



Unaudited Interim Condensed Financial Statements

June 30, 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 June 30, 2018.

STATEMENTS OF FINANCIAL POSITION

As at	June 30,	December 31,
Amounts in thousands of Canadian dollars (except per share amounts)	2018	2017
ASSETS		
Current		
Cash and cash equivalents	\$ 8,671	\$ 9,284
Distribution receivables	—	341
Marketable securities <i>[note 4]</i>	432	368
Prepaid expenses, deposits and other receivables	102	68
Interest receivable	97	53
Total current assets	9,302	10,114
Investments <i>[notes 5 and 14]</i>	58,339	66,919
Total assets	\$ 67,641	\$ 77,033
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 151	\$ 208
Due to related parties <i>[notes 6 and 14]</i>	7,183	2,261
Accrued interest	451	970
Convertible debentures <i>[notes 2, 7 and 12c]</i>	14,039	28,556
Total current liabilities	21,824	31,995
Debentures <i>[note 8]</i>	6,700	—
Total liabilities	28,524	31,995
SHAREHOLDERS' EQUITY		
Share capital <i>[note 9]</i>	134,429	134,429
Equity component of convertible debentures <i>[note 7]</i>	1,044	2,151
Contributed surplus	80,203	79,131
Deficit	(176,559)	(170,673)
Total shareholders' equity	39,117	45,038
Total liabilities and shareholders' equity	\$ 67,641	\$ 77,033
Net Asset Value per share	\$ 6.72	\$ 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

Amounts in thousands of Canadian dollars (except for common shares and per share amounts)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on disposal of investments and marketable securities	\$ 974	\$ (2,236)	\$ 741	\$ (1,976)
Net change in unrealized gain (loss) on investments and marketable securities	(1,786)	2,707	(4,159)	2,879
	(812)	471	(3,419)	903
OTHER INCOME				
Interest, dividends and other income [note 14]	223	622	403	938
Gain on repurchase and redemption of convertible debentures [note 7]	57	9	57	9
	280	631	461	947
EXPENSES				
Employee compensation and benefits [note 17]	258	288	595	709
Professional fees	297	191	556	352
General and administrative	84	106	202	249
Provision for uncollectible receivables	—	17	—	17
Financing costs	711	804	1,530	1,610
Transaction costs	44	31	45	33
Total expenses	1,393	1,437	2,928	2,970
Net loss and comprehensive loss	\$ (1,925)	\$ (335)	\$ (5,886)	\$ (1,120)
Weighted average number of common shares outstanding [note 16]				
Basic and diluted	5,816,721	5,853,277	5,816,721	5,855,942
Loss per share [note 16]				
Basic and diluted	\$(0.33)	\$(0.06)	\$(1.01)	\$(0.19)

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

STATEMENTS OF CHANGES IN EQUITY

Amounts in thousands of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Share capital				
Balance, beginning of the period	\$ 134,429	\$ 135,397	\$ 134,429	\$ 135,397
Normal course issuer bid common shares repurchased and cancelled [note 9]	—	(552)	—	(552)
Balance, June 30	134,429	134,845	134,429	134,845
Equity component of convertible debentures				
Balance, beginning of the period	2,151	2,180	2,151	2,180
Convertible debentures redeemed and cancelled [note 7]	(1,107)	—	(1,107)	—
Normal course issuer bid convertible debentures repurchased and cancelled [note 7]	—	(29)	—	(29)
Balance, June 30	1,044	2,151	1,044	2,151
Contributed surplus				
Balance, beginning of the period	79,188	78,236	79,131	78,143
Stock option expense [note 10]	10	15	67	108
Normal course issuer bid common shares repurchased and cancelled [note 9]	—	451	—	451
Convertible debenture redeemed and cancelled [note 7]	1,005	—	1,005	—
Normal course issuer bid convertible debentures repurchased and cancelled [note 7]	—	11	—	11
Balance, June 30	80,203	78,713	80,203	78,713
Deficit				
Balance, beginning of the period	(174,634)	(170,277)	(170,673)	(169,492)
Net loss	(1,925)	(335)	(5,886)	(1,120)
Balance, June 30	(176,559)	(170,612)	(176,559)	(170,612)
Net change in equity during the period	(2,017)	(439)	(5,921)	(1,131)
Equity, beginning of the period	41,134	45,536	45,038	46,228
Balance, June 30	\$ 39,117	\$ 45,097	\$ 39,117	\$ 45,097

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

STATEMENTS OF CASH FLOWS

Amounts in thousands of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (1,925)	\$ (335)	\$ (5,886)	(1,120)
Items not affecting cash:				
Net realized (gain) loss on disposal of investments and marketable securities	(974)	2,236	(741)	1,976
Net change in unrealized (gain) loss on investments and marketable securities	1,786	(2,707)	4,159	(2,879)
Amortization of financing costs on convertible debentures	196	213	439	434
(Gain) loss on repurchase/redemption of convertible debentures	—	(9)	—	(9)
Conversion of interest revenue into equities and debentures	(198)	(304)	(198)	(304)
Equity-based compensation	10	15	67	108
Net change in non-cash working capital balances	(1,658)	2,134	(2,657)	1,581
Effect of exchange rate changes on cash and cash equivalents	(72)	(27)	26	(50)
Purchase of marketable securities	—	(2,106)	—	(2,224)
Proceeds from disposal of marketable securities	111	25	187	482
Purchase of investments	(2,660)	(4,250)	(2,660)	(4,250)
Proceeds from disposal and maturity of investments	2,155	1,718	7,905	1,718
Cash (used in) provided by operating activities	(3,230)	(3,397)	641	(4,537)
FINANCING ACTIVITIES				
Proceeds from issuance of debentures <i>[note 8]</i>	6,700	—	6,700	—
Proceeds from related party loan <i>[note 6]</i>	7,103	—	7,103	—
Redemption of convertible debentures <i>[note 7]</i>	(15,000)	—	(15,000)	—
Normal course issuer bid common shares repurchased and cancelled <i>[note 9]</i>	—	(102)	—	(102)
Normal course issuer bid convertible debentures repurchased and cancelled <i>[note 7]</i>	—	(394)	—	(394)
Cash (used in) financing activities	(1,197)	(496)	(1,197)	(496)
Net (decrease) in cash during the period	(4,427)	(3,893)	(556)	(5,033)
Cash and cash equivalents, beginning of the period	13,155	9,708	9,284	10,848
Cash and cash equivalents, end of the period	\$ 8,728	\$ 5,815	\$ 8,728	\$ 5,815
Interest received	\$ 96	\$ 105	\$ 121	\$ 330
Dividends received	-	40	40	80
Interest paid	444	-	1,610	1,182

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

SCHEDULE OF INVESTMENTS

			June 30, 2018	
			AVERAGE	
Amounts in thousands of Canadian dollars			COST	FAIR VALUE
			\$	\$
FINANCIAL TECHNOLOGIES				
Carta Solutions Holding Corporation	equity securities	Canada	3,629	
Carta Solutions Holding Corporation	loans	Canada	1,284	
Ethoca Solutions Inc.	equity securities	Canada	1,508	
Mogo Finance Technology Inc.	equity securities	Canada	7,265	
Mogo Finance Technology Inc.	convertible debentures	Canada	3,066	
			16,752	14,272
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	5,232
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	
ScribbleLive Technologies Inc.	equity securities	Canada	4,609	
Hootsuite Media Inc.	equity securities	Canada	2,080	
			20,195	8,626
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.	751	
			9,198	8,197
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	16,267
TOTAL INVESTMENTS			69,674	58,339

SCHEDULE OF INVESTMENTS (continued)

PORTFOLIO INVESTMENTS AND FAIR VALUE

Significant purchases, sales and changes in valuation of investments for the three months ended June 30, 2018 included the following:

Difference RM Holdings Corp. ("Difference RM")

In June 2018, the Company sold its residual ownership interest in the 618-acre parcel of undeveloped land in the City of Rancho Mirage, California. As at June 30, 2018, the Company's carrying value in Difference RM reflects the net cash proceeds received by the Company on the closing of the sale.

Mogo Finance Technology Inc. ("Mogo")

During the quarter ended June 30, 2018, the Company invested an addition \$2.6 million in Mogo common shares. The Company also sold \$0.9 million principal amount of the Mogo convertible debentures. The Company marks to market its investments in Mogo, resulting in approximately \$0.1 million of unrealized gain during the quarter.

Touchbistro Inc. ("Touchbistro")

During the quarter ended June 30, 2018, the Company sold its investment in Touchbistro for gross proceeds of \$1.0M, resulting in a realized gain of \$0.8M.

Other

During the quarter ended June 30, 2018, the Company wrote down its investments in ScribbleLive Technologies Inc. and Waterloo Innovation Network LP totalling \$1.9M. The Company recorded \$0.5 million of unrealized foreign currency translation gain in the Company's U.S. investments.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 August 14, 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.

On June 15, 2018, the Company redeemed \$15.0 million in principal amount of its convertible unsecured subordinated debentures (the “Convertible Debentures”) outstanding and maturing on July 31, 2018 (see Note 7 for additional disclosure on the redemption).

Subsequent to the period of these financial statements, on July 31, 2018, the Company repaid the remaining \$14.2 million principal amount of the Convertible Debentures (see Note 18 for additional details on the repayment).

To fulfill its Convertible Debenture repayment obligation, the Company generated funds this year from the sale of investments, including its ownership interest in a 618 acre parcel of undeveloped land in the City of Rancho Mirage, California. In addition, the Company issued a non-brokered private placement of senior debentures for aggregate gross proceeds of \$6.7 million (see Note 8 for additional details on the private debentures).

Management continues work on its plan of improving the liquidity of its portfolio holdings in order to satisfy its financial obligations and meet its working capital needs. 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 FVTPL or amortized cost. Financial liabilities are classified as FVTPL or amortized cost.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30, 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 June 30, 2018	-

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

4. MARKETABLE SECURITIES

Marketable securities consist of the following:

As at	June 30, 2018 \$000	December 31, 2017 \$000
Equity securities	432	368
	432	368

5. INVESTMENTS

Investments consist of the following by investment type:

As at	June 30, 2018 \$000	December 31, 2017 \$000
Equity securities	37,385	38,304
Convertible debentures	3,097	11,180
Debentures, loans and promissory notes	2,635	2,280
Partnership interests	700	1,320
U.S. subsidiary holding cash and real estate	14,522	13,835
	58,339	66,919

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

6. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

Name	Relationship	Principal Place of Business	Ownership interest and Voting Rights %	
			June 30, 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. ("DRM") owns 100% of Difference RM Holding USA Inc. ("DRM USA"), 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. In June 2018, DRM Properties received cash proceeds from the sale of the residual interest in the acquiring entity.

During the quarter ended June 30, 2018, DRM Properties distributed the initial cash proceeds from the sale, representing approximately 95% of total proceeds, to its partners. As at June 30, 2018, the Company's carrying value in DRM reflects the cash proceeds held by DRM USA plus the proportionate share of the cash held by DRM Properties that had not yet been distributed to its partners.

The Company pays, withholding taxes, legal, professional, and other fees and expenses on behalf of DRM Properties and recovers these amounts from DRM Properties throughout the year. During the six months ended June 30, 2018, the Company paid \$3.4 million [June 30, 2017 - \$0.2 million] in withholding taxes and expenses on behalf of DRM Properties [June 30, 2017 - \$0.2 million]. As at June 30, 2018, there were no amounts payable to or receivable from DRM Properties [December 31, 2017 - \$2.3 million payable]. No provisions or expense for doubtful receivables were recognized related to the amounts owing from DRM Properties as at June 30, 2018 and December 31, 2017.

In June 2018, the Company received a loan advance of \$7.1 million from DRM USA from the proceeds of the land sale. The loan is payable on demand and bears an interest rate of 2.32% per annum. The Company expects to repay the loan in the second half of 2018 upon the winding up of DRM USA.

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

7. CONVERTIBLE DEBENTURES

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

The Convertible 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 Convertible 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 Convertible

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

7. CONVERTIBLE DEBENTURES (continued)

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 Convertible 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 Convertible 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 Convertible Debentures. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Convertible 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 Convertible Debentures, representing 10% of the public float of the outstanding Convertible 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 Convertible Debentures. The Company also received approval from the TSX for an automatic purchase plan, which allowed for purchases by the Company of its Convertible 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 Convertible Debentures, representing 10% of the public float of the outstanding Convertible Debentures. The 2018 Debentures NCIB will expire on July 31, 2018.

During the three months ended June 30, 2018 and 2017, the Company did not repurchase any Convertible Debentures through the NCIB.

On June 15, 2018 (the "Redemption Date"), the Company redeemed \$15.0 million of its outstanding principal amount of the Convertible Debentures. The Convertible Debentures were redeemed at par, plus accrued and unpaid interest up to but excluding the Redemption Date. Out of the amount paid, \$15.0 million was recorded as a reduction to the liability component of the Convertible Debentures [December 31, 2017 – nil], \$1.1 million was recorded as a reduction to the equity component of the Convertible Debentures [December 31, 2017 – nil], \$0.1 million was recorded as a gain on repurchase and redemption of convertible debentures in the statements of income (loss) and comprehensive income (loss) [December 31, 2017 – nil], and \$1.0 million was recorded as an increase in contributed surplus [December 31, 2017 – nil].

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 (in Canadian dollars)

7. CONVERTIBLE DEBENTURES (continued)

The changes in the liability component of the Convertible Debentures during the periods ended June 30, 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	439
Convertible Debentures redeemed	(14,956)
Liability component, June 30, 2018	14,039

The changes in the principal amount of the Convertible Debentures outstanding during the periods ended June 30, 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	29,161
Convertible Debentures redeemed	(15,000)
Principal amount, June 30, 2018	14,161

See Note 18, Subsequent Events for disclosure on the repayment of the remaining Convertible Debentures on July 31, 2018

8. PRIVATE DEBENTURES

On June 21, 2018 the Company issued a non-brokered private placement of senior debentures (the "Private Debentures") for aggregate gross proceeds of \$6.7 million.

The Private Debentures will mature on June 30, 2020 and bear an interest rate of 12% per annum calculated and payable quarterly, in arrears, in cash, on March 31st, June 30th, September 30th and December 31st (each an "Interest Payment Date") in each year commencing September 30, 2018.

The Private Debentures may be redeemed in whole or in part at the option of the Company on not more than 45 days and not less than 15 days prior notice at a price equal to their principal amount plus accrued and unpaid interest (the "Redemption Amount"). In the event the Private Debentures are redeemed prior to June 30, 2019, the holder shall be entitled to receive, in addition to the Redemption Amount, any interest that would have otherwise accrued from the redemption date through June 30, 2019. The Private Debentures are also subject to a cash covenant, whereby any cash generated from the Company's portfolio in excess of \$4.0 million will be used to redeem Private Debentures on a pro rata basis on each Interest Payment Date, if applicable. During the quarter ended June 30, 2018, no Private Debentures were redeemed.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30, 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 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 June 30, 2018 and 2017, the Company did not repurchase any Common Shares.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30, 2018 and December 31, 2017, 10% of the issued and outstanding Common Shares was 581,672 Common Shares.

During the three months ended June 30, 2018 and 2017, the Company did not grant any options. During the six months ended June 30, 2018 the Company granted 75,000 options (June 30, 2017, nil) 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 June 30, 2018, an additional 228,339 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.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 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 June 30, 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	(63,333)	\$6.70
Options outstanding, June 30, 2018	353,333	\$5.91
Options exercisable, June 30, 2018	303,333	\$6.40

The equity-based compensation expense under the share option plan for the six months ended June 30, 2018 of \$0.1 million [June 30, 2017 – \$0.1 million] has been included in employee compensation and benefits.

Options outstanding and exercisable as at June 30, 2018 are as follows:

Year of Grant	Expiry date	Exercise Price	Options Outstanding	Options Exercisable
2016	2026	\$6.70	278,333	278,333
2018	2028	\$3.00	75,000	25,000

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30, 2018			
	FVTPL \$000	Amortized Cost \$000	Total \$000
Assets			
Marketable securities	432	-	432
Investments	58,339	-	58,339
Cash and cash equivalents	-	8,671	8,671
Prepaid expenses, deposits and other receivables	-	102	102
Interest receivable	-	97	97
Total Financial Assets	58,771	8,870	67,641
Liabilities			
Accounts payable and accrued liabilities	-	151	151
Due to related party	-	7,183	7,183
Accrued interest	-	451	451
Convertible debentures	-	14,039	14,039
Private Debentures	-	6,700	6,700
Total Financial Liabilities	-	28,524	28,524

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30, 2018, the Company holds the following fixed-rate debt instruments: (a) \$3.1 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 1.8 years [December 31, 2017 – 1.2 years]; and (b) \$2.7 million [December 31, 2017 – \$2.3 million] in non-convertible debentures with a weighted average interest rate of 4.9% [December 31, 2017 – 4.6%] and a weighted average term to maturity of approximately 0.3 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 June 30, 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 June 30, 2018, the Company is primarily exposed to foreign exchange risk through its US dollar denominated investments of \$26.0 million [December 31, 2017 – \$24.6 million], which represent approximately 38.5% [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].

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 (in Canadian dollars)

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 4 and 5 for additional details regarding the fair value of marketable securities and investments, respectively.

b) Credit risk

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

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

As at	June 30, 2018 \$000	December 31, 2017 \$000
Cash and cash equivalents	8,671	9,284
Distribution receivables	-	341
Convertible debentures	3,097	11,180
Debentures, loans and promissory notes	2,635	2,280
Accrued interest	97	53
Other receivables	102	68
	14,602	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 June 30, 2018, there were \$1.3 million of debts overdue [December 31, 2017 – \$1.3 million]. For the three-month and six-month periods ended June 30, 2018 and 2017, no unrealized losses were attributable to changes in credit risk of the debt instruments.

During the three-month and six-month periods ended June 30, 2018 and 2017, no impairment in respect of accrued interest 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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

As at June 30, 2018	Less than one year \$000	One to three years \$000	Over three years \$000	Total \$000
Financial Liabilities				
Accounts payable and accrued liabilities	151	-	-	151
Due to related party	7,183	-	-	7,183
Accrued interest	451	-	-	451
Convertible debentures	14,161	-	-	14,161
Convertible debentures	-	6,700	-	6,700
Total Financial Liabilities	21,946	6,700	-	28,646

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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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30, 2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Equities	6,796	-	31,021	37,817
Convertible debentures	-	3,097	-	3,097
Debentures, loans and promissory notes	-	-	2,635	2,635
Partnership interest	-	-	700	700
U.S. subsidiary holding cash & real estate	-	-	14,522	14,522
Total Financial Assets	6,796	3,097	48,878	58,771

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 June 30, 2018 and 2017.

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

	Three months ended June 30, 2018 \$000	Six months ended June 30, 2018 \$000	Year ended December 31, 2017 \$000
Opening balance, beginning of period	50,697	56,103	60,286
Purchases	50	50	1,852
Sales	(1,009)	(7,099)	(4,543)
Realized gain (loss)	756	506	(2,504)
Transfers	-	-	-
Change in unrealized gain	(1,616)	(682)	1,012
Balance, end of period	48,878	48,878	56,103
Total change in unrealized gain (loss) for investments held at end of period	(860)	(176)	(1,492)

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 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 June 30, 2018:

INVESTMENT TYPE	FAIR VALUE	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE	WEIGHTED AVERAGE ⁽⁶⁾	REASONABLE POSSIBLE SHIFT +/- IN UNOBSERVABLE INPUTS ⁽⁷⁾	IMPACT TO VALUATION FROM CHANGES IN INPUTS +/- ⁽⁷⁾
FINANCIAL TECHNOLOGIES							
Debt	1,284	Transaction price	Purchase price ⁽³⁾	N/A	N/A	N/A	N/A
Equity securities	3,527	Transaction price	Third-party transactions ⁽²⁾	N/A	N/A	N/A	N/A
Equity securities	-	Liquidation analysis ⁽¹⁾	Estimated net realizable value	N/A	N/A	N/A	N/A
HEALTHCARE							
Equity securities	4,927	Transaction price	Purchase price	N/A	N/A	N/A	N/A
Debt	305	Transaction price	Purchase price	N/A	N/A	N/A	N/A
INTERNET							
Equity securities	6,124	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
Equity securities	2,502	Market comparable companies	Revenue multiple ⁽⁴⁾	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	6,922	Transaction price	Third-party transactions	N/A	N/A	N/A	N/A
			Discount ⁽⁵⁾	15%-20%	15%-20%	N/A	N/A
Equity securities	1,275	Liquidation analysis	N/A	N/A	N/A	N/A	N/A
Convertible debentures		Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A
OTHER							
Subsidiaries holding cash	14,523	Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A
Limited partnership units	699	Net asset value	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
Equity securities	-	Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A
Debt securities	-	Liquidation analysis	Estimated net realizable	N/A	N/A	N/A	N/A

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

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

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

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

⁽⁵⁾ Unobservable inputs were weighted based on the fair value of the investments included in the range

⁽⁷⁾ The impact to valuation from changes in inputs disclosed in the above table shows 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, would 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 would result in a higher (lower) fair value of the Company's investments.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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%.

The Company currently holds both common shares (“Mogo Shares”) and 10% senior secured convertible debentures (the “Mogo Debentures”) of Mogo Finance Technology Inc. (“Mogo”). With respect to its investment in Mogo, the Company is an associate of Michael Wekerle. As of August 14, 2018, Michael Wekerle held an aggregate of 2,550,972 Mogo Shares directly and the Company held 1,952,763 Mogo Shares. Michael Wekerle also held an aggregate \$1,800,000 principal amount of Mogo Debentures and the Company held \$2,254,000 principal amount of Mogo Debentures. Each Mogo Debenture is convertible into Mogo Shares at a price per Mogo Share equal to \$5.00. Assuming the conversion of all of the Mogo Debentures held by Michael Wekerle and the Company, the two parties collectively had control or direction of an aggregate of 5,314,535 Mogo Shares, representing 22.4% of the issued and outstanding Mogo Shares on a partially diluted basis.

See note 6 relating to the loan advance from DRM USA.

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, the Convertible Debentures and the Private 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	June 30, 2018	December 31, 2017
	\$000	\$000
Shareholders’ equity	39,117	45,038
Convertible Debentures	14,039	28,556
Private Debentures	6,700	-
Total capital	59,856	73,594

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 (in Canadian dollars)

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 June 30:

\$000 except for common shares and per share amounts	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Basic income (loss) per share				
Net income (loss)	(1,925)	(335)	(5,886)	(1,120)
Weighted average Common Shares	5,816,721	5,853,277	5,816,721	5,855,942
Basic income (loss) per share	\$(0.33)	\$(0.06)	\$(1.01)	\$(0.19)
Fully diluted income (loss) per share				
Net income (loss)	(1,925)	(335)	(5,886)	(1,120)
Weighted average Common Shares after taking into effect dilutive convertible debentures and stock options	5,816,721	5,853,277	5,816,721	5,855,942
Fully diluted income (loss) per share	\$(0.33)	\$(0.06)	\$(1.01)	\$(0.19)

In calculating fully diluted loss per common share for the periods ended June 30, 2018 and 2017, the Company excluded 492,557 [2017 – 1,014,296] Common Shares from the conversion of the Convertible Debentures and 303,333 [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 June 30 were as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Salaries	299	299	598	648
Stock options	10	12	67	104
Total Compensation	309	311	665	752

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 June 30, 2018, no accrual for the annual incentive bonus pool was made [December 31, 2017 – nil].

18. SUBSEQUENT EVENTS

In July 2018, the Company received a further loan advance of \$6.8 million from DRM USA. On July 31, 2018, the Company repaid the remaining \$14.2 million of its outstanding principal amount of the Convertible Debentures, plus the final semi-annual coupon payment of \$0.6 million.