Consolidated financial statements

Dealnet Capital Corp.

December 31, 2017 and 2016

Management’s report on the consolidated financial statements

The accompanying consolidated financial statements of **Dealnet Capital Corp.** have been prepared by and are the responsibility of the Company’s management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management’s judgment. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are adequately maintained.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which consists of three independent directors. The Audit Committee reviews the Company’s annual consolidated financial statements and recommends their approval to the Board of Directors. The Company’s auditors have full access to the Audit Committee, with and without management being present. Ernst & Young LLP has audited these consolidated financial statements and their report follows.

“Brent Houlden”
Brent Houlden
President and Chief Executive Officer

“Paul Leonard”
Paul Leonard
Chief Financial Officer

Independent auditors' report

To the Shareholders of
Dealnet Capital Corp.

We have audited the accompanying consolidated financial statements of **Dealnet Capital Corp.**, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Material uncertainty related to going concern

Without modifying our opinion, we draw attention to Note 2 in the financial statements. The Company has incurred a net loss of $44,698, and negative cash flows from operations of $15,885, during the year ended December 31, 2017. As stated in Note 2 these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 23, 2018

Dealnet Capital Corp.

Consolidated statements of financial position

[Expressed in thousands of dollars]

As at December 31	**2017**	**2016**
	$	$
Assets		
Cash and cash equivalents *[note 5]*	**12,799**	12,404
Restricted cash *[notes 14[a] and 15]*	**18,402**	14,896
Trade receivables, net of allowance *[note 6]*	**4,866**	5,594
Finance receivables, net *[note 7]*	**170,681**	137,543
Other assets *[note 8]*	**3,514**	1,725
Deferred income tax asset *[note 18]*	**—**	2,591
Property and equipment, net *[note 9]*	**2,517**	1,106
Intangible assets, net *[note 11]*	**1,754**	14,039
Goodwill *[note 12]*	**289**	19,914
	214,822	209,812
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued liabilities *[note 13]*	**10,058**	8,780
Debentures and notes payable *[note 14]*	**53,760**	27,055
Secured borrowings *[note 15]*	**130,898**	118,387
Deferred income tax liability *[note 18]*	**—**	2,591
Deferred revenue	**256**	225
Total liabilities	**194,972**	157,038
Shareholders' equity		
Share capital *[note 19]*	**71,473**	59,320
Shares to be issued *[note 14[d]]*	**300**	—
Contributed surplus	**6,474**	7,049
Accumulated other comprehensive income (loss)	**(59)**	45
Deficit	**(58,338)**	(13,640)
Total shareholders' equity	**19,850**	52,774
	214,822	209,812

See accompanying notes

On behalf of the Board:

"Harold Bridge"	*"Brent Houlden"*
Harold Bridge	Brent Houlden
Chairman	President and Chief Executive Officer

Dealnet Capital Corp.

Consolidated statements of loss and comprehensive loss

[Expressed in thousands of dollars, except per share amounts or unless otherwise stated]

Years ended December 31	**2017**	**2016**
	$	$
Consumer Finance		
Interest income	**14,315**	7,604
Interest expense	**8,157**	3,988
	6,158	3,616
Fee and ancillary revenue	**1,986**	1,106
Direct expense	**(1,239)**	(648)
Provision for credit losses	**(1,508)**	(116)
Other direct revenue (expense)	**(761)**	342
Finance income	**5,397**	3,958
Engagement		
Revenue	**26,023**	26,692
Cost of sales	**14,651**	16,336
	11,372	10,356
Gross profit	**16,769**	14,314
Operating expenses		
Salaries, wages and benefits	**15,727**	12,626
General and administrative	**10,737**	8,128
Business acquisition costs *[note 10]*	**—**	1,723
Depreciation and amortization *[notes 9 and 11]*	**2,119**	2,266
Share-based compensation *[note 20]*	**1,289**	1,623
Impairment loss *[notes 10, 11 and 12]*	**31,545**	—
	61,417	26,366
Loss before income taxes	**(44,648)**	(12,052)
Income taxes		
Income tax expense *[note 18]*	**50**	3
Deferred tax recovery *[note 18]*	—	(1,565)
	50	(1,562)
Net loss for the period	**(44,698)**	(10,490)
Other comprehensive loss		
Foreign currency translation	**(104)**	(13)
	(104)	(13)
Total comprehensive loss for the year	**(44,802)**	(10,503)
Loss per common share, basic and diluted	**(0.16)**	(0.05)
Weighted average number of common shares outstanding *[000s]*	**279,718**	222,247

See accompanying notes

Dealnet Capital Corp.

Consolidated statements of changes in shareholders' equity

[Expressed in thousands of dollars, unless otherwise stated]

	Common shares				Accumulated		
	Number	Value	Shares to be issued	Contributed surplus	other comprehensive income (loss)	Deficit	Total
	[000s]	$	$	$	$	$	$
	[note 19]	*[note 19]*	*[note 14[d]]*	*[note 19]*			
Balance as at December 31, 2015	152,238	12,682	—	5,298	58	(3,150)	14,888
Conversion of convertible debentures, net	5,894	1,042	—	13	—	—	1,055
Share issuance – private placement	54,545	30,000	—	—	—	—	30,000
Share issuance on acquisition	6,584	3,234	—	—	—	—	3,234
Share issuance costs	—	(2,510)	—	449	—	—	(2,061)
Issuance of convertible vendor take-back note	—	—	—	273	—	—	273
Share-based payments	764	435	—	—	—	—	435
Share-based compensation	—	—	—	1,623	—	—	1,623
Stock options exercised	757	198	—	—	—	—	198
Compensation options exercised	1,070	715	—	(287)	—	—	428
Warrants exercised	38,314	13,524	—	(1,009)	—	—	12,515
Equity component of debt	—	—	—	689	—	—	689
Other comprehensive loss	—	—	—	—	(13)	—	(13)
Net loss for the year	—	—	—	—	—	(10,490)	(10,490)
Balance as at December 31, 2016	260,166	59,320	—	7,049	45	(13,640)	52,774
Share issuance on acquisition	**12,523**	**5,511**	**—**	**—**	**—**	**—**	**5,511**
Issuance of secured debentures	**—**	**—**	**—**	**722**	**—**	**—**	**722**
Share issuance costs	**—**	**(36)**	**—**	**—**	**—**	**—**	**(36)**
Share-based payments	**—**	**—**	**300**	**—**	**—**	**—**	**300**
Share-based compensation	**—**	**—**	**—**	**1,238**	**—**	**—**	**1,238**
Stock options exercised	**107**	**32**	**—**	**(2)**	**—**	**—**	**30**
Compensation options exercised	**1,000**	**668**	**—**	**(268)**	**—**	**—**	**400**
Warrants exercised	**7,428**	**5,978**	**—**	**(2,265)**	**—**	**—**	**3,713**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(104)**	**—**	**(104)**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**(44,698)**	**(44,698)**
Balance as at December 31, 2017	**281,224**	**71,473**	**300**	**6,474**	**(59)**	**(58,338)**	**19,850**

See accompanying notes

Dealnet Capital Corp.

Consolidated statements of cash flows

[Expressed in thousands of dollars]

Years ended December 31	2017	2016
	$	$
Operating activities		
Net loss for the year	**(44,698)**	(10,490)
Add (deduct) items not involving cash		
Impairment loss	**31,545**	—
Deferred tax recovery	**—**	(1,565)
Income tax expense	**50**	3
Provision for credit losses	**1,508**	116
Depreciation and amortization	**2,119**	2,266
Share-based compensation	**1,289**	1,623
Accretion of interest and transaction costs	**450**	466
Expenses settled by issuance of shares	**—**	435
Change in fair value of estimate	**42**	65
	(7,695)	(7,081)
Changes in non-cash working capital balances related to operations		
Decrease (increase) in trade receivables and other assets	**147**	(1,689)
Increase in lease and loan receivable, net	**(29,055)**	(58,992)
Decrease in secured note and loan receivable	**—**	983
Increase in restricted cash	**(3,506)**	(9,588)
Increase in secured debentures payable, net of repayment	**13,000**	19,237
Increase in secured borrowings	**12,327**	49,097
Increase (decrease) in accounts payable and accrued liabilities	**(1,103)**	2,882
Cash used in operating activities	**(15,885)**	(5,151)
Investing activities		
Additions to property and equipment *[note 9]*	**(1,988)**	(561)
Additions to intangible assets *[note 11]*	**(1,177)**	(678)
Proceeds on settlement of revenue guarantee, and deferred and and contingent consideration	**—**	875
Acquisition of businesses *[note 10]*	**—**	(28,578)
Cash used in investing activities	**(3,165)**	(28,942)
Financing activities		
Proceeds from (repayment of) notes payable	**4,148**	(5,000)
Proceeds from issuance of senior secured debentures	**10,313**	—
Proceeds from (costs of) issuance of common shares, net	**(36)**	27,939
Proceeds from warrants exercised	**3,713**	12,515
Proceeds from options exercised	**430**	625
Increase (decrease) in finance lease obligations	**981**	(81)
Cash provided by financing activities	**19,549**	35,998
Effect of foreign exchange on cash	**(104)**	(13)
Net increase in cash during the year	**395**	1,892
Cash and cash equivalents, beginning of year	**12,404**	10,512
Cash and cash equivalents, end of year	**12,799**	12,404
Supplemental cash flow information		
Interest paid	**8,046**	4,277
Income taxes paid	**78**	—

See accompanying notes

Notes to consolidated financial statements

[Expressed in thousands of dollars, except per share amounts or unless otherwise stated]

December 31, 2017 and 2016

1. Corporate information

Dealnet Capital Corp. [the “Company” or “Dealnet”] was incorporated on September 8, 1986 under the laws of the Province of British Columbia and was continued under the laws of the Province of Ontario on May 7, 1991. Effective July 28, 2015, the Company commenced trading on the TSX Venture Exchange [“TSX-V”]. The address of the Company’s registered office is 325 Milner Avenue, Suite 300, Toronto, Ontario, M1B 5N1, Canada.

Dealnet operates in two markets, Consumer Finance and Engagement.

The principal focus of Dealnet is Consumer Finance, concentrating on the origination, securitization and servicing of consumer loans and leases within the Canadian home improvement sector. On February 18, 2016, the Company acquired EcoHome Financial Inc. [“EcoHome”], a Canadian non-bank lender in the consumer heating, ventilation and air conditioning [“HVAC”] and home improvement markets.

The existing Engagement business offers live services [“Live”] and mobile marketing solutions [“Mobile”]. Live includes providing engagement services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services. Live engagement services are offered primarily through the legal entities of Gemma GP Corp., Gemma Communications LP and Akron Insurance Limited [collectively, “Gemma"] and One Contact Canada Inc. and One Contact Inc. [collectively, “One Contact"]. Mobile allows clients to engage and interact directly with mobile subscribers. Both businesses conduct operations throughout Canada and the United States.

In late 2017, Dealnet started to explore various strategic alternatives including the attempted sale of Gemma GP Corp., Gemma Communications LP and Akron Insurance Limited [collectively, “Gemma"], which formed part of the Live Engagement. On March 9, 2018, Dealnet decided that a sale of the business was not possible and concluded that it was in the best interest of Dealnet to liquidate Gemma through an assignment in bankruptcy [the “Bankruptcy”] pursuant to the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended *[note 26]*.

The Bankruptcy resulted in the loss of control and the deconsolidation of Gemma as at March 9, 2018.

The financial contribution of Gemma to the Company, excluding the impairment of goodwill and intangible assets associated with the acquisition of Gemma, is outlined below:

For the year ended December 31, 2017	Gemma $	One Contact $	Live Engagement $
Revenue	**6,894**	**8,553**	**15,447**
Cost of sales	**5,598**	**6,101**	**11,699**
Gross profit	**1,296**	**2,452**	**3,748**
Salaries, wages and benefits	**1,682**	**1.202**	**2,884**
General and administrative	**2,303**	**1,158**	**3,461**
Impairment loss	**477**	**7**	**484**
Segment (loss) profit	**(3,166)**	**85**	**(3,081)**
Depreciation and amortization	**390**	**103**	**493**
Loss before income taxes	**(3,556)**	**(18)**	**(3,574)**
Total assets	**2,392**	**1,809**	**4,201**
Total liabilities	**9,935**	**7,287**	**17,222**

In addition, a restructuring provision of $200 to account for future costs in relation to the Bankruptcy is expected to be incurred by the Company.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”].

These consolidated financial statements were authorized for issuance by the Board of Directors [the “Board”] of the Company on April 23, 2018. The Company has the power to amend the financial statements after issue, if applicable.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after the elimination of intercompany balances and transactions. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Going concern measurement basis

The consolidated financial statements of the Company have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company's ability to continue as a going concern is dependent upon the Company's ability to raise additional capital through secure private debt placements, monetize non-core assets, or equity. While the Company has been successful in obtaining financing in the past, there is uncertainty that such financing will be available in the future. As the Company has insufficient liquidity as at December 31, 2017 to meet all of its operating needs for the foreseeable future, these conditions indicate a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern.

Management has taken steps to address the Company's need for funds including:

1. In December 2017, the Company secured a $12 million debenture against the shares and assets of Impact Mobile Inc. and Impact Mobile USA Inc. [collectively, "Impact Mobile"]. The debenture issue included 48 million warrants at an exercise price of 12 cents, which if exercised would result in an equity infusion of $5.8 million.
2. On March 9, 2018, the Company placed its Gemma call centre operations into bankruptcy, which will significantly reduce the negative cash flow generated by Live Engagement
3. Obtaining alternative financing of existing assets
4. Continue to closely manage liquidity by:
    - Reducing corporate overheads and operating expenses;
    - Increasing revenue by driving securitization gains on originations, and fees;
    - Reducing the need to buyback delinquent accounts from the Company's funders; and
    - Maximizing the cash flow from Impact Mobile.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Functional and presentation currency

The presentation currency is the Canadian dollar. The consolidated financial statements are prepared in thousands of Canadian dollars, except per share amounts, or as otherwise noted. The functional currency of the Company and its subsidiaries is the Canadian dollar, except for its US subsidiaries, which are in US dollars.

3. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Restricted cash

Restricted cash are funds raised from third parties which may only be used for the purpose of funding eligible HVAC and home improvement contracts. These funds are secured against consumer finance contracts.

Also included in restricted cash are cash reserves maintained to support credit risks for secured debentures and secured borrowings.

Consumer finance income and receivables

The Company provides financing to consumers through direct financing leases and loans.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus residual values accruing to the Company less unearned finance income. Unearned finance income is recognized over the life of the lease using the effective interest rate method, which provides a constant rate of return throughout the lease term.

Loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest rate method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Allowance for credit losses

Leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 90 days. When receivables are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Leases and loans that have been assessed individually and found not to be impaired are then assessed collectively to determine whether an allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of the historical performance of data from the lease and loan portfolio such as credit quality, levels of arrears and historical loss rate.

Credit risk within the Company’s lease receivables portfolio is further mitigated by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance and is entitled to seek additional cash reserves from the dealers when the reserve balance is below the contractual amount. Receivables arising from terminated delinquent finance lease contracts, where available, are recovered in full through the garnishment of future escalation payments otherwise due to the originating dealers.

The Company also relies on the registration of a notice of security interest [“NOSI”] in the real property registry to minimize credit loss of leases and loans.

Engagement revenue recognition

Engagement revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognized in the period when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectability is reasonably assured and services have been rendered.

[a] Live services: The Company earns revenue from Live services including providing outsourced services, such as call centres, loyalty program administration, utility customer care, telecom and technical support services, to a broad-based clientele in both Canada and the United States, mainly from agent-related services. Revenue is typically recognized in the period in which calls are received and services are performed based on staffing hours or the number of contacts/calls handled by service agents using contractual rates. The remaining revenue is derived from the provision of professional services often related to the setup and establishment of the contracted services, including training, IT and other project management. Revenue from the provision of such services is typically recognized in each period on a straight-line basis over the life of contracts. Payments received from customers in advance of services provided are recorded in deferred revenue as a liability on the consolidated statements of financial position.

[b] Mobile services: The Company uses its connectivity to mobile carriers to earn revenue from mobile messaging over short codes. Mobile content, in the form of SMS and MMS messages, is transmitted by the Company, for its customers, to and from the mobile carriers. Revenue from messaging is recorded when the message is sent. The Company charges a fixed monthly hosting fee for short code connectivity. Hosting fees are recognized as earned. The Company also earns revenue from custom development for individual client campaigns, which is deferred and amortized over the term of the contract. Additionally, the Company earns revenue by running mobile marketing programs for its customers using its proprietary software application. Many marketing programs are less than a month in duration and the associated revenue is recognized in the month in which the Company delivers the associated services. Revenue is generated from licensing of the Company’s proprietary software and associated support services, and from services supported over an extended period; this revenue is recognized on a monthly basis pro-rata over the period for which the service or license has been contracted. Billings or payments received from customers in advance of services provided are recorded in deferred revenue as a liability on the consolidated statements of financial position.

Trade receivables

Trade receivables consist primarily of amounts owed to the Company by clients and are presented net of an allowance for doubtful accounts. Contracts with individual clients determine when receivables are due, generally within 30–90 days, and whether interest is accrued on late payments. The Company reviews its trade receivables at each reporting date to assess the adequacy of the allowance for doubtful accounts and to determine whether bad debt expense should be recorded in the consolidated statements of loss and comprehensive loss.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method over the estimated useful lives of the property and equipment. Depreciation commences once the asset is in use. The periods of depreciation are as follows:

Computer hardware	3 to 5 years
Office equipment	3 to 5 years
Leasehold improvements	5 years or the life of the leasehold, whichever is lower

The useful lives, method of depreciation and the assets' residual values are reviewed at least annually and the remaining useful lives are adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which they relate may not be recoverable.

Intangible assets

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition. The Company's intangible assets include computer software, customer and dealer relationships, and brand and trademarks and are measured at amortized cost. All of the Company's intangible assets have a finite life and are amortized on a straight-line basis over their useful lives. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of loss and comprehensive loss.

Computer software	3 to 5 years
Customer and dealer relationships	10 years
Brand and trademarks	10 years

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed in the consolidated statements of loss and comprehensive loss. When the Company acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in the consolidated financial statements.

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating unit ["CGU"] to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be impairment.

Impairment of non-financial assets

For the purposes of assessing impairment of non-financial assets such as property and equipment, intangible assets and goodwill, assets are grouped at the lowest level for which there are separately identifiable cash inflows. An impairment loss is recognized in the consolidated statements of loss and comprehensive loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

The Company's determination of the recoverable amount utilizes detailed budgets, forecast calculations, quoted market prices or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses, for assets other than goodwill, may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss. Impairment losses relating to goodwill are not reversed in future periods.

Goodwill is allocated to CGUs or a group of CGUs for the purpose of impairment testing based on the level at which management monitors it, which is not larger than an operating segment.

Financial assets and financial liabilities

The Company classifies its financial assets and financial liabilities into the following categories:

- Financial assets and financial liabilities at fair value through profit or loss;
- Loans and receivables; and
- Financial liabilities.

The Company has not classified any financial instruments as available for sale or held to maturity. Appropriate classification of financial assets and financial liabilities is determined at the time of initial recognition or when reclassified on the consolidated statements of financial position. Financial instruments classified at fair value through profit or loss are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset or liability.

[a] Financial assets and financial liabilities at fair value through profit or loss

The Company classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through profit or loss ["FVTPL"]. Financial assets and financial liabilities designated at FVTPL are carried

at fair value. Related realized and unrealized gains and losses are included in the consolidated statements of loss and comprehensive loss.

[b] Loans and receivables

Loans and receivables include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include trade receivables and finance receivables. Finance and trade receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest rate method less any impairment. Trade receivables are reduced by an allowance for doubtful accounts.

[c] Financial liabilities

Financial liabilities include accounts payable and accrued liabilities, debentures and notes payable, and secured borrowings and are measured at amortized cost using the effective interest rate method. Financial liabilities are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to financial liabilities are netted against the carrying value of the instruments and amortized using the effective interest rate method.

Fair value of financial instruments

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1: Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that are supported by little or no market activity.

Convertible debentures

Convertible debentures are initially recorded at amortized cost and accounted for as compound financial instruments with separable debt and equity components. The debt component is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for debt instruments of similar term and risk assuming no conversion feature. The debt component is deducted from the total carrying value of the compound instrument to derive the carrying amount allocated to the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized as finance costs in the consolidated statements of loss and comprehensive loss.

Extinguishment of debt

Equity and debt instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the instruments issued. If the fair value of the instruments issued cannot be measured reliably, it is measured at the fair value of the financial liability extinguished. Any differences between the carrying amount of the financial liability and the fair value of the consideration are recognized in the consolidated statements of loss and comprehensive loss.

Secured borrowings

Securitization programs represent the transfer of pools of finance receivables to third parties in exchange for cash being returned to the Company.

The Company securitizes its finance receivables as part of its consumer financing operations. Finance leases and loans are funded through the use of both the Company's own cash and the secured debenture facilities available to the Company by pledging such receivables as security for amounts borrowed from lenders. The Company retains servicing responsibilities for the pledged finance lease and loan receivables and the lenders have the right to enforce their security interest in the pledged receivables if the Company defaults under these facilities.

Transfers of pools of finance receivables under certain arrangements, including transfers where security interest or legal ownership is transferred, do not result in derecognition of the finance receivables from the Company's consolidated statements of financial position and continue to be recognized on the Company's consolidated statements of financial position and accounted for as finance receivables as disclosed in note 7. As such, these transactions result in the recognition of secured borrowings when cash is received from the third parties under the securitization programs.

The secured borrowings are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability to the net cash received at securitization date.

Deferred financing costs are presented as a reduction of secured borrowings and relate to direct costs incurred to initially obtain the total funding arrangements. These amounts are accreted as expenses over a period matching the repayment terms of the secured borrowing obtained during the initial commitment period.

Share-based compensation

The Company established an Omnibus Equity Incentive Plan for directors, officers, employees and certain independent contractors whereby the Board may award options, deferred share units ["DSUs"], performance share units ["PSUs"] and restricted share units ["RSUs"] as compensation for services rendered. The Plan is intended to promote a greater alignment of long-term interests between executives, directors and shareholders of the Company.

[a] Stock options

The Company measures compensation expense for all share-based compensation awards made to employees, consultants and directors using estimated fair values. The fair value of share-based compensation is determined using the Black-Scholes option pricing model.

Employee share-based compensation is expensed using the straight-line method for each individual tranche over the vesting period. The offsetting entry to the share-based compensation expense is an increase to contributed surplus. Non-employee share-based compensation is measured at the earlier of completion of performance, when a performance commitment is reached or when the options have vested.

[b] Deferred share units

The Board determines the amount, timing and vesting conditions associated with each award of DSUs. Additionally, directors may elect to receive up to 40% of their annual retainer in DSUs. DSUs granted pursuant to such an election are fully vested over a period of 12 months.

Each DSU has a fair market value on the date of grant as determined by the volume weighted average trading price of the common shares on the principal market for the five days preceding the date of grant.

DSUs are recognized on the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of DSUs outstanding, the value of the Company's common shares and, if applicable, the portion of the associated vesting period that has elapsed.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

On consolidation, the revenue and expenses of subsidiaries with a different functional currency than the Company's presentation currency are translated in these consolidated financial statements at the average exchange rate for the reporting period, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation are recognized in other comprehensive income (loss).

Income taxes

Current income tax assets and liabilities in the consolidated financial statements are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns

with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

[a] Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

[b] In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforwards of unused tax credits and unused tax losses can be utilized, except:

[a] Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

[b] In respect of deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances change. The adjustment would either be treated as a reduction to goodwill [as long as it does not exceed goodwill] if it is incurred during the measurement period or in the consolidated statements of loss and comprehensive loss.

Loss per share

Loss per share amounts are calculated by dividing the net loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all dilutive instruments, such as options, warrants and convertible debentures, into common shares.

Standards issued but not yet effective

IFRS 9, Financial Instruments [“IFRS 9”]

In July 2014, the IASB issued the final complete standard that replaces International Accounting Standard 39, *Financial Instruments: Recognition and Measuremen*t [“IAS 39”] and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company intends to adopt the standard when it becomes effective, for the year ending December 31, 2018, retrospectively, but without providing comparative information, as permitted by implementation guidance. The effect of adoption will be recognized as an adjustment to the Company’s consolidated statements of financial position as at January 1, 2018.

During 2017, the Company hired external consultants with proven IFRS 9 expertise to manage the transition with senior executive oversight. The key goals for the Company as part of the transition process is to define a risk methodology and accounting policy in compliance with the new standard requirement, to identify data and system requirements, develop a governance framework and perform a detailed impact assessment on all three aspects of IFRS 9. The Company continues to evaluate the impact the adoption of IFRS 9 on the Company’s consolidated financial statements as the assessment is based on current information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when IFRS 9 will be effectively adopted. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company’s consolidated financial statements.

The new standard introduces an Expected Credit Loss Model [“ECL”] for financial assets that will replace the Incurred Loss Model under IAS 39, with the most significant impact being on the finance receivables. The ECL requires the recognition of the 12-month expected credit losses at origination and the recognition of expected lifetime credit losses on finance receivables that have experienced a significant increase in credit risk since origination. IFRS 9 requires consideration of past events, current market condition and reasonable and supportable information about future economic conditions in determining whether there has been a significant increase in credit risk, and in calculating the amount of expected credit losses. Application of the model will depend on the credit stage of the financial assets.

IFRS 15, Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. 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 revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date using the full retrospective method and enhance the prior period comparative disclosures required by IFRS 15. The new standard does not apply for lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts.

During 2017, the Company hired external consultants to perform an assessment of IFRS 15 to manage the transition with senior executive oversight. Management is currently evaluating the potential impact that the adoption of IFRS 15 will have on the Company's consolidated financial statements.

IFRS 16, Leases ["IFRS 16"]

IFRS 16 was issued in January 2016 and replaces IAS 17, *Leases*, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use-asset" for most lease contracts. IFRS 16 is required to be applied for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company is in the process of assessing the impact of this standard.

IFRS 2, Share-based Payment ["IFRS 2"]

In June 2016, the IASB issued amendments to IFRS 2 that clarify the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of adopting the amendments to IFRS 2 on the consolidated financial statements.

4. Critical accounting estimates and use of judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts. Areas of financial reporting that require management's estimates and judgments are discussed below.

Business combinations

Business combinations require management to exercise judgment in measuring the fair value of assets acquired and liabilities and contingent liabilities incurred or assumed.

Management uses judgment in estimating the fair value of intangible assets, such as customer and dealer relationships, and brand and trademarks, acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the intangible asset.
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Goodwill and intangible asset impairment

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to their recoverable amount. When impairment indicators are present, the recoverable amount of the CGU or group of CGUs, which is the higher of its estimated fair value less costs to sell and its value in use, is determined. Significant judgment is involved in estimating the model inputs used to determine the recoverable amount of the CGUs, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on financial plans agreed by management, which are estimated based on forecast results, business initiatives, planned capital investments and returns to shareholders. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Valuation of compound financial instruments

Convertible debenture conversion options require an estimation of the fair value of a similar liability that does not have an associated equity component by using a suitable discount rate at initial recognition. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. Additionally, significant judgment is required when accounting for the redemption, conversion or modification of these instruments.

Stock options

Compensation expense relating to stock option awards granted by the Company to employees and certain non-employees in exchange for services rendered is based on the fair value of the option. The stock option fair value is determined using the Black-Scholes option pricing model, which requires the use of assumptions including the Company’s estimated volatility rate and is, by its nature, subject to measurement uncertainty.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value and the underlying leased assets, and past experience.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with regulated financial institutions and other short-term, liquid investments with original maturities of three months or less.

6. Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Management regularly measures the credit quality of trade receivables based on individual customer and market factors.

As at December 31, 2017, over 99% [2016 – 96%] of the Company's trade receivables are considered current and the Company has recorded an allowance for doubtful accounts of $40 [2016 – $157].

7. Finance receivables

Finance receivables consist of the following:

	2017	**2016**
	$	$
Consumer finance leases, net [a]	**119,131**	104,034
Consumer finance loans, net [b]	**51,550**	33,509
	170,681	137,543

[a] Consumer finance leases, net

	2017	**2016**
	$	$
Aggregate minimum payments	**182,317**	147,113
Unearned income	**(66,423)**	(48,562)
Fair value increment of leases acquired *[note 10]*	**2,764**	4,218
Unamortized initial direct cost	**1,287**	1,265
Allowance for credit losses	**(814)**	—
Consumer finance leases, net	**119,131**	104,034

On January 13, 2017, the Company acquired a portfolio of consumer finance lease contracts valued at approximately $27.6 million. The acquisition was effected through a cash payment of $22.5 million and the

issuance of 12,523,364 common shares valued at $5,511 *[note 19[a]].* The Company simultaneously securitized $19.9 million of finance contracts from the portfolio to fund the cash portion of the transaction. As at December 31, 2017, finance contracts of $743 remain outstanding and the balance is reflected as due from vendor under other assets *[note 8[b]]* and 6,630,014 common shares are being held in escrow to be released over the two-year period ended December 31, 2019 *[note 19[a]].*

During the fourth quarter of 2017, the Company, through its wholly owned subsidiary, sold a total of 632 lease contracts back to its originating dealer, from whom the Company purchased in September 2016. The contracts were sold at net book value for a total cash consideration of $3,784 plus applicable taxes. As at December 31, 2017, $441 of purchase price remains outstanding and is included as amount due from sale of contracts under other assets *[note 8[c]].* No gain or loss was recorded for the sale transaction.

Scheduled collections of minimum monthly lease payments based on the contractual terms as at December 31, 2017 are presented in the following table. The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including prepayment rates, charge-offs and modifications. Accordingly, the following scheduled collections of minimum monthly payments are not to be regarded as a forecast of future cash collections.

	Minimum payments	**Principal reduction**
	$	$
2018	20,977	7,694
2019	19,485	8,872
2020	19,747	10,097
2021	20,017	11,475
2022	20,322	13,055
2023 and thereafter	81,769	64,701
Total minimum lease payments	182,317	115,894

The following table presents the aging of the consumer finance leases, by contract balance:

	2017		**2016**	
	$	%	$	%
1–30 days past due	**2,023**	**1.8**	4,356	4.4
31–60 days past due	**799**	**0.7**	2,718	2.8
61–90 days past due	**631**	**0.5**	1,309	1.3
Greater than 90 days past due	**4,047**	**3.5**	3,103	3.2
Total past due	**7,500**	**6.5**	11,486	11.7
Current	**108,394**	**93.5**	87,065	88.3
Total consumer finances leases	**115,894**	**100.0**	98,551	100.0

As at December 31, 2017, the Company has a collective allowance for credit losses for leases of $814 [2016 – nil].

[b] Consumer finance loans, net

	2017	2016
	$	$
Consumer finance loans	**52,163**	33,761
Accrued interest	**333**	309
Fair value increment of loans acquired *[note 10]*	**110**	186
Vendor buy-down subsidies	**(781)**	(608)
Unamortized initial direct cost	**78**	44
Allowance for credit losses	**(353)**	(183)
Consumer finance loans, net	**51,550**	33,509

The following table presents the aging of the consumer finance loans, by contract balance:

	2017		2016	
	$	%	$	%
1–30 days past due	**738**	**1.4**	416	1.2
31–60 days past due	**110**	**0.2**	353	1.0
61–90 days past due	**113**	**0.2**	160	0.5
Greater than 90 days past due	**353**	**0.7**	166	0.5
Total past due	**1,314**	**2.5**	1,095	3.2
Current	**50,849**	**97.5**	32,666	96.8
Total consumer finances loans	**52,163**	**100.0**	33,761	100.0

As at December 31, 2017, the Company has a collective allowance for credit losses for loans of $353 [2016 – $183].

8. Other assets

Other assets consist of the following:

	2017	2016
	$	$
Due from dealers [a]	**1,478**	98
Due from vendor [b]	**663**	—
Amount due from sale of contracts [c]	**441**	—
Prepaid expenses and other receivables	**460**	574
Security deposits	**270**	178
HST receivable	**202**	875
	3,514	1,725

[a] As at December 31, 2017, the Company has receivables of $1,478 [2016 – $98] representing the carrying values of terminated finance lease contracts to be recovered from dealers.

[b] As at December 31, 2017, the Company has a net receivable of $663 [2016 – nil] outstanding from the vendor on the acquisition of a portfolio of consumer finance lease contracts on January 13, *2017 [note 7[a]]*.

[c] During the fourth quarter of the year, the Company sold a total of 632 [2016 – nil] lease contracts at net book value for cash consideration of $3,784 [2016 – nil] plus applicable taxes. As at December 31, 2017, $441 [2016 – nil] of the purchase price remains outstanding *[note 7[a]]*.

9. Property and equipment

Property and equipment consist of the following:

	Computer hardware $	**Office equipment** $	**Leasehold improvements** $	**Total** $
Cost				
As at January 1, 2016	966	386	662	2,014
Additions	185	150	223	558
Disposals	(88)	(121)	(14)	(223)
Translation	(2)	(2)	3	(1)
As at December 31, 2016	1,061	413	874	2,348
Additions	**1,539**	**60**	**401**	**2,000**
Disposals	**(120)**	**(4)**	**—**	**(124)**
Translation	**(5)**	**(12)**	**(8)**	**(25)**
As at December 31, 2017	**2,475**	**457**	**1,267**	**4,199**
Accumulated depreciation				
As at January 1, 2016	465	207	363	1,035
Depreciation	333	144	171	648
Disposals	(202)	(152)	(84)	(438)
Translation	(2)	—	(1)	(3)
As at December 31, 2016	594	199	449	1,242
Depreciation	**318**	**79**	**180**	**577**
Disposals	**(120)**	**(4)**	**—**	**(124)**
Translation	**(3)**	**(7)**	**(3)**	**(13)**
As at December 31, 2017	**789**	**267**	**626**	**1,682**
Net book value				
As at December 31, 2017	**1,686**	**190**	**641**	**2,517**
As at December 31, 2016	467	214	425	1,106

The net book value of leased assets included is $1,129 [2016 – $42].

10. Business combinations

EcoHome

On February 18, 2016, the Company acquired 100% of EcoHome from Chesswood Group Limited ["Chesswood"] for a total fair value consideration of $34.45 million. The consideration paid for the acquisition consisted of [i] $29 million in cash; [ii] 6,039,689 common shares of the Company having a fair value of $2.94 million; and [iii] a two-year unsecured convertible vendor take-back note in the principal amount of $2.5 million, which bears interest at a rate of 6.0% per annum and is convertible by the holder into common shares of the Company at a conversion price of $0.64 per share. In connection with the acquisition of EcoHome, 54,545,700 subscription receipts were exchanged for common shares of Dealnet on a one-for-one basis.

Of the total cash consideration of $29 million, $2.75 million of the purchase price was placed in an escrow account comprising $1 million of financing facility holdback and $1.75 million of working capital holdback. The financing facility holdback of $1 million was released in 2016 and the working capital holdback of $1.75 million was paid in October 2017.

During 2016, the Company engaged an independent firm to complete an objective valuation of certain identifiable intangible assets and tangible assets in conformity with Standard No. 110 of the Canadian Business Valuators. The material adjustments arising from the valuation included an increase in the fair values of finance leases and loans assumed *[notes 7[a] and [b], respectively],* and a reduction in intangible assets and goodwill. The resulting purchase price allocation to the fair value of assets acquired and liabilities assumed is as follows:

	$
Cash	**422**
Cash reserve	**5,008**
Accounts receivable	**33**
Lease receivable	**53,360**
Loan receivable	**24,135**
Prepaid expenses and other assets	**1,074**
Dealer relationships *[note 11]*	**12,666**
Brand and trademarks *[note 11]*	**703**
Goodwill *[note 12]*	**17,854**
Assets acquired	**115,255**
Accounts payable and other liabilities	**(2,020)**
Deferred income tax liability *[note 18]*	**(1,565)**
Secured borrowings	**(69,220)**
Secured promissory note *[note 14[b]]*	**(8,000)**
Liabilities assumed	**(80,805)**
Net assets acquired	**34,450**

Consideration

Cash	**28,873**
Common shares *[note 19[f]]*	**2,940**
Unsecured convertible vendor take-back note *[note 14[c]]*	**2,637**
Total consideration	**34,450**

The goodwill acquired represents the benefits that the Company expects to receive from the acquisition, including expected synergies by combining existing Live services with financing operations, origination growth through brand recognition and addition of new dealers, and assembled workforce. The Company has determined that the goodwill recognized related to this acquisition is not deductible for tax purposes.

The Company incurred transaction costs of $1,525 in 2016 relating primarily to external legal fees, consulting fees, due diligence and integration costs, of which $1,145 was paid in cash. The remaining costs plus associated taxes of $435 were settled through the issue of shares. These costs have been reflected in the consolidated statements of loss and comprehensive loss. In addition, the Company incurred debt issuance costs of $211 to secure a credit facility extension under the securitization program with a Schedule 1 bank. Included in the 2016 transaction costs was management compensation of $380 as disclosed in note 21.

During the third quarter of 2017, the Company determined that an indicator of impairment existed for its dealer relationships and brand and trademarks within its Consumer Finance segment *[note 11]* as substantially all dealer relationships acquired by the Company are no longer being used, resulting in significantly lower than expected cash flows from these assets which were purchased as part of the EcoHome acquisition from Chesswood.

As at year-end, the Company performed an impairment test of the goodwill acquired *[note 12]* and determined that the future cash flows are not expected to recover the economic benefits of this asset. This results in an impairment of goodwill of $17,854.

Business acquisition costs

Business acquisition costs consist of external legal fees, consulting fees, due diligence and integration costs, for the following acquisitions:

	2017	**2016**
	$	$
EcoHome	—	1,525
Gemma	—	168
Other	—	30
	—	1,723

11. Intangible assets

Intangible assets consist of the following:

	Customer relationships	Dealer relationships	Brand and trademarks	Computer software and other	Total
	$	$	$	$	$
Cost					
January 1, 2016	480	—	—	1,792	2,272
Additions	894	12,666	703	374	14,637
Write-offs	—	—	—	(1,123)	(1,123)
December 31, 2016	1,374	12,666	703	1,043	15,786
Additions	**—**	**—**	**—**	**1,177**	**1,177**
December 31, 2017	**1,374**	**12,666**	**703**	**2,220**	**16,963**
Amortization and impairments					
January 1, 2016	28	—	—	714	742
Amortization	87	1,109	61	361	1,618
Write-offs	—	—	—	(613)	(613)
December 31, 2016	115	1,109	61	462	1,747
Amortization	**130**	**950**	**53**	**409**	**1,542**
Impairment	**240**	**10,607**	**589**	**484**	**11,920**
December 31, 2017	**485**	**12,666**	**703**	**1,355**	**15,209**
Net book value					
December 31, 2017	**889**	—	—	**865**	**1,754**
December 31, 2016	1,259	11,557	642	581	14,039

The 2016 formal valuation of the purchase price allocation of the 2016 EcoHome acquisition as disclosed in note 10 resulted in the recognition of assets derived from the future economic benefits of its established dealer relationships of $12,666 and brand and trademarks of $703. For the year ended December 31, 2016, these intangible assets were amortized on a straight-line basis over the estimated useful life of 10 years.

During the third quarter of 2017, the Company determined that an indicator of impairment existed for its Dealer relationships and brand and trademarks within its Consumer Finance segment as substantially all dealer relationships acquired by the Company are no longer being used and the future cash flows are not expected to recover the economic benefits of these assets. As at September 30, 2017, the Company recognized an impairment loss of $10,607 for its dealer relationships and $589 for brand and trademarks. In addition, all related deferred income tax assets and liabilities were reduced to nil.

In addition, as part of its annual goodwill impairment test performed as at September 30, 2017 *[note 12],* the Company determined that the carrying values of its customer relationships and computer software intangible assets within the Live segment exceeded their fair value. As a result, the Company recognized an impairment loss of $484 for its computer software intangible asset and $240 for its customer relationships intangible asset in this segment.

On August 24, 2016, the Company's mobile messaging business purchased various mobile messaging contracts from an arm's-length party for a total consideration of $894. The Company paid cash of $400 and issued 543,921 common shares valued at $294 *[note 19[g]].* The remaining $200 was paid on September 6, 2017.

12. Goodwill

Goodwill consists of the following:

	2017	**2016**
	$	$
As at January 1	**19,914**	2,060
Acquisition of EcoHome *[note 10]*	—	17,854
Impairment of Live Engagement	**(1,771)**	—
Impairment of Consumer Finance	**(17,854)**	—
As at December 31	**289**	19,914

Goodwill acquired through business combinations has been allocated to three individual CGUs, which are also reportable segments, for impairment testing, as follows:

	2017	**2016**
	$	$
Consumer Finance	—	17,854
Mobile Engagement	**289**	289
Live Engagement	—	1,771
As at December 31	**289**	19,914

The Company performs its annual test for the potential impairment of goodwill and intangible assets when circumstances indicate the carrying value may be impaired. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. During the third quarter of 2017, the market capitalization of the Company fell below the book value of its equity, indicating a potential impairment of goodwill. As a result, management performed impairment tests as at September 30 and December 31, 2017.

The Company has three CGUs, or groups of CGUs, to which goodwill has been allocated for testing purposes: Consumer Finance, Mobile Engagement, and Live Engagement. Prior to September 30, 2017, the carrying values of goodwill for the Consumer Finance, Mobile Engagement, and Live Engagement CGUs were $17,854, $289 and

$1,771, respectively. For the purpose of impairment testing, the recoverable amounts for these CGUs were determined based on the higher of the value-in-use method and the fair value less costs to sell method.

The value-in-use method is based on estimated future cash flows over a five-year period referenced to the most recent financial forecasts approved by management, discounted to a present value. The discount rates the Company applied in determining the value-in-use comprised a risk-free rate, equity risk premium, size premium and company-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources, whereas the company-specific risk premium was based on factors considered by management to be specific to the business.

	2017		2016	
	Pre-tax discount rate	Perpetual growth rate	Pre-tax discount rate	Perpetual growth rate
Mobile Engagement	**16%**	**3%**	16 %	3%
Consumer Finance	**31%**	**3%**	31 %	3%

For the Live Engagement CGU, the impairment testing performed indicated that the carrying value of the goodwill exceeded the fair value less costs to sell, resulting in the recognition of impairment loss of $1,771 as at September 30, 2017.

For the Consumer Finance CGU, the impairment testing indicated that the carrying value of the goodwill exceeded the expected future cash flows, resulting in the recognition of impairment loss of $17,854 as at December 31, 2017 *[note 10].*

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2017	2016
	$	$
Accounts payable and accruals	**4,869**	4,163
Dealer reserves	**942**	2,197
Payroll liabilities	**2,281**	2,267
Other taxes payable	**929**	97
Finance lease obligations	**1,037**	56
	10,058	8,780

14. Debentures and notes payable

Debentures and notes payable consist of the following:

	2017	2016
	$	$
Secured debentures *[a]*	**34,768**	21,635
Secured promissory note *[b]*	**7,148**	3,000
Unsecured convertible vendor take-back note *[c]*	**2,490**	2,420
Senior secured debentures *[d]*	**9,354**	—
	53,760	27,055

Movements in debentures and notes issued are as follows:

	Secured debentures	Secured promissory note	Unsecured convertible vendor take-back note	Senior secured debentures	Total
	[a]	[b]	[c]	[d]	
	$	$	$	$	$
Balance as at January 1, 2016	—	—	—	—	—
Principal	23,000	8,000	2,500	—	33,500
Attributed to equity component	(722)	—	(273)	—	(995)
Fair value of consideration paid	—	—	137	—	137
Repayment	—	(5,000)	—	—	(5,000)
Issuance costs	(731)	—	—	—	(731)
Interest accretion	88	—	56	—	144
Balance as at December 31, 2016	21,635	3,000	2,420	—	27,055
Principal	**20,000**	**7,500**	**—**	**12,000**	**39,500**
Attributed to equity component	**—**	**—**	**—**	**(780)**	**(780)**
Bond discount	**—**	**—**	**—**	**(1,200)**	**(1,200)**
Issuance costs	**—**	**—**	**—**	**(747)**	**(747)**
Interest accretion	**133**	**—**	**70**	**63**	**266**
Repayment	**(7,000)**	**(3,371)**	**—**	**—**	**(10,371)**
Interest payable	**—**	**19**	**—**	**18**	**37**
Balance as at December 31, 2017	**34,768**	**7,148**	**2,490**	**9,354**	**53,760**

[a] Secured debentures

On January 12, 2016, the Company issued a $10 million secured debenture, with capacity to issue up to $100 million, a term of 10 years, and a fixed interest rate of 5.99%. The funds received may only be used for the purpose of funding eligible HVAC, home improvement and other unsecured finance contracts. As part of this

transaction, the Company issued 2,000,000 common share purchase warrants, each warrant being able to purchase one common share of the Company at an exercise price of $0.67 per share, expiring on January 12, 2019.

The Company used the residual method to allocate the liability and equity portions of the secured debenture. The Company estimated the fair value of the equity component to be $722 [including $33 of transaction costs]. The fair value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest rate of 7%, which assumes no equity component. The fair value of the equity component was netted against the liability and is being accreted over the term of the loan.

On May 5, 2016, the Company issued a $3 million secured debenture under this existing facility at a fixed interest rate of 5.85%, maturing on June 30, 2017. The debenture was extended to mature on October 13, 2017 at the rate of 9.0%. This was subsequently extended to mature on January 11, 2018 when it was repaid in full *[note 26].*

On November 28, 2016, the Company issued a $10 million secured debenture at a fixed interest rate of 6%. The debenture has a term of five years with an option to extend for an additional five years at the holder's option.

In April 2017, the Company, through a wholly owned subsidiary, issued $20 million of debentures under an existing facility to mature on October 13, 2017. The debentures bear interest at 9.0%. This was subsequently extended to mature on January 11, 2018 under the same terms. On November 29, 2017, the Company repaid $7 million of the secured debentures. Subsequent to year-end, the outstanding principal of $13 million was repaid *[note 26].*

Included in restricted cash was $4,384 [2016 – $4,671] of funds received under the secured debentures. These funds can only be used for the originations of finance receivable contracts.

Also included in restricted cash are total cash reserves of $3,600 [2016 – $2,300] to support the credit risk associated with the three secured debentures. In addition, the debentures are secured against consumer finance contracts with a book value of $31.9 million [2016 – $18.5 million].

[b] Secured promissory note

As part of the February 18, 2016 acquisition of EcoHome, the Company issued an $8 million promissory note to Chesswood bearing interest at 4.0% per annum, to mature on April 28, 2016. The note represented the intercompany warehouse funding to EcoHome for leases and loans that had not yet been securitized with EcoHome funders prior to the acquisition of EcoHome. The note is secured against a pool of consumer finance contracts.

During 2016, the Company repaid a total of $5 million to Chesswood and extended the remaining balance of $3 million to mature on September 30, 2017, with interest at 5.5% per annum. The note was repayable in three instalments of $1 million each, due on April 3, 2017 and July 3, 2017 and upon maturity. On April 3, 2017, the Company repaid $1 million. The remaining $2 million of the note was subsequently extended to October 16, 2017.

On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the note, inter alia, to evidence an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million, bearing interest at the prime rate plus 3% per annum, with specific monthly repayment provisions, and final principal repayment of $1 million due on the maturity date of October 16, 2020.

[c] Unsecured convertible vendor take-back note

As part of the February 18, 2016 acquisition of EcoHome, the Company issued Chesswood a $2.5 million convertible note, which matures on February 18, 2018 and is convertible into common shares of Dealnet at a conversion price of $0.64 per share. The note bears interest at the rate of 6% per annum. In determining the value of the liability, the Company applied an interest rate of 9%, which assumes no conversion feature *[note 26].*

[d] Senior secured debentures

On December 22, 2017, the Company issued 12,000 non-convertible senior secured debentures with a face value of $1,000 each under a non-brokered private placement. The debentures were sold at a 10% discount on closing, with cash proceeds of $10.8 million and a term of 24 months. The debentures bear interest at 6.0% per year, secured by the Company's right, title and interest in all securities in Impact Mobile, and are redeemable at any time on 30-day advance written notice. The term may be accelerated on certain prescribed events and conditions. If repayment occurs after the first anniversary of the issuance date, the amount payable will be at 110% of the principal.

As part of the transaction, the Company issued a total of 48 million warrants or 4,000 non-transferrable share purchase warrants to the holder for every $1,000 Debenture purchased. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months *[note 19[d]].* If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days. The Company incurred total transaction costs of $805, $300 of which will be settled by the issuance of 2,777,777 common shares and is reported as shares to be issued on the consolidated statements of financial position. These common shares are restricted for trading until July 6, 2018.

The Company used the residual method to allocate the liability and equity portions of the secured debenture. The fair value of the warrants issued with the senior secured debentures was determined using the Black-Scholes option pricing model to be $722 net of allocated transaction costs of $58 *[note 19].* The fair value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest rate of 26%, which assumes no equity component. The fair value of the equity component was netted against the liability and is being accreted over the 12 months.

15. Secured borrowings

The following table provides a summary of finance receivables transferred that do not qualify for derecognition, together with the associated liabilities:

	2017	**2016**
	$	$
Carrying value of finance receivables transferred	**125,585**	105,963
Carrying value of associated liabilities	**130,913**	118,664

	2017	2016
	$	$
Fair value of finance receivables transferred	**123,096**	105,916
Fair value of associated liabilities	**128,371**	116,795

The weighted average stated interest rate of the outstanding liabilities is 4.11% as at December 31, 2017 [2016 – 3.92%] and excludes deferred financing costs and premiums or discounts. Included in restricted cash are cash reserves held with counterparties and forming part of the collateral security for these facilities are $10,418 as at December 31, 2017 [2016 – $7,925].

In August 2016, the Company entered into a $75 million securitization facility with a major Canadian life insurance company. During 2017, the Company securitized $31.2 million under this facility [2016 – $26 million]. In November 2017, the Company renewed this facility for an additional $50 million and entered into a warehouse facility of $15 million. The facility has a term of 270 days from funding date and bears interest at 90-day Banker's Acceptance rates plus 3.15%. Subsequent to year-end, the Company utilized $11.5 million of the $15 million warehouse facility *[note 26]*.

Under the existing securitization facility with a Schedule 1 bank, the Company securitized $18.1 million during 2017 [2016 – $44.8 million]. In November 2017, the Company renewed this existing facility.

In July 2016, the Company entered into a $20 million securitization facility with a major Canadian financial institution. There has been no additional securitization under this facility through to the end of December 31, 2017. This facility has been terminated subsequent to year-end *[note 26].*

In November 2017, the Company entered into an agreement with a global private investment fund that will initially provide the Company with up to $200 million of additional funding capacity over the next two years to support growth in the origination of Canadian-based home improvement loans and leases. The new facility has provisions that allow for the expansion of this capacity to up to $1 billion over the full ten-year term of the agreement. The Company has up to 12 months to begin using this facility. As at December 31, 2017, the Company has not utilized the existing facility.

The Company retains a significant portion of the risk and reward associated with the transferred assets. The transferee has recourse only to the transferred assets and cash reserves.

16. Commitments and contractual obligations

The following are the contractual payments and maturities of financial liabilities and other commitments including interest as at December 31, 2017:

	2018 $	**2019** $	**2020** $	**2021** $	**2022** $	**2023+** $	**Total** $
Accounts payable and accrued liabilities	**9,763**	163	122	89	—	—	10,137
Secured debentures	**16,000**	—	—	10,000	—	10,000	36,000
Senior secured debentures	—	13,200	—	—	—	—	13,200
Secured promissory note	**2,229**	2,229	2,671	—	—	—	7,129
Unsecured convertible vendor take-back note	**2,500**	—	—	—	—	—	2,500
Secured borrowings	**18,677**	17,492	18,203	32,637	20,589	22,628	130,226
Interest payable	**7,300**	6,379	4,781	3,603	2,024	2,987	27,074
	56,469	39,463	25,777	46,329	22,613	35,615	226,266
Other financial commitments							
Gemma	**1,244**	1,248	1,167	258	22	—	3,939
Others	**1,170**	882	577	310	310	698	3,947
	58,883	41,593	27,521	46,897	22,945	36,313	234,152

Subsequent to year-end, the Company repaid $16,000 of secured debentures and the unsecured convertible vendor take-back note of $2,500 [*notes 26[a] and [c]]*.

Other finance commitments

The Company has entered into various equipment and property leases relating to rental of offices, expiring on various dates through 2025.

17. Contingencies

From time to time, the Company encounters disputes and is sometimes subject to claims from third parties in relation to its normal course of operations. The Company believes such claims are without merit and will consult with its legal counsel to vigorously defend its position.

18. Income taxes

The Company has nil deferred income tax recovery for 2017 [2016 – $1,565]. A reconciliation of income tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for 2017 and 2016 is as follows:

	2017 $	2016 $
Loss before income taxes	**(44,648)**	(12,052)
Income taxes at statutory rate of 26.5% [2016 – 26.5%]	**(11,832)**	(3,194)
Impact of foreign income tax rate differential	**23**	(28)
Non-deductible stock-based compensation	**341**	430
Tax benefits not recognized	**6,090**	735
Goodwill impairment	**5,201**	—
Other permanent differences	**227**	495
Income tax expense (recovery)	**50**	(1,562)
Current tax	**50**	3
Deferred tax	**—**	(1,565)
	50	(1,562)

The significant components of deferred income tax assets and liabilities are as follows:

	2017 $	2016 $
Non-capital losses carried forward	**275**	2,696
Finance receivables	**(15,315)**	642
Unearned revenue	**12,390**	—
Scientific research and experimental development	**—**	7
Property and equipment	**10,737**	(2)
Intangible assets	**(125)**	(3,343)
Reserves	**(3,924)**	—
Long term debt obligations	**(4,547)**	—
Deferred financing costs	**509**	—
Net deferred income tax asset (liability)	**—**	—

Deferred income tax assets are recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

Notes to consolidated financial statements

[Expressed in thousands of dollars, except per share amounts or unless otherwise stated]

December 31, 2017 and 2016

The following represents the deductible temporary differences that have not been recognized in the consolidated financial statements.

	2017	**2016**
	$	$
Scientific research and experimental development	**476**	119
Deferred financing costs	**6,357**	4,171
Convertible and secured subordinated debentures	**—**	144
Unearned revenue	**19,724**	—
Reserves	**700**	—
Property and equipment	**2,555**	5,609
Loss carryforward	**16,508**	15,756
	46,320	25,799

The Company offsets the deferred income tax assets and deferred income tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

The Company has tax losses of $22,296 [2016 – $24,064] and $1,608 [2016 – $1,866] in Canada and the United States, respectively, available to be applied against future years' taxable income. In order to record a deferred income tax asset, it must be more likely than not that the deferred income tax asset resulting from the tax losses available for carryforward will be realized. Given the Company's history of losses, the Company has not recognized the full benefit of these losses. The tax losses expire in years ranging from 2027 through 2037.

The Company has unused Canadian investment tax credits of $173 [2016 – nil] that may be applied against future years to reduce income taxes payable. The investment tax credits expire in the years ranging from 2032 through 2037.

Notes to consolidated financial statements

[Expressed in thousands of dollars, except per share amounts or unless otherwise stated]

December 31, 2017 and 2016

19. Share capital

As at December 31, 2017, an unlimited number of common shares with no par value were authorized.

Pursuant to the shareholders' approval on October 23, 2015, the Company filed articles of amendment to create a new class of shares to be classified as "Preferred Shares". An unlimited number of Preferred Shares were created and the Preferred Shares can be issuable in one or more series. As at December 31, 2017, no Preferred Shares have been issued.

Common shares	**[# 000s]**	**$**
Balance as at January 1, 2016	152,238	12,682
Conversion of convertible debentures	5,894	1,042
Share issuance – private placement [f]	54,545	30,000
Share issuance – acquisitions [f], [g]	6,584	3,234
Share issuance costs [f]	—	(2,510)
Share-based payments	764	435
Stock options exercised [e]	757	198
Warrants exercised [c]	38,314	13,524
Compensation options exercised [b]	1,070	715
Balance as at December 31, 2016	260,166	59,320
Share issuance – acquisitions [a]	**12,523**	**5,511**
Share issuance costs [a]	—	**(36)**
Stock options exercised [e]	**107**	**32**
Warrants exercised [c]	**7,428**	**5,978**
Compensation options exercised [b]	**1,000**	**668**
Balance as at December 31, 2017	**281,224**	**71,473**

Common share warrants	**[# 000s]**	**Weighted average exercise price $**
As at January 1, 2016	49,622	0.37
Issued [b], [f] and note 14[a]	5,753	0.59
Exercised	(38,314)	0.33
Expired	(90)	0.30
As at December 31, 2016	16,971	0.53
Issued [b] and [d]	**48,500**	**0.12**
Exercised [c]	**(7,428)**	**0.50**
Expired	**(8,043)**	**0.52**
As at December 31, 2017	**50,000**	**0.14**

Common share and common share warrant transactions during 2017 and 2016 are as follows:

[a] On January 13, 2017, the Company issued 12,523,364 common shares valued at $5,511 as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million *[note 7[a]]* and incurred share issuance costs of $36. The common shares issued were subject to a hold period of four months expiring on May 14, 2017. Additionally, the common shares are subject to a three-year timed-release escrow commencing on closing. As at December 31, 2017, 6,630,014 are held in escrow *[note 7[a]]*.

[b] During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds $400 [book value – $668]. In addition, the Company issued 999,819 common shares and 499,909 warrants. On December 22, 2016, broker compensation options of 1,070,181 were exercised for cash proceeds of $428 [book value – $715]. In return, the Company issued an equal number of common shares and 535,090 warrants.

[c] During the first quarter of 2017, a total of 7,427,499 common shares were issued upon the exercise of an equal number of warrants with a weighted exercise price of $0.50 for cash proceeds of $3,713 [book value – $5,978]. During 2016, 38,314,245 warrants were exercised with a weighted average price of $0.33 each for total cash proceeds of $12,515 [book value – $13,524].

[d] On December 22, 2017, the Company issued a total of 48 million warrants as part of the issuance of 12,000 non-convertible senior secured debentures *[note 14[d]]*. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months. If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days.

[e] During the year, the Company issued 106,675 [2016 – 757,167] common shares from the exercise of employee stock options at a weighted average exercise price of $0.28 [2016 – $0.26] each for cash proceeds of $30 [2016 – $198] and a book value of $32 [2016 – $198].

[f] On February 5, 2016, the Company closed a private placement bought deal-based financing of 54,545,700 subscription receipts at a price of $0.55 per subscription receipt for gross proceeds of $30 million. In connection with the private placement, $284 of direct costs were incurred and the underwriters received cash commissions of $1,770 and 3,218,200 non-transferable broker warrants fair valued at $449. Each broker warrant is exercisable by the holder for one common share of the Company for a period of 18 months following the closing of the offering at a price of $0.55 per broker warrant. In addition, the Company also issued 6,039,689 common shares of the Company having an aggregate value of $2,940 *[note 10]* upon finalization of EcoHome purchase price allocation completed in December 2016.

[g] On August 24, 2016, as part of the consideration for the purchase of mobile messaging contracts *[note 11]*, the Company issued 543,921 common shares valued at $294 [$0.54 per share].

The fair value of the warrants issued during the year was determined using the Black-Scholes option pricing model using the following assumptions:

	2017 $	2016 $
Average fair value of warrants issued	**$0.02**	$0.14
Exercise price	**$0.12 – $0.20**	$0.55
Share price on date of issuance	**$0.11**	$0.60
Risk-free interest rate	**1.2%**	0.4%
Expected term	**1 year**	1.5 years
Estimated volatility	**61%**	40%
Dividend yield	**nil**	nil

In 2016, the Company used an expected volatility based on the average of a peer group of public companies in the financial services sector. Beginning in 2017, the Company changed its basis for volatility to one based on the Company's own historical volatility.

The following is a schedule of exercisable common share purchase warrants as at December 31, 2017:

Expiry date	Outstanding [# 000s]	Weighted average exercise price $	Remaining contractual life [years]
January 12, 2019	**2,000**	**0.67**	**1.03**
December 22, 2019	**48,000**	**0.12**	**1.98**
	50,000	**0.14**	**1.94**

20. Share-based compensation

Share-based compensation consists of the following:

	2017 $	2016 $
Stock options [a]	**1,238**	1,623
Deferred share units [b]	**51**	—
	1,289	1,623

[a] Stock options

The Company awards stock options to employees, officers, directors and others at the recommendation of the Board under an incentive stock plan [the "Plan"]. Options are granted at the fair value of the shares on the day granted [as decided by the Board], and vest over various terms with varying terms of exercise. Compensation expense is recognized over the vesting term. The changes in the number of stock options were as follows:

	2017		2016	
Common share stock options	**[# 000s]**	**Weighted average exercise price $**	**[# 000s]**	**Weighted average exercise price $**
As at January 1	**22,331**	**0.50**	8,986	0.35
Issued	**1,600**	**0.26**	14,420	0.59
Exercised	**(107)**	**0.28**	(757)	0.26
Expired/forfeited	**(6,336)**	**0.58**	(318)	0.55
As at December 31	**17,488**	**0.45**	22,331	0.50

During 2017, the Company granted 1,600,000 stock options to employees and consultants. In 2016, 14,420,000 stock options were granted to directors, employees and consultants. The stock options vest over a period of 18 months [2016 – 18 months], exercisable for a period of 4 and 5 years [2016 – 5 years] at a weighted average price of $0.26 [2016 – $0.59]. The fair value of these options was estimated to be $202 [2016 – $2,685] on the date of grant using the Black-Scholes option pricing model.

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at December 31, 2017 are as follows:

	Options outstanding [# 000s]	**Weighted average exercise price** $	**Remaining contractual life** [# 000s]	**Options vested** [# 000s]	**Options unvested** [# 000s]
Expiry date					
2018	**1,483**	**0.24**	**0.29**	**1,483**	**—**
2019	—	—	—	—	—
2020	**5,010**	**0.34**	**2.52**	**4,910**	**100**
2021	**9,695**	**0.58**	**3.59**	**7,860**	**1,835**
2022	**1,300**	**0.24**	**4.67**	**250**	**1,050**
	17,488	**0.45**	**3.08**	**14,503**	**2,985**

The fair value of the employee and broker compensation options was determined using the Black-Scholes option pricing model using the following assumptions:

	2017	2016
Average fair value of options granted	**$0.13**	$0.19
Exercise price	**$0.09 – $0.36**	$0.57 – $0.60
Share price on date of issuance	**$0.09 – $0.39**	$0.52 – $0.58
Risk-free interest rate	**0.9% – 1.7%**	0.6% – 1.1%
Expected life	**4 to 5 years**	5 years
Estimated volatility	**54% – 77%**	40%
Dividend yield	**nil**	nil

In 2016, the Company used an expected volatility based on the average of a peer group of public companies in the financial services sector. Beginning in 2017, the Company changed its basis for volatility to one based on the Company's own historical volatility.

[b] Deferred share units

DSUs outstanding as at December 31, 2017 are as follows:

	[# 000s]
As at December 31, 2016	**—**
Issued	**1,188**
Redeemed	**(32)**
Forfeited	**(334)**
As at December 31, 2017	**822**

The fair value of the DSUs of $47 [December 31, 2016 – nil] was included in accounts payable and accrued liabilities on the consolidated statements of financial position.

21. Related party transactions

Compensation of key management personnel for the years ended December 31 is as follows:

	2017 $	2016 $
Salaries, bonuses and benefits	**2,497**	3,345
Termination benefits	**1,217**	—
Share-based compensation	**613**	921
	4,327	4,266

The amounts disclosed in the table are the amounts reflected in the consolidated financial statements during the reporting period and considered to be compensation to key management personnel. Key management personnel are those having authority and responsibility at any time during the year for planning, directing and controlling the activities of the Company, including senior management and members of the Board. The total number of key management personnel was 14 during 2017 [2016 – 11].

Included in the 2016 amounts was $380 relating to management compensation for the acquisition of EcoHome.

During 2016, an officer and director of the Company exercised 3 million of warrants and stock options for total cash proceeds of $885. Directors, officers and key management personnel exercised a total of 3.3 million warrants for cash proceeds of $1 million.

Other related party transactions

In December 2017, upon the issuance of the senior secured debentures *[note 14[d]],* the Company received cash of $2,627 from officers, certain directors and key management personnel for face value of $2,919. In addition, 11,676,000 warrants were issued with a fair value of $176.

During 2016, the Company received subscriptions of $1,405 from an officer, certain directors and key management personnel for 2,554,667 common shares in cash.

22. Financial instruments

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels, Level 1, Level 2 or Level 3, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities. The Company holds various forms of financial instruments as follows:

			2017		
	Category	**Level 1**	**Level 2**	**Level 3**	**Total**
		$	$	$	$
Assets					
Cash and cash equivalents [i]	FVTPL	**12,799**	**—**	**—**	**12,799**
Restricted cash [i]	FVTPL	**18,402**	**—**	**—**	**18,402**
Trade receivables [i]	Loans and receivables	**—**	**4,866**	**—**	**4,866**
Finance receivables, net [ii]	Loans and receivables	**—**	**167,234**	**—**	**167,234**
Other receivables [i]	Loans and receivables	**—**	**2,852**	**—**	**2,852**
Liabilities					
Accounts payable and accrued liabilities [i]	Financial liabilities	**—**	**(10,058)**	**—**	**(10,058)**
Debentures and notes payable [iv]	Financial liabilities	**—**	**—**	**(53,036)**	**(53,036)**
Secured borrowings [iii]	Financial liabilities	**—**	**(128,371)**	**—**	**(128,371)**

Notes to consolidated financial statements

[Expressed in thousands of dollars, except per share amounts or unless otherwise stated]

December 31, 2017 and 2016

	2016				
	Category	**Level 1**	**Level 2**	**Level 3**	**Total**
		$	$	$	$
Assets					
Cash and cash equivalents [i]	FVTPL	12,404	—	—	12,404
Restricted cash [i]	FVTPL	14,896	—	—	14,896
Trade receivables [i]	Loans and receivables	—	5,594	—	5,594
Finance receivables, net [ii]	Loans and receivables	—	138,092	—	138,092
Other receivables [i]	Loans and receivables	—	276	—	276
Liabilities					
Accounts payable and accrued liabilities [i]	Financial liabilities	—	(8,780)	—	(8,780)
Debentures and notes payable [iv]	Financial liabilities	—	—	(28,300)	(28,300)
Secured borrowings [iii]	Financial liabilities	—	(116,795)	—	(116,795)

There were no transfers between any levels between 2016 and 2017.

Inputs and valuation techniques used for the financial instruments are as follows:

[i] Carrying amounts are expected to be reasonable approximations of fair value for cash and for financial instruments with short maturities, including trade and other receivables and accounts payable.

[ii] Fair value of finance receivables, net considers only changes in components of the valuation model that are observable in active markets, namely, a change in the Government of Canada bond yields between the origination date and current date.

[iii] Fair value of secured borrowings considers only changes in components of the valuation model that are observable in active markets, namely, a change in the Government of Canada bond yields between the issued date and current date.

[iv] Fair value of notes and debentures are calculated using a valuation model that considers the future stream of cash flows discounted at the market swap yield adjusted for risk premium.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash, trade receivables, due from dealers and finance receivables. Cash accounts are maintained with major international financial institutions of reputable credit and, therefore, bear minimal credit risk.

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which the Company believes are subject to normal industry credit risks. As at December 31, 2017, the Company recorded an allowance for bad debts of $40 [2016 – $157].

The Company's overall exposure to credit risk arising from consumer finance receivables is governed by credit specific risk appetite limits and credit risk policies as approved by the Company's Board. The Credit and Risk Committee of the Board has established and monitors credit risk related policies and guidelines enterprise-wide, taking into account business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures and include geographic, product, size, and security type limits. The Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs.

The Company's loan receivables consist of unsecured consumer loans and, accordingly, the Company is exposed to credit risk within this portfolio. The Company mitigates credit risk by assessing the borrower's capacity and willingness to pay through its underwriting policies and by ensuring that all loan contracts greater than $15 are registered with a NOSI as described in note 3 under *Allowance for credit losses.* As at December 31, 2017, the Company recorded a collective allowance for credit losses for loans of $353 [2016 – $183].

Credit risk within the Company's lease receivables portfolio is mitigated by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance and is entitled to seek additional cash reserves from the dealers. As at December 31, 2017, the Company held $942 [2016 – $2,197] in dealer reserves within accounts payable and accrued liabilities *[note 13].* In addition, the Company has recorded a collective allowance for credit losses for leases of $814 [2016 – nil].

As at December 31, 2017, the Company has $1,478 [2016 – $98] due from dealers reported under other assets *[note 8].* The receivables arose from terminated delinquent finance lease contracts. The Company intends to recover the outstanding balances through garnishment of future escalation payments otherwise due to the originating dealers.

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on the term facility and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

Currency risk

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars.

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to loss for the year. As at December 31, 2017, the Company did not hedge any currency exposures.

Liquidity risk

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due. The Company oversees its liquidity to ensure that it has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations under both normal and stressed conditions. The most significant exposure to liquidity risk relates to the repayment of debentures, notes payable and loans. This exposure is managed by term-matching the cash flows generated by the Company's net investment in leases and loans with the repayment requirements [i.e., all investments are matched funded with the obligations incurred to finance the investment].

Refer to note 2 *Going concern measurement basis* for further discussion of the Company's liquidity risk and management's mitigation thereof.

23. Capital disclosures

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value. The Company's capitalization is as follows:

	2017	**2016**
	$	$
Secured borrowings	**130,898**	118,387
Secured debentures	**34,768**	21,635
Secured promissory note	**7,148**	3,000
Unsecured convertible vendor take-back note	**2,490**	2,420
Senior secured debentures	**9,354**	—
Total debt	**184,658**	145,442
Shareholders' equity	**19,850**	52,774
	204,508	198,216

The Company was in compliance with all financial and reporting covenants with all its lenders as at December 31, 2017.

24. Reportable segment information

The Company currently operates in three reportable segments, namely Consumer Finance, Live Engagement and Mobile Engagement.

The Consumer Finance segment operates solely in Canada and provides consumer financing solutions through a network of home improvement dealers.

The Live Engagement segment operates in Canada and the United States providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services.

The Mobile Engagement services segment operates in Canada and the United States providing end-to-end mobile marketing solutions allowing businesses to interact directly with mobile subscribers.

The Company's chief operating decision makers monitor the operating results of these business units separately for the purposes of assessing performance and allocating resources. The primary measure that is used in assessing operating performance of the operating segment is segment profit, which is defined as revenue less cost of sales, salaries and wages and general administration expenses.

Notes to consolidated financial statements

[Expressed in thousands of dollars, except per share amounts or unless otherwise stated]

December 31, 2017 and 2016

	2017				
	Live Engagement	**Mobile Engagement**	**Consumer Finance**	**Corporate**	**Consolidated**
	$	$	$	$	$
Revenue					
Canada	**10,960**	**8,520**	**16,301**	**—**	**35,781**
United States	**4,487**	**2,056**	**—**	**—**	**6,543**
	15,447	**10,576**	**16,301**	**—**	**42,324**
Cost of sales	**11,699**	**2,952**	**10,904**	**—**	**25,555**
Gross profit	**3,748**	**7,624**	**5,397**	**—**	**16,769**
Expenses					
Salaries, wages and benefits	**2,884**	**2,543**	**4,336**	**5,964**	**15,727**
General and administrative	**3,461**	**685**	**2,435**	**4,156**	**10,737**
Impairment loss	**2,495**	**—**	**29,050**	**—**	**31,545**
Segment profit (loss)	**(5,092)**	**4,396**	**(30,424)**	**(10,120)**	**(41,240)**
Depreciation and amortization					**(2,119)**
Share-based compensation					**(1,289)**
Loss before income taxes					**(44,648)**

	2016				
	Live Engagement	**Mobile Engagement**	**Consumer Finance**	**Corporate**	**Consolidated**
	$	$	$	$	$
Revenue					
Canada	14,011	6,083	8,710	—	28,804
United States	4,488	2,110	—	—	6,598
	18,499	8,193	8,710	—	35,402
Cost of sales	13,759	2,577	4,752	—	21,088
Gross profit	4,740	5,616	3,958	—	14,314
Expenses					
Salaries, wages and benefits	2,741	2,000	2,626	5,259	12,626
General and administrative	3,578	563	1,216	2,771	8,128
Impairment loss	—	—	—	—	—
Segment profit (loss)	(1,579)	3,053	116	(8,030)	(6,440)
Business acquisition costs					(1,723)
Depreciation and amortization					(2,266)
Share-based compensation					(1,623)
Loss before income taxes					(12,052)

Total assets

Total assets are derived from the following geographic areas based on the location of the individual subsidiaries of the Company:

	2017				
	Live Engagement $	Mobile Engagement $	Consumer Finance $	Corporate $	Consolidated $
Canada	**3,668**	**4,436**	**196,955**	**8,436**	**213,495**
United States	**533**	**794**	**—**	**—**	**1,327**
Total assets	**4,201**	**5,230**	**196,955**	**8,436**	**214,822**

	2016				
	Live Engagement $	Mobile Engagement $	Consumer Finance $	Corporate $	Consolidated $
Canada	6,745	3,572	191,902	6,725	208,944
United States	227	641	—	—	868
Total assets	6,972	4,213	191,902	6,725	209,812

25. Loss per share

Basic and diluted loss per share ["EPS"] amounts have been determined by dividing net loss for the year by the weighted average number of common shares outstanding throughout the year.

	2017	2016
Weighted average number of common shares [000s]	**279,718**	222,247
Basic loss per share	**$(0.16)**	$(0.05)

Convertible debentures, share options and warrants have not been included in the calculation as they are anti-dilutive for the years presented.

26. Subsequent events

Subsequent to year-end, the Company:

[a] Repaid $16 million of the secured debentures bearing interests at 9% upon their maturities in January 2018 *[note 14[a]]*;

[b] Terminated its securitization facility with a major Canadian financial institution and repaid cash of $7.2 million and released cash reserves of $779 *[note 15]*;

[c] Repaid $2.5 million of the unsecured convertible vendor take-back note to Chesswood upon its maturity *[note 14[c]]*;

[d] Utilized $11.5 million of the $15 million new warehouse facility entered in November 2017 *[note 15]* with the Canadian life insurance company and which is secured against consumer finance contracts with a book value of $13.5 million; and

[e] On March 9, 2018, Dealnet concluded that it was in the best interest of Dealnet to liquidate Gemma through an assignment in bankruptcy (the “Bankruptcy”) pursuant to the provisions of the Bankruptcy and Insolvency Act, R.S.C. 1985, c.B-3, as amended *[note 1]*.

27. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or net income as a result of these reclassifications.