DIFFERENCE
CAPITAL

Unaudited Interim Condensed Financial Statements

March 31, 2018

Notice to Shareholders:

The Company’s independent auditor has not performed a review of these unaudited interim condensed financial statements for the period ended March 31, 2018.

STATEMENTS OF FINANCIAL POSITION

As at Amounts in thousands of Canadian dollars (except per share amounts)		March 31, 2018		December 31, 2017
ASSETS				
Current				
Cash and cash equivalents	**$**	**13,155**	$	9,284
Distribution receivables *[note 4]*		**350**		341
Marketable securities *[note 5]*		**586**		368
Prepaid expenses, deposits and other receivables		**40**		68
Interest receivable		**195**		53
Total current assets		**14,326**		10,114
Investments *[notes 6 and 14]*		**58,170**		66,919
Total assets	**$**	**72,496**	$	77,033
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**276**	$	208
Due to related party *[note 7]*		**1,907**		2,261
Accrued interest on convertible debentures		**380**		970
Convertible debentures *[notes 2, 8 and 12c]*		**28,799**		28,556
Total current liabilities		**31,362**		31,995
Total liabilities		**31,362**		31,995
SHAREHOLDERS' EQUITY				
Share capital *[note 9]*		**134,429**		134,429
Equity component of convertible debentures *[note 8]*		**2,151**		2,151
Contributed surplus		**79,188**		79,131
Deficit		**(174,634)**		(170,673)
Total shareholders' equity		**41,134**		45,038
Total liabilities and shareholders' equity	**$**	**72,496**	$	77,033
Net Asset Value per share *[note 2]*	**$**	**7.07**	$	7.74

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

For the three months ended March 31, Amounts in thousands of Canadian dollars (except for common shares and per share amounts)		2018		2017
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on disposal of investments and marketable securities	**$**	**(234)**	$	260
Net change in unrealized gain (loss) on investments and marketable securities		**(2,373)**		172
		(2,607)		432
OTHER INCOME				
Interest, dividends and other income *[note 14]*		**180**		316
		180		316
EXPENSES				
Employee compensation and benefits *[note 17]*		**336**		421
Professional fees		**259**		161
General and administrative		**118**		143
Financing costs		**820**		806
Transaction costs		**1**		2
Total expenses		**1,534**		1,533
Net loss and comprehensive loss	**$**	**(3,961)**	$	(785)
Weighted average number of common shares outstanding *[note 16]*				
Basic and diluted		**5,816,721**		5,858,637
Loss per share *[note 16]*				
Basic and diluted		**$(0.68)**		$(0.13)

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

STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, Amounts in thousands of Canadian dollars		**2018**		**2017**
Share capital				
Balance, beginning of the period	**$**	**134,429**	$	135,397
Balance, March 31		**134,429**		135,397
Equity component of convertible debentures				
Balance, beginning of the period		**2,151**		2,180
Balance, March 31		**2,151**		2,180
Contributed surplus				
Balance, beginning of the period		**79,131**		78,143
Stock option expense *[note 10]*		**57**		93
Balance, March 31		**79,188**		78,236
Deficit				
Balance, beginning of the period		**(170,673)**		(169,492)
Net loss		**(3,961)**		(785)
Balance, December 31		**(174,634)**		(170,277)
Net change in equity during the period		**(3,904)**		(692)
Equity, beginning of the period		**45,038**		46,228
Balance, March 31	**$**	**41,134**	$	45,536

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

STATEMENTS OF CASH FLOWS

For the three months ended March 31, Amounts in thousands of Canadian dollars		2018		2017
OPERATING ACTIVITIES				
Net loss for the period	$	**(3,961)**		(785)
Items not affecting cash:				
Net realized (gain) loss on disposal of investments and marketable securities		**234**		(260)
Net change in unrealized (gain) loss on investments and marketable securities		**2,373**		(172)
Amortization of financing costs on convertible debentures		**243**		221
Equity-based compensation		**57**		93
Net change in non-cash working capital balances		**(1,002)**		(553)
Effect of exchange rate changes on cash and cash equivalents		**101**		(23)
Purchase of marketable securities		**—**		(118)
Proceeds from disposal of marketable securities		**76**		457
Proceeds from disposal and maturity of investments		**5,750**		—
Cash (used in) provided by operating activities		**3,871**		(1,140)
Net increase (decrease) in cash during the period		**3,871**		(1,140)
Cash and cash equivalents, beginning of the period		**9,284**		10,848
Cash and cash equivalents, end of the period	**$**	**13,155**	$	9,708
Interest received	**$**	**25**	$	225
Dividends received		**40**		40
Interest paid		**1,166**		1,182

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

SCHEDULE OF INVESTMENTS

Amounts in thousands of Canadian dollars	INVESTMENT TYPE	COUNTRY	March 31, 2018 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	12,160
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	5,124
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	9,874
MEDIA and MEDIA TECHNOLOGIES				
Blue Ant Media Inc.	equity securities	Canada	4,787	
Cricket Media Group Ltd.	convertible debentures	Canada	4,575	
			9,362	5,745
TECHNOLOGIES				
Vena Solutions	equity securities	Canada	4,677	
Baanto International Ltd.	equity securities	Canada	3,770	
Other	convertible debentures, equity securities	Canada & U.S.	1,005	
			9,452	8,682
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	16,585
TOTAL INVESTMENTS			**68,017**	**58,170**

SCHEDULE OF INVESTMENTS (continued)

PORTFOLIO INVESTMENTS AND FAIR VALUE

Significant purchases, sales and changes in valuation of investments for the three months ended March 31, 2018 included the following:

Difference RM Holdings Corp. (“Difference RM”)

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 March 31, 2018, the Company's carrying value in DRM Properties reflects the cash proceeds held by the real estate settlement agent, net of US corporate taxes payable, received at the closing of the sale plus the estimated fair value of the residual equity in the property.

Mogo Finance Technology Inc. ("Mogo")

The Company marked to market its investments in Mogo, resulted in approximately $3.3 million of unrealized loss during the quarter.

Thunderbird Entertainment Inc. ("Thunderbird")

In March 2018, the Company sold its investment stake in Thunderbird. The Company recorded a realized loss of $0.3 million in its Thunderbird investment during the quarter.

Vena Solutions Inc. ("Vena")

In February 2018, the Company converted its Vena convertible debentures into common shares.

Other

During the quarter ended March 31, 2018, the Company recorded $0.7 million of unrealized foreign currency translation gain 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 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and consistent with International Financial Reporting Standards ("IFRS") accounting policies Difference Capital adopted in its financial statements as at and for the year ending December 31, 2017.

These unaudited interim condensed financial statements should be read in conjunction with Difference Capital's 2017 annual audited financial statements.

These financial statements were authorized for issuance by the Board of Directors of Difference Capital on May 15, 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 unaudited interim condensed financial statements, the Debentures have a remaining term to maturity of less than three months. Due to the illiquid nature of the Company's assets, management 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 12 c), the Company has the option to satisfy its repayment obligations for the Debentures, in whole or in part, with its common shares ("Common Shares"). Given that the Common Shares are currently trading at a discount compared to the Net Asset Value per share as at March 31, 2018, shareholders risk having their ownership in the Company diluted if the Company elects to satisfy its repayment obligation on the Debentures with Common Shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation and going concern considerations (continued)

Due to the illiquid nature of the private and smaller capitalization public investments in the portfolio, the success of management's plan cannot be assured and may be subject to significant change.

Standards effective January 1, 2018

(i) IFRS 9 FINANCIAL INSTRUMENTS

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"), which replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

The new standard provides a new approach for the classification of financial assets, which is based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Under IFRS 9, financial assets are classified as either fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost and financial liabilities are categorized as either FVTPL or amortized cost. For financial liabilities designated as fair value through profit or loss, IFRS 9 requires the presentation of the effects of changes in the liability's credit risk in other comprehensive income instead of net income. Classification and measurement of liabilities remains generally unchanged under IFRS 9.

Upon transition to IFRS 9, the Company's financial assets and financial liabilities previously classified as held-for-trading and those designated as fair value through profit and loss under IAS 39 are now categorized as FVTPL. All assets previously classified as loans and receivables and other liabilities under IAS 39 are now classified as amortized cost under IFRS 9. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by transitional provisions within IFRS 9. There is no impact or adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets are classified as fair value through profit or loss ("FVTPL") or amortized cost. Financial liabilities are classified as FVTPL or other.

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 classifies its investments, marketable securities, marketable securities sold short, and cash at fair value through profit or loss ("FVTPL"). After recognition, financial assets 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 distribution receivables, prepaid expenses, deposits and other receivables, and interest receivable, are measured at amortized cost. All financial liabilities, including accounts payables and accrued liabilities, due to related party and convertible debentures, are classified 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards effective January 1, 2018 (continued)

(ii) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard did not have a material impact to the Company as interest and dividend income and gains and losses on investments are generated by transactions that are outside the scope of IFRS 15.

Critical accounting estimates and judgments

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Key areas of estimation where management has made difficult, complex or subjective judgments include the determination of the fair value of privately held investments, which include debt and equity securities.

Business model assessment under IFRS 9 and application of the fair value option

Determining the appropriate business model and assessing whether cash flows generated by an asset constitute solely payments of principal and interest (SPPI) is sometimes complex and may require significant judgement. The objective of the Company is to achieve long-term capital appreciation and its investment portfolio is managed on a fair value basis. The Company has assessed the business model, the manner in which the investment portfolio are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Company's investment portfolio.

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 13, 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 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes

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.

3. IMPAIRMENT

As at March 31, 2018, there were no interest or other receivables identified as impaired [December 31, 2017 - nil]. The movements in the provision for impairment of interest and other receivables were as follows:

	$000
Provision, as at January 1, 2017	3
Provision for uncollectible receivables	183
Provision utilized	(186)
Provision, as at December 31, 2017 and March 31, 2018	-

Refer to Note 12 on credit risk, which discusses how the Company seeks to mitigate credit risk where possible.

4. DISTRIBUTION RECEIVABLES

Distribution receivables as at March 31, 2018 of $0.3 million [December 31, 2017 - $0.3 million] represented funds held in escrow from the sale of BTI Systems Inc. to cover potential indemnification claims. The escrow payment was received in April 2018.

5. MARKETABLE SECURITIES

Marketable securities consist of the following:

As at	March 31, 2018 $000	December 31, 2017 $000
Equity securities	586	368
	586	368

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6. INVESTMENTS

Investments consist of the following by investment type:

As at	March 31, 2018 $000	December 31, 2017 $000
Equity securities	35,851	38,304
Convertible debentures	4,200	11,180
Debentures, loans and promissory notes	2,579	2,280
Partnership interests	1,320	1,320
U.S. subsidiary holding cash and real estate	14,220	13,835
	58,170	**66,919**

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 %	
			March 31, 2018	December 31, 2017
Difference RM Holding Corp.	Subsidiary	United States	100%	100%
Gotham Analytics, LLC	Associate	United States	39%	39%
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"). Prior to March 2018, DRM Properties owned 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. In March 2018, DRM Properties sold its ownership interest in the undeveloped land for cash and a small residual interest in the acquiring entity. As at March 31, 2018, the Company's carrying value in DRM Properties reflects the cash proceeds held by the real estate settlement agent, net of US corporate taxes payable, received on the closing of the sale plus the estimated fair market value of the residual equity in the entity that purchased the property.

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 three months ended March 31, 2018, the Company paid $0.1 million [March 31, 2017 - $0.2 million] in expenses on behalf of DRM Properties and received nil [March 31, 2017 - $0.2 million] through capital calls. As at March 31, 2018 net payables to DRM Properties of $1.9 million was outstanding [December 31, 2017 - $2.3 million].

No provisions or expense for doubtful receivables were recognized related to the amounts owing from DRM Properties as at March 31, 2018 and December 31, 2017.

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 9), 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 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.

On January 29, 2018, the Company received approval from the TSX to renew its NCIB (“2018 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 2018 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 $2.9 million principal amount of its Debentures, representing 10% of the public float of the outstanding Debentures. The 2018 Debentures NCIB will expire on July 31, 2018.

During the three months ended March 31, 2018 and 2017, the Company did not repurchase any Debentures.

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8. CONVERTIBLE DEBENTURES (continued)

The changes in the liability component of the Debentures during the periods ended March 31, 2018 and December 31, 2017 were as follows:

	$000
Liability component, January 1, 2017	28,059
Accretion of discount	883
Normal course issuer bid repurchased and cancelled	(386)
Liability component, December 31, 2017	28,556
Accretion of discount	243
Liability component, March 31, 2018	**28,799**

The changes in the principal amount of the Debentures outstanding during the periods ended March 31, 2018 and December 31, 2017 were as follows:

	$000
Principal amount, January 1, 2017	29,561
Normal course issuer bid repurchased and cancelled	(400)
Principal amount, December 31, 2017 and March 31, 2018	**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	Stated Value $000
Common shares, January 1, 2017	5,858,637	135,397
Normal course issuer bid repurchased and cancelled	(41,916)	(969)
Common shares, December 31, 2017 and March 31, 2018	**5,816,721**	**134,429**

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.

On November 30, 2016, shareholders of the Company approved the consolidation of its Common Shares on the basis of one post consolidation Common Share for every five pre-consolidation common shares outstanding (the "Consolidation").

On January 29, 2018, the Company received approval from the TSX to renew its normal course issuer bid ("2018 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

March 31, 2018 (in Canadian dollars)

9. SHARE CAPITAL (continued)

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 2018 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 301,251 of its Common Shares, representing 10% of the public float of the outstanding Common Shares. The 2018 Common Shares NCIB will expire on January 30, 2019.

During the three months ended March 31, 2018 and 2017, the Company did not repurchase any Common Shares.

10. STOCK OPTION PLAN

The Company has an incentive stock option plan (the "Stock Option Plan"), as amended and restated on June 30, 2013, for the directors, officers and employees of the Company.

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 March 31, 2018 and December 31, 2017, 10% of the issued and outstanding Common Shares was 581,672 Common Shares.

During the period ended March 31, 2018, the Company granted 75,000 options to its three independent directors. Each option is exercisable for a ten-year period, expiring March 5, 2028, to acquire one common share at a price of $3.00 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

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 vested on the second anniversary of the grant date.

As at March 31, 2018, an additional 165,005 Common Shares [December 31, 2017 – 240,005] could have been granted under the Company's Stock Option Plan.

The fair value of options granted in March 2018 was estimated at $1.17 per option using the Black-Scholes option pricing model. The following inputs were used:

Year of grant	2018
Risk-free interest rate	2.20%
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.

March 31, 2018 (in Canadian dollars)

10. STOCK OPTION PLAN (continued)

The following is a summary of the stock option activity under the Company's Stock Option Plan as at March 31, 2018 and December 31, 2017:

	Number of options	Weighted average exercise price
Options outstanding, January 1, 2017	405,000	$6.70
Options exercisable, January 1, 2017	135,000	$6.70
Options granted	-	-
Options cancelled	(55,000)	$6.70
Options outstanding, December 31, 2017	350,000	$6.70
Options exercisable, December 31, 2017	270,000	$6.70
Options granted	75,000	$3.00
Options cancelled	(8,333)	$6.70
Options outstanding, March 31, 2018	**416,667**	**$6.03**
Options exercisable, March 31, 2018	**366,667**	**$5.67**

The equity-based compensation expense under the share option plan for the period ended March 31, 2018 of $0.1 million [March 31, 2017 – $0.1 million] has been included in employee compensation and benefits.

Options outstanding and exercisable as at March 31, 2018 are as follows:

Year of Grant	Expiry date	Exercise Price	Options Outstanding	Options Exercisable
2016	2026	$6.70	341,667	341,667
2018	2028	$3.00	75,000	25,000

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11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

As at March 31, 2018	FVTPL $000	Amortized Cost $000	Total $000
Assets			
Marketable securities	586	-	586
Investments	58,170	-	58,170
Cash and cash equivalents	-	13,155	13,155
Distribution receivables	-	350	350
Prepaid expenses, deposits and other receivables	-	40	40
Interest receivable	-	195	195
Total Financial Assets	**58,756**	**13,740**	**72,496**
Liabilities			
Accounts payable and accrued liabilities	-	276	276
Due to related party	-	1,907	1,907
Accrued interest on convertible debentures	-	380	380
Convertible debentures	-	28,799	28,799
Total Financial Liabilities	-	**31,362**	**31,362**

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**

12. 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 March 31, 2018, the Company holds the following fixed-rate debt instruments: (a) $4.3 million [December 31, 2017 – $11.2 million] in convertible debentures with a weighted average interest rate of 10.0% [December 31, 2017 – 9.1%] and a weighted average term to maturity of approximately 2.2 years [December 31, 2017 – 1.2 years]; and (b) $2.6 million [December 31, 2017 – $2.3 million] in non-convertible debentures with a weighted average interest rate of 7.6% [December 31, 2017 – 4.6%] and a weighted average term to maturity of approximately 0.4 years [December 31, 2017 – 0.0 years]. 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 March 31, 2018, 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, 2017 – $0.1 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, 2017 – $0.1 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 $25.5 million [December 31, 2017 – $24.6 million], which represent approximately 35.2% [December 31, 2017 – 31.9%] 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 $1.3 million, respectively [December 31, 2017 – $1.2 million].

12. 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 $5.9 million [December 31, 2017 – $6.7 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	March 31, 2018 $000	December 31, 2017 $000
Cash and cash equivalents	13,155	9,284
Distribution receivables	350	341
Convertible debentures	4,200	11,180
Debentures, loans and promissory notes	2,579	2,280
Accrued interest	195	53
Other receivables	40	68
	20,519	**23,206**

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 March 31, 2018, there were $1.3 million of debts overdue [December 31, 2017 – $1.3 million]. For the periods ended March 31, 2018 and 2017, no unrealized losses were attributable to changes in credit risk of the debt instruments.

As at March 31, 2018, $0.4 million of distribution and interest receivables were past due [December 31, 2017 – $0.3 million]. During the periods ended March 31, 2018 and 2017, no impairment in respect of accrued interest was taken.

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12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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 March 31, 2018, 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 March 31, 2018.

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 March 31, 2018, 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 March 31, 2018	Less than one year $000	One to three years $000	Over three years $000	Total $000
Financial Liabilities				
Accounts payable and accrued liabilities	276	-	-	**276**
Due to related party	1,907	-	-	**1,907**
Accrued interest on convertible debentures	380	-	-	**380**
Convertible debentures	29,161	-	-	**29,161**
Total Financial Liabilities	**31,724**	**-**	**-**	**31,724**

12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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**

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.

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13. 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 2017 annual audited financial statements:

As at March 31, 2018	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Equities	3,859	-	32,578	36,437
Convertible debentures	-	4,200	-	4,200
Debentures, loans and promissory notes	-	-	2,579	2,579
Partnership interest	-	-	1,320	1,320
U.S. subsidiary holding cash & real estate	-	-	14,220	14,220
Total Financial Assets	**3,859**	**4,200**	**50,697**	**58,756**

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
U.S. subsidiary holding real estate	-	-	13,835	13,385
Total Financial Assets	**6,379**	**4,805**	**56,103**	**67,287**

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 periods ended March 31, 2018 and 2017.

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

	Three months ended March 31, 2018 $000	Year ended December 31, 2017 $000
Opening balance, beginning of period	56,103	60,286
Purchases	-	1,852
Sales	(6,090)	(4,543)
Realized loss	(250)	(2,504)
Transfers	-	-
Change in unrealized gain	934	1,012
Balance, end of period	**50,697**	**56,103**
Total change in unrealized gain (loss) for investments held at end of period	**684**	**(1,492)**

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March 31, 2018 (in Canadian dollars)

13. 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 March 31, 2018:

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	3,453	Transaction price	Third-party transactions [1]	N/A	N/A	N/A	N/A
HEALTHCARE							
Equity securities	4,825	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Debt	299	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	2,450	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	5,745	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	7,407	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
OTHER							
Real estate	14,220	Transaction price	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.

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14. 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 an interest in 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. In March 2018, the Company extended the loan, plus accrued interest, to December 31, 2018 at 10% interest.

15. 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	March 31, 2018 $000	December 31, 2017 $000
Shareholders' equity	41,134	45,038
Debentures	28,799	28,556
Total capital	**69,933**	**73,594**

16. BASIC AND DILUTED LOSS PER SHARE

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

$000 except for Common Shares and per share amounts	2018 $000	2017 $000
Basic loss per share		
Net loss	**(3,961)**	(785)
Weighted average Common Shares	5,816,721	5,858,637
Basic loss per share	**$(0.68)**	$(0.13)
Fully diluted income (loss) per share		
Net loss	**(3,961)**	(785)
Weighted average Common Shares after taking into effect dilutive convertible debentures and stock options	5,816,721	5,858,637
Fully diluted loss per share	**$(0.68)**	$(0.13)

16. BASIC AND DILUTED LOSS PER SHARE (continued)

In calculating fully diluted loss per common share for the periods ended March 31, 2018 and 2017, the Company excluded 1,014,296 [2017 – 1,028,209] Common Shares from the conversion of the Debentures and 366,667 [2017 – 405,000] Common Shares related to outstanding stock options as their impact was anti-dilutive.

17. COMPENSATION OF KEY MANGAGEMENT

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

	2018 $000	2017 $000
Salaries	299	349
Stock options	53	92
Total Compensation	**352**	**441**

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 March 31, 2018, no accrual for the annual incentive bonus pool was made [December 31, 2017 – nil].