DIFFERENCE
CAPITAL

Financial Statements

December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Difference Capital Financial Inc.**

We have audited the accompanying financial statements of **Difference Capital Financial Inc.** ("the Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
April 2, 2018

STATEMENTS OF FINANCIAL POSITION

As at Amounts in thousands of Canadian dollars (except per share amounts)	December 31, 2017	December 31, 2016
ASSETS		
Current		
Cash and cash equivalents	**$ 9,284**	$ 10,848
Distribution receivables *[note 4]*	**341**	2,898
Marketable securities *[note 5]*	**368**	735
Prepaid expenses, deposits and other receivables	**68**	170
Interest receivable	**53**	164
Total current assets	**10,114**	14,815
Investments *[notes 6 & 15]*	**66,919**	60,834
Total assets	**$ 77,033**	$ 75,649
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 208**	$ 379
Due to related party *[note 7]*	**2,261**	—
Accrued interest on convertible debentures	**970**	983
Convertible debentures *[notes 2, 8 & 13c]*	**28,556**	—
Total current liabilities	**31,995**	1,362
Convertible debentures *[notes 2, 8 & 13c]*	**—**	28,059
Total liabilities	**31,995**	29,421
SHAREHOLDERS' EQUITY		
Share capital *[note 9]*	**134,429**	135,397
Equity component of convertible debentures *[note 8]*	**2,151**	2,180
Contributed surplus	**79,131**	78,143
Deficit	**(170,673)**	(169,492)
Total shareholders' equity	**45,038**	46,228
Total liabilities and shareholders' equity	**$ 77,033**	$ 75,649
Net Asset Value per share *[notes 2 & 19]*	**$ 7.74**	$ 7.89

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

On behalf of the Board of Directors:

"Corey Delaney"
Director

"Henry Kneis"
Director

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended December 31, Amounts in thousands of Canadian dollars (except for common shares and per share amounts)	**2017**	**2016**
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized loss on disposal of investments and marketable securities	**$ (1,391)**	$ (16,507)
Net change in unrealized gain on investments and marketable securities	**4,593**	9,868
	3,202	(6,639)
OTHER INCOME		
Interest, dividends and other income *[note 15]*	**1,602**	1,296
Gain on repurchase of convertible debentures *[note 8]*	**9**	245
	1,611	1,541
EXPENSES		
Employee compensation and benefits *[note 18]*	**1,271**	2,861
Professional fees	**811**	592
General and administrative	**371**	649
Provision for uncollectible receivables	**186**	3
Harmonized sales tax	**89**	122
Financing costs	**3,230**	3,578
Transaction costs	**36**	31
Total expenses	**5,994**	7,836
Net loss and comprehensive loss	**$ (1,181)**	$ (12,934)
Weighted average number of common shares outstanding *[note 17]*		
Basic and diluted	**5,838,349**	5,869,397
Loss per share *[note 17]*		
Basic and diluted	**$(0.20)**	$(2.20)

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

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, Amounts in thousands of Canadian dollars	**2017**	**2016**
Share capital		
Balance, beginning of the year	**$ 135,397**	$ 135,715
Normal course issuer bid common shares repurchased and cancelled *[note 9]*	**(968)**	(318)
Balance, December 31	**134,429**	135,397
Equity component of convertible debentures		
Balance, beginning of the year	**2,180**	2,593
Normal course issuer bid convertible debentures repurchased and cancelled *[note 8]*	**(29)**	(413)
Balance, December 31	**2,151**	2,180
Contributed surplus		
Balance, beginning of the year	**78,143**	77,126
Stock option expense *[note 11]*	**178**	633
Normal course issuer bid common shares repurchased and cancelled *[note 9]*	**799**	247
Normal course issuer bid convertible debentures repurchased and cancelled *[note 8]*	**11**	137
Balance, December 31	**79,131**	78,143
Deficit		
Balance, beginning of the year	**(169,492)**	(156,558)
Net loss	**(1,181)**	(12,934)
Balance, December 31	**(170,673)**	(169,492)
Net change in equity during the year	**(1,190)**	(12,648)
Equity, beginning of the year	**46,228**	58,876
Balance, December 31	**$ 45,038**	$ 46,228

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

STATEMENTS OF CASH FLOWS

Years ended December 31, Amounts in thousands of Canadian dollars	**2017**	**2016**
OPERATING ACTIVITIES		
Net loss for the year	**$ (1,181)**	(12,934)
Items not affecting cash:		
Net realized loss on disposal of investments and marketable securities	**1,391**	16,507
Net change in unrealized gain on investments and marketable securities	**(4,593)**	(9,868)
Amortization of financing costs on convertible debentures	**883**	888
Gain on repurchase of convertible debentures	**(9)**	(245)
Conversion of interest revenue into equities and debentures	**(498)**	(25)
Equity-based compensation	**178**	633
Net change in non-cash working capital balances	**4,847**	(559)
Effect of exchange rate changes on cash and cash equivalents	**(79)**	(78)
Purchase of marketable securities	**(2,224)**	(414)
Proceeds from disposal of marketable securities	**584**	1,366
Purchase of investments	**(5,549)**	(3,288)
Proceeds from disposal and maturity of investments	**5,251**	11,176
Cash (used in) provided by operating activities	**(999)**	3,159
FINANCING ACTIVITIES		
Normal course issuer bid common shares repurchased and cancelled *[note 9]*	**(171)**	(70)
Normal course issuer bid convertible debentures repurchased and cancelled *[note 8]*	**(394)**	(5,292)
Cash (used in) financing activities	**(565)**	(5,362)
Net increase (decrease) in cash during the year	**(1,564)**	(2,203)
Cash and cash equivalents, beginning of the year	**10,848**	13,051
Cash and cash equivalents, end of the year	**$ 9,284**	$ 10,848
Interest received	**$ 850**	$ 844
Dividends received	**160**	160
Interest paid	**2,348**	2,784

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

SCHEDULE OF INVESTMENTS

Amounts in thousands of Canadian dollars	INVESTMENT TYPE	COUNTRY	December 31, 2017 AVERAGE COST $	FAIR VALUE $
FINANCIAL TECHNOLOGIES				
Carta Solutions Holding Corporation	equity securities	Canada	3,629	
Carta Solutions Holding Corporation	loan	Canada	1,234	
Ethoca Solutions Inc.	equity securities	Canada	1,508	
Mogo Finance Technology Inc.	equity securities	Canada	4,470	
Mogo Finance Technology Inc.	convertible debentures	Canada	4,000	
			14,841	15,410
HEALTHCARE				
BrainScope Company Inc.	equity securities	United States	1,820	
Cardiac Dimensions Pty. Ltd.	equity securities	United States	2,183	
Cardiac Dimensions Pty. Ltd.	loan	United States	298	
			4,301	4,985
INTERNET				
BuildDirect.com Technologies Inc.	equity securities and warrants	Canada	7,713	
BuildDirect.com Technologies Inc.	convertible promissory notes	Canada	796	
Vision Critical Communications Inc.	equity securities	Canada	4,997	
Scribble Technologies Inc.	equity securities	Canada	4,609	
Hootsuite Media Inc.	equity securities	Canada	2,080	
			20,195	9,807
MEDIA and 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	11,495
TECHNOLOGIES				
Vena Solutions	equity securities	Canada	1,030	
Vena Solutions	convertible debentures	Canada	3,647	
Baanto International Ltd.	equity securities	Canada	3,770	
Other	convertible debentures, equity securities	Canada & U.S.	1,345	
			9,792	9,022
OTHER				
Difference RM Holdings Corp.	equity securities	United States	6,320	
Waterloo Innovation Network LP	limited partnership units	Canada	2,000	
Wekerloo Developments Inc.	loan	Canada	1,000	
Other	convertible debentures, equity securities and units	Canada	546	
			9,866	16,200
TOTAL INVESTMENTS			**74,357**	**66,919**

SCHEDULE OF INVESTMENTS (continued)

Amounts in thousands of Canadian dollars

PORTFOLIO INVESTMENTS AND FAIR VALUE

Significant purchases, sales and changes in valuation of investments for the year ended December 31, 2017 included the following:

Baanto International Ltd. (“Baanto”)
In December 2017, the Company converted the Baanto convertible debentures and accrued interest into Baanto preference shares.

BuildDirect.com Technologies Inc. (“BuildDirect”)
In October 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 December 31, 2017, resulting in a further unrealized loss of $1.5 million and uncollectible interest receivable of $0.2 million in 2017.

Bluedrop Performance Learning Inc. (“Bluedrop”)
In November 2017, the Company received repayment of $3.0 million plus accrued interest on the Bluedrop convertible debentures.

Carta Solutions Holding Corporation (“Carta”)
During the year ended December 31, 2017, the Company provided an additional $0.3 million loan and extended its existing bridge loan to Carta at a rate of 5% maturing December 1, 2017. The loan remained outstanding as at December 31, 2017. The Company recorded a further unrealized loss of $2.1 million in its Carta investments in 2017.

Difference RM Holdings Corp. (“Rancho Mirage”)
Subsequent to year-end, the Company sold its ownership interest in the 618 acre parcel of undeveloped land in the City of Rancho Mirage, California. As at December 31, 2017, the Company's carrying value in Rancho Mirage reflects the expected cash proceeds, net of US corporate taxes, received at the closing of the sale. The Company recorded a further unrealized gain of $2.5 million in its Rancho Mirage investment in 2017.

Mogo Finance Technology Inc. (“Mogo”)
During the year ended December 31, 2017, the Company invested an additional $2.4 million in Mogo publicly traded common shares. The Company also invested $4.0 million in Mogo publicly traded convertible debentures that pay 10% interest and mature on May 21, 2020. The Company marked to market its investments in Mogo, resulted in approximately $3.9 million of unrealized gain in 2017.

Quickplay Media Inc. ("Quickplay")
In December 2017, the Company received the remaining $0.6 million funds held in escrow in connection with the sale of Quickplay to AT&T in 2016.

Thunderbird Entertainment Inc. ("Thunderbird")
Subsequent to year-end, the Company sold its investment stake in Thunderbird. As at December 31, the Company's carrying value in Thunderbird reflects the cash proceeds received at the closing of the sale. The Company recorded an unrealized gain of $0.6 million in its Thunderbird investment in 2017.

Vena Solutions Inc. ("Vena")
Subsequent to year-end, the Company converted its Vena convertible debentures into common shares.

WG Limited ("World Gaming")
In June 2017, the Company sold its remaining business interest in World Gaming to Cineplex Inc. ("Cineplex"). The Company also received the remaining funds held in escrow in connection with its previous sale of World Gaming's operation assets to Cineplex. Together, these two transactions generated a total of $2.3 million in net cash proceeds to the Company.

Other
During the year ended December 31, 2017, the Company recorded $0.8 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 audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of Difference Capital on April 2, 2018. The following are the significant accounting policies used in the preparation of these financial statements:

Basis of presentation and going concern considerations

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

The Company has $29.2 million in principal amount of its senior convertible unsecured debentures (the "Debentures") outstanding and maturing on July 31, 2018. As of the issuance date of these audited financial statements, the Debentures have a remaining term to maturity of less than four months. Due to the illiquid nature of the Company's assets, managagement considered the following key judgment areas in reaching the going concern conclusion:

- Management is working to improve the liquidity of its portfolio holdings and has a plan that augments existing cash on hand by generating funds from the sale of select investments, the receipt of certain holdbacks on investments previously sold, and the issuance of new debt to fulfill the Debenture repayment obligation.
- As further described in Note 13 c), the Company has the option to satisfy its repayment obligations for the Debentures, in whole or in part, with Common Shares. Given that the Common Shares are currently trading at a discount compared to the Net Asset Value per share as at December 31, 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.

Due to the illiquid nature of the private, 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.

Critical accounting estimates and judgments

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Key

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments (continued)

areas of estimation where management has made difficult, complex or subjective judgments include: the determination of the fair value of privately held investments, which include debt and equity securities.

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 14, 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 11.

Financial instruments

The Company records financial instruments at fair value upon initial recognition. Regular way purchases and sales of financial assets are recognized at their trade date. The Company measures its investments, marketable securities and marketable securities sold short at fair value through profit or loss ("FVTPL"). These financial assets and financial liabilities are classified as held for trading ("HFT") or designated by management at FVTPL at inception. The classification depends on the purpose for which the financial assets were acquired. Marketable securities and marketable securities sold short are classified as HFT since they are acquired with the intent to sell or repurchase in the short term. Investments are designated as FVTPL upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company. After recognition, the Company's investments, marketable securities and marketable securities sold short are measured at fair value with unrealized gains or losses presented in the statements of income (loss) and comprehensive income (loss) in the period in which they arise. All other financial assets, including cash and cash equivalents; distribution receivables; prepaid expenses, deposits and other receivables; and interest receivable, are measured at amortized cost. All other financial liabilities, including accounts payables and accrued liabilities, due to related party and convertible debentures, are measured at amortized cost using the effective interest rate method. Transaction costs associated with convertible debentures are amortized through income over the life of the instrument.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or derived from such prices. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

The fair value measurements underlying the carrying value of investments and marketable securities are classified within a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is

categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

(i) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. The type of investments and marketable securities included in this category are publicly traded equities, debt and securities sold short;

(ii) Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The type of investments included in this category include less liquid and restricted equity securities and certain over-the-counter derivatives; and

(iii) Level 3 Inputs for the asset or liability that are not based on observable market data. Investments classified within this category consist of private equity and debt securities.

See Note 14, Fair Value Measurement, for additional disclosure of the Company's investments and marketable securities by the level in the fair value hierarchy into which the fair value measurement is categorized and the Company's valuation techniques that involve unobservable inputs.

Investments in associates and subsidiaries

The Company has determined that it meets the definition of an "investment entity" and as a result, it measures subsidiaries and associates at FVTPL. An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The Company believes it meets all of the requirements listed above. Refer to Note 7 for specific disclosures related to investments in associates and subsidiaries.

Equity-based compensation

The Company has an incentive stock option plan (the "Stock Option Plan"), as amended and restated on June 13, 2013, for the directors, officers and employees of the Company.

The Company uses the fair value method to account for stock options. The fair value of stock options, determined on the grant date, using the Black-Scholes option pricing model, is expensed using the graded vesting method over the vesting period as compensation expense with a corresponding increase in contributed surplus. When the options are exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to share capital.

The amount recognized as compensation expense is adjusted to reflect the number of stock options for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of stock options that meet the related service condition at the vesting date.

Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction costs

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

Foreign currency translation

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

Revenue recognition

Realized gain or loss on disposal of investments and marketable securities and unrealized gain or loss on investments and marketable securities are determined based on the weighted average cost. Interest income is recorded on an accrual basis. Dividend income is recognized on the ex-dividend date.

Impairment

Accrued interest and other receivables are considered impaired when there is objective evidence that the full carrying amount of the accrued interest or account receivable is not collectible. When an impaired receivable is identified, the carrying amount of the loan or receivable is reduced to its estimated realizable amount, which is measured by discounting the expected future cash flows at the original effective interest rate of the loan or receivable. The excess of the carrying amount over the estimated realizable value of the loan or receivable represents an impairment loss, which is recognized in the statements of income (loss) and comprehensive income (loss). If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, any reversal of impairment is recognized in the current period statements of income (loss) and comprehensive income (loss) by adjusting the carrying amount of the receivable accordingly.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the weighted average number of shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period, or when other potential dilutive instruments were granted or issued, if later. Refer to Note 17 for specific disclosures on earnings (loss) per share.

Income tax

Income tax expense is composed of current and deferred tax. Income tax expense is recognized in the statements of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, and the carryforward of non-capital losses, can be utilized. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered and/or the carrying value of temporary differences exceed their tax basis. Refer to Note 10 for specific disclosure on income taxes.

Convertible debentures

Convertible debentures are separated into their liability and equity components on the statements of financial position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is subsequently measured at amortized cost, using the effective interest method, until extinguished upon conversion, retraction, maturity or repurchase. The fair value of the equity component of the convertible debentures is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component. The issuance costs have been allocated on a pro-rata basis between the debt and equity components. Refer to Note 8 for specific disclosure on convertible debentures.

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")

In July 2014, the IASB issued IFRS 9, which 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 and new hedge accounting requirements. 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 assessed all the three aspects of IFRS 9 and does not expect the standard to have a material impact on the measurement basis of the financial assets of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

Company. The Company expects to continue measuring at fair value all financial assets currently held at FVTPL. 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. The Company does not expect there to be a significant impact of applying the new impairment model. The Company does not have any hedge relationships that qualify for hedge accounting under IAS 39; therefore, applying the hedging requirements of IFRS 9 will have no impact. Therefore, the Company expects there to be no impact on the Net Asset Value and the financial results from the adoption of IFRS 9.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which 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 has assessed the impact of the implementation of IFRS 15 and determined that there is no material impact of applying the new standard.

IFRS 16, *Leases* ("IFRS 16")

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

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3. IMPAIRMENT

As at December 31, 2017, there were no interest or other receivables identified as impaired [2016 - nil]. The movements in the provision for impairment of interest and other receivables were as follows:

	$000
Provision, as at January 1, 2016	279
Provision for uncollectible receivables	3
Provision utilized	(279)
Provision, as at December 31, 2016	3
Provision for uncollectible receivables	183
Provision utilized	(186)
Provision, as at December 31, 2017	-

Refer to Note 13 on credit risk, which discusses how the Company seeks to mitigate credit risk where possible.

4. DISTRIBUTION RECEIVABLES

Distribution receivables as at December 31, 2017 of $0.3 million represented funds held in escrow from the sale of BTI Systems Inc. to cover potential indemnification claims. The escrow was originally expected to be released in the second quarter of 2017. Subsequent to year-end, the Company received further information from BTI Systems Inc. and the escrow is expected to be received in April 2018.

Distribution receivables as at December 31, 2016 of $2.9 million included the following:

- $0.9 million from the sale of Infraredx Inc., which was received in the second quarter of 2017;
- $0.7 million from the sale of the operational assets of WG Limited (“World Gaming), which was received in 2017;
- $0.5 million from the sale of Quickplay Media Inc., which was received in 2017 and;
- $0.3 million from the sale of FemMed Formulas Limited, which was received in 2017 and;
- $0.5 million from the sale of BTI Systems Inc., which is anticipated to be released in the second quarter of 2018

5. MARKETABLE SECURITIES

Marketable securities consist of the following:

As at December 31	2017 $000	2016 $000
Equity securities	368	735
	368	735

6. INVESTMENTS

Investments consist of the following by investment type:

As at December 31	2017 $000	2016 $000
Equity securities	38,304	35,064
Convertible debentures	11,180	12,370
Debentures, loans and promissory notes	2,280	730
Partnership interests	1,320	1,320
Real estate	13,835	11,320
Warrants	-	30
	66,919	**60,834**

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

7. 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 % December 31, 2017	December 31, 2016
Difference RM Holding Corp.	Subsidiary	United States	100%	100%
Gotham Analytics, LLC	Associate	United States	39%	40%
WG Limited	Associate	Canada	38%	38%

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 618 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 year ended December 31, 2017, the Company paid $0.4 million [2016 - $0.5 million] in expenses on behalf of DRM Properties and received $0.2 million [2016 - $0.4 million] through capital calls. In December 2017, the Company received $2.6 million on behalf of DRM Properties from the sale of a small portion of the undeveloped land. The Company intends to distribute the proceeds net of any outstanding expenses in 2018. As at December 31, 2017, net paybles to DRM Properties of $2.3 million was outstanding [2016 - $0.1 million in receivables].

No provisions or expense for doubtful receivables were recognized related to the amounts owing from DRM Properties as at and for the years ended December 31, 2017 and 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.

8. CONVERTIBLE DEBENTURES

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

The Debentures mature on July 31, 2018 and bear interest at a rate of 8% per annum payable January 31, 2014 and semi-annually thereafter. Subsequent to the Consolidation (as defined in Note 8), each $1,000 principal amount of the Debentures is convertible into 34.78 common shares of the Company, at the option of the holder, representing a conversion price of $28.75 per share. On or after July 31, 2017 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest. The Debentures are compound financial instruments that consist of the debt instrument and the equity conversion feature. At initial recognition, the Company allocated the proceeds between liabilities and equity. The allocation was performed by first estimating the fair value of the Debentures, which is the liability in absence of the conversion feature using a market rate of interest of 10%. The Company then used the residual method to determine the value of the equity component represented by the conversion feature. The amounts allocated between liabilities and equity, net of transaction costs, were $48.7 million and $4.1 million, respectively.

On December 11, 2015, the Company received approval from the TSX to renew its normal course issuer bid ("2016 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 the TSX and to specific terms of the 2016 Debentures NCIB. Outside of these pre-determined black-out periods, debentures were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to acquire up to $3.3 million principal amount of its Debentures, representing 10% of the public float of the outstanding Debentures. The 2016 Debentures NCIB expired on December 14, 2016.

On December 13, 2016, the Company received approval from the TSX to renew its NCIB ("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 the TSX and to specific terms of the 2017 Debentures NCIB. Outside of these pre-determined black-out periods, debentures were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to acquire up to $3.2 million principal amount of its Debentures, representing 10% of the public float of the outstanding Debentures. The 2017 Debentures NCIB expired on December 14, 2017.

In connection with the NCIBs described above, the Company repurchased $0.4 million principal amount of the Debentures during the year ended December 31, 2017 [2016 – $5.6 million], for an aggregate consideration of $0.4 million [2016 – $5.3 million]. Out of the amount paid, $0.4 million was recorded as a reduction to the liability component of the Debentures [2016 – $5.3 million], $0.0 million was recorded as a reduction to the equity component of the Debentures [2016 – $0.4 million], $0.0 million was recorded as a gain on repurchase of convertible debentures in the statements of income (loss) and comprehensive income (loss) [2016 – $0.2 million], and $0.0 million was recorded as an increase in contributed surplus [2016 – $0.1 million].

The changes in the liability component of the Debentures during the period ended December 31, 2017 and 2016 were as follows:

8. CONVERTIBLE DEBENTURES (continued)

	$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	883
Normal course issuer bid repurchased and cancelled	(386)
Liability component, December 31, 2017	**28,556**

The changes in the principal amount of the Debentures outstanding during the period ended December 31, 2017 and 2016 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, December 31, 2017	**29,161**

9. SHARE CAPITAL

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

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

	Number of Shares (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	(41,916)	(968)
Common shares, December 31, 2017	**5,816,721**	**134,429**

(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 black-out periods, shares were purchased in accordance with management's discretion. Pursuant to the policies of the TSX, the Company was authorized to repurchase up to 1.6 million of its pre-Consolidation common shares, representing 10% of the public float of the outstanding common shares. The 2016 Common Shares NCIB expired on September 14, 2017.

In connection with the 2016 Common Shares NCIB, the Company repurchased 41,900 post-Consolidation common shares during the year ended December 31, 2017 [2016 – 13,760 post-Consolidation common shares] at an average cost of $4.04 per common share [2016 – $5.10] for total consideration of $0.2 million [2016 – $0.1 million]. Contributed surplus was increased by $0.8 million [2016 – $0.2 million] for the cost of the common shares repurchased below their stated value.

10. INCOME TAXES

As at December 31, 2017, the Company has unrecognized deductible temporary differences and tax losses consisting of: capital losses of approximately $191 million [2016 – $186 million], unrealized capital losses of approximately $12.5 million [2016 - $12.0 million], and non-capital losses of approximately $47.3 million [2016 – $41.9 million] that may be carried forward to reduce income taxes in future years. If not utilized, the non-capital losses will expire as follows:

2026	283,559
2027	1,673,226
2028	2,982,447
2029	3,447,337
2030	1,120,101
2031	978,440
2032	2,309,061
2033	3,890,342
2034	11,363,927
2035	4,925,779
2036	9,113,968
2037	5,162,070
	47,250,257

The Company has not recognized any of these benefits in the financial statements as it is uncertain that these tax benefits will be utilized in the foreseeable future and accordingly, the Company has not recognized any tax recoveries in its financial statements.

Rate Reconciliation (amounts in thousands)

A reconciliation of accounting loss to tax expense is as follows:

	2017	2016
Loss before tax	$(1,181)	(12,934)
Combined statutory Canadian federal and provincial income tax rate	26.5%	26.5%
Provision for (recovery of) income taxes based on statutory tax rate	(313)	(3,427)
Increase (decrease) in income taxes resulting from		
Non-deductible items	(329)	673
Tax losses not recognized	642	2,754
Tax provision for (recovery of) income taxes	-	-

11. STOCK OPTION PLAN

All amounts in this note have been adjusted for the Consolidation. See Note 9 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 December 31, 2017, 10% of the issued and outstanding common shares was 581,672 common shares.

December 31, 2017 and 2016 (in Canadian dollars)

During the year ended December 31, 2017, the Company did not grant any options [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 shall vest on the first anniversary of the grant date; and one-third of the options shall vest on the second anniversary of the grant date.

As at December 31, 2017, an additional 240,005 common shares [2016 – 181,298] could have been granted under the Company's Stock Option Plan.

The fair value of options granted in 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	9%

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

The following is a summary of the stock option activity under the Company's Stock Option Plan as at December 31, 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 canceled	(55,000)	$6.70	-	-
Options outstanding, December 31	**350,000**	**$6.70**	**405,000**	**$6.70**
Options exercisable, December 31	**270,000**	**$6.70**	**135,000**	**$6.70**

The equity-based compensation expense under the share option plan for the year ended December 31, 2017 of $0.2 million [2016 – $0.6 million] has been included in employee compensation and benefits.

Options outstanding and exercisable as at December 31, 2017 and 2016 are as follows:

	Expiry date	Exercise Price	Options Outstanding	Options Exercisable
2017	2026	$6.70	350,000	270,000
2016	2026	$6.70	405,000	135,000

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

As at December 31, 2016	Held for Trading $000	FVTPL Designated at Inception $000	Total $000	Loans, receivables and other liabilities $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 year ended December 31, 2017, the total of the change in unrealized gain (loss) and realized gain (loss) of financial assets classified as HFT was $0.1 million [2016 – $0.7 million] and the total of the change in unrealized gain (loss) and realized gain (loss) of financial assets classified as FVTPL was $3.1 million [2016 – $(7.3) million].

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

a) Market risk

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

Interest rate risk

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

As at December 31, 2017, the Company holds the following fixed-rate debt instruments: (a) $11.2 million [2016 – $12.5 million] in convertible debentures with a weighted average interest rate of 9.1% [2016 – 10.53%] and a weighted average term to maturity of approximately 1.2 years [2016 – 1.4 years]; and (b) $2.3 million [2016 – $0.7 million] in non-convertible debentures with a weighted average interest rate of 4.6% [2016 – 33.6%] and a weighted average term to maturity of approximately 0.0 years [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 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 December 31, 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 [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 [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 December 31, 2017, the Company is primarily exposed to foreign exchange risk through its US dollar denominated investments of $24.6 million [2016 – $23.7 million], which represent approximately 31.9% [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 $1.2 million, respectively [2016 – $1.2 million].

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's marketable securities and investments are susceptible to price risk arising from uncertainties about their future values. If the fair value of these financial assets were to increase or decrease by 10%, the Company would incur an associated increase or decrease in net gain (loss) of approximately $6.7 million [December 31, 2016 – $6.2 million]. Refer to the Schedule of Investments and Notes 5 and 6 for additional details regarding the fair value of marketable securities and investments, respectively.

b) Credit risk

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

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

As at December 31	2017 $000	2016 $000
Cash and cash equivalents	9,284	10,848
Distribution receivables	341	2,898
Convertible debentures	11,180	12,370
Debentures, loans and promissory notes	2,280	730
Accrued interest	53	164
Other receivables	68	170
	23,206	**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 December 31, 2017, there were $1.3 million of debts overdue [2016 – $0.7 million]. For the year ended December 31, 2017, $1.3 million unrealized losses [2016 – $2.5 million] were attributable to changes in credit risk of the debt instruments.

As at December 31, 2017, $0.3 million of distribution and interest receivables were past due [2016 – $0.7 million]. During the year ended December 31, 2017, $0.2 million impairment in respect of accrued interest [2016 – $0.0 million] was taken.

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. The Company aims to invest principally in private companies with a medium- to long-term investment horizon. These investments are inherently illiquid. Capital invested and potential capital gains are only realized when the investment is partially or fully sold, either

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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 December 31, 2017, the Company's liquidity risk consists of its accounts payable and accrued liabilities, accrued interest on convertible debentures and the principal amount of its Debentures, which are due within 12 months of December 31, 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 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 December 31, 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 December 31, 2017	Less than one year $000	One to three years $000	Over three years $000	Total $000
Financial Liabilities				
Accounts payable and accrued liabilities	208	-	-	**208**
Due to related party	2,261	-	-	**2,261**
Accrued interest on convertible debentures	970	-	-	**970**
Convertible debentures	29,161	-	-	**29,161**
Total Financial Liabilities	**32,600**	**-**	**-**	**32,600**

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**
Accrued 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**

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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.

14. 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:

As at December 31, 2017	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Equities	6,379	-	32,293	38,672
Convertible debentures	-	4,805	6,375	11,180
Debentures, loans and promissory notes	-	-	2,280	2,280
Partnership interest	-	-	1,320	1,320
Real estate	-	-	13,835	13,385
Total Financial Assets	**6,379**	**4,805**	**56,103**	**67,287**

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. There were no transfers between the various levels of the fair value hierarchy for the years ended December 31, 2017 and 2016.

Fair value estimation

On a quarterly basis, the Company utilizes a valuation committee, consisting of members from management, investment and finance, to review and approve the valuation results of every position

14. FAIR VALUE MEASUREMENT (continued)

in the portfolio. The Company may also engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the Company's financial statements.

The fair value of the Company's marketable securities and investments are determined as follows:

Listed securities

The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Company uses 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. The fair value of securities that are subject to trading restrictions are recorded at a value that takes into account the length and nature of the restrictions.

Unlisted securities

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

For unlisted equity instruments:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.

- Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate, if an external investor is motivated by strategic considerations.

- Investments in which there has been a recent financing round involving only existing investors participating proportionally to their existing investments are examined as to whether specific conditions exist that could reduce the reliability of this financing round as an indication of real value. An internal financing with investors at a lower price than the valuation at the previous reporting date may indicate a decrease in value and is taken into consideration.

- Investments that have achieved an exit after the valuation date but before finalization of the financial statements are valued based on the exit valuation, if the exit valuation was reasonably evident at the measurement date.

- Investments in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade and are adjusted, as appropriate, if the purchaser is motivated by strategic considerations.

14. FAIR VALUE MEASUREMENT (continued)

- Investments in established portfolio companies for which there has not been any recent independent funding or secondary private market transaction are valued by using revenue or earnings multiples. When valued on a multiple basis, the maintainable revenue or earnings of a portfolio company are multiplied by an appropriate multiple. The multiple is derived from the market capitalization of a peer group. Companies are selected for the peer group that are comparable with the portfolio company to be valued as to their business model and size. If the portfolio company to be valued differs in certain aspects compared with features of companies in the peer group, discounts or premiums are applied to the relevant multiple or resulting valuation.

- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.

- Investments in limited partnerships are valued on the most recently available value of their net assets.

- For public company warrants (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as the Black-Scholes model are 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 closing price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.

Fair values for unlisted debt instruments are determined as follows:

- Loans, debentures and promissory notes issued by investees are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The Company may employ discounted cash flow analysis, market comparable analysis of listed debt instruments with similar credit quality or liquidation value analysis to determine the fair value of the debt instrument.

- Convertible debentures 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 using methodologies consistent to non-convertible debentures as discussed above.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

14. FAIR VALUE MEASUREMENT (continued)

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

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

As at Year ended December 31	2017 $000	2016 $000
Opening balance, beginning of period	60,286	75,338
Purchases	1,852	3,369
Sales	(4,543)	(11,800)
Realized loss	(2,504)	(13,009)
Transfers	-	-
Change in unrealized gain	1,012	6,388
Balance, end of period	**56,103**	**60,286**
Total change in unrealized loss for investments held at end of year	**(1,492)**	**(6,621)**

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December 31, 2017 and 2016 (in Canadian dollars)

14. 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 December 31, 2017:

INVESTMENT TYPE	FAIR VALUE	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE	WEIGHTED AVERAGE [5]	REASONABLE POSSIBLE SHIFT +/- IN UNOBSERVABLE INPUTS [6]	IMPACT TO VALUATION FROM CHANGES IN INPUTS +/- [6]
FINANCIAL TECHNOLOGIES							
Debt	1,234	Transaction price	Purchase price [2]	N/A	N/A	N/A	N/A
Equity securities	3,360	Transaction price	Third-party transactions [1]	N/A	N/A	N/A	N/A
HEALTHCARE							
Equity securities	4,694	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Debt	291	Transaction price	Purchase price	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	2,384	Market comparable companies	Revenue multiple [3]	7.6x	7.6x	0.5x	106/(106)
Convertible debentures and Equity Securities	-	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
MEDIA/MEDIA TECHNOLOGIES							
Equity securities	5,750	Transaction price	Estimated sale price [1]	N/A	N/A	N/A	N/A
Equity securities	5,745	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
Convertible debentures	-	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
TECHNOLOGIES							
Equity securities	1,662	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
			Discount [4]	15%-20%	15%-20%	N/A	N/A
Equity securities	1,275	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
Convertible debentures	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	15%-20%	15%-20%	N/A	N/A
OTHER							
Real estate	13,835	Transaction price	Estimated sale price [1]	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	1,046	Transaction price	Purchase price	N/A	N/A	N/A	N/A

[1] 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

[2] Represents investments valued at cost w hich is representative of fair value at the measurement date

[3] 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

[4] Represents amount used w hen the Company has determined market participants w ould take into account these discounts w hen valuing the

[5] Unobservable inputs w ere w eighted based on the fair value of the investments included in the range

[6] 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.

15. RELATED PARTY TRANSACTIONS

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

16. 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 the Debentures. The Company's management is responsible for the management of capital. The Company's Board of Directors is responsible for reviewing and approving the Company's capital policy and management.

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

The Company does not have any externally imposed capital requirements.

The Company's capital consists of the following:

As at December 31	2017 $000	2016 $000
Shareholders' equity	45,038	46,228
Debentures	28,556	28,059
Total capital	**73,594**	**74,287**

17. BASIC AND DILUTED LOSS PER SHARE

The following table presents the calculation of basic and fully diluted income (loss) per common share for the years ended December 31 (shown post-Consolidation -- see Note 8 for specific disclosures on the Consolidation):

$000 except for common shares and per share amounts	2017 $000	2016 $000
Basic loss per share		
Net loss	**(1,181)**	(12,934)
Weighted average common shares	5,838,349	5,869,397
Basic loss per share	**$(0.20)**	$(2.20)
Fully diluted income (loss) per share		
Net loss	**(1,181)**	(12,934)
Weighted average common shares after taking into effect dilutive convertible debentures and stock options	5,838,349	5,869,397
Fully diluted loss per share	**$(0.20)**	$(2.20)

In calculating fully diluted loss per common share for the years ended December 31, 2017 and 2016, the Company excluded 1,014,296 [2016 – 1,028,209] common shares from the conversion of the Debentures and 405,000 [2016 – 405,000] common shares related to outstanding stock options as their impact was anti-dilutive.

18. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key management personnel of the Company for the years ended December 31 was as follows:

	2017 $000	2016 $000
Salaries	1,230	1,951
Stock options	158	547
Annual incentive plans	-	-
Total Compensation	**1,388**	**2,498**

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 December 31, 2017, no accrual for the annual incentive bonus pool was made [2016 – nil].

19. NET ASSET VALUE

The financial statements contain references to “Net Asset Value” (“NAV”), which is a non-IFRS financial measure. The NAV is calculated by subtracting the aggregate fair value of the liabilities of the Company from the aggregate fair value of the assets of the Company on the date on which the calculation is being made and NAV per share is NAV divided by the total number of common shares of the Company outstanding as at the measurement date. The term NAV per share does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

20. SUBSEQUENT EVENTS

In March 2018, the Company sold its ownership interest in the 618 acre parcel of undeveloped land in the City of Rancho Mirage, California. As at December 31, 2017, the Company's carrying value in Rancho Mirage reflects the expected cash proceeds, net of US corporate taxes, received at the closing of the sale.

In March 2018, the Company sold its investment in Thunderbird. As at December 31, 2017, the Company's carrying value in Thunderbird reflects the cash proceeds received at the closing of the sale.

In February 2018, the Company extended the $1 million loan to Wekerloo, a related party, to December 31, 2018 at 10% interest (see Note 15).