.9 million], for an aggregate consideration of $0.4 million [September 30, 2016 – $2.6 million]. Out of the amount paid, $0.4 million was recorded as a reduction to the liability component of the Debentures [September 30, 2016 – $2.7 million], $0.0 million was recorded as a reduction to the equity component of the Debentures [September 30, 2016 – $0.2 million], $0.0 million was recorded as a gain on repurchase of Debentures in the statement of income (loss) and comprehensive income (loss) [September 30, 2016 – $0.2 million], and $0.0 million was recorded as an increase in contributed surplus [September 30, 2016 – $0.1 million].

8. SHARE CAPITAL

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

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

	Number of Shares (1)	Stated Value $000
Common shares, January 1, 2016	5,872,397	135,715
Normal course issuer bid repurchased and cancelled	(13,760)	(318)
Common shares, December 31, 2016	**5,858,637**	**135,397**
Normal course issuer bid repurchased and cancelled	(39,916)	(922)
Common shares, September 30, 2017	**5,818,721**	**134,475**

(1) On November 30, 2016, shareholders of the Company approved the consolidation of its common shares (the "Common Shares") on the basis of one post consolidation common share for every five pre-consolidation common shares outstanding (the "Consolidation"). The table above is shown after giving effect to the Consolidation**.**

On September 13, 2016, the Company received approval from the TSX to renew its normal course issuer bid ("2016 Common Shares NCIB") to repurchase its common shares. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its common shares during Company-imposed black-out periods, and, subject to pre-determined pricing and volume restrictions imposed by the Company, to the rules and policies of the TSX and to specific terms of the 2016 Common Shares NCIB. Outside of these pre-determined blackout periods, shares were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company is authorized to repurchase up to 1.6 million of its pre-Consolidation [0.3 million post-Consolidation] common shares, representing 10% of the public float of the outstanding common shares. The 2016 Common Shares NCIB expired on September 14, 2017.

September 30, 2017 (unaudited in Canadian dollars)

8. SHARE CAPITAL (continued)

During the three months ended September 30, 2017, 16,000 common shares were repurchased [September 30, 2016 – 5,400 post-Consolidation common shares] under the normal course issuer bid at an average cost of $3.83 per common share [September 30, 2016 - $5.10]. Contributed surplus was increased by $0.3 million [September 30, 2016 – $0.1 million] for the cost of the common shares repurchased below their stated value.

During the nine months ended September 30, 2017 the Company repurchased 39,900 post-Consolidation common shares [September 30, 2016 – 5,400 post-Consolidation common shares] at an average cost of $4.07 per common share [September 30, 2016 - $5.10] for total consideration of $0.2 million [September 30, 2016 – nil]. Contributed surplus was increased by $0.8 million [September 30, 2016 – $0.1 million] for the cost of the common shares repurchased below their stated value.

9. STOCK OPTION PLAN

All amounts in this note have been adjusted for the Consolidation. See Note 8 for specific disclosures on the Consolidation.

Under the Stock Option Plan, the number of common shares that may be issued as a result of the grant of options shall not exceed 10% of the number of the then-issued and outstanding common shares of the Company at the time of grant. As at September 30, 2017, 10% of the issued and outstanding common shares was 581,872 common shares.

During the nine months ended September 30, 2017, the Company did not grant any options [September 30, 2016 – 405,000] to its directors, officers and employees. For options granted in 2016, each option is exercisable for a ten-year period, expiring March 13, 2026, to acquire one common share at a price of $6.70 per share. One-third of the options vested immediately; one-third of the options vested on the first anniversary of the grant date; and one-third of the options shall vest on the second anniversary of the grant date.

As at September 30, 2017, an additional 231,872 common shares [December 31, 2016 – 181,298] could have been granted under the Company's Stock Option Plan.

The fair value of options granted on March 14, 2016 was estimated at $2.25 per option using the Black-Scholes option pricing model. The following inputs were used:

Year of grant	2016
Risk-free interest rate	0.75%
Expected dividend yield	0%
Expected share price volatility	45%
Expected option life (years)	5
Expected forfeiture rate	6%

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

9. STOCK OPTION PLAN (continued)

The following is a summary of the stock option activity under the Company's Stock Option Plan as at September 30, 2017 and 2016:

	2017		2016	
	Number of options	Exercise price	Number of options	Exercise price
Options outstanding, beginning of the year	405,000	$6.70	-	-
Options granted	-	-	405,000	$6.70
Options outstanding, September 30	**405,000**	**$6.70**	**405,000**	**$6.70**
Options exercisable, September 30	**270,000**	**$6.70**	**135,000**	**$6.70**

The equity-based compensation expense under the share option plan for the nine months ended September 30, 2017 of $0.2 million [September 30, 2016 – $0.5 million] has been included in employee compensation and benefits.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

As at September 30, 2017	Held for Trading $000	FVTPL Designated at Inception $000	Total $000	Amortized Cost $000	Total $000
Assets					
Marketable securities	438	-	438	-	438
Investments	-	63,578	63,578	-	63,578
Cash and cash equivalents	-	-	-	4,449	4,449
Distribution receivables	-	-	-	798	798
Prepaid expenses, deposits and other receivables	-	-	-	219	219
Interest receivable	-	-	-	382	382
Total Financial Assets	**438**	**63,578**	**64,016**	**5,848**	**69,864**
Liabilities					
Accounts payable and accrued liabilities	-	-	-	166	166
Accrued interest on convertible Debentures	-	-	-	387	387
Convertible debentures	-	-	-	28,328	28,328
Total Financial Liabilities	-	-	-	**28,881**	**28,881**

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10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

As at December 31, 2016	Held for Trading $000	FVTPL Designated at inception $000	Total $000	Amortized Cost $000	Total $000
Assets					
Marketable securities	735	-	735	-	735
Investments	-	60,834	60,834	-	60,834
Cash and cash equivalents	-	-	-	10,848	10,848
Distribution receivables	-	-	-	2,898	2,898
Prepaid expenses, deposits and other receivables	-	-	-	170	170
Interest receivable	-	-	-	164	164
Total Financial Assets	**735**	**60,834**	**61,569**	**14,080**	**75,649**
Liabilities					
Accounts payable and accrued liabilities	-	-	-	379	379
Accrued interest on convertible Debentures	-	-	-	983	983
Convertible debentures	-	-	-	28,059	28,059
Total Financial Liabilities	-	-	-	**29,421**	**29,421**

For the three months ended September 30, 2017, the total of the change in unrealized gain (loss) and realized gain (loss) of financial assets classified as Held for Trading was $0.1 million, [September 30, 2016 – $0.5 million], and the total of the change in unrealized gain (loss) and realized gain (loss) of financial assets classified as Fair Value Through Profit and Loss was $(3.0 million) [September 30, 2016 – $(0.3 million)].

For the nine months ended September 30, 2017, the total of the change in unrealized gain (loss) and realized gain (loss) of financial assets classified as Held for Trading was $0.2 million [September 30, 2016 – $0.5 million], and the total of the change in unrealized gain (loss) and realized gain (loss) of financial assets classified as Fair Value Through Profit and Loss was ($2.1 million) [September 30, 2016 – $2.5 million].

11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

a) Market risk

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

Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial

11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

As at September 30, 2017, the Company holds the following fixed-rate debt instruments: (a) $15.3 million [December 31, 2016 – $12.5 million] in convertible debentures with a weighted average interest rate of 10.0% [December 31, 2016 – 10.53%] and a weighted average term to maturity of approximately 1.1 years [December 31, 2016 – 1.4 years]; and (b) $1.3 million [December 31, 2016 – $0.7 million] in non-convertible debentures with a weighted average interest rate of 4.86% [December 31, 2016 – 33.6%] and a weighted average term to maturity of 0.2 years [December 31, 2016 – due on demand]. Should market interest rates rise, then the fair value of these convertible and non-convertible debentures may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. Additionally, the economic exposure to interest rate risk is mitigated by the Company's intention, in some cases, to either convert the debentures into the related underlying equities or, in the case of non-convertible debentures, to hold the instrument until maturity.

As at September 30, 2017, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately $0.1 million [December 31, 2016 – $0.2 million]. If interest rates were lower by 1% per annum, the potential effect would be an increase in net income of approximately $0.1 million [December 31, 2016 – $0.2 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 September 30, 2017, the Company is primarily exposed to foreign exchange risk through its US dollar denominated investments of $20.7 million [December 31, 2016 – $23.7 million], which represent approximately 29.6% [December 31, 2016 – 30.8%] of total assets. The Company does not currently hedge its foreign currency exposure. If the Canadian dollar strengthened or weakened by 5% in relation to the foreign currencies, the investments would decrease or increase in value by approximately $1.0 million, respectively [December 31, 2016 – $1.2 million].

Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's marketable securities and investments are susceptible to price risk arising from uncertainties about their future values. If the fair value of these financial assets were to increase or decrease by 10%, the Company would incur an associated increase or decrease in net gain (loss) of approximately $6.4 million [December 31, 2016 – $6.2 million]. Refer to the Schedule of Investments and Notes 4 and 5 for additional details regarding the fair value of marketable securities and investments, respectively.

b) Credit risk

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

11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

As at	September 30, 2017 $000	December 31, 2016 $000
Cash and cash equivalents	4,449	10,848
Distribution receivables	798	2,898
Convertible debentures	14,819	12,370
Debentures, loans and promissory notes	1,284	730
Accrued interest	382	164
Other receivables	219	170
	21,951	**27,180**

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

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

As at September 30, 2017, there were no debts overdue [December 31, 2016 – $0.7 million]. During the three and nine months ended September 30, 2017, the Company recorded an unrealized loss of $0.7 million on its BuildDirect debt investment and recorded a $0.2 million provision for uncollectible accrued interest with respect to this debt. See Note 17 Subsequent Events for additional details. For the three and nine months ended September 30,2016, no unrealized losses were attributable to changes in credit risk of the debt instruments.

As at September 30, 2017, $0.4 million of distribution and interest receivable were past due [December 31, 2016 – $0.7 million]. During the quarter ended September 30, 2017 $0.0 million allowance for impairment was taken with respect to the distribution receivable [September 30, 2016 – nil].

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. The Company aims to invest principally in private companies with a medium to long-term investment horizon. These investments are inherently illiquid. Capital invested and potential capital gains are only realized when the investment is partially or fully sold, either through an M&A or IPO transaction, which can take years to materialize. For the majority of its investments, the Company has little to no control over the timing and management of the ultimate liquidity events.

The 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 September 30, 2017, the Company's liquidity risk includes its accounts payable and accrued liabilities, accrued interest and the principal amount of its Debentures, which are due within 12 months of September 30, 2017.

The Company has $29.2 million in principal amount of its Debentures outstanding and maturing on July 31, 2018. If the Company is unable to generate sufficient funds to repay the full principal

11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

amount of the Debentures at the maturity date in cash, the Company has the option to satisfy its repayment obligations, in whole or in part, with Common Shares. In order to make such an election, the Company must provide at least 40 days and not more than 60 days prior notice and deliver that number of freely tradeable Common Shares obtained by dividing the principal amount of such Debentures by 95% of the current market price on the maturity date. The current market price will be the volume weighted average price per share for the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the maturity date. The volume weighted average price will be determined by dividing the aggregate sale price of all Common Shares sold during such 20 trading days by the total number of Common Shares sold during the same period.

Given that the Common Shares are currently trading at a discount compared to the Net Asset Value per share as at September 30, 2017, shareholders risk having their ownership in the Company diluted if the Company elects to satisfy its repayment obligation on the Debentures with Common Shares. Debenture holders will incur equity risk should the Company deliver to them Common Shares on the maturity date instead of cash.

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

As at September 30, 2017	Less than one year $000	One to three years $000	Over three years $000	Total $000
Financial Liabilities				
Accounts payable and accrued liabilities	166	-	-	**166**
Interest on convertible debentures	2,333	-	-	**2,333**
Convertible debentures	29,161	-	-	**29,161**
Total Financial Liabilities	**31,660**	**-**	**-**	**31,660**

As at December 31, 2016	Less than one year $000	One to three years $000	Over three years $000	Total $000
Financial Liabilities				
Accounts payable and accrued liabilities	379	-	-	**379**
Interest on convertible debentures	2,365	2,365	-	**4,730**
Convertible debentures	-	29,561	-	**29,561**
Total Financial Liabilities	**2,744**	**31,926**	**-**	**34,670**

Risk management

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

12. FAIR VALUE MEASUREMENT

The following tables summarize the valuation of the Company's financial assets and liabilities reported at fair value by the fair value hierarchy levels described in Note 2, Summary of Significant Accounting Policies in the Company's 2016 annual audited financial statements:

As at September 30, 2017	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Equities	4,124	-	31,948	36,072
Convertible debentures	-	3,960	10,859	14,819
Debentures, loans and promissory notes	-	-	1,284	1,284
Partnership interest	-	-	1,320	1,320
Real estate	-	-	10,521	10,521
Warrants	-	-	-	-
Total Financial Assets	**4,124**	**3,960**	**55,932**	**64,016**

As at December 31, 2016	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Equities	1,279	-	34,520	35,799
Convertible debentures	-	-	12,370	12,370
Debentures, loans and promissory notes	-	-	730	730
Partnership interest	-	-	1,320	1,320
Real estate	-	-	11,320	11,320
Warrants	-	4	26	30
Total Financial Assets	**1,279**	**4**	**60,286**	**61,569**

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 September 30, 2017, there were no transfers from Level 1 to Level 2 or vice versa [September 30, 2016 – nil] and there were no transfers from Level 2 to Level 3 or vice versa [September 30, 2016 – nil].

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

	Three months ended September 30, 2017 $000	Nine months ended September 30, 2017 $000	Year ended December 31, 2016 $000
Opening balance, beginning of period	58,231	60,286	75,338
Purchases	-	554	3,369
Sales	-	(1,538)	(11,800)
Realized gain (loss)	(15)	(2,504)	(13,009)
Transfers	-	-	-
Change in unrealized gain (loss)	(2,284)	(866)	6,388
Balance, end of period	**55,932**	**55,932**	**60,286**
Total change in realized and unrealized gain (loss) on Level 3 investments held as at end of period	(2,299)	(3,370)	(6,621)

September 30, 2017 (unaudited in Canadian dollars)

12. FAIR VALUE MEASUREMENT (continued)

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at September 30, 2017:

INVESTMENT TYPE	FAIR VALUE	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE	WEIGHTED AVERAGE [(6)]	REASONABLE POSSIBLE SHIFT +/- IN UNOBSERVABLE INPUTS [(7)]	IMPACT TO VALUATION FROM CHANGES IN INPUTS +/- [(7)]
FINANCIAL TECHNOLOGIES							
Equity securities	1,771	Fundamental analysis [(1)]	N/A	N/A	N/A	N/A	N/A
Debt	1,234	Transaction price	Purchase price [(3)]	N/A	N/A	N/A	N/A
Equity securities	3,342	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
HEALTHCARE							
Equity securities	4,670	Transaction price	Purchase price [(3)]	N/A	N/A	N/A	N/A
INTERNET							
Equity securities	7,424	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
Equity securities	2,134	Market comparable companies	Revenue multiple [(4)]	8.6x	8.6x	0.5x	147/(147)
Convertible debentures and Equity Securities	-	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
MEDIA/MEDIA TECHNOLOGIES							
Equity securities	5,200	Market comparable companies	Revenue multiple	8.9x	8.9x	0.5x	417/(528)
Equity securities	5,744	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
Convertible debentures	500	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
TECHNOLOGIES							
Equity securities	1,662	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
			Discount [(5)]	15%-20%	15%-20%	N/A	N/A
Equity securities	-	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
Convertible debentures	3,340	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Convertible debentures	5,744	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
			Discount [(5)]	15%-20%	15%-20%	N/A	N/A
Convertible debentures	1,275	Liquidation analysis	Estimated net realizable value	N/A	N/A	N/A	N/A
OTHER							
Real estate	10,522	Appraisal value	Previous sales comparables	10%-20%	19%	5.0%	449/(489)
Limited partnership units	1,320	Net asset value analysis	Net asset value per unit	N/A	N/A	N/A	N/A
Debt	50	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Equity securities	-	Other	Estimated net realizable value	N/A	N/A	N/A	N/A
Debt securities	-	Liquidation analysis	Estimated net realizable value	N/A	N/A	N/A	N/A

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

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

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

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

(5) Represents amount used w hen the Company has determined market participants w ould take into account these discounts w hen valuing the investments

(6) Unobservable inputs w ere w eighted based on the fair value of the investments included in the range

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

13. CAPITAL MANAGEMENT

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

The Company's capital consists of shareholders' equity 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	September 30, 2017 $000	December 31, 2016 $000
Shareholders' equity	40,983	46,228
Convertible debentures	28,328	28,059
Total capital	**69,311**	**74,287**

14. BASIC AND DILUTED INCOME (LOSS) PER SHARE

The following table presents the calculation of basic and fully diluted income (loss) per common share (Shown post-Consolidation. See Note 8 for specific disclosures on the Consolidation):

	Three months ended September 30		Nine months ended September 30	
$000 except for common shares and per share amounts	2017 $000	2016 $000	2017 $000	2016 $000
Basic income (loss) per share				
Net income (loss)	**(4,088)**	(6,311)	**(5,209)**	(6,690)
Weighted average common shares	**5,825,129**	5,871,874	**5,845,548**	5,872,221
Basic income (loss) per share	**$(0.70)**	$(1.08)	**$(0.89)**	$(1.14)
Fully diluted income (loss) per share				
Net income (loss)	**(4,088)**	(6,311)	**(5,209)**	(6,690)
Weighted average common shares after taking into effect dilutive convertible debentures and stock options	**5,825,129**	5,871,874	**5,845,548**	5,872,221
Fully diluted income (loss) per share	**$(0.70)**	$(1.08)	**$(0.89)**	$(1.14)

In calculating fully diluted income (loss) per common share for the periods ended September 30, 2017 and 2016, the Company excluded 1,014,296 [2016 – 1,123,096] potential common shares from the conversion of the Debentures and 405,000 [2016 – 405,000] potential common shares related to outstanding stock options as their impact was anti-dilutive.

15. COMPENSATION OF KEY MANAGEMENT

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

As at	Three months ended September 30 2017 $000	Three months ended September 30 2016 $000	Nine months ended September 30 2017 $000	Nine months ended September 30 2016 $000
Salaries	283	324	931	946
Stock options	30	94	123	453
Total Compensation	**323**	**418**	**1,054**	1,399

In addition to their annual salary, key management personnel are entitled to an annual incentive cash bonus pool equivalent to 20% of the increase in investable assets over a hurdle rate of 3.0% per annum, with a perpetual high watermark beginning with investable assets as at December 31, 2014. Investable assets are determined by subtracting the aggregate fair value of the liabilities of the Company (excluding any convertible debentures or debenture issued by the Company) from the aggregate fair value of the assets of the Company on the date on which the calculation is being made. For the purposes of the annual incentive cash bonus calculation, investable assets exclude any equity and debt capital raised or repurchased by the Company during the period in which the calculation is being made. Individual bonus pool allocations to management and employees are subject to Board approval. As at September 30, 2017, no accrual for the 2017 annual incentive bonus pool was made [December 31, 2016 – nil].

16. RELATED PARTY TRANSACTION

See note 17 for a description of a related party transaction that took place subsequent to September 30, 2017.

17. SUBSEQUENT EVENTS

On October 31, 2017, BuildDirect sought and obtained an Initial Order pursuant to the Companies' Creditors Arrangement Act. The Company has assessed that the probability of recovery of its remaining debt and preferred equity investments in BuildDirect is low and has therefore assigned a fair value of nil to such investments as at September 30, 2017, resulting in an unrealized loss of $1.4 million and an increase in provision for uncollectible receivables of $0.2 million in the quarter.

On November 2, 2017, the Company made a $1.0 million short term loan to Wekerloo Developments Inc. ("Wekerloo"), a private commercial real estate holding company wholly-owned by Michael Wekerle, the Company's Executive Chair who, directly and indirectly, owns approximately 46% of the common shares of the Company. The loan earns interest of 3.5% p.a. and has a term of three months. Wekerloo intends to use the proceeds of the loan to make a payment towards the purchase of a commercial real estate investment in Waterloo, Ontario. As further consideration for making the loan, and at no additional cost, the Company has entered into an option agreement with Wekerloo, giving it the right to become a 50% co-investor in this particular real estate investment.