Annual Information Form

May 18, 2018

Contents

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form includes forward-looking statements about Dealnet Capital Corp. ("Dealnet" or the "Company"), including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, targets for growth of the consumer finance receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'budgeted', 'estimates', 'forecasts', 'targets' or negative versions thereof and similar expressions, and/or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company's operations, economic factors and the industry generally, as well as those factors referred to in the section entitled "*Risk Factors*". There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company.

Forward-looking statements and information in this Annual Information Form include, but are not limited to, statements with respect to:

- Dealnet's expectations regarding its revenue, expenses and operations;
- Dealnet's anticipated cash needs and its needs for additional financing;
- Dealnet's integration of its acquisitions;
- Dealnet's plans for and timing of expansion of its services;
- Dealnet's future growth plans, including growth resulting from acquisitions;
- Dealnet's expectations regarding its origination volumes;
- Dealnet's ability to attract vendor relationships and new customers and to develop and maintain relationships with existing customers;
- Dealnet's anticipated delinquency rates and credit losses;
- Dealnet's ability to attract and retain personnel;
- Dealnet's present intention not to pay regular dividends on its common shares;
- Dealnet's competitive position and its expectations regarding competition;
- Anticipated trends and challenges in Dealnet's business and the markets in which it operates.

The Company cautions that the foregoing list is not exhaustive.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Although Dealnet believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Dealnet cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither Dealnet nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements and information. Some of the risks and other factors, some of which are beyond Dealnet's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Annual Information Form, include, but are not limited to, those set forth under "*Risk Factors*" in this Annual Information Form.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Report. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.

OVERVIEW OF DEALNET

General Overview

Dealnet is a specialty finance company serving the $20 billion Canadian home improvement finance market. The Company develops and supports consumer sales financing programs for approved dealers and distributors under agreements with original equipment manufacturers ("OEMs") that supply a wide range of home improvement products to the retail market. Through this dealer network, the Company underwrites, originates, funds and services the prime quality loans and leases that homeowners need to finance the acquisition and installation of capital assets that improve the quality, comfort and safety of their homes. The Company is also in the pilot stage of testing complementary origination programs with non-dealer channel partners in the real estate and mortgage brokerage industries to supplement its core dealer-based origination channels.

In the consumer finance segment, the Company earns fee income and net finance income on the loans and leases that it holds on its balance sheet. These finance assets have a term to maturity of up to ten years and are seasoned in the Company's warehouse funding facility before being permanently funded through the securitization conduits that the Company has established with its bank and life insurance funding partners. The net finance income that the Company earns on these loans and leases is primarily represented by the difference between the interest yield that these assets earn and the interest cost that the Company pays under its various funding arrangements. In addition to the net finance income that Dealnet earns on its portfolio of finance assets, the Company also earns fee income from the network support services that it provides to its dealers, the portfolio management services that it provides to its funding partners and the administration services that it provides to its customers.

In addition to the consumer finance segment, the Company also operates in the business communications industry in Canada and the U.S., offering customer support services on a contract basis to third party institutions through its live engagement and mobile engagement segments. The live engagement segment facilitates interaction between a brand and a consumer via a live staffed call centre. The mobile engagement segment facilitates interaction between a brand and consumer via mobile devices.

The live engagement segment is also utilized on an arms-length basis by the Company's consumer finance segment to provide support to its dealer network for underwriting, documenting and servicing consumer loans and leases. In the live engagement and mobile engagement segments, the Company earns fee income for the various contracted communications services that it performs for its clients.

Dealnet has been listed on the TSX Venture Exchange since July 28, 2015 under the symbol "DLS". Prior to its listing on the TSX Venture Exchange, the Company was listed on the Canadian Stock Exchange ("CSE").

Risk Management

The Credit and Risk Committee of the Company's board of directors oversees the Company's credit practices and procedures and monitors the Company's funding portfolio. In establishing all new dealers on the Company's engagement platform, the Company's credit criteria are embedded in the platform. This ensures that the quality of the loans and leases that the Company underwrites with each dealer meet the standards as determined by the Credit and Risk Committee. In addition to maintaining credit quality, the Company also adopts practices that help to ensure that delinquent accounts are either restored to performing status or recovered through the legal remedies at the Company's disposal.

As part of Dealnet's credit risk management practices, the Company registers a Notice of Security Interest ("NOSI") on all eligible finance receivable contracts at the later of, inception of the contract, or at any time that a contract becomes past due for more than 30 days.

Registering the NOSI ensures that Dealnet's consent is required before the homeowner can refinance or sell the property on which the NOSI has been registered. This entitles Dealnet to request full payment of its loan balance plus accrued interest, and in certain cases a make-whole payment, prior to releasing its security interest. While this process can take several years until the property is either sold, or the mortgage refinanced, the NOSI provides the Company with a high degree of confidence of recovery against delinquent accounts. The Company has fully recovered on delinquent accounts through this process in the past.

In the home improvement lending industry, it is not uncommon to see delinquencies that are higher than other classes of consumer lending. However, these reported delinquencies are not entirely credit related, but can also be the result of a dispute at the conclusion of a home improvement project when the homeowner may be unsatisfied, for a variety of reasons, with the work performed by the dealer. This requires the dealer to send the contractor back to the home to fix the problem to the homeowner's satisfaction. Depending on the type of installation, this can take from several weeks to months, if the project requires custom fabrication of materials or is weather dependent. In the meantime, the account goes into arrears and is recorded as a delinquency. Disputes can take several months to resolve particularly if permits or other municipal inspections are required to complete the work to the satisfaction of the consumer.

Stable Matched Funding Facilities

Dealnet does not rely on short-term retail deposits or short-dated commercial paper to fund its portfolio of finance assets. In place of the retail deposits of a typical bank, the Company has established multiple integrated funding facilities to provide the debt capital required to support its growing portfolio of finance assets. Initial funding for a newly originated consumer loan is provided by the Company's warehouse facilities. As additional loans/leases are originated through the Company's dealer network, they are funded through warehouse facilities until the pool of loans is sufficiently large and diversified that it can be efficiently transferred to one of the Company's established securitization facilities, on the basis of matching funding, rates, and maturities. The Company continues to generate significant interest from other funding partners and as a matter of normal course of business will continue to expand, renew, or add facilities to support long term business goals.

When the assets are transferred to a securitization facility, Dealnet receives cash which it then uses to replenish the applicable warehouse facility. As the Company's portfolio has grown it has successfully expanded the capacity of its warehouse facilities and its securitization facilities to ensure that it has sufficient liquidity to fund its expected growth. Both the securitized loans, and the funding supplied by the Company's warehouse and securitization facilities, remain as assets and liabilities respectively on the Company's balance sheet.

As a result of this funding strategy, the Company's cash balances will decrease and finance receivables will increase when it originates or acquires new loans and leases. These cash balances are then replenished when the finance receivables are securitized.

Overview of Consumer Finance

Dealnet has been initially focused on home improvement finance solutions including HVAC financing and leasing where it can leverage its customer service and technology platform to connect equipment manufacturers/vendors, the dealers who sell and install the products, and the end consumers who need financing. The Company's platform includes lead management, credit approvals, funding, billing, collections, data and analytics. Dealnet provides end-to-end servicing for its consumer loan portfolio, including billing, collections, adjudication, credit and risk management and treasury services. These are bundled alongside loan capital and ancillary engagement services, providing dealers with a larger market presence at a fraction of the cost of in-house delivery systems, which also yields stickiness and continued growth in origination volume.

Dealnet invested early in developing its internal loan platform and dealer marketing strategy through its wholly-owned subsidiary One Dealer Inc. ("One Dealer"). In 2015, the Company began expanding this business following securing additional underwriting facilities, and in 2016 the Company began benefitting from significant organic growth for this lending business. One Dealer was principally focused on the small dealer market across Canada where one to 10 deals per month per dealer may be funded through an available market of approximately 3,500 – 4,000 dealers in the Canadian HVAC market alone.

One Dealer has two wholly-owned subsidiaries, One Dealer Financial Services Inc. ("One Dealer Financial Services"), incorporated on January 29, 2013 under the laws of the Province of Ontario, and One Dealer Home Services Inc. ("ODHSI"), incorporated on December 14, 2012 under the laws of the Province of Ontario.

EcoHome

On February 18, 2016, Dealnet acquired EcoHome from Chesswood Group Limited for total consideration of $34.5 million which consisted of: (i) $29 million in cash; (ii) 6,039,689 common shares of Dealnet valued at $2.9 million; and (iii) a two-year unsecured convertible vendor take-back note in the principal amount of $2.5 million and bearing interest at a rate of 6.0% per annum, which is convertible by the vendor into common shares of Dealnet at a price of $0.64 per share. For further details of the acquisition, please see the Company's 2016 Consolidated Finance Statements available on SEDAR and the *Business Acquisition Report,* also available on SEDAR dated March 24, 2016.

This transaction elevated Dealnet's consumer finance business to a competitive position in this sector. As part of the acquisition, Dealnet acquired all customer contracts, vendor finance agreements, employees, operating platform, systems, agreements and other assets of EcoHome. Dealnet integrated the treasury, technology, risk and credit management functions and overall origination capabilities from this acquisition. Subsequently, Dealnet began investing in mobile technology to drive an enhanced experience for dealers and consumers, while also providing unique portal enhancements for dealers and manufacturers to support self-service capabilities. This technology platform reduces Dealnet internal processing effort and will support scale on a more cost efficient basis.

At the time of acquisition, EcoHome had a seasoned, profitable finance receivable portfolio with a book value of $71.7 million and a year-over-year annualized portfolio growth rate of approximately 65%. The EcoHome portfolio consists of long-term finance assets that have historically predictable revenue, loss experience and cash flows. EcoHome operated on the same loan management software as Dealnet's existing One Dealer Financial Services business unit, making integration a relatively straightforward process. Key EcoHome funders have transferred and/or increased their funding line capacity, in support of this transaction and the Company's continued growth.

EcoHome has developed a proprietary credit scorecard that combines the customer's credit bureau data, home ownership information and transaction details to produce accurate and predictable credit decisions. If a transaction decision cannot be automatically approved or declined, it is manually reviewed by credit analysts.

EcoHome uses a private securitization model to finance the majority of its loans and rentals. Pursuant to the securitization process, the company sells the future payment stream of a group of rentals and/or loans to a funder such as a life insurance company or bank. The future stream is discounted at the time of funding - the tranche - and a percentage is held back in a loss reserve pool. The loans are held on balance sheet earning margin and other fees over the life of the loan, contributing to progressively increasing gross margin dollars as the loan book grows. The Company has extended the EcoHome securitization treasury capability to One Dealer Financial Services and expand the number of securitization counterparties available to both EcoHome and One Dealer Financial Services.

One Dealer Financial Services
One Dealer Financial Services was Dealnet's sole financial services business unit at the beginning of 2016. One Dealer Financial Services had focused on underwriting 10-year lease contracts of HVAC equipment, which provide dealers with alternative financing solutions to support them in closing incremental sales and installation of HVAC equipment.

Dealnet operated both its existing One Dealer Financial Services business unit and EcoHome as separate market-facing brands during 2016 and early 2017. As systems and processes were further integrated with those of EcoHome, the Company has decided to no longer operate with two separate brands, and has ceased new origination business through the One Dealer Financial Services brand.

Overview of Engagement Services

Mobile Engagement 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. The Company also earns revenue from custom development for individual client campaigns. Additionally, the Company earns revenue by running mobile marketing programs for its customers using its proprietary software application. Revenue is generated from licensing of the Company's proprietary software and associated support services, and from services supported over an extended period

Live Engagement Services: The Company earns revenue from live engagement 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.

INCORPORATION AND ADDRESS

Dealnet Capital Corp. (the "Company" or "Dealnet") was originally incorporated as Alexa Ventures, Inc. on September 8, 1986 under the laws of British Columbia. On October 28, 1999, the Company changed its name from Alexa Ventures, Inc. to Eiger Technology, Inc., and on November 17, 2000, continued its corporate status under the laws of Ontario. On May 28, 2008, the Company changed its name from Eiger Technology, Inc. to Gamecorp Ltd. The Company changed its name from Gamecorp Ltd. to Dealnet Capital Corp. on September 4, 2012.

At the Company's Annual General and Special Meeting in October 2014, shareholders approved an amendment to the article of the Company, increasing the number of authorized common shares to unlimited from 100,000,000.

The common shares are listed for trading under the symbol "DLS" on the TSX Venture Exchange.

The issued and outstanding capital of the Company as at December 31, 2017 consisted of 281 million common shares.

At the Company's Annual General and Special Meeting on October 23, 2015, shareholders approved an amendment to the Company's constating documents to allow for the creation of a class of unlimited number of preferred shares, issuable in series. The Company has not issued any preferred shares as of the date of this Annual Information Form.

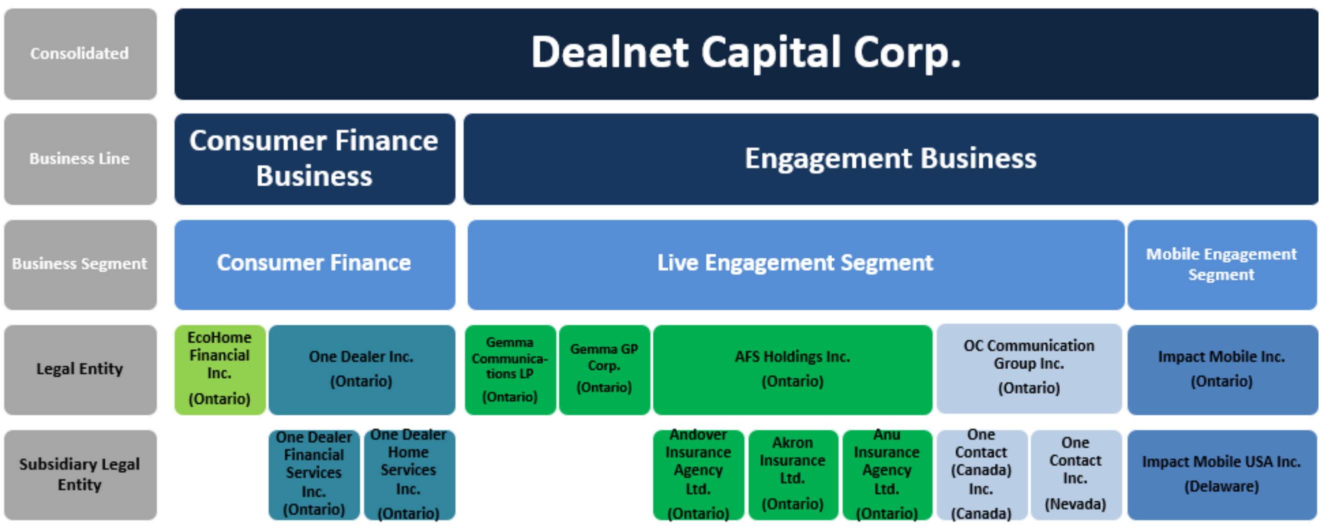
The head and registered office of Dealnet is located at 4 King Street West, Suite 1700, Toronto, Ontario, M5H 1B6. The Company carries on business in all provinces of Canada other than Prince Edward Island. As of the date of this Annual Information Form, three executive staff members are officers of the Company.

INTERCORPORATE RELATIONSHIPS

As at December 31, 2017, Dealnet was the beneficial owner of all of the capital of its subsidiaries:

- AFS Holdings Inc. and its wholly-owned subsidiaries, Andover Insurance Agency Ltd., Akron Insurance Ltd. and Anu Insurance Agency Ltd.
- Gemma Communications LP.
- Gemma GP Corp.
- OC Communication Group Inc. and its wholly-owned subsidiaries, One Contact, Inc. and One Contact (Canada) Inc.
- Impact Mobile Inc. and its wholly-owned subsidiary, Impact Mobile USA Inc.
- One Dealer Inc. and its wholly-owned subsidiaries, One Dealer Financial Services Inc. and One Dealer Home Services Inc.
- EcoHome Financial Inc.

Dealnet's wholly-owned subsidiaries are as set forth in the following chart:



On March 9, 2018, Dealnet's wholly-owned subsidiaries, Gemma Communications LP, Gemma GP Corp. and Akron Insurance Limited (collectively, the "Gemma Businesses"), filed assignments under the *Bankruptcy and Insolvency Act* (Canada) to allow for an orderly, court supervised wind-up of the Gemma Businesses. Dealnet's other subsidiaries were not affected by this action. Dealnet is currently undertaking a process of winding up inactive subsidiaries, including Andover Insurance Ltd., AFS Holdings Inc. and Anu Insurance Agency Ltd.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History of Dealnet

Over the last three years, the Company has focused on managing its capital position while building out the engagement platform and funding facilities to support accelerated growth. The capital cost of building a platform without customers would be more significant than desired and as a result the Company serviced third party customers on an outsourced basis to defray some of these costs while scaling the platform and building the lending platform in parallel. From 2013 to 2015, the Company expanded engagement revenue from third parties to support scale and platform build, and during 2015 the Company commenced its lending operations including growing the executive finance team and operations.

By design, the Company initially acquired engagement companies prior to acquiring and growing lending assets to ensure the scalability was already in place to support anticipated growth in its portfolio of finance assets. The Company originates regular monthly volumes and continues to increase its underwriting scale, reduce its cost of capital, and improve yields.

In addition to the development and expansion of Dealnet described in the "*Overview of Dealnet*" and "*Corporate Strategy*" sections, the Company has completed many other significant initiatives over the past several years as it executed against its stated strategy.

Three Year History of Consumer Finance

Having acquired One Dealer and its subsidiaries at the start of 2013 and expanding its dealer network in 2014 and 2015, on February 18, 2016, Dealnet closed the acquisition of EcoHome from Chesswood Group Limited for total consideration of $34.5 million. This transaction elevated Dealnet's consumer lending business to a competitive position in this sector. As part of the acquisition, Dealnet acquired all customer contracts, vendor finance agreements, employees, operating platform, systems, agreements and other assets of EcoHome. For further information on this transaction please see the heading "*Overview of Dealnet – Overview of Consumer Finance – EcoHome*".

On May 24, 2016, Dealnet announced that it has entered into a strategic alliance agreement with an HVAC manufacturer to provide a tailored vendor finance program to the manufacturer's dealer network across Canada. The manufacturer is a premier global leader in the HVAC market, selling multiple well known branded products to its dealer network. The Company also launched a new national distributor of plumbing products having approximately 4,000 dealer relationships across Canada. Additionally, Dealnet launched another HVAC OEM relationship that has approximately 300 dealers across Canada.

On January 13, 2017, the Company announced that it had closed a $27.6 million portfolio acquisition. The portfolio consists of consumer finance rental contracts valued at approximately $27.6 million from a prominent Ontario dealer who operates in one of the Company's key verticals. Total consideration for the portfolio was a cash payment on closing of $22.5 million less certain adjustments, along with the issuance of 12,523,364 common shares valued at $5.5 million.

During 2017 the Company announced new dealer and OEM relationships including:

- On February 2, 2017, Dealnet announced that it had launched its financial technology platform and two new strategic relationships in the home improvement market; a national distributor of plumbing products having approximately 4,000 dealer relationships across Canada; and, a Heating Ventilation and Air Conditioning OEM relationship that has approximately 300 dealers across Canada.
- On July 4, 2017, Dealnet reported that it had entered into a new OEM relationship as well as a new distributor relationship that together provide the Company with access to more than 1,900 dealers that supply and install HVAC and water treatment equipment to homeowners across Canada.
- On August 15, 2017, the Company announced that it had signed an agreement with a leading Ontario-based home improvement equipment distributor that will result in the on-boarding of more than thirty new dealers authorized to offer the Company's financing products to homeowners in Ontario. The new distributor transitioned to Dealnet from a competing financial services supplier.
- On October 26, 2017 Dealnet announced that it had further expanded this dealer network through an agreement with a leading manufacturer of water treatment and purification equipment to provide more than 100 of this manufacturer's dealers across Canada with access to the Company's consumer home improvement financing platform.

On April 13, 2017, a Dealnet subsidiary closed an additional $20 million under its existing secured debenture facility structure and extended a further $3 million scheduled to mature. On October 13, 2017, Dealnet reported that the terms of the $23 million short term debenture initially issued by the Company in April were amended to allow for the maturity of the debenture on January 11, 2018. The debentures were repaid in full on January 11**,** 2018.

On November 29, 2017 the Company announced the conclusion of a series of funding initiatives undertaken to support the Company's planned origination activity in 2018 and which are expected to reduce its funding costs by between 35 and 40 basis points through 2018 relative to the funding costs incurred in 2017. These initiatives included:

- On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the remaining outstanding $2 million secured promissory note, and among other things, obtained an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million. The amended secured promissory note bears interest at the prime rate plus three percent per annum, with specific monthly repayment provisions, and final principal repayment of $1 million due on the maturity date of October 16, 2020;
- On November 24, 2017, the Company renewed an existing securitization facility with a Canadian life insurance company funding partner (the "Lifeco Funding Partner") to provide for the investment by the Lifeco Funding Partner of up to $50 million in new secured home improvement loans and leases originated by the Company; Concurrently, the Lifeco Funding Partner agreed to provide the Company with an additional $15 million facility to complement the Company's existing warehouse funding facilities which are used to accumulate and season originated loans and leases prior to their securitization;
- On November 27, 2017, the Company renewed an existing securitization facility with a Schedule 1 bank (the "Bank Funding Partner") to provide for the investment by the Bank Funding Partner of up to $40 million in new secured home improvement loans and leases originated by the Company;
- On November 29, 2017, the Company repaid $7 million of the 9% secured debentures totalling $23 million previously extended from October 13, 2017 to January 11, 2018. The remaining balance of $16 million was repaid in full on January 11, 2018;
- On November 29, 2017, the Company entered into a new funding agreement with a global private investment fund to purchase up to $200 million of Canadian-based home improvement loans and leases originated by the Company over the next two years; and

In addition, Cost reduction initiatives undertaken during the third and fourth quarters of 2017 have reduced the Company's cash operating expenses by approximately $1 million per quarter.

On December 22, 2017, Dealnet announced that it had closed a $12 million offering of 6% non-convertible senior secured debentures. Funds managed by Stornoway Portfolio Management Inc. (“Stornoway”), a Toronto-based asset management firm purchased $7 million (face value) as Lead Investor in the offering. Directors, managers and employees of the Company purchased approximately $3.7 million of the offering’s face value. Proceeds from the offering will be used to fund the Company’s 2018 growth oriented business plan, to repay the Company’s $2.5 million convertible debenture owing to the Chesswood Group in February 2018 and for general corporate and working capital purposes.

Dealnet’s finance receivable portfolio has increased to $170.7 million as at December 31, 2017 from $137.5 million as at December 31, 2016 and from $1.9 million as at December 31, 2015. This is partially due to the EcoHome platform purchase, as well as attracting market share through new wins and significant growth beyond EcoHome planned growth, on a standalone basis.

Dealnet has combined the treasury functions, technology, risk and credit management and overall origination capabilities to support the growth trajectory demonstrated by EcoHome and One Dealer Financial Services.

Three Year History of Engagement

Mobile Engagement

On July 1, 2014, the Company closed the acquisition of Impact Mobile, a technology and customer engagement company that provides end-to-end, mobile engagement solutions with carrier-grade messaging infrastructure to allow its clients to reach their mobile customers. In consideration for the acquisition, the Company issued at closing 5,500,000 common shares of the Company at $0.195, 1,500,000 of which were held in escrow and used to retain key executives of Impact Mobile over three years, and $500 thousand in cash to the vendors, payable over a period of 60 days from closing. On each of July 1, 2015, 2016 and 2017, 500,000 common shares were released.

Impact Mobile's flagship platform and suite of services provide comprehensive mobile engagement and marketing capabilities as an alternative to live call solutions at a lower cost to the customer and higher margin to Impact Mobile, than typical live call solutions. Impact Mobile is regarded as a leader in mobile engagement and communications running the first cross-carrier campaign in North America, and receiving industry leadership awards for consumer engagement and mobile commerce innovation.

The Company is generating considerable interest in its mobile analytics, proximity marketing and engagement platform, and since Impact Mobile's acquisition by Dealnet it has been successful in developing a strong pipeline of direct deals, as well as considerable channel partner opportunities where the Company's engagement solutions are bid as a component of a larger solution.

On August 24, 2016, the Company's mobile messaging business purchased various mobile messaging contracts from an arms-length party for total consideration of approximately $894 thousand including 543,921 common shares valued at $294 thousand. These messaging contracts represented a strategic opportunity for the mobile messaging segment.

Live Engagement

On May 24, 2012, the Company closed the acquisition of One Contact, a live engagement company with operations at the time in Ontario, Nevada and Florida. At the time of acquisition, the company had been in business for seven years providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. Through One Contact, the Company provides services to major brands both in Canada and the United States. One Contact primarily markets its live engagement services to industry verticals such as financial services, telecommunications, utilities, governments, associations and retail. These markets typically have a large consumer base that requires ongoing customer services typically attached to e-commerce and technical support, as well as loyalty support services, all of which are provided by One Contact as an extension of the brands they support, on a white label basis.

On September 30, 2015, the Company closed the acquisition of Gemma and its related companies. With offices in Toronto, Ontario and Montreal, Quebec, Gemma was a live engagement company with a long history of providing outbound customer acquisition services focusing on the financial services and telecom sectors. The acquisition of Gemma expanded the Company's live engagement offering, as well as giving the Company a presence in Quebec. Please see the Company's 2016 Consolidated Financial Statements, available on SEDAR, for details of the transaction.

Since their acquisition in September 2015, the Gemma Businesses have incurred on-going, significant operating losses. In late 2017, Dealnet started to explore various strategic alternatives including the attempted sale of the Gemma Businesses which formed part of the live engagement segment. On March 9, 2018, management of the Gemma Businesses concluded that a sale of the businesses was not possible and assigned the Gemma Businesses into bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada). This action strengthens Dealnet's ability to finance and grow its core consumer finance business. Dealnet's other subsidiaries were not affected by this action. Removing the losses associated with the Gemma Businesses is expected to have a favourable impact on Dealnet's consolidated results going forward. The Company continues to operate a live engagement business through One Contact.

Three Year History of Capital Raised to Support the Company

To support the consumer finance and engagement initiatives, the Company has been active in managing its capital structure. In doing so, it has completed the transactions as outlined below:

Unsecured Convertible Debentures

During the years ended December 31, 2012 and 2013, the Company issued a total of $2.5 million in convertible debentures of which $33 thousand would have matured on December 7, 2015 and the balance on December 20, 2015. The convertible debentures bore interest at a rate of 12% per annum, payable quarterly. The Company did not issue any new convertible debentures during the year ended December 31, 2014.

The outstanding principal under the debentures could, at the option of the holders, be converted into common shares of the Company at a conversion price of $0.20 per share. The Company had the right to redeem the debentures, in whole or in part, from time to time, at a redemption price equal to the unpaid principal amount of the debentures to be redeemed. If the market price of the Company's common shares were less than 125% of the conversion price, then if redeemed in the first year following the closing date, the redemption price would be equal to 125% of the unpaid principal amount of the debentures to be redeemed, plus accrued and unpaid interest thereon, dropping to 110% in the second year and 100% in third year of the debentures.

In July and August, 2014, the Company received forms of election whereby certain holders of the convertible debentures elected to convert a total of $85 thousand into common shares of the Company at $0.20 per share. The Company issued 425,000 common shares relating to this conversion.

In December 2014, the Company offered the remaining holders of the convertible debentures an incentive to convert their debentures on or before December 31, 2014. In addition to the common shares to be received upon conversion, the Company offered holders: (i) one common share purchase warrant for every common share issued upon conversion; and, (ii) the equivalent of an additional six months of interest beyond the conversion date on the principal portion of the convertible debenture, settled through the issuance of common shares of the Company at the rate of five common shares for every $1.00 of interest.

On December 31, 2014, the Company received forms of election to convert a total of $1.955 million of principal as a result of this incentive. The Company issued 9,755,000 common shares relating to the original conversion. Additionally, the Company issued: (i) 9,755,000 common share purchase warrants with an exercise price of $0.30 and a term of 18 months; and, (ii) 586,500 common shares which is equal to the additional six months of interest on the debentures converted, at the rate of five common share for every $1.00 of interest.

The Company agreed to extend the incentive offer for certain holders of the debentures and converted an additional $185 thousand of principal on January 22, 2015.

The incentive plan resulted in the overall issuance of 10,700,000 common shares from the natural conversion of the debentures, and 10,700,000 common share purchase warrants and 641,000 common shares as the incentive to induce conversion.

In the third quarter of 2015, the Company received election notices for the remaining debentures, which resulted in the conversion of $275 thousand debentures into 1,375,000 common shares. No incentive was paid on these conversions.

The conversions noted above resulted in 100% of the debentures being converted into common shares prior to their maturity date.

Secured Revolving Loan Facility

On May 23, 2014, the Company's wholly-owned subsidiary, One Dealer, entered into a $2 million secured revolving loan facility maturing on May 23, 2016. The Company paid the lender a standby fee of 5% per annum on all undrawn amounts under the secured revolving loan facility commencing on June 1, 2014, payable monthly in arrears. The Company also paid the lender 12% per annum on all drawn amounts. An initial advance of $250 thousand was made in June 2014.

The capital was used to underwrite early stage HVAC deals and support system testing and process demonstrations where the data and results would be provided to larger low cost funders as part of the request for larger and more cost efficient capital. The HVAC rental contracts formed the lender's security in the occurrence of default. In addition, the Company also issued 1,000,000 common share purchase warrants each to purchase one common share of the Company at an exercise price of $0.29 per share, expiring two-years from the date of issuance. In March 2015, this facility was fully repaid and cancelled by the Company.

Short-Term Debentures

On July 2, 2014, the Company issued $300 thousand of short-term debentures (the "ST Debentures"). The ST Debentures matured on January 2, 2015 and bore interest at the rate of 12% per annum, payable on maturity. In conjunction with the issuance of the ST Debentures, the Company issued 300,000 common share purchase warrants with a term of two years and an exercise price of $0.29.

On February 11, 2015, the ST Debentures, including accrued but unpaid interest, were settled through the issuance of 1,678,946 common shares and warrants.

Subordinated Debentures

In July and August 2014, the Company raised gross proceeds of $1.497 million through the issuance of Secured Subordinated Debentures (the "Subordinated Debentures").

The Subordinated Debentures matured on January 29, 2015 and bore interest at 15% per annum, payable at maturity. In addition, a 3% loan establishment fee was paid to holders of the debenture on the maturity date. The Company had the option to extend the maturity date by an additional six-month period, provided that the unpaid principal bore interest at 2% per month.

In conjunction with the issuance of the Subordinated Debentures, the Company issued 1,047,900 common share purchase warrants with a term of two years and an exercise price of $0.30.

On February 11, 2015, $450 thousand of these debentures were settled through the issuance of common shares and warrants. The Company elected to extend the remaining balance of $1,047,000 for a further six months, which matured on July 29, 2015.

On June 18, 2015, the Company redeemed and repaid the remaining balance of the Subordinated Debentures and all outstanding interest.

2017 Convertible Debenture

On June 18, 2015, the Company closed a private placement for $1.5 million of new convertible debentures. The new debentures would have matured on June 18, 2017, bore interest at the rate of 12% per annum and were convertible into common shares of the Company, at the option of the holder, at a conversion price of $0.19.

During the fourth quarter of 2015, the holder of the 2017 Convertible Debentures elected to convert $380 thousand into 2,000,000 common shares of the Company.

During 2016, the holder of the 2017 convertible debentures elected to convert the remaining outstanding face value of $1.12 million into 5,894,736 common shares.

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 up to 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. The Company incurred total transaction costs of $805 thousand, $300 thousand of which will be settled by the issuance of 2,777,777 common shares. These common shares are restricted for trading until July 6, 2018.

Common Share Private Placements

During the first and second quarters of 2015, the Company completed a non-brokered private placement where the Company issued a total of 27,056,561 units at $0.19 per unit for total gross proceeds of $2.523 million received in cash and $2.618 million through the settlement of various liabilities of the Company, for total gross proceeds from the placement of $5.141 million. The private placement closed in four tranches on February 11, 2015, March 13, 2015, June 4, 2015 and June 17, 2015. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitled the holder to purchase one common share of the Company for $0.30 each for a term of 1.5 years from the date of issuance.

On August 18, 2015, Dealnet completed a private placement through a syndicate of agents of 30,000,000 units at a price of $0.40 per unit, for aggregate gross proceeds of $12 million (the "August 2015 Placement"). The agents exercised an over-allotment option for the issuance of an additional 4,500,000 units for additional proceeds of $1.80 million. Each unit (a "Unit") consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitled the holder thereof to purchase one common share of Dealnet at an exercise price of $0.50 until February 18, 2017. As consideration for the services provided by the agents in connection with the August 2015 Placement, the agents received a cash commission equal to 6% of the aggregate gross proceeds of the August 2015 Placement and 2,070,000 compensation options, each compensation option exercisable at any time until February 18, 2017 into one

Unit at an exercise price of $0.40.

On February 5, 2016, the Company closed a bought deal private placement of 54,545,700 subscription receipts at a price of $0.55 per subscription receipt for gross proceeds of $30 million. Each subscription receipt entitled the holder to receive one common share of the Company in exchange for each subscription receipt upon satisfaction of certain escrow release conditions, including the satisfaction or waiver of all conditions precedent to the closing by the Company of the acquisition of EcoHome, provided that the conditions had been satisfied by March 31, 2016. The subscription receipts were exchanged for common shares on the completion of the acquisition of EcoHome on February 16, 2016.

On August 24, 2016, as part of the consideration for the purchase of mobile messaging contracts, the Company issued 543,921 common shares valued at $294 thousand.

On December 22, 2016, upon the exercise of 1,070,181 broker compensation options, the Company issued an equal amount of common shares and 535,090 warrants. These broker compensation options were originally issued as part of the brokered private placement on August 18, 2015.

During 2016, the Company issued 764,072 common shares valued at $435 thousand to two independent parties as payment for advisory services.

On January 13, 2017, the Company issued 12,523,364 common shares valued at $5.5 million as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million and incurred share issuance costs of $36 thousand. 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.

During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds of $400 thousand. In addition, the Company issued 999,819 common shares and 499,909 warrants.

Warrants

During 2015, 9,241,324 warrants were exercised with a weighted average exercise price of $0.30 each for total cash proceeds of $2.88 million.

During 2016, 38,314,245 warrants were exercised with a weighted average exercise price of $0.33 each for total cash proceeds of $12.52 million.

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 $3.7 million with a book value of $6.0 million; the difference charged to Contributed Surplus.

On December 22, 2017, the Company issued a total of 48 million warrants as part of the issuance of 12 million non-convertible senior secured debentures. 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.

Options

During 2015, the Company issued 2,220,877 common shares from the exercise of employee stock options at a price of $0.275 each for total cash proceeds of $611 thousand.

During 2016, the Company issued 757,167 common shares from the exercise of employee stock options at a weighted average exercise price of $0.26 each for cash proceeds of $198 thousand.

During 2017, the Company issued 106,675 common shares from the exercise of employee stock options at a weighted average exercise price of $0.28 each for cash proceeds of $30 thousand.

CORPORATE STRATEGY

OUTLOOK

During 2017, management has made significant progress in addressing near-term priorities and rationalizing Dealnet's call centre operations, improving the consumer finance operations and significantly reducing corporate overheads.

Near-term Priorities

Since the third quarter of 2017, the Company's board of directors and management have focused on stabilizing the Company's financial position and improving the operations of its core businesses. Specifically:

- On December 22, 2017, the Company issued a $12.0 million senior secured debenture to fund working capital and to partially fund maturing debt. Approximately 24% of the senior secured debenture was subscribed by management, directors and other insiders. The Company pledged the shares of its subsidiaries, Impact Mobile Inc. and Impact Mobile USA Inc. as valued collateral in support of the transaction.
- On January 11, 2018, the Company repaid in full $16.0 million of maturing secured debentures
- On February 18, 2018 the Company repaid in full $2.5 million of unsecured convertible vendor take-back notes upon maturity.
- Live Engagement incurred a segment loss of $5.1 million in 2017. The operations of Gemma Communications were the primary cause of Live Engagement's segment loss. On March 9, 2018, the Gemma Businesses were assigned into bankruptcy, thereby significantly reducing future operating losses. The Company's Live Engagement operations under One Contact Communication Group Inc. will continue to offer call centre services out of Toronto, Ontario and Reno, Nevada for both the Consumer Finance operations and external clients. The Gemma bankruptcy repudiated two office leases with annual rent of $1.2 million and terminated unprofitable customer contracts.
- Mobile Engagement segment is experiencing record quarterly revenue and profits. Mobile Engagement is also investing in new incremental messaging capacity in support of increasing client demand. The Company intends to continue to seek opportunities to monetize the value of the Mobile Engagement business in order to fund the profitable growth of its core Consumer Finance segment.
- The operations of consumer finance, the core of the Company, continues to be the focus of management's attention. Every aspect of consumer finance is being studied and improved:
    - expanded and re-organized the national sales force with a structured account management program;
    - improved the Dealer experience by implementing systems enhancements to the Dealer Portal;
    - entered the Quebec market to provide nation-wide dealer support to large scale OEMs;
    - strengthened the credit adjudication and risk management processes by introducing stronger analytics with respect to delinquencies and defaults;
    - improved collection process to resolve aged outstanding receivables;

    - revised loan and lease product offerings to drive increased Corporate profitability and ensure full compliance with new consumer protection legislation enacted in Ontario;
    - focused on profitable growth of originations; and
    - obtained funder support for originations across an expanded range of products.
- During 2017 and into 2018, the Company implemented targeted measures to right-size corporate overhead costs and re-align the management team. The Company now operates out of three locations and no longer has any excess office space. The entire consumer finance operation has been consolidated from three office locations down to one. The Company's workforce has been reduced by over 170 employees since the end of the third quarter of 2017. Other overheads have also been aggressively challenged and reduced.

Going Concern - Liquidity Risk

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.

In order to continue to meet its day-to-day operating needs, realize its growth plans and to ensure it does not exceed its corporate tangible leverage ratio target of 10:1, the Company must be able to continue to access funding from its current securitization and warehouse partners and it must be able to continue to raise additional financing to meet future corporate cash needs.

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. 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.

Long-Term Funding Capacity in Place

Dealnet has established multiple integrated funding facilities to provide the debt capital required to support its growing portfolio of finance assets. Initial funding for new originations is provided by the Company's cash reserves together with its warehouse facilities. As transactions are originated through the Company's dealer network, they are funded through the warehouse facilities until the pool of loans is sufficiently large, diversified and seasoned that it can be efficiently transferred to one of the Company's established securitization facilities for permanent funding.

When the assets are transferred to the securitization facility, Dealnet receives cash that it then uses to replenish its warehouse facility. As the Company's portfolio has grown, it has successfully expanded the capacity of both its warehouse facilities and its securitization facilities to ensure that it has sufficient liquidity to fund its expected growth. Both the securitized loans and the funding supplied by the Company's warehouses and securitization facilities remain as assets and liabilities, respectively, on the Company's balance sheet.

The Company has sufficient long-term funding capacity, at attractive rates of interest, to achieve its business plan objectives. Current funding facilities provide the Company with more than $300 million of capacity to support its growth objectives. These agreements include:

		Estimated Capacity
1.	In November 2017, the Company renewed an existing facility with a Schedule 1 bank. During the year the Company securitized $18.1 million, $44.8 million during the prior year.	$40 million
2.	In November 2017, the Company renewed an existing facility with a major Canadian life insurance company. The renewal allowed for improved economics on new securitizations. During 2017, the Company securitized $31.2 million under this facility, $26.0 million during 2016.	$50 million
3.	In November 2017, the Company entered into a new warehouse facility with the above noted Canadian life insurance company. Subsequent to year-end, the Company utilized $11.5 million of the $15.0 million warehouse facility.	$15 million
4.	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.	$200 million

The Company continues to work with its funders to broaden the range of consumer home improvement products eligible for financing. Recently, the Company was granted a licence to operate in Quebec and has opened its first office in this province and obtained financing for Quebec-based originations.

As at December 31, 2017 the Company currently had $43.1 million of capacity in its warehouse facilities which bear interest at rates between 6% and 9%. The previous $23 million 9% warehouse facility that had been set up in April 2017 was repaid-in-full in January 2018. This was replaced with a new lower cost $15 million warehouse facility from a major Canadian life insurance company. As a result, the Company has lowered its overall cost of warehouse funds to below 6%.

As at December 31, 2017, the Company held $170.7 million of finance receivables and $130.9 million of secured borrowings versus $137.5 million of finance receivables and $118.4 million of secured borrowings as at the end of the previous fiscal year.

Originations and Portfolio Growth

The revenue from Dealnet's consumer finance segment is mainly derived from the net finance income that it earns from the portfolio of secured loans and leases that the Company holds on its balance sheet. From time-to-time, the Company acquires seasoned portfolios from third party organizations. Aside from these acquisitions, the growth of this portfolio is mainly determined by the pace of new originations that are added every day through the Company's organic dealer-based sales activities. Offsetting this growth is the repayment of principal as part of the scheduled monthly payments that the Company receives from each borrower as well as unscheduled prepayments that borrowers are entitled to make under certain circumstances.

The Company's Home Improvement Dealer Platform (the "Dealer Platform") is a technology application that embeds itself in various functional roles within the home improvement dealer's organization. It provides dealers with a full range of digitally enabled and integrated tools to manage their overall business including cash management, installation planning, sales person management, lead generation and management, point-of-sale underwriting, funding, billing, collecting and transaction analysis. Dealers are trained on these applications when they join Dealnet's network.

The mobile component of the Dealer Platform is used by home improvement dealers to support their in-home sales efforts. This technology application provides the dealer's salesperson with the ability to underwrite, approve and document a sales financing transaction while they are in the customer's home. The easy-to-use application dramatically reduces friction in the home-improvement sales process enabling the dealer and the consumer to evaluate, estimate and close the transaction in one visit.

Dealnet believes it is creating long-term allegiance with its dealers to support increased originations by improving the dealer/finance company experience. Specifically, the Company has implemented the following measures to improve the services it provides to its dealer network:

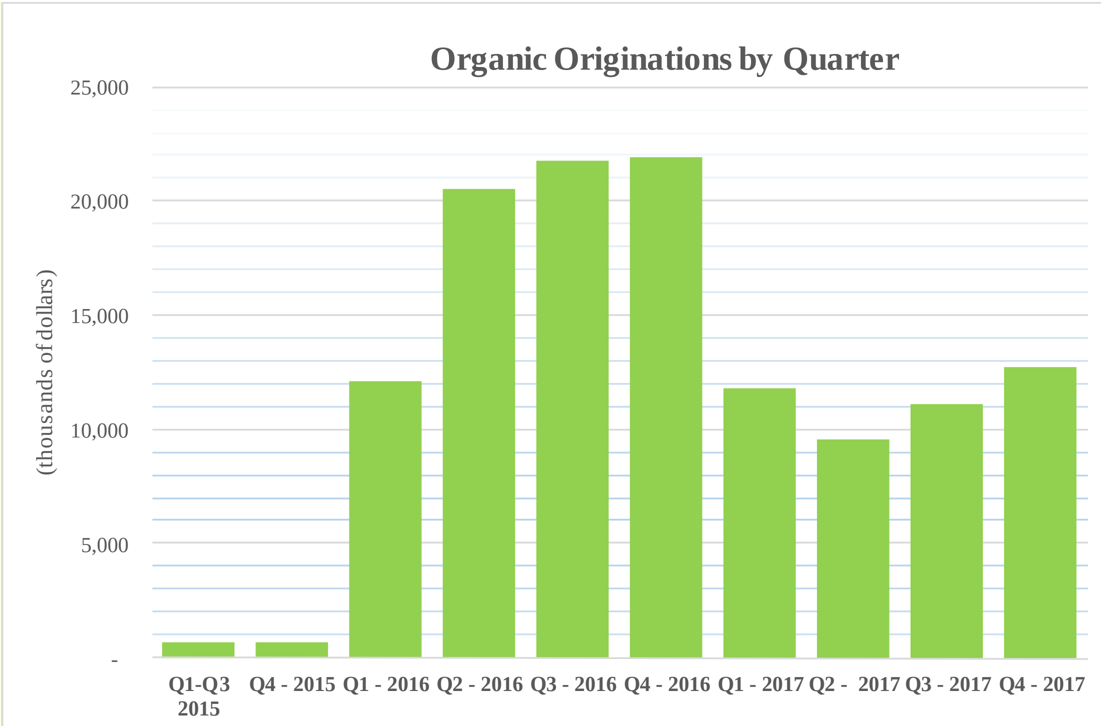
a. enlarged sales force to 10 full-time professionals who provide direct assistance to dealers;
b. system enhancements to the Dealer Portal to make it easier for dealers to use;
c. shortening and streamlining the processing time from an application of an origination to funding; and
d. offering better and faster customer service to dealers.

Starting in mid-April 2018, the Company is introducing risk-based pricing which will improve the Company's competitive offering and better balance rates offered to consumers with their individual credit risk profile. Consumers with superior credit experience will receive the Company's best offers.

The Company has also updated its fee schedule to be more competitive in marketplace. The lease program has been updated and enhanced with the objective of being 100% transparent to the consumer. The Company has put measures in place that will help its dealers be compliant with the provisions of Bill 59, *Putting Consumers First Act (Consumer Protection Statute Law Amendment)*, 2017. The Company systems are flexible and can be easily modified to allow for the custom tailoring of consumer finance offerings. The ability to offer unique 'white labelled' loan and lease offerings is very attractive to large dealers and OEMs.

With the rightsizing of corporate overheads and having invested in resources and systems to improve the dealer experience, management is now focused on profitable origination growth as its top priority. Management is implementing a number of initiatives to significantly improve 'profitable' origination volumes to levels required to reach overall profitability in 2018. The Company is also focused on further developing strategic relationships with OEMs and large dealer organizations, and recently introduced an OEM short-term incentive program to drive originations.

Organic originations for the most recent quarters are as follows:



Managing Credit Risk

The Credit and Risk Committee of the board of directors oversees the Company's credit practices and procedures and monitors the Company's funding portfolio. In establishing all new dealers on the Company's platform, the Company's credit criteria are embedded in the system. This ensures that the quality of the loans and leases that the Company underwrites with each dealer meet the standards as determined by the Credit and Risk Committee. In addition to maintaining credit quality, the Company also adopts practices that help to ensure that delinquent accounts are either restored to performing status or recovered through the legal remedies available to the Company. The Company does not expect material losses from past due accounts as it maintains various forms of collateral as security.

Each of the Company's funding partners prescribes a risk formula that establishes the tolerance for the aggregate of the loan portfolios they fund. The Company's funding group includes federally regulated financial institutions and each funder's tolerance for risk and product type differs. Dealnet designs products with certain funder's risk appetites in mind to ensure they are receiving assets that support their underwriting agreements and that perform within prescribed measurements.

The percentage of past due balances decreased significantly from the previous fiscal year:

	% of Past Due at December 31, 2017	% of Past Due at December 31, 2016
Consumer Finance Leases	6.5%	11.7%
Consumer Finance Loans	2.5%	3.2%

Subsequent to December 31, 2017, the aging has shown further improvement as the Company's management has:

1. analysed past due balances, and studied patterns of delinquencies and defaults;
2. updated collection procedures and adopted collection practices that focus on dealing with early stage delinquencies to avoid the need to buyback delinquent accounts from funders;

3. made concerted efforts to resolve long-outstanding, disputed balances; and
4. engaged outside collection expertise.

The average Beacon score of consumer receivables is 724 compared to 745 for the preceding year.

Controlling Operating Costs

The Company's business model is based on the scalability of its technology platform which is being deployed across an increasing number of dealers as new OEM agreements are signed and dealers are onboarded. The Company's transaction processing and underwriting capabilities were overbuilt to accommodate this growth. As the portfolio expands, this allows a greater proportion of the incremental revenue to cover fixed operating costs and ultimately flow into earnings.

Commencing in the third quarter, the Company initiated a review of operating expenses to identify opportunities for immediate cost savings. Additional cost reduction initiatives have been undertaken in the fourth quarter of 2017 and in the first quarter of 2018. The focus on expense efficiency is an important part of the Company's initiative to achieve profitability and includes:

1. reducing the cost of servicing to industry benchmarks;
2. delayering management and eliminating the internal project management office;
3. reducing the use and cost of outside contractors and professional advisors;
4. 178 fewer live engagement employees and 8 fewer consumer finance and head office employees than at the end of the third quarter of 2017;
5. cancellation of the short-term incentive plan until profitability is achieved;
6. deferral of salary increases and restricting discretionary bonuses to top performers;
7. reducing the cost of the Company's board of directors by reducing the number of directors;
8. uniting the consumer finance team in one location and consolidating live engagement in Scarborough and Reno;
9. elimination of two office locations for annual savings of $1.2 million; and
10. tendering major contracts and challenging the cost of services provided.

Technology Deployment

Dealnet's sales efforts are focused on identifying original equipment manufacturers (OEMs) that are prepared to enter into service agreements to support the deployment of the Company's Dealer Platform across the OEM's dealer network. Once the service agreement is negotiated, Dealnet then commences the process of evaluating and approving selected dealers for onboarding and training. The scalability of the Dealer Platform allows it to be deployed across multiple OEMs and multiple dealer installations without having to add commensurate costs to the Company's operating expense base.

In addition to its core focus on penetrating home improvement OEMs, Dealnet has also commenced pilot testing of its mobile application with complementary non-dealer channel partners in the real estate and mortgage brokerage industries. These professionals provide services to homeowners that frequently involve decisions about capital expenditures on home improvements that can be efficiently underwritten and financed using the Company's mobile application. The Company is also developing a direct-to-consumer version of its mobile underwriting/approval application called "myhome wallet" which will enable homeowners to directly apply for a home improvement credit limit and then self-determine what projects they wish to finance using this credit facility.

Using these complementary origination channels, the Company believes it will be able to add incremental financing transactions to its portfolio at very low origination costs together with incremental fee revenue for referring pre-approved actionable leads to qualified local dealers.

Consumer Technology Aids

The Company has advanced the timetable for the introduction of "myhome wallet", its consumer marketplace platform putting in place one of the key components that will enable the referral of qualified consumer home improvement leads to the Company's growing network of onboarded home improvement dealers. Together with the introduction of the complementary origination channels that the Company is now piloting through real estate and mortgage broker professionals, "myhome wallet" has the potential to accelerate portfolio growth and drive additional fee revenue.

Competitive Environment – Dealnet Advantage

Dealnet faces competition in the market from other specialty finance companies that offer sales financing programs for equipment dealers and from traditional consumer-focused sources of credit such as personal lines of credit and credit cards offered by banks and other lending institutions.

Competitors in the home-improvement finance market seek to attract OEMs and dealers by offering a combination of services. While the interest rates charged through to the end consumer are an important factor, other considerations are also taken into account including the range and depth of the support services offered to the dealer. Dealnet believes its integrated feature-rich platform together with its easy-to-use mobile application provides its dealer network with a value-added financing solution that creates long-term loyalty that effectively offsets the efforts of competitors that seek to gain market share with short-term low interest rate offerings.

Tangible Net Worth

The tangible net worth of the Company, which excludes goodwill and intangible assets, is reported at $17.8 million as at December 31, 2017, down $3.0 million or 14% from $20.8 million as at September 30, 2017. As a condition of funding, the Secured lenders require a minimum tangible net worth of $15 million. Tangible net worth would increase with the exercise of outstanding warrants, an equity raise or the sale of non-core assets. Certain secured lenders also require the Company to maintain an adjusted tangible leverage ratio of 10:1.

NARRATIVE DESCRIPTION OF THE BUSINESS

Dealnet is a non-bank lending company focused on using its expertise and technological capabilities within its proprietary, scalable consumer engagement platform to become a dominant player in the specialty consumer lending market. The Company targets quality lending niches in this market by using its engagement platform and technology and its growing dealer/OEM network to efficiently originate, fund and service long duration loans and leases. As this portfolio of finance assets accumulates over time, it is expected to drive sustainable growth in revenue, gross profit and earnings as a result of the long duration nature of the assets. The accumulation of these assets increases margin on a predictable basis over the long term.

The Company conducts its business activities through subsidiary companies in Canada and the United States. The engagement segments operates both in Canada and the United States. The consumer finance segment operates only in Canada.

Consumer Finance Segment

EcoHome

On February 18, 2016, Dealnet acquired EcoHome from Chesswood Group Limited for total consideration of $34.5 million which consisted of: (i) $29 million in cash; (ii) 6,039,689 common shares of Dealnet valued at $2.9 million; and (iii) a two-year unsecured convertible vendor take-back note in the principal amount of $2.5 million and bearing interest at a rate of 6.0% per annum, which is convertible by the vendor into common shares of Dealnet at a price of $0.64 per share. For further details of the acquisition please see the Company's 2016 Consolidated Finance Statements available on SEDAR, and the *Business Acquisition Report,* also available on SEDAR dated March 24, 2016.

This transaction elevated Dealnet's consumer lending business to a competitive position in this sector. As part of the acquisition, Dealnet acquired all customer contracts, vendor finance agreements, employees, operating platform, systems, agreements and other assets of EcoHome. Dealnet has combined the treasury functions, technology, risk and credit management, and overall origination capabilities. EcoHome has developed a proprietary credit score card that combines the customer's credit bureau data, home ownership details, and transaction details to produce accurate and predictable credit decisions. Full integration of the company was completed in the first half of 2016, and Dealnet is now focused on the advancement of its mobile platform to drive an enhanced and more frictionless experience.

At the time of acquisition, EcoHome had a seasoned, profitable finance receivable portfolio with a book value of approximately $71.1 million, and a year-over-year annualized portfolio growth rate of approximately 65%. The EcoHome portfolio consists of long-term finance assets that have historically predictable revenue and cash flows. It operates on the same loan management software as Dealnet's existing One Dealer Financial Services business unit, making integration a straightforward process. Key EcoHome funders have transferred and/or increased their funding line capacity, in support of the transaction and its continued growth.

EcoHome was incorporated in 2010 and currently operates primarily in the Provinces of Ontario and Alberta. EcoHome offers consumer financing solutions including both loans and rentals for a variety of products primarily in the home improvement space. The company originates loans and rentals through an external network of HVAC dealers, as well as through the manufacturer sales arms of companies producing windows, doors, roofing and siding. EcoHome's offerings extend Dealnet's previous product and asset capabilities through One Dealer Financial Services, which were limited to leases only through HVAC dealers.

Similar to the One Dealer Financial Services' business model, EcoHome's customers must be homeowners and satisfy very similar credit requirements. The Company's origination mix is diversified by customer, origination source and ticket size, with the majority of contracts being less than $7,500 at the time of origination. Leases generally have 120 month terms, and to protect the useful life of the HVAC equipment are covered under a similar term warranty. The loan product is targeted at funding critical household home improvements (windows, doors, roof, etc.). These renovations are often driven by the desire of the homeowner to improve energy efficiency for the home. Loan contract terms range from 24-60 months, but the average term is shorter than the rental product. These contracts are open to prepayment and are generally repaid upon the refinancing of a mortgage or the sale of the home.

EcoHome also originates its loan and rental products through an external network of dealers and its network is complementary to the existing One Dealer Financial Services network. One Dealer Financial Services has concentrated its dealer acquisition model on small HVAC suppliers and installers while EcoHome has concentrated on small-to-medium sized dealers. Each dealer must meet customers' expectations for quality installation and, in many cases, post-installation service. As with One Dealer Financial Services, new dealers are vetted during on-boarding and are then subject to regular monitoring. At the time of each financing, a recorded audit phone call is conducted with the customer to confirm their complete satisfaction with all work and equipment. The call also includes a review of the terms of the financing agreement. If dealers do not meet customers' expectations or have poor service track records with customers, EcoHome can terminate their dealer agreements. The dealer agreements also contain recourse provisions in instances where dealers do not meet customer or financial requirements. EcoHome manages the dealer relationships through day-to-day servicing and reporting requirements combined with ongoing volume and performance monitoring. The Company has been successful in attracting and retaining relationships with significant origination sources.

EcoHome has developed a proprietary credit score card that combines the customer's credit bureau data, home ownership details, and transaction details to produce accurate and predictable credit decisions. If a transaction decision cannot be automatically approved or declined, it is manually reviewed by credit analysts. Dealnet has integrated the EcoHome credit underwriting with One Dealer Financial Services, providing a common underwriting platform for both businesses.

EcoHome uses a private securitization model to finance the majority of its loans and rentals. Pursuant to the securitization process, the company sells the future payment stream of a group of rentals and/or loans to a funder such as a life insurance company or bank. The future stream is discounted at the time of funding - the tranche - and a percentage is held back in a loss reserve pool. The Company has leveraged the EcoHome securitization treasury capability to extend the usage of same to One Dealer Financial Services and expand the number of securitization counterparties available to both EcoHome and One Dealer Financial Services. Additionally, Dealnet extended the One Dealer Financial Services' funding of warehousing arrangements to EcoHome, providing for shared treasury diversity.

One Dealer Financial Services

One Dealer Financial Services was Dealnet's sole financial services business unit at the beginning of 2016. One Dealer Financial Services has focused on underwriting 10-year lease contracts of HVAC equipment, which provide dealers with alternative financing solutions to support them in closing incremental sales and installation of HVAC equipment. The Company also has the option to periodically securitize a portfolio of these lease agreements and lock in rates of cash returns upfront. Over the term of each lease contract, the Company also has the option to increase yield by adjusting the payment upwards by contracted amounts. In many cases the Company also owns 'end of term' payments such that while the equipment on a 10 year lease may be in good working order at the end of 10 years, the customer may elect to continue on a month-to-month basis and maintain the equipment in their home. Ongoing end of term payments have no direct underwriter principal and interest costs associated with them and as a result, net of billing and collecting costs, these payments are effectively all cash flow to the Company. The Company's finance receivable portfolio is young and therefore the Company does not expect to benefit from these payments in the near term. One Dealer Financial Services can also offer a progressively lower cost of capital reflecting the low static losses on such portfolios.

Dealnet operated both its existing One Dealer Financial Services business unit and EcoHome as separate market-facing brands during 2016 and early 2017. As systems and processes were further integrated with those of EcoHome, the Company has decided to no longer operate with two separate brands, and has ceased new origination business through the One Dealer Financial Services brand.

Engagement Segments

Mobile Engagement: 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. The Company also earns revenue from custom development for individual client campaigns. Additionally, the Company earns revenue by running mobile marketing programs for its customers using its proprietary software application. Revenue is generated from licensing of the Company's proprietary software and associated support services, and from services supported over an extended period

Live Engagement: The Company earns revenue from live engagement 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.

Dealnet has grown its large-scale customer service and engagement technology platform to attract home improvement dealers by providing front and back office services to them, resulting in dealer origination growth through its acquisitions of:

Gemma
Since their acquisition in September 2015, the Gemma Businesses have incurred on-going, significant operating losses. In late 2017, Dealnet started to explore various strategic alternatives including the attempted sale of the Gemma Businesses which formed part of the live engagement. On March 9, 2018, management of the Gemma Businesses concluded that a sale of the businesses was not possible and assigned the Gemma Businesses into bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada). This action strengthens Dealnet's ability to finance and grow its core consumer finance business. Dealnet's other subsidiaries were not affected by this action. Removing the losses associated with the Gemma Businesses is expected to have a favourable impact on Dealnet's consolidated results going forward.

Impact Mobile
Impact Mobile is a North American-wide technology and customer engagement company with offices in Toronto, Ontario and New York, New York. Impact Mobile provides end-to-end cloud based, carrier-grade messaging and routing infrastructure allowing clients to reach mobile subscribers directly and deliver mobile content and applications. The company's flagship platform and suite of services provide comprehensive mobile engagement and marketing capabilities as an alternative to live call solutions at a lower cost to the customer, which results in higher margins for the company. Impact Mobile is regarded as a leader in mobile engagement and communications, having run the first cross-carrier campaign in North America. Additionally, the company has received industry leadership awards for consumer engagement and mobile commerce innovation.

One Contact
One Contact is a live engagement business based in Toronto, Ontario and Reno, Nevada. One Contact operates outsourcing centres in North America, providing customers with solutions for service requirements, such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. One Contact provides these services to major brands both in Canada and the United States. The company primarily markets its engagement services to industry verticals such as financial services, telecommunications, utilities, governments, associations and retail. These markets typically have large consumer populations that require ongoing customer services, including e-commerce support, technical support and loyalty support services, all of which are provided by One Contact on a white label basis.

Business Cycles

The Company's live engagement and mobile engagement segments can be seasonal with lower volumes in summer months as well as December and January and higher volumes in the remaining months. The home improvement sector, which is a major driver of origination volumes, can be influenced by weather and holidays; and the consumer finance segment has shown seasonality with higher volumes commencing in late spring through to mid-fall.

Revenue by Business Segment

in $'000s	2017	2016	2015
Revenue			
Live Engagement	15,447	18,499	9,997
Mobile Engagement	10,576	8,193	5,665
Consumer Finance	16,301	8,710	248
	42,324	**35,402**	**15,910**

Systems and Processes

Dealnet maintains a thorough information technology system to monitor and control its operations. The Company also maintains a central information technology system to manage the consumer loans receivable portfolio, customer information and lending transactions.

The Company has developed custom risk models based on behavioural attributes unique to the Company's consumer population. These models, which leverage a broad array of data, provide the Company with the ability to manage volume and profitability in response to real-time changes in growth objectives, risk appetites and market conditions.

Additionally, Dealnet operates Payment Card Industry ("PCI") certified facilities and data management strategies designed to protect consumer data. This important aspect of lending is often overlooked by FinTech companies due to the expense and rigor associated with annual third party audits and with maintaining and demonstrating best practices for execution as a method of doing business. PCI certification is adherence to a set of specific security standards that were developed to protect credit card information during and after a financial transaction. PCI compliance is required by all card brands and now remains the benchmark in many operations for protecting customer data. There are six main requirements for PCI certification. The vendor must: build and maintain a secure network; protect cardholder/customer data; maintain a vulnerability management program; implement strong access control measures; regularly monitor and test networks; and, maintain an information security policy.

Employees

As at December 31, 2017, the Company had 656 employees. At the date of this Annual Information Form, the Company had 365 employees. The number of hourly paid employees fluctuates depending upon Live Engagement client need, and further as a consequence of the March 2018 Gemma bankruptcy. Employee headcount is summarized as follows:

	December 2016	March 2017	June 2017	September 2017	December 2017	March 2018	May 2018
Salaried	157	162	163	164	153	116	112
Hourly	408	410	360	372	503	234	253
	565	572	523	536	656	350	365

Competitive Landscape

The Company faces competition in each of its markets. Many of Dealnet's competitors are larger with greater financial resources but relative to the Company, they remain less nimble or without the breadth of solutions that the Company offers. Dealnet believes that there is significant demand for the products it offers in the Canadian marketplace, including the demand for consumer financing, which historically was satisfied by the consumer lending arms of large, financial institutions. Dealnet's consumer finance business faces competition for customers not only from banks, but also from consumers who prefer to pay for their products and services on credit cards.

Furthermore, the Company competes with other similar corporations for qualified executives, employees and agents. Competition for the best people is intense and an inability to recruit qualified individuals may negatively impact the Company's ability to execute on business strategies or to conduct its operations.

Regulatory Matters

Consumer protection legislation in the provinces in which the Company operates specify that if the Company's business involves future performance agreements, leases with terms of a specified length, the sale of goods or the provision of credit, as defined in certain of such legislation, the Company may be required to comply with various additional disclosure requirements, including in some instances disclosure requirements concerning the costs of purchase and credit. The Company believes that it is currently compliant with such disclosures and retains outside legal counsel for opinions on its various forms of consumer lending agreements to ensure compliance.

Legal Proceedings

The Company is involved in various legal matters. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance, cash flows or reputation.

Risk Factors

Overview

The Company's activities are exposed to a variety of business, operational, financial, credit and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Audit Committee and the Credit and Risk Committee of the board of directors review the Company's risk management policies on an annual basis.

Liquidity Risk

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.

Inadequate Access to Financing

In order to continue to meet its day-to-day operating needs, realize its growth plans and to ensure it does not exceed its corporate tangible leverage ratio target of 10:1, the Company must be able to continue to access funding from its current securitization and warehouse partners and it must be able to continue to raise additional financing to meet future corporate cash needs.

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

To fund its rapid growth, the Company will be dependent upon cash flow expected to be provided by existing funding facilities, coupled with increased loan facilities to meet operational requirements, purchase leased assets, meet capital spending requirements and satisfy financial obligations. The Company is able to manage the growth of its consumer loans receivable portfolio based on the amount of available financing.

Dealnet has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, it will require additional funds, which can be obtained through various sources, including debt or equity financing. There can be no assurance that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Relationship with Dealers

Dealnet has formed relationships with HVAC and home improvement product manufacturers, and with dealers who operate in the same product markets. The Company relies on these relationships to generate applications and originations. The failure to maintain cooperative and effective relationships with its manufacturers, dealers and other origination sources or decisions made by the aforementioned to refer transactions to, or to sign contracts with, other financing sources could impede Dealnet's ability to generate transactions.

History of Losses and Negative Operating Cash Flows

The Company has historically generated net losses and negative operating cash flows. The Company has sustained itself by raising cash from financing activities. In order to support its strategic objectives, the Company will also need to generate and sustain increased revenue levels, achieve profitability and manage costs in future periods. It is the Company's intention to expand both the consumer finance and engagement businesses to achieve these objectives. It is difficult to forecast that all of the Company's plans and strategies will be successful and achieve its objectives. Failure to achieve profitability and other objectives may have a negative impact on the Company's market price.

Customer Complaints

Dealnet's reputation is very important for attracting new dealers to its platform. Conversely, the reputation of the Company's dealer network is very important in attracting potential customers. Dealnet enjoys a good reputation and provides customers with a superior experience. However, there can be no assurance that the Company will continue to maintain a good relationship with its dealer network, or customers, or avoid negative publicity. Damage to reputation, arising from the conduct of business, negative publicity, regulatory enforcement, security breaches or otherwise could have a material adverse effect on the Company's reputation and business. Damage to reputation can also arise from the conduct of the third-party dealer network. If a dealer, or any other third party that Dealnet outsources to, misuses customer funds, personal information, or fails to follow protocols for interacting with customers, the Company by reference, can be perceived to have facilitated or participated in the action leading to a customer complaint that could potentially damage Dealnet's reputation. It is not always possible to identify and deter misconduct or errors by employees, dealers, or third party service providers, and the precautions the Company takes to detect and prevent such activities may not be totally effective.

Credit Risk

In the normal course of business, the Company is exposed to credit risk from its Engagement business customers and the related trade receivables are subject to normal commercial credit risks in Canada and the United States, as well as in its consumer finance business. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which Dealnet believes are subject to normal industry credit risks. As with trade receivables, 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 of directors.

In order to manage credit risk in consumer finance, the Company operates using a clearly identified set of policies, procedures and credit scoring models throughout its business processes. This includes an analysis of the value of collateral, the applicant's financial condition and the ability to service the debt or lease obligations at inception and throughout the term of the lease or loan. Dealnet also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on direct financing leases and loans.

The Company's board of directors 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 Company's board of directors 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 board of directors cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly. To the extent that Dealnet's models used to assess the creditworthiness of potential customers do not adequately identify potential risks, the credit scores that the Company produces would not adequately represent the risk profile of such customers and could result in higher risk than anticipated.

Management of Rapid Growth

The Company has grown rapidly in the engagement business and expects to grow rapidly in the consumer finance business. Such growth may place significant demands on Dealnet's management, operations, credit underwriting, treasury and financial resources. The organizational structure will become more complex, with additional staff and expenses, and the need to improve operational, financial, management and compliance controls as well as the Company's reporting systems and procedures. Future growth will depend on the Company's ability to maintain an operating platform and management systems sufficient to address growth, as the Company may face challenges in the: (i) maintenance of adequate financial and business controls; (ii) the management of the credit underwriting process and monitoring credit risks; (iii) implementing or updating information and financial systems, and procedures; and (iv) the training, management and sizing of its work force and other components of its business on a timely and cost-effective basis. Failure to manage growth adequately could adversely affect Dealnet's ability to generate revenue and control expenses.

Concentration of Funding Sources

The Company has obtained secured borrowings from a number of financial institutions. Dealnet's reliance on such financial institutions for a significant amount of its funding exposes the Company to funding risks. If these financial institutions decided to terminate or not extend these secured borrowing arrangements, Dealnet's operations could be materially adversely affected.

Possible Volatility of Stock Price

The market price of the Company's common shares, similar to that of many other Canadian companies, has been subject to significant fluctuation in response to numerous external factors, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the common shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of common shares or the availability of shares for future sale (including shares issuable upon the exercise of warrants and stock options) will have on the market price of the common shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the common shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

Large competitors may also take advantage of existing regulation, impending regulation or power to influence or propose new regulations to create barriers to entry for new market entrants such as Dealnet. The Company is currently aware of proposals from large regulated financial institutions to create new regulations with respect to where a customer may legally conduct borrowing activities designed to force borrowers into their extensive branch networks. Should such regulation be enacted, competitive financial businesses may not be able to compete unless they also build an expensive physical presence.

Availability of Equity to Support Leverage

The Company has publicly stated that it intends to significantly expand its consumer finance business. To achieve this goal, it will require additional funds, which can be obtained through various sources, including debt or equity financing. There can be no assurance that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Competition

The Company faces competition in each of its markets. Many of Dealnet's competitors are larger with greater financial resources, but relative to the Company, they remain less nimble or without the breadth of solutions that the Company offers. There can be no assurance that the Company will be able to continue to compete successfully in its markets. Because the Company competes, in part, on the technical advantages and cost of its products and services, significant technical advances by competitors or the achievement by such competitors of improved operating effectiveness that enable them to reduce prices could reduce the Company's competitive advantage in these products and services, and thereby adversely affect the Company's business and financial results.

Culture, Brand and Reputation

The Company's culture, brand and reputation are critical to the Company's success. The Company's brand is its service promise remembered, the Company's culture is how it fulfils that promise and the Company's reputation is its success in fulfilling that promise. All are very important in attracting new employees, dealers and customers to the Company's platform, as well as in retaining employees and dealers. Any damage to the Company's reputation, arising from conduct outside the Company's cultural expectations could have a material adverse effect on the Company's brand and the Company's business.

Leverage, Restrictive Covenants

The Company has third party debt service obligations under their respective credit facilities. The degree to which subsidiaries are leveraged could have important consequences to the Company's shareholders, including: (i) the ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries is dedicated to the payment of the principal of and interest on their respective indebtedness, thereby reducing funds available for distribution to the Company; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

Reliance on Third Party Vendors

Dealnet recognizes that contracting with an outside third party subjects the Company to risks with the potential for significant financial and reputational harm, such as from fraud, breach of contract, error, breach of confidentiality, data loss and so on. The risks associated with vendor relationships can be unique and vary depending on the vendor as well as the service or process outsourced. The Company performs due diligence on potential vendors, which requires a reasonable inquiry to verify the background, performance history and financial health of vendors being considered to provide goods or services. This due diligence provides the Company with the information needed to address the possible risks presented by potential vendors and put in place reasonable restraints to mitigate against such an event.

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. In particular, the Company is dependent on the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could materially adversely affect its business and operations. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining all such personnel as it may require. If the Company were unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Privacy, Information Security and Data Protection Regulations

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws, which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security might adversely affect the Company's reputation and also result in fines or penalties from governmental bodies.

Concentration of Leases and Loans

The Company currently specializes in financing HVAC and home improvement products, mostly in Ontario. As the Company expands nationally, the portfolio may develop other concentrations of risk exposure related to other regions of the country. If a specific region in which Dealnet has developed a concentration of leases and loans experiences adverse economic or business conditions, the Company's delinquencies, default rate and charge-offs in those regions may increase, which may negatively affect its financial condition and results of operations.

Strategic Risk

The Company believes it has the correct strategy to address the current market opportunities. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional dealer relationships, to grow its consumer finance receivable portfolio, to access customers through new delivery channels and to execute with efficiency and effectiveness.

Strategic risk can come from changes in the business environment, fundamental changes in demand for the Company's products or services, implementation of inappropriate decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape. The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Fraud

The Company makes every effort to verify the accuracy of information provided to them when making a decision whether to underwrite a lease or loan and have implemented systems and controls to protect against fraud. New entrants to a market are often targeted by organized groups seeking to take advantage of lenders perceived to be less experienced in preventing fraud. In cases of fraud, it is difficult and often unlikely that the Company would be able to collect amounts owing under a lease or loan. Increased rates of fraud could have a material adverse impact on the business, financial condition and results of the Company.

Macroeconomic Conditions

Certain changes in macroeconomic conditions can have a negative impact on the Company's customers and its performance. These customers can be affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower the Company's collection rates and result in higher loss rates and adversely affect the Company's performance, financial condition and liquidity. The Company cannot predict the impact that current economic conditions, positive or negative, will have on its future results, nor can it predict when such economic events may occur.

Monetary and Fiscal Policy

The Company's earnings are affected by the monetary policy of the Bank of Canada and the fiscal policy of the Federal government of Canada and other governments in Canada and abroad. Changes in the supply of money, government spending and the general level of interest rates can affect the Company's profitability. A change in the level of interest rates will affect the interest spread between the Company's finance receivables and funding cost and, as a result, will impact the Company's net interest income. Changes in monetary and fiscal policy and in the financial markets are beyond the Company's control and are difficult to predict or anticipate. However, the Company follows the principle of matching its borrowings and related costs of money with its portfolios' projected revenues to mitigate the impact of such changes in interest rates.

Managing Possible Acquisitions

Dealnet does not currently have any binding agreement or commitments to acquire any businesses. However, the Company does seek opportunities to acquire or invest in businesses that could expand or complement the existing consumer finance or engagement businesses, or future businesses. Dealnet may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third-parties to address particular market segments. The successful integration of acquired businesses can entail numerous risks that could adversely affect the growth and profitability of the Company. These risks include: (i) the risk that management will be unsuccessful in managing the acquired operations; (ii) that any integration may place significant demands on management, diverting their attention from the existing businesses; (iii) that existing operating, financial and management systems may be incompatible with or inadequate to effectively integrate; (iv) that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the business; (v) the risk that acquisitions may result in unexpected liabilities and contingencies that could be significant to the operations of the Company; (vi) that personnel from the acquired and the existing business fail to work together; and (vii) the risk that the acquisition may not be accretive to the Company, which could dilute the interests of the Company's shareholders. Any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to future earnings associated with any acquisition, may materially reduce the Company's earnings, which, in turn, may have an adverse material effect on the price of the Company's shares. The Company cannot be sure that an acquisition will ultimately strengthen its competitive position or that such acquisitions will be viewed positively by customers, analysts or investors.

Financial Reporting

The accounting policies and estimates used by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition. The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of Intangible Assets and Goodwill could be diminished in the future.

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Interest Rate Risk

Interest rate risk arises when the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. However, a change in interest rates would not currently significantly affect results or the equity of the Company as all interest bearing financial instruments are fixed-rate instruments. However, as the Company increases in size and complexity, there is a greater risk that an unmanaged or unassessed interest rate risk exposure could adversely affect the interest margin, profitability and capital.

In order to manage interest rate risk, the Company operates using a clearly identified set of policies, procedures and interest rate risk management models. Dealnet also manages and controls interest rate risk by setting limits on the amount of risk it is willing to accept for counterparties on securitizations and other funding sources. The Company's board of directors has established and monitors interest rate risk related policies and guidelines taking into account business objectives, risk appetite, planned financial performance and risk profile.

Systems and Processes

Dealnet is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially affect the Company's ability to enter into new lease or lending transactions and service customer accounts. Although the Company has extensive information technology security plans and disaster recovery plans, if sustained, such a failure could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in Dealnet's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action. The Company continues to invest in these areas and expects to on an ongoing basis, including having third party audits conducted to assess gaps and future investments strategies.

Litigation

From time to time, the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Currency Risk

The Company operates in Canada and 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 currency. The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate.

No Payment of Dividends in the Foreseeable Future

The Company does not intend, in the foreseeable future, to pay dividends on the common shares, and shareholders should not expect to receive any dividends on their investment in the foreseeable future. The Company believes the return on equity and cash is too high during the growth phases to distribute cash. The Company will consider paying dividends on the common shares when circumstances permit, having regard to, among other things, earnings, cash flow and financial requirements, as well as relevant legal and business considerations. Any future payment of dividends to holders of common shares will depend on decisions that will be made by the Company's board of directors and will depend on then existing conditions, including the Company's financial condition, contractual restrictions, capital requirements and business prospects.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares with no par value and an unlimited number of preferred shares issuable in series.

The issued and outstanding capital of the Company as at December 31, 2017 consisted of 281 million common shares.

Common Shares

The following is a summary of the principal attributes of the common shares.

Each common share entitles the holder: (i) to one vote at all meetings of shareholders (except meetings at which only holders of a specified class of shares are entitled to vote); (ii) to receive, subject to the holders of another class of shares, any dividend declared by Dealnet; and, (iii) to receive, subject to the rights of the holders of another class of shares, the remaining property of Dealnet on the liquidation, dissolution or winding up of Dealnet, whether voluntary or involuntary**.**

Preferred Shares

In October of 2015, the Company amended its articles to authorize the creation of a class of preferred shares issuable in series. The main purpose of the creation of the preferred shares is to provide the Company with greater flexibility in its capital structure and in raising future capital for use in the Company's business and operations or in connection with acquisitions of other businesses or properties.

No preferred shares have been issued.

The following is a summary of the principal attributes of the authorized preferred shares, none of which are outstanding.

Issuable in Series
The preferred shares may at any time, and from time to time, be issued in one or more series, in accordance with and subject to the provisions of the *Business Corporations Act (*Ontario*)* (the "Act").

The directors of the Company shall, subject to the provisions of the Act, the provisions herein contained and any conditions attaching to any outstanding series of preferred shares, by resolution duly passed before the issue of any preferred shares of any series, fix the number of shares and determine the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of such series, which may include, without limitation, any voting, conversion or redemption rights.

Priority on Dividend Entitlement and Return of Capital
So long as any preferred shares are outstanding, the holders of the preferred shares of each series shall rank both with regard to dividends and return of capital in priority to the holders of the common shares and over any other shares ranking junior to the holders of the preferred shares, and the holders of the preferred shares of each series may also be given such other preferences over the holders of the common shares and any other shares ranking junior to the holders of the preferred shares as may be determined as to the respective series authorized to be issued.

The priority, in the case of cumulative dividends, shall be with respect to all prior completed periods in respect of which such dividends were payable plus such further amounts, if any, as may be specified in the provisions attaching to a particular series and in the case of non-cumulative dividends, shall be with respect to all dividends declared and unpaid.

Priority between each series of Preferred Shares
The preferred shares of each series shall rank *pari passu* with the preferred shares of every other series with respect to priority in payment of dividends and return of capital in the event of any liquidation distribution.

Reduction in Stated Capital

At the Company's Annual General and Special Meeting held on October 23, 2015, the shareholders approved a reduction in the Company's stated capital and contributed surplus of $54 million and up to $6.2 million, respectively. These adjustments reduced the stated capital and contributed surplus balances with a corresponding decrease in the Company's deficit balance.

Dividends

The Company has never declared nor paid a dividend on the common shares.

The current dividend policy of the Company is not to declare and pay cash dividends. The Company's dividend policy and practice will be reviewed from time to time in the context of the Company's earnings, financial condition, the need to retain earnings to fund future growth of the business of the Company and other relevant factors, and the declaration of a dividend will always be at the discretion of the Company's board of directors.

MARKET FOR SECURITIES

The Company's common shares are listed on the TSX Venture Exchange under the symbol "DLS". The following table sets forth the reported intraday high and low prices and the trading volume for the common shares on a monthly basis for 2017:

Month	Volume of Shares Traded (#)	Low ($)	High ($)
January	4,281,625	0.480	0.600
February	8,070,425	0.480	0.530
March	11,043,262	0.460	0.500
April	8,430,521	0.380	0.480
May	6,844,200	0.340	0.400
June	4,416,785	0.305	0.385
July	10,978,772	0.250	0.290
August	62,374,692	0.120	0.260
September	21,011,504	0.150	0.170
October	8,641,685	0.130	0.165
November	16,551,248	0.095	0.135
December	22,664,448	0.080	0.130

DIRECTORS AND EXECUTIVE OFFICERS

Under the by-laws of the Company, directors of the Company are elected annually. Each director holds office until the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws. The directors were elected at the Annual General and Special Meeting held June 26, 2017. Mike Koshan was appointed as a director on May 18, 2018.

Name, Address, Occupation and Security Holdings

The names, provinces or states of residence, positions, principal occupations and shareholdings of the directors and executives of Dealnet as at December 31, 2017 were as follows:

Name and Place of Residence	Principal Occupation(s) (for the past five years or more)	Became a Director or Executive Officer	Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
Dr. Steven Small Ontario, Canada	**Director and Executive Chairman**[8] Chairman and CEO of Capital Partners Corporation (personal investment company) Former Executive Vice-Chairman, Element Financial Corporation (financial services)	June 2015	14,772,726
Harold Bridge Ontario, Canada	**Director** [1] [2] [6] CEO of Kathar Enterprises Inc. (corporate finance advisory services)	June 2015	1,916,280
John Radford Ontario, Canada	**Director** [4] [7] Consultant, Marckis Group (professional services)	June 2015	289,472
Brent Houlden Ontario, Canada	**Director and Chief Executive Officer** Consultant and Financial Advisor at CR Advisors Inc. (professional services) Former Interim CFO: Danier Leather Inc. (retailer) Former partner of Deloitte LLP (professional services)	June 2015	1,268,028
Joanne De Laurentiis Ontario, Canada	**Director** [3][5][7] Corporate Director	June 2017	446,300
Richard Carl Ontario, Canada	**Director** [3] [5] [7] Independent Businessman and Corporate Director Former President and COO of AGS Capital Corp. (financial services) Former Executive Chairman of Canada Fluorspar Inc. (mining)	March 2017	665,000
Paul Leonard Ontario, Canada	**Chief Financial Officer** Former CFO of CFF Bank (financial services) Former CFO of Ally Credit Canada (financial services)	October 2015	100,000
Christopher Alexander Ontario, Canada	**Executive Vice President** Former Principal, CJA Professional Services Ltd. (professional services)	November 2015	343,124
John Leon Ontario, Canada	**Senior Vice President Technical Infrastructure and Mobile Engagement** Former COO: Impact Mobile (telecommunications)	July 2014	1,641,489

Notes:

(1) Lead Independent Director
(2) Chair of the Audit Committee
(3) Member of the Audit Committee
(4) Chair of the Compensation & Governance Committee
(5) Member of the Compensation & Governance Committee
(6) Chair of Credit and Risk Committee
(7) Member of Credit and Risk Committee
(8) Dr. Small was Executive Chairman of the Board from June 16, 2015 to April 8, 2018. Dr. Small resigned as a director of the Company on May 13, 2018.

As of December 31, 2017, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, approximately 7.6% of the issued and outstanding common shares of the Company.

Corporate Cease Trade Orders, Penalties and Bankruptcies

To the best of the Company's knowledge, no director or executive officer is, at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director or chief executive officer or chief financial officer of any corporation (including the Company) that, while that person was acting in that capacity,

(i) was subject to an order that was issued while the proposed director was acting in the capacity of director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above section, the term "order" means:

(iii) a cease trade order;

(iv) an order similar to a cease trade order; or

(v) an order that denied the relevant corporation access to any exemption under securities legislation

that was in effect for a period of more than 30 consecutive days.

Except as disclosed below, to the Company's knowledge, no director of the Company is or has been, within the 10 years before the date of this Annual Information Form, a director or executive officer of any Company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Radford was appointed as a director of Medcomsoft Inc. (“Medcomsoft”) on June 9, 2008. On November 1, 2008, Medcomsoft’s board of directors reviewed the financial condition of the company and authorized the hiring of a trustee and the filing of a Notice of Intention (“NOI”) to make a proposal to its credits under the *Bankruptcy and Insolvency Act* (Canada). Each of Medcomsoft's directors, including Mr. Radford, then resigned effective November 3, 2008. On November 3, 2008, Medcomsoft commenced the filing of the NOI.

Dr. Small was a director of Herbal Magic Inc., which was deemed to have an assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada) in August, 2014, and a director of the successor entity to Herbal Magic Inc., which filed for bankruptcy subsequent to his resigning as director.

On July 2, 2015, Mr. Houlden was hired as the Interim CFO of Danier Leather Inc. to help with its restructuring. The company announced on February 4, 2016 that it filed an NOI to make a proposal under the *Bankruptcy and Insolvency Act* (Canada).

Mr. Leonard was appointed as CFO and director of Dealnet's wholly-owned subsidiaries, Gemma Communications LP, Gemma GP Corp. and Akron Insurance Limited (collectively, the "Gemma Businesses") on May 9, 2016. Since their acquisition in September 2015, the Gemma Businesses had incurred on-going operating losses. On March 9, 2018, subsequent to his resigning as CFO and director, the Gemma Businesses filed assignments under the *Bankruptcy and Insolvency Act* (Canada) to allow for an orderly, court supervised wind-up.

INTEREST OF EXPERTS

Ernst & Young LLP, the Company's predecessor auditor, has provided an audit report on the Company's consolidated financial statements for the year ended December 31, 2017. Ernst & Young was independent of the Company in accordance with the rules of professional conduct in Ontario. On May 14, 2018, the Corporation determined to replace Ernst & Young LLP with KPMG LLP. KPMG Is also independent of the Company in accordance with the rules of professional conduct in Ontario.

TRANSFER AGENT AND REGISTRAR

Capital Transfer Agency, located at 390 Bay Street, Suite 920, Toronto, Ontario M5H 2Y2, is the registrar and transfer agent for the Company's common shares.

MATERIAL CONTRACTS

Since January 1, 2015, the Company has entered into the following material contracts:

1. Agency Agreement dated August 15, 2015 among the Company and a syndicate of agents led by Paradigm Capital Inc. and including Cormark Securities Inc. for the completion of the August 2015 Placement as more particularly described under the heading "*Three Year History of Capital Raised to Support the Company*";

2. Warrant Indenture dated August 15, 2015 with Capital Transfer Agency Inc. in respect of the August 2015 Placement; and

3. Trust Indenture dated December 22, 2017 among Dealnet Capital Corp. and Impact Mobile Inc. and Impact Mobile USA, Inc. and Computershare Trust Company of Canada Providing for the Issue of Debentures as more particularly described under the heading "*Three Year History of Capital Raised to Support the Company*" senior secured debentures.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Company's management information circular for the Company's annual general and special meeting to be held on June 26, 2018. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2017 and the accompanying management's discussion and analysis of financial condition and results of operations dated April 24, 2018.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.