Consolidated financial statements

Dealnet Capital Corp.

December 31, 2016 and 2015

Management's report on the consolidated financial statements

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

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

"Michael Hilmer"
Michael Hilmer
Director and Chief Executive Officer

"Paul Leonard"
Paul Leonard
Chief Financial Officer

Independent auditors' report

To the Shareholders of
Dealnet Capital Corp.

We have audited the accompanying consolidated financial statements of **Dealnet Capital Corp.**, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the two-year period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Dealnet Capital Corp.** as at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 26, 2017

Dealnet Capital Corp.

Consolidated statements of financial position

[Expressed in thousands of dollars]

As at December 31

	2016	2015
	$	$
Assets		
Cash and cash equivalents *[note 5]*	**17,075**	10,512
Cash reserves *[notes 14 and 15]*	**10,225**	300
Trade receivables, net of allowance *[note 6]*	**5,594**	3,866
Finance receivables *[note 7]*	**137,543**	1,904
Other assets *[note 8]*	**1,725**	3,452
Deferred income tax asset *[note 18]*	**2,591**	—
Property and equipment, net *[note 9]*	**1,106**	979
Intangible assets, net *[note 11]*	**14,039**	1,530
Goodwill *[note 12]*	**19,914**	2,060
	209,812	24,603
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued liabilities *[note 13]*	**8,780**	5,486
Debentures and notes payable *[note 14]*	**27,055**	3,804
Secured borrowings *[note 15]*	**118,387**	—
Deferred income tax liability *[note 18]*	**2,591**	—
Deferred revenue	**225**	425
Total liabilities	**157,038**	9,715
Commitments and contingencies *[notes 16 and 17]*		
Shareholders' equity		
Share capital *[note 19]*	**59,320**	12,682
Contributed surplus	**7,049**	5,298
Accumulated other comprehensive income	**45**	58
Deficit	**(13,640)**	(3,150)
Total shareholders' equity	**52,774**	14,888
	209,812	24,603

See accompanying notes

On behalf of the Board:

"Dr. Steven Small"
Dr. Steven Small
Director

"Harold Bridge"
Harold Bridge
Director

Dealnet Capital Corp.

Consolidated statements of loss and comprehensive loss

[Expressed in thousands of dollars, unless otherwise stated]

Year ended December 31

	2016	2015
	$	$
Consumer finance		
Finance income	**8,685**	248
Finance and direct expenses	**4,727**	392
	3,958	(144)
Engagement		
Revenue	**26,692**	15,662
Cost of sales	**16,336**	9,236
	10,356	6,426
Gross profit	**14,314**	6,282
Operating expenses		
Salaries, wages and benefits	**12,626**	7,254
General and administrative	**7,224**	4,511
Depreciation and amortization	**2,266**	717
Share-based compensation *[note 20]*	**1,623**	1,154
	23,739	13,636
Loss before undernoted items	**(9,425)**	(7,354)
Finance costs, net *[note 21]*	**(839)**	(503)
Business acquisition transaction costs *[note 10]*	**(1,723)**	(450)
Change in fair value of estimate *[note 10]*	**(65)**	1,650
Loss before income taxes	**(12,052)**	(6,657)
Income tax expense *[note 18]*	**3**	—
Deferred tax recovery *[note 18]*	**(1,565)**	(160)
Net loss for the year	**(10,490)**	(6,497)
Item that may be reclassified subsequently to net loss for the year		
Foreign currency translation	**(13)**	73
Other comprehensive income (loss)	**(13)**	73
Total comprehensive loss for the year	**(10,503)**	(6,424)
Loss per common share, basic and diluted *[note 26]*	**(0.05)**	(0.06)
Weighted average number of shares outstanding *[000s]*	**222,247**	112,578

See accompanying notes

Dealnet Capital Corp.

Consolidated statements of changes in shareholders' equity

[Expressed in thousands of dollars, unless otherwise stated]

	Common shares						
	Number	Value	Contributed surplus	Shares to be issued	Accumulated other comprehensive income	Deficit	Total
	[000s]	$	$	$	$	$	$
	[note 19]	*[note 19]*	*[note 19]*	*[note 19]*			
Balance as at December 31, 2014	74,863	51,406	3,370	14	(15)	(56,853)	(2,078)
Issuance of convertible debentures	—	—	50	—	—	—	50
Conversion of convertible debentures	4,356	832	32	—	—	—	864
Convertible debenture issue costs	—	—	74	—	—	—	74
Share issuance – private placement	61,557	11,708	7,231	(14)	—	—	18,925
Share issuance costs	—	(2,141)	969	—	—	—	(1,172)
Share-based compensation	—	—	1,154	—	—	—	1,154
Stock options exercised	2,221	1,182	(571)	—	—	—	611
Warrants exercised	9,241	3,695	(811)	—	—	—	2,884
Other comprehensive income	—	—	—	—	73	—	73
Net loss for the year	—	—	—	—	—	(6,497)	(6,497)
Reduction in stated capital	—	(54,000)	(6,200)	—	—	60,200	—
Balance as at December 31, 2015	152,238	12,682	5,298	—	58	(3,150)	14,888
Conversion of convertible debentures, net	**5,894**	**1,042**	**13**	**—**	**—**	**—**	**1,055**
Share issuance – private placement	**54,545**	**30,000**	**—**	**—**	**—**	**—**	**30,000**
Share issuance on acquisition	**6,584**	**3,234**	**—**	**—**	**—**	**—**	**3,234**
Share issuance costs	**—**	**(2,510)**	**449**	**—**	**—**	**—**	**(2,061)**
Issuance of convertible vendor take-back note	**—**	**—**	**273**	**—**	**—**	**—**	**273**
Share-based payments	**764**	**435**	**—**	**—**	**—**	**—**	**435**
Share-based compensation	**—**	**—**	**1,623**	**—**	**—**	**—**	**1,623**
Stock options exercised	**757**	**198**	**—**	**—**	**—**	**—**	**198**
Compensation options exercised	**1,070**	**715**	**(287)**	**—**	**—**	**—**	**428**
Warrants exercised	**38,314**	**13,524**	**(1,009)**	**—**	**—**	**—**	**12,515**
Equity component of debt	**—**	**—**	**689**	**—**	**—**	**—**	**689**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(13)**	**—**	**(13)**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**(10,490)**	**(10,490)**
Balance as at December 31, 2016	**260,166**	**59,320**	**7,049**	**—**	**45**	**(13,640)**	**52,774**

See accompanying notes

Dealnet Capital Corp.

Consolidated statements of cash flows

[Expressed in thousands of dollars]

Year ended December 31

	2016	2015
	$	$
Operating activities		
Net loss for the year	**(10,490)**	(6,497)
Add (deduct) items not involving cash		
Deferred tax recovery	**(1,565)**	(160)
Depreciation and amortization	**2,266**	717
Share-based compensation	**1,623**	1,154
Accretion of interest and transaction costs	**466**	254
Incentive for conversion of convertible debentures	**—**	75
Expenses settled by issuance of shares	**435**	621
Change in fair value of estimate *[note 10]*	**65**	(1,650)
Gain on settlement of debt	**—**	(163)
Other	**—**	(10)
	(7,200)	(5,659)
Changes in non-cash working capital balances related to operations		
Decrease (increase) in trade receivables and other assets	**(1,689)**	1,323
Increase in lease and loan receivable, net	**(58,876)**	(1,752)
Decrease in secured note and loan receivable	**983**	—
Increase in cash reserve	**(4,917)**	(300)
Increase in debentures payable, net	**19,237**	2,848
Increase in secured borrowings	**49,097**	—
Increase (decrease) in accounts payable and accrued liabilities	**2,885**	(1,347)
Cash used in operating activities	**(480)**	(4,887)
Investing activities		
Additions to property and equipment	**(561)**	(227)
Additions to intangible assets	**(678)**	(172)
Proceeds on settlement of revenue guarantee, and deferred and and contingent consideration *[note 10]*	**875**	—
Acquisition of businesses *[note 10]*	**(28,578)**	(2,600)
Cash used in investing activities	**(28,942)**	(2,999)
Financing activities		
Repayment of notes payable, net	**(5,000)**	(4)
Proceeds from issuance of common shares, net of issuance costs	**27,939**	14,552
Proceeds from warrants exercised	**12,515**	3,474
Proceeds from options exercised	**625**	611
Factoring advances	**—**	(813)
Finance lease obligations	**(81)**	(96)
Cash provided by financing activities	**35,998**	17,724
Effect of foreign exchange on cash	**(13)**	58
Net increase in cash during the year	**6,563**	9,896
Cash and cash equivalents, beginning of year	**10,512**	616
Cash and cash equivalents, end of year	**17,075**	10,512
Supplemental cash flow information		
Interest paid	**4,277**	875
Income taxes paid	**—**	14

See accompanying notes

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

1. Corporate information

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

Dealnet operates in two markets, Consumer Finance and Engagement.

The principal focus of Dealnet is Consumer Finance, concentrating on the origination, securitization and servicing of consumer loans and leases within the Canadian home improvement sector. On February 18, 2016, the Company acquired EcoHome Financial Inc. ["EcoHome"], a Canadian non-bank lender in the consumer heating, ventilation and air conditioning ["HVAC"] and home improvement markets. This acquisition is consistent with the Company's strategic objective of expansion in the consumer finance market space.

The existing Engagement business offers live services ["Live"] and mobile marketing solutions ["Mobile"]. Live includes providing engagement services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services. Mobile allows clients to engage and interact directly with mobile subscribers. Both businesses conduct operations throughout Canada and the United States. On September 30, 2015, the Company acquired all of the limited partnership units of Gemma Communications LP, along with the shares of Gemma GP Corp. and AFS Holdings Inc. [collectively, "Gemma"]. Gemma is a consumer engagement company with call centre locations in Toronto, Ontario, and Montréal, Quebec, providing bilingual inbound and outbound live engagement solutions.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 26, 2017. The Company has the power to amend the financial statements after issue, if applicable.

Basis of consolidation

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

Measurement basis

These consolidated financial statements were prepared on a going concern basis under the historical cost method, except for certain financial assets and liabilities that are measured at fair value.

Functional and presentation currency

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

3. Summary of significant accounting policies

Cash and cash equivalents

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

Consumer finance income and receivables

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

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

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

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

Allowance for credit losses

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

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

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

Engagement revenue recognition

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

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

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

Billings or payments received from customers in advance of services provided are recorded in deferred revenue as a liability on the consolidated statements of financial position.

Trade receivables

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

Property and equipment

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

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

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

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

Intangible assets

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

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

Business combinations and goodwill

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

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

Impairment of non-financial assets

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

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

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

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

Financial assets and financial liabilities

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

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

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

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

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

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

[b] Loans and receivables

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

[c] Other financial liabilities

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

Fair value of financial instruments

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

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

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

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

Convertible debentures

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

Extinguishment of debt

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

Secured borrowings

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

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

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

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

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

Share-based compensation

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

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

Foreign currency translation

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

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

Income taxes

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

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

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

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

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

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

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

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

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

Loss per share

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

Future accounting changes

The following IFRS pronouncements have been issued but are not yet effective and may have a future impact on the Company's consolidated financial statements.

IFRS 9, Financial Instruments

The Company will be required to adopt IFRS 9, *Financial Instruments*, which is the IASB's replacement of IAS 39, *Financial Instruments: Recognition and Measurement* IFRS 9 will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. IFRS 9 is required to be applied for years beginning on or after January 1, 2018 with early adoption permitted.

The transition to IFRS 9 will have a significant impact for financial services companies. The Company is establishing a project team for the transition to IFRS 9 that includes senior stakeholders from the Company. The key responsibilities of the project team will include defining IFRS 9 risk methodology and accounting policy, identifying data and system requirements, and developing an appropriate governance framework. The Company will continue to focus on implementation of the standard throughout 2017.

IFRS 15, Revenue from Contracts with Customers

The Company will be required to adopt IFRS 15, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. IFRS 15 is required to be applied for years beginning on or after January 1, 2018, with early adoption permitted, and is to be applied retrospectively. The Company is in the process of analyzing its inventory of impacted contracts under the new standard.

IFRS 16, Leases

The Company will be required to adopt IFRS 16, *Leases*, which is the IASB's replacement of IAS 17, *Leases*. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use-asset" for most lease contracts. IFRS 16 is required to be applied for years beginning on or after January 1, 2019 with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company is in the process of assessing the impact of this standard.

4. Critical accounting estimates and use of judgments

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

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Business combinations

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

Management uses judgment in estimating the fair value of intangible assets, such as customer and dealer relationships, and brand and trademarks, acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the intangible asset.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Goodwill and intangible asset impairment

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

Valuation of compound financial instruments

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

Stock options

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

Allowance for credit losses

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

5. Cash and cash equivalents

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

Included in cash was $4,671 [2015-$1,357] of funds received under the secured debentures with third-party lenders. These funds may only be used for the funding of finance receivable contracts.

6. Trade receivables

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

As at December 31, 2016, approximately 96% [2015 – 98%] of the Company's trade receivables are considered current and the Company has recorded an allowance for doubtful accounts of $157 [2015 – $222].

No factoring costs were incurred during the year [2015 – $82].

7. Finance receivables

Finance receivables consist of the following:

	2016	2015
	$	$
Consumer finance leases [a]	**104,034**	921
Consumer finance loans [b]	**33,509**	—
Loan receivable [c]	—	316
Secured note receivable [d]	—	667
	137,543	1,904

[a] Consumer finance leases

	2016	2015
	$	$
Aggregate minimum payments	**147,113**	1,525
Unearned income	**(44,344)**	(637)
Unamortized initial direct cost	**1,265**	33
Consumer finance leases	**104,034**	921

Scheduled collections of minimum monthly lease payments based on the contractual terms as at December 31, 2016 are presented in the following table. The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including prepayment rates, charge-offs and modifications. Accordingly, the following scheduled collections of minimum monthly payments are not to be regarded as a forecast of future cash collections.

	Minimum payments	Principal reduction
	$	$
2017	16,895	7,228
2018	16,203	8,177
2019	16,418	9,202
2020	16,538	10,246
2021	16,659	11,411
2022 and thereafter	64,400	56,505
Total minimum lease payments	147,113	102,769

The following table presents the delinquency status of consumer finance receivables, by contract balance. It excludes the unamortized fair value of leases acquired from EcoHome of $4,218:

	2016		2015	
	$	%	$	%
1-30 days past due	**4,356**	**4.4**	—	—
31-60 days past due	**2,718**	**2.8**	—	—
61-90 days past due	**1,309**	**1.3**	—	—
Greater than 90 days past due	**3,103**	**3.2**	—	—
Total past due	**11,486**	**11.7**	—	—
Current	**87,065**	**88.3**	—	—
Total consumer finances leases	**98,551**	**100.0**	—	—

As at December 31, 2016, management estimated that there were no significant impairments within the lease receivable portfolio requiring an allowance for credit loss [2015 – nil].

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

[b] Consumer finance loans

	2016	2015
	$	$
Consumer finance loans	**33,339**	—
Accrued interest	**309**	—
Unamortized initial direct cost	**44**	—
Allowance for credit losses	**(183)**	—
Consumer finance loans	**33,509**	—

The following table presents the aging of the consumer finance loans, by contract balance. It excludes the unamortized fair value of loans acquired from EcoHome of $186 and vendor buy-down of $608.

	2016		2015	
	$	%	$	%
1-30 days past due	**416**	**1.2**	—	—
31-60 days past due	**353**	**1.0**	—	—
61-90 days past due	**160**	**0.5**	—	—
Greater than 90 days past due	**166**	**0.5**	—	—
Total past due	**1,095**	**3.2**	—	—
Current	**32,666**	**96.8**	—	—
Total consumer finances loans	**33,761**	**100.0**	—	—

[c] Loan receivable

During the fourth quarter of 2015, the Company entered into a series of short-term loan receivable agreements with a third-party originator of HVAC financing contracts. The loan receivable earned interest at 8.5% per annum and was secured by underlying lease contracts. In January 2016, an agreement was reached between the Company and the borrower and the loan receivable was settled with the purchase of underlying lease contracts by the Company giving rise to no gain or loss.

[d] Secured note receivable

As at December 31, 2015, a secured note issued to a third party for principal and interest of $678 and related legal fees of $76 was written down to its net realizable value of $667. The net realizable amount was collected in the first quarter of 2016.

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

8. Other assets

Other assets consist of the following:

	2016	2015
	$	$
Amounts due from vendor of Gemma	**—**	2,670
HST receivable	**875**	77
Prepaid expenses and other receivables	**618**	433
Security deposits	**178**	172
Fair value of cash holdback	**42**	—
Tenant allowance	**12**	100
	1,725	3,452

On June 2, 2016, the Company reached an agreement with the vendor of Gemma to settle all amounts due from and owing to the vendor [note 13] for cash of $875 [note 10].

9. Property and equipment

Property and equipment consist of the following:

	Computer hardware	Office equipment	Leasehold improvements	Total
	$	$	$	$
Cost				
As at January 1, 2015	469	393	359	1,221
Additions	493	128	300	921
Disposals	—	(155)	—	(155)
Translation	4	20	3	27
As at December 31, 2015	966	386	662	2,014
Additions	**185**	**150**	**223**	**558**
Disposals	**(88)**	**(121)**	**(14)**	**(223)**
Translation	**(2)**	**(2)**	**3**	**(1)**
As at December 31, 2016	**1,061**	**413**	**874**	**2,348**
Accumulated depreciation				
As at January 1, 2015	205	154	233	592
Depreciation	262	58	130	450
Disposals	—	(6)	—	(6)
Translation	(2)	1	—	(1)
As at December 31, 2015	465	207	363	1,035
Depreciation	**333**	**144**	**171**	**648**
Disposals	**(202)**	**(152)**	**(84)**	**(438)**
Translation	**(2)**	**—**	**(1)**	**(3)**
As at December 31, 2016	**594**	**199**	**449**	**1,242**
Net book value				
As at December 31, 2016	**467**	**214**	**425**	**1,106**
As at December 31, 2015	501	179	299	979

The value of property and equipment under capital lease is $111 [2015 – $68]. There was no impairment of assets during 2016 [2015 – nil].

10. Business combinations

EcoHome

On February 18, 2016, the Company acquired 100% of EcoHome from Chesswood Group Limited for a total fair value consideration of $34.45 million. The consideration paid for the acquisition consisted of [i] $29.00 million in cash; [ii] 6,039,689 common shares of the Company having a fair value of $2.94 million; and [iii] a two-year unsecured convertible vendor take-back note in the principal amount of $2.50 million which bears interest at a rate

of 6.0% per annum and is convertible by the holder into common shares of the Company at a conversion price of $0.64 per share. In connection with the acquisition of EcoHome, 54,545,700 subscription receipts were exchanged for common shares of Dealnet on a one-for-one basis.

Of the total cash consideration of $29 million, $2.75 million of the purchase price was placed in an escrow account comprising $1 million of financing facility holdback and $1.75 million of working capital holdback. As at December 31, 2016, $1 million was released. Subject to certain conditions, the remaining $1.75 million in escrow will be released on August 18, 2017.

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

	$
Cash	**422**
Cash reserve	**5,008**
Accounts receivable	**33**
Lease receivable	**53,360**
Loan receivable	**24,135**
Prepaid expenses and other assets	**1,074**
Dealer relationships *[note 11]*	**12,666**
Brand and trademarks *[note 11]*	**703**
Goodwill *[note 12]*	**17,854**
Assets acquired	**115,255**
Accounts payable and other liabilities	**(2,020)**
Deferred income tax liability *[note 18]*	**(1,565)**
Secured borrowings	**(69,220)**
Secured promissory note *[note 14]*	**(8,000)**
Liabilities assumed	**(80,805)**
Net assets acquired	**34,450**
Consideration	
Cash	**28,873**
Common shares *[note 19]*	**2,940**
Unsecured convertible vendor take-back note *[note 14]*	**2,637**
Total consideration	**34,450**

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

The Company incurred transaction costs of $1.5 million [2015 – $186] relating primarily to external legal fees, consulting fees, due diligence and integration costs, of which $1.1 million was paid in cash. The remaining costs plus associated taxes of $435 were settled through the issue of shares. These costs have been reflected in the consolidated statements of loss and comprehensive loss. In addition, the Company incurred debt issue costs of $211 to secure a credit facility extension under the securitization program with a Schedule 1 bank.

Included in the 2016 transaction costs was management compensation of $380 [2015 – nil] as disclosed in note 22.

From the date of acquisition on February 18, 2016, EcoHome contributed revenue of $7,833 and income of $2,556 to the loss before income taxes of the Company.

Gemma

On September 30, 2015, the Company acquired 100% of Gemma to significantly expand the range of services in the Engagement segment available to its customers.

The purchase price to acquire Gemma was $3,700 comprising of [i] $2,500 cash on closing; [ii] deferred consideration with a fair value of $1,420 and a principal of $1,500, payable in 10 equal monthly installments of $50 commencing October 2015 and two instalments of $500 due in the second and fourth quarter of 2016; [iii] additional contingent consideration in the form of a earn-out based on future revenue targets through to December 31, 2016 of up to $3,000 with an estimated fair value at acquisition of $1,340; and [iv] reduced by minimum revenue guarantees for the period from acquisition through March 31, 2016 with an estimated fair value at acquisition of $1,560.

During 2015, the Company finalized the purchase price allocation. The allocation of the purchase price to the fair value of the net assets acquired and liabilities assumed is summarized in the table below:

	$
Trade receivables	3,038
Prepaid expenses and other assets	378
Property and equipment	694
Software licenses	409
Customer relationships	300
Goodwill *[note 12]*	429
Assets acquired	5,248
Bank indebtedness	(23)
Accounts payable and accrued liabilities	(1,397)
Deferred income tax liability	(77)
Finance lease obligations	(51)
Liabilities assumed	(1,548)
Net assets acquired	3,700
Cash	2,500
Deferred consideration	1,420
Fair value of contingent consideration	1,340
Fair value of minimum revenue guarantee	(1,560)
Total consideration	3,700

The goodwill acquired represents the benefits that the Company expects to receive from the acquisition, including expected synergies and cost savings from combining operations, cross-selling of services, intangible assets of the organized workforce that do not qualify for separate recognition and other factors. The Company has determined that the goodwill recognized related to this acquisition is not deductible for tax purposes.

The Company incurred transaction costs of $168 [2015 – $161] relating primarily to external legal fees, consulting fees, and due diligence costs. These costs have been reflected in the consolidated statements of loss and comprehensive loss.

Contingent consideration and minimum revenue guarantee

In the event that Gemma's revenue for the five quarters following the closing of the transaction [October 1, 2015 to December 31, 2016 by quarter] met minimum target amounts, the previous owner of Gemma could earn additional consideration of up to $3,000. In the event that Gemma did not meet the minimum revenue targets, no amount was payable by the Company. The minimum revenue targets varied by quarter. In addition, the vendor had guaranteed certain minimum revenue levels for the fourth quarter of 2015 and first quarter of 2016. In the event these guaranteed revenue levels were not achieved, the vendor would reimburse the Company.

As at the acquisition date, the fair value of the contingent consideration was estimated to be a liability of $1,340 with the fair value of the guaranteed revenue being estimated to be an asset of $1,560. The estimate of fair value was determined using the discounted cash flow method and requires subjective assumptions to be made of various potential revenue scenarios and a discount rate of 7%.

The Company reassessed the fair value of the contingent consideration as at the end of December 31, 2015. Due to actual results differing from expectations and changes in management's assumptions, the fair value of contingent consideration was reduced from $1,340 on date of acquisition to $390 as at December 31, 2015. The change in the fair value was included in the consolidated statements of loss and comprehensive loss.

The Company also reassessed the fair value of the guaranteed revenue levels as at December 31, 2015. Due to actual results differing from expectations and changes in management's assumptions, the fair value of guaranteed revenue was increased from $1,560 on date of acquisition to $2,280 as at December 31, 2015. The change in the fair value was included in the consolidated statements of loss and comprehensive loss.

From the date of acquisition to December 31, 2015, Gemma contributed revenue of $2,878 and a loss of $1,717 to loss before income taxes of the Company.

Settlement of deferred and contingent considerations and minimum revenue guarantees

On June 2, 2016, the Company reached an agreement with the vendor of Gemma and received $875 as full and final settlement of all amounts owing and any further contingent considerations, guaranteed revenue, any other amounts as described in the purchase agreement and any other matters. During 2016, the Company recorded a gain of $19 as a result of this agreement.

Impact Mobile

In July 2014, the Company acquired all the issued and outstanding shares of Impact Mobile for cash consideration of $500 and 5,500,000 common shares of the Company, 1,500,000 of which were to be held in escrow and used to retain key executives of Impact Mobile over three years for a total purchase price of $1,573.

During 2015, the Company finalized the purchase price allocation resulting in the reduction of goodwill by $232 to $289 [note 12]. The goodwill acquired represents the benefits that the Company expects to receive from the acquisition, including expected synergies and cost savings from combining operations, cross-selling of services, intangible assets of the organized workforce that do not qualify for separate recognition and other factors. The Company has determined that the goodwill recognized related to this acquisition is not deductible for tax purposes.

Business acquisition costs

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

	2016	**2015**
	$	$
EcoHome	**1,525**	186
Gemma	**168**	161
Other	**30**	103
	1,723	450

11. Intangible assets

Intangible assets consist of the following:

	Customer relationships	Dealer relationships	Brand and trademarks	Computer software and other	Total
	$	$	$	$	$
Cost					
As at January 1, 2015	365	—	—	1,324	1,689
Additions	480	—	—	716	1,196
Write-offs	(365)	—	—	(248)	(613)
As at December 31, 2015	480	—	—	1,792	2,272
Additions *[note 10]*	**894**	**12,666**	**703**	**374**	**14,637**
Write-offs	**—**	**—**	**—**	**(1,123)**	**(1,123)**
As at December 31, 2016	**1,374**	**12,666**	**703**	**1,043**	**15,786**
Amortization and impairments					
As at January 1, 2015	365	—	—	716	1,081
Amortization	28	—	—	246	274
Write-offs	(365)	—	—	(248)	(613)
As at December 31, 2015	28	—	—	714	742
Amortization	**87**	**1,109**	**61**	**361**	**1,618**
Write-offs	**—**	**—**	**—**	**(613)**	**(613))**
As at December 31, 2016	**115**	**1,109**	**61**	**462**	**1,747**
Net book value					
As at December 31, 2016	**1,259**	**11,557**	**642**	**581**	**14,039**
As at December 31, 2015	452	—	—	1,078	1,530

The formal valuation of the purchase price allocation of the EcoHome acquisition as disclosed in note 10 results in the recognition of the future economic benefits of its established dealer relationships of $12,666 and brand and trademarks of $703. These intangible assets are amortized on a straight-line basis over the estimated useful life of 10 years.

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

On August 24, 2016, the Company's mobile messaging business purchased various mobile messaging contracts from an arm's-length party for a total consideration of $894. The Company paid cash of $400 and issued 543,921 common shares valued at $294 *[note 19]*, with the remaining $200 payable due on the first anniversary of the transaction. The Company incurred share issue costs of $7.

During the year ended December 31, 2015, with the finalization of the purchase price allocation of the acquisition of Impact Mobile, the Company increased its intangible assets to recognize the future economic benefits of its established customer relationships of $180 and computer software of $135. These amounts are amortized on a straight-line basis over the estimated useful lives of the intangible assets, which are approximately 10 years for customer relationships and 3 years for computer software.

12. Goodwill

Goodwill consists of the following:

	2016	2015
	$	$
As at January 1	**2,060**	1,863
Acquisition of EcoHome *[note 10]*	**17,854**	—
Acquisition of Gemma *[note 10]*	—	429
Finalization of Impact Mobile purchase price *[note 10]*	—	(232)
As at December 31	**19,914**	2,060

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

	2016	2015
	$	$
Consumer finance	**17,854**	—
Mobile engagement	**289**	289
Live engagement	**1,771**	1,771
As at December 31	**19,914**	2,060

The Company performs its annual test for the potential impairment of goodwill and intangible assets in the fourth quarter. The Company has three CGUs, or groups of CGUs, to which goodwill has been allocated for testing purposes: Consumer Finance, Mobile Engagement, and Live Engagement. As at December 31, 2016, the carrying values of goodwill for Consumer Finance, Mobile Engagement, and Live Engagement CGUs are $17,854, $289, and $1,771, respectively. For the purpose of impairment testing, the recoverable amounts for these CGUs were determined based on the higher of the value in use method and the fair value less costs to sell method.

The value-in-use method is based on estimated future cash flows over a five-year period referenced to the most recent financial forecasts approved by management and recent historical results, discounted to a present value.

Beyond the initial five-year period, cash flows were estimated to grow at perpetual annual rates of up to 3%. The discount rate the Company applied in determining value in use for the Consumer Finance and Mobile Engagement CGUs was approximately 17%, which comprised a risk-free rate, equity risk premium, size premium and company-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources, whereas the company-specific risk premium was based on factors considered by management to be specific to the business.

With respect to the Live Engagement CGU, the Company calculated the fair value less costs to sell, which exceeded the carrying value of the CGU, and hence, no impairment was recorded. The fair value was based on revenue multiples and included data from external sources that would be considered Level 2 measurements within the fair value hierarchy. Management performed a sensitivity analysis to assess the key assumptions and noted that a reasonable possible change in the assumptions used could result in an impairment. However, management concluded that the assumptions used in the analysis were the best estimate of the recoverable amount as at December 31, 2016.

With respect to the Consumer Finance and Mobile Engagement CGUs, in considering the sensitivity of the key assumptions discussed above, management determined that there is no reasonable possible change in any of the above that would result in the carrying value of the CGU to exceed its recoverable value.

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2016	**2015**
	$	$
Accounts payable and accruals	**4,260**	2,327
Dealer reserves	**2,197**	—
Payroll liabilities	**2,267**	1,292
Deferred and contingent consideration *[notes 8 and 10]*	**—**	1,730
Finance lease obligations	**56**	137
	8,780	5,486

14. Debentures and notes payable

Debentures and notes payable consist of the following:

	2016	**2015**
	$	$
Secured debentures *[a]*	**21,635**	—
Senior secured debenture *[b]*	**—**	2,824
Secured promissory note *[c]*	**3,000**	—
Unsecured convertible vendor take-back note *[d]*	**2,420**	—
2017 convertible debenture *[e]*	**—**	980
	27,055	3,804

Debentures and notes issued and repaid during year are as follows:

	Secured debentures [a]	Senior secured debenture [b]	Secured promissory note [c]	Unsecured convertible vendor take-back note [d]	2017 convertible debenture [e]	Total
	$	$	$	$	$	$
Balance as at December 31, 2014	—	—	—	—	—	—
Principal	—	3,000	—	—	1,500	4,500
Attributed to equity component	—	—	—	—	(57)	(57)
Issuance costs	—	(228)	—	—	(186)	(414)
Conversion to common shares	—	—	—	—	(329)	(329)
Interest accretion	—	52	—	—	52	104
Balance as at December 31, 2015	—	2,824	—	—	980	3,804
Principal	23,000	—	8,000	2,500	—	33,500
Attributed to equity component	(722)	—	—	(273)	—	(995)
Fair value of consideration paid	—	—	—	137	—	137
Issuance costs	(731)	—	—	—	—	(731)
Conversion to common shares	—	—	—	—	(1,055)	(1,055)
Interest accretion	88	176	—	56	75	395
Repayment	—	(3,000)	(5,000)	—	—	(8,000)
Balance as at December 31, 2016	**21,635**	**—**	**3,000**	**2,420**	**—**	**27,055**

[a] Secured debentures

On January 12, 2016, the Company issued a $10 million secured debenture, with capacity to issue up to $100 million, a term of 10 years, and a fixed interest rate of 5.99%. The funds received may only be used for the purpose of funding eligible HVAC, home improvement and other unsecured finance contracts. As part of this transaction, the Company issued 2,000,000 common share purchase warrants, each able to purchase one common share of the Company at an exercise price of $0.67 per share, expiring on January 12, 2019.

The Company used the residual method to allocate the liability and equity portions of the secured debenture. The Company estimated the fair value of the equity component to be $722 [including $33 of transaction costs]. The fair

value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest rate of 7%, which assumes no equity component. The fair value of the equity component was netted against the liability and is being accreted over the term of the loan. During the year, the Company incurred transaction costs of $520.

On May 5, 2016, the Company issued a $3 million secured debenture under this existing facility, maturing on June 30, 2016 at a fixed interest rate of 5.85%. The debenture was extended to mature on June 30, 2017.

On November 28, 2016, the Company issued a $10 million secured debenture at a fixed interest rate of 6%. The debenture has a term of five years with an option to extend for an additional five years at the holder's option. The Company incurred transaction costs of $211.

The Company holds total cash reserves of $2.3 million to support the credit risk associated with the three secured debentures. In addition, as at December 31, 2016, the debentures are secured against consumer finance contracts a book value of $18.5 million. The Company has a total of $4.7 million of funds borrowed but not utilized.

[b] Senior secured debenture

On January 12, 2016, in connection with the issuance of the secured debenture discussed in [a], the Company repaid principal of $3 million plus interest. An unamortized accretion of $176 was recognized in the consolidated statements of loss and comprehensive loss.

[c] Secured promissory note

The Company issued an $8 million promissory note to Chesswood Group Limited bearing interest at 4.0% per annum, which represented the intercompany warehouse funding to EcoHome for leases and loans that had not yet been securitized with EcoHome funders prior to the acquisition of EcoHome. Upon maturity of the note on April 28, 2016, the Company extended the note to mature on September 30, 2017, with interest at 5.5% per annum for the first 12 months. The note is repayable in two instalments of $1 million each, due April 3, 2017 and July 3, 2017 respectively. The remaining outstanding balance is repayable in full on maturity and is secured against a pool of consumer finance contracts. The promissory note is secured against a pool of consumer finance contracts with a net book value of $2.9 million.

[d] Unsecured convertible vendor take-back note

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

[e] 2017 convertible debenture

On June 18, 2015, the Company closed a private placement for $1,500 of new convertible debentures. The 2017 convertible debentures mature on June 18, 2017, bear interest at 12% per annum and are convertible, at the option of the holder, into common shares at a conversion price of $0.19 per share. The Company allocated a value of

$1,443 to the liability component and $57 to the equity component. In determining the value of the liability, the Company applied an interest rate of 15%, which assumes no conversion feature. The Company incurred issuance costs of $186. The issuance costs have been netted against the liability and equity amounts in the same proportion as noted above. The Company recorded accretion expense of $75 in 2016 [2015 – $52].

During 2016, the holder of the convertible debentures elected to convert the remaining outstanding face value of $1,120 [book value of $1,055] into 5,894,736 common shares *[note 19]*.

15. Secured borrowings

The following tables provide a summary of financial receivables transferred that do not qualify for derecognition, together with the associated liabilities:

	2016 $	**2015** $
Carrying value of finance receivables transferred	**105,963**	—
Carrying value of associated liabilities	**118,664**	—

The weighted average stated interest rate of the outstanding liabilities is 3.58% as at December 31, 2016 and excludes deferred financing costs and premiums or discounts. Cash reserves held with counterparties for these facilities are $7,925 as at December 31, 2016.

During the year, the Company securitized a total of approximately $44.8 million [2015 – nil] under an existing facility with a Schedule 1 bank. The facility was renewed in the second quarter of 2016.

In July 2016, the Company has also entered into a $20 million securitization facility with another major Canadian financial institution. During the year, the Company securitized nil [2015 – nil] under this facility.

In August 2016, the Company closed a $75 million securitization facility with a major Canadian life insurance company. During the year, the Company securitized $26 million [2015 – nil] through this facility.

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

16. Commitments and contractual obligations

The following are the contractual payments and maturities of financial liabilities and other commitments [including interest] as at December 31, 2016:

	2017	**2018**	**2019**	**2020**	**2021 and thereafter**	**Total**
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**8,780**	—	—	—	—	**8,780**
Secured debentures	**3,000**	—	—	—	**20,000**	**23,000**
Secured promissory note	**3,000**	—	—	—	—	**3,000**
Unsecured convertible vendor take-back note	—	**2,500**	—	—	—	**2,500**
Secured borrowings	**17,282**	**15,765**	**14,387**	**15,274**	**54,012**	**116,720**
Interest payable	**5,729**	**4,756**	**4,171**	**3,592**	**6,314**	**24,562**
	37,791	**23,021**	**18,558**	**18,866**	**80,326**	**178,562**
Other financial commitments	**2,522**	**2,433**	**2,140**	**1,745**	**1,598**	**10,438**
	40,313	**25,454**	**20,698**	**20,611**	**81,924**	**189,000**

Other finance commitments

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

17. Contingencies

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

18. Income taxes

The Company has a $1,565 deferred income tax recovery for 2016 [2015 – $160]. Reconciliation of income tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2016 and 2015 is as follows:

	2016 $	2015 $
Loss before income taxes	**(12,052)**	(6,657)
Income taxes at statutory rate of 26.5% [2015 – 26.5%]	**(3,194)**	(1,764)
Impact of foreign income tax rate differential	**(28)**	(29)
Non-deductible stock-based compensation	**430**	306
Tax benefits not recognized	**735**	1,303
Other permanent differences	**492**	24
Recovery of income taxes	**(1,565)**	(160)

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

	2016 $	2015 $
Non-capital losses carried forward	**2,696**	160
Finance receivables	**642**	—
Scientific research and experimental development	**7**	—
Property and equipment	**(2)**	—
Intangible assets	**(3,343)**	(160)
Net deferred income tax asset (liability)	**—**	—

Deferred income tax assets have been recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized. Accordingly, the deferred tax assets have been recognized to the extent that there re deferred tax liabilities.

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

	2016 $	2015 $
Scientific research and experimental development	**119**	23
Share issuance costs	**4,171**	2,387
Convertible and secured subordinated debenture	**144**	105
Property and equipment - Canada	**5,308**	438
Property and equipment – United States	**301**	—
Loss carryforward – United States	**1,866**	1,572
Loss carryforward – Canada	**13,890**	16,390
	25,799	20,915

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

The Company has tax losses of $24,064 and $1,866 in Canada and the United States, respectively [2015 – $16,993 and $1,572, respectively] available to be applied against future years' taxable income. In order to record a deferred income tax asset, it must be more likely than not that the deferred income tax asset resulting from the tax losses available for carryforward will be realized. Given the Company's history of losses, the Company has not recognized the full benefit of these losses. The tax losses expire in years ranging from 2026 through 2036.

19. Share capital

As at December 31, 2016, an unlimited number of common shares with no par value were authorized.

Pursuant to the shareholders' approval on October 23, 2015, the Company filed articles of amendment to create a new class of shares to be classified as "Preferred Shares". 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. An unlimited number of Preferred Shares were created and the Preferred Shares can be issuable in one or more series. As at December 31, 2016, no Preferred Shares have been issued.

Common shares	2016		2015	
	[# 000s]	$	[# 000s]	$
As at January 1	**152,238**	**12,682**	74,863	51,406
Share issuance – private placements [a] [i]	**54,545**	**30,000**	61,557	11,708
Share issuance – acquisitions [a] [b]	**6,584**	**3,234**	—	—
Share issuance costs [a] [i]	**—**	**(2,510)**	—	(2,141)
Conversion of convertible debentures [d]	**5,894**	**1,042**	4,356	832
Share-based payments [g]	**764**	**435**	—	—
Stock options exercised [e] [j]	**757**	**198**	2,221	1,182
Warrants exercised [f] [k]	**38,314**	**13,524**	9,241	3,695
Compensation options exercised [c]	**1,070**	**715**	—	—
Reduction in stated capital [l]	**—**	**—**	—	(54,000)
As at December 31	**260,166**	**59,320**	152,238	12,682

Common share warrants	2016	Weighted average exercise price	2015	Weighted average exercise price
	[# 000s]	$	[# 000s]	$
As at January 1	**49,622**	**0.37**	12,123	0.30
Issued [a], notes 14[a] and 20	**5,753**	**0.59**	46,740	0.37
Exercised [f] [k]	**(38,314)**	**0.33**	(9,241)	0.31
Expired	**(90)**	**0.30**	—	—
As at December 31	**16,971**	**0.53**	49,622	0.37

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

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

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

[c] 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 15, 2015 as disclosed below under [i] and [ii].

[d] During the year, the Company issued 5,894,736 common shares valued at $1,042 upon conversion of the 2017 convertible debenture *[note 14[e]].*

[e] During the year, 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.

[f] During the year, 38,314,245 warrants were exercised with a weighted average exercise price of $0.33 each for total cash proceeds of $12,515.

[g] The Company issued 764,072 common shares valued at $435 to two independent parties as payment for advisory services.

Common share and common share warrant transactions during 2015 are as follows:

[h] The Company issued a total of 4,355,500 common shares relating to the conversion of debentures totalling $832 at a weighted average price of $0.20 per share. This includes the issuance of 55,500 common shares as an incentive to certain convertible debenture holders to convert their debentures prior to maturity.

[i] The Company closed two private placements during 2015:

[i] A non-brokered private placement where the Company issued a total of 27,056,561 units at $0.19 per unit for cash proceeds of $2,523 and the settlement of various liabilities of $2,618. The private placement closed in four tranches on February 11, 2015, March 13, 2015, June 4, 2015 and June 17, 2015. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles 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. A fair value of $2,037 has been attributed to the common share purchase warrants and allocated to contributed surplus. The Company incurred share issuance costs of $260 including $74 representing the fair value of 955,677 broker warrants issued as compensation to the brokers.

[ii] A brokered private placement on August 18, 2015 where the Company issued a total of 34,500,000 units at a price of $0.40 per unit for proceeds of $13,800. Each unit consists of one common share and one half common share purchase warrant. Each full common share purchase warrant entitles the holder to purchase one common share of the Company for $0.50 each for a term of 1.5 years from the date of issuance. A fair value of $5,193 has been attributed to the common share purchase warrants and

allocated to contributed surplus. The Company incurred share issuance costs of $1,881 including $895 representing the fair value of 2,070,000 broker compensation options.

[j] 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.

[k] During the year, 9,241,324 warrants were exercised with a weighted average exercise price of $0.30 each for total cash proceeds of $2,884.

[l] 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.

As at December 31, 2016, the issued common shares included 500,000 common shares [2015 – 1,000,000 common shares] that have been retained and are being held in escrow by the Company for executives of Impact Mobile pursuant to the Share Purchase Agreement dated June 5, 2014 between the Company and Impact Mobile. These retention shares will be released to these executives on July 1, 2017.

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

	2016	**2015**
	$	$
Average fair value of warrants issued	**$0.14**	$0.16
Exercise prices	**$0.55**	$0.19 – $0.50
Share prices on date of issuance	**$0.60**	$0.18 – $0.58
Risk-free interest rate	**0.4%**	0.4% – 0.6%
Expected term	**1.5 years**	1.5 years
Estimated volatility	**40%**	100% – 115%
Dividend yield	**nil**	nil

Commencing in the first quarter of 2016, the Company changed its basis for volatility from the Company's own historical volatility to an expected volatility based on the average of a peer group of public companies in the financial services sector. The financial services peer group reflects that the Company has secured new capital and funding capacity, listed on the TSX-V, changed its business model and acquired EcoHome.

The following is a schedule of exercisable common share purchase warrants as at December 31, 2016:

Expiry date	**Outstanding**	**Weighted average exercise price**	**Remaining contractual life**
	[# 000s]	$	[years]
February 18, 2017	**11,753**	**0.50**	**0.13**
August 5, 2017	**3,218**	**0.55**	**0.59**
January 12, 2019	**2,000**	**0.67**	**2.03**
	16,971	**0.53**	**0.45**

20. Share-based compensation

The Company awards stock options to employees, officers, directors and others at the recommendation of the Board of Directors under an incentive stock plan [the "Plan"]. Options are granted at the fair value of the shares on the day granted [as decided by the Board of Directors], and vest over various terms with varying terms of exercise. Compensation expense is recognized over the vesting terms. The changes in the number of stock options during the years ended December 31 were as follows:

	2016		**2015**	
Common share stock options	**[# 000s]**	**Weighted average exercise price $**	**[# 000s]**	**Weighted average exercise price $**
As at January 1	**8,986**	**0.35**	4,385	0.28
Issued	**14,420**	**0.59**	8,291	0.36
Exercised	**(757)**	**0.26**	(2,221)	0.28
Expired	**(318)**	**0.55**	(1,469)	0.27
As at December 31	**22,331**	**0.50**	8,986	0.35

During 2016, the Company granted 14,420,000 [2015 – 8,291,400] stock options to directors, employees and consultants. The stock options vest over a period of 18 months [2015 – 3 years], exercisable for a period of 5 years [2015 – 5 years] at a weighted average exercise price of $0.59 [2015 – $0.36] per stock option. The fair value of these options was estimated to be $2,685 [2015 – $1,852] on the date of grant using the Black-Scholes option pricing model.

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at December 31, 2016 are as follows:

	Options outstanding	**Weighted average exercise price**	**Remaining contractual life**	**Options vested**	**Options unvested**
	[# 000s]	$	[# 000s]	[# 000s]	[# 000s]
Expiry date					
2017	444	0.28	0.57	444	—
2018	1,450	0.23	1.13	1,087	363
2019	—	—	—	—	—
2020	6,267	0.40	3.55	4,976	1,291
2021	14,170	0.59	4.55	2,467	11,703
As at December 31, 2016	**22,331**	**0.50**	**3.97**	**8,974**	**13,357**

In addition to the employee stock options noted above, the Company issued 2,070,000 broker compensation options in connection with the brokered private placement that closed on August 18, 2015. Each broker compensation option is exercisable for one unit at an exercise price of $0.40 each and expires on February 17, 2017. Each unit consists of one common share and one half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share at an exercise price of $0.50 each. The broker compensation options have a term of 18 months from the date of issue. During 2016, 1,070,181 options were exercised for cash of $428. In return, the Company issued 1,070,181 common shares and 535,090 warrants as per the broker compensation agreement.

The expense on share-based compensation recognized during the year is $1,623 [2015 – $1,154].

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

	2016	**2015**
Average fair value of options granted	**$0.19**	$0.22
Exercise price	**$0.57 – $0.60**	$0.21 – $0.91
Share price on date of issuance	**$0.52 – $0.58**	$0.18 – $0.91
Risk-free interest rate	**0.6% – 1.1%**	0.4% – 1.0%
Expected life	**5.0 years**	1.5 to 5.0 years
Estimated volatility	**40%**	85% – 105%
Dividend yield	**nil**	nil

Commencing in the first quarter, the Company changed its basis for volatility from the Company's own historical volatility to an expected volatility based on the average of a peer group of public companies in the financial services

sector. The financial services peer group reflects that the Company has secured new capital and funding capacity, listed on the TSX-V, changed its business model and acquired EcoHome.

21. Finance costs, net

Finance costs, net consist of the following:

	2016 $	**2015** $
Interest	**448**	257
Accretion of finance costs	**307**	254
Factoring costs	**—**	82
Incentive cost for conversion of debentures	**—**	75
Foreign exchange loss	**84**	82
Gain on settlement of debt	**—**	(163)
Other gains on settlement of liabilities	**—**	(84)
	839	503

22. Related party transactions

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

	2016 $	**2015** $
Salaries, bonuses and benefits	**3,345**	752
Termination benefits	**—**	190
Share-based compensation	**921**	916
	4,266	1,858

The amounts disclosed in the table are the amounts reflected in the consolidated financial statements during the reporting period and considered to be compensation to key management personnel. Key management personnel are those having authority and responsibility at any time during the year for planning, directing and controlling the activities of the Company, including senior management and members of the Board of Directors. The total number of key management personnel was 11 during 2016 [2015 – 11] of which only 2 served throughout 2015 and 2016 as the Company undertook a key management change during 2015.

Included in the 2016 amounts was $380 relating to management compensation for the acquisition of EcoHome [2015 – nil].

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

Other related party transactions

During 2016, the Company received subscriptions of $1,405 [2015 – $313] from an officer, certain directors and key management personnel for 2,554,667 common shares in cash.

23. Financial instruments

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

	2016				
	Category	**Level 1**	**Level 2**	**Level 3**	**Total**
		$	$	$	$
Assets					
Cash and cash equivalents [i]	FVTPL	**17,075**	**—**	**—**	**17,075**
Cash reserves [i]	FVTPL	**10,225**	**—**	**—**	**10,225**
Trade receivables [i]	Loans and receivables	**—**	**5,594**	**—**	**5,594**
Finance receivables [ii]	Loans and receivables	**—**	**138,092**	**—**	**138,092**
Liabilities					
Accounts payable and accrued liabilities [i]	Other financial liabilities	**—**	**(8,780)**	**—**	**(8,780)**
Secured borrowings [iii]	Other financial liabilities	**—**	**(116,795)**	**—**	**(116,795)**
Debentures and notes payable [iv]	Other financial liabilities	**—**	**—**	**(28,300)**	**(28,300)**

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

	2015				
	Category	Level 1	Level 2	Level 3	Total
		$	$	$	$
Assets					
Cash and cash equivalents [i]	FVTPL	10,512	—	—	10,512
Cash reserves [i]	FVTPL	300	—	—	300
Trade receivables [i]	Loans and receivables	—	3,866	—	3,866
Finance receivables [ii]	Loans and receivables	—	1,904	—	1,904
Liabilities					
Accounts payable and other liabilities [i]	Other financial liabilities	—	(5,486)	—	(5,486)
Debentures and notes payable [iv]	Other financial liabilities	—	—	(3,804)	(3,804)

There were no transfers between any levels between 2015 and 2016.

Inputs and valuation techniques used for the financial instruments are:

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

[ii] There is no organized market for finance receivables. The carrying value reflects amortized cost using effective interest rate method. The contractual interest rates approximate current market rates.

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

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

Risk management policies

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

Credit risk

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

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which the Company believes are subject to normal industry credit risks. As at December 31, 2016, the Company recorded an allowance for bad debts of $157 [2015 – $222]. For the year ended December 31, 2016, 24% of the Company's receivables are due from one customer [27% for the year ended December 31, 2015], and 47% of the receivables are due from four customers [54% for the year ended December 31, 2015].

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. The Credit and Risk Committee of the 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 Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs.

The Company's loan receivables consist of unsecured consumer loans and accordingly the Company is exposed to credit risk within this portfolio. The Company mitigates credit risk by assessing borrower's capacity and willingness to pay and through its underwriting policies. As at December 31, 2016, the Company recorded an allowance for credit losses for loans of $183 [2015 – nil].

Credit risk within the Company's lease receivables portfolio is mitigated by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance and is entitled to seek additional cash reserves from the dealers. As at December 31, 2016, the Company held $2,197 [2015 – nil] in dealer reserves within accounts payable and accrued liabilities. As further credit support, the Company's contractual relationship with the selling dealers also entitles the Company to future lease payment escalation rights, which are otherwise payable to the dealer. In addition, the Company is able to register a Notice of Security Interest on the property associated with the leased asset. The Company has not historically incurred net credit losses and accordingly no allowance for credit losses is recorded.

Interest rate risk

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

Currency risk

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

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables held constant, would have resulted in an insignificant change to loss for the year. As at December 31, 2016, the Company did not hedge any currency exposures.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the Company's liquidity to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due and sustains and grows its assets and operations under both normal and stress conditions.

The most significant exposure to liquidity risk relates to the repayment of debentures, notes payable and loans *[note 16]*. This exposure is managed as the cash flows generated by the Company's net investment in leases and loans, and future minimum payments on equipment under operating leases are term matched to meet the repayment requirements.

24. Capital disclosures

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

	2016	**2015**
	$	$
Secured borrowings	**118,387**	—
Secured debentures	**21,635**	—
Senior secured debenture	**—**	2,824
Secured promissory note	**3,000**	—
Convertible debenture	**2,420**	980
Total debt	**145,442**	3,804
Shareholders' equity	**52,774**	14,888
	198,216	18,692

The Company was in compliance with all financial and reporting covenants with all its lenders as at December 31, 2016.

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

25. Reportable segment information

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

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

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

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

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

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

	2016					
	Live Engagement $	**Mobile Engagement** $	**Total Engagement** $	**Consumer Finance** $	**Corporate** $	**Consolidated** $
Revenue/finance income						
Canada	**14,011**	**6,083**	**20,094**	**8,685**	**—**	**28,779**
United States	**4,488**	**2,110**	**6,598**	**—**	**—**	**6,598**
	18,499	**8,193**	**26,692**	**8,685**	**—**	**35,377**
Cost of sales	**13,759**	**2,577**	**16,336**	**4,727**	**—**	**21,063**
Gross profit	**4,740**	**5,616**	**10,356**	**3,958**	**—**	**14,314**
Expenses						
Salaries, wages and benefits	**2,741**	**2,000**	**4,741**	**2,626**	**5,259**	**12,626**
General and administrative	**3,549**	**574**	**4,123**	**1,041**	**2,060**	**7,224**
Segment profit (loss)	**(1,550)**	**3,042**	**1,492**	**291**	**(7,319)**	**(5,536)**
Depreciation and amortization						**(2,266)**
Share-based compensation						**(1,623)**
Finance costs, net						**(839)**
Business acquisition costs						**(1,723)**
Change in fair value of estimate						**(65)**
Loss before income taxes						**(12,052)**

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2016

	2015					
	Live Engagement $	Mobile Engagement $	Total Engagement $	Consumer Finance $	Corporate $	Consolidated $
Revenue/finance income						
Canada	5,693	4,340	10,033	248	—	10,281
United States	4,304	1,325	5,629	—	—	5,629
	9,997	5,665	15,662	248	—	15,910
Cost of sales	7,727	1,509	9,236	392	—	9,628
Gross profit (loss)	2,270	4,156	6,426	(144)	—	6,282
Expenses						
Salaries, wages and benefits	2,569	2,999	5,568	299	1,387	7,254
General and administrative	2,188	761	2,949	281	1,281	4,511
Segment profit (loss)	(2,487)	396	(2,091)	(724)	(2,668)	(5,483)
Depreciation and amortization						(717)
Share-based compensation						(1,154)
Finance costs, net						(503)
Business acquisition costs						(450)
Change in fair value of estimate						1,650
Loss before income taxes						(6,657)

Total assets

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

	2016					
	Live Engagement	Mobile Engagement	Total Engagement	Consumer Finance	Corporate	Consolidated
	$	$	$	$	$	$
Canada	**6,745**	**3,572**	**10,317**	**191,902**	**6,725**	**208,944**
United States	**227**	**641**	**868**	**—**	**—**	**868**
Total assets	**6,972**	**4,213**	**11,185**	**191,902**	**6,725**	**209,812**

	2015					
	Live Engagement	Mobile Engagement	Total Engagement	Consumer Finance	Corporate	Consolidated
	$	$	$	$	$	$
Canada	7,547	1,690	9,237	3,780	10,596	23,613
United States	287	703	990	—	—	990
Total assets	7,834	2,393	10,227	3,780	10,596	24,603

26. Loss per share

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

	2016	2015
Weighted average number of common shares [000s]	**222,247**	112,578
Basic and diluted loss per share	**$(0.05)**	$(0.06)

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

27. Subsequent events

On January 13, 2017, the Company acquired a portfolio of consumer finance lease contracts valued at approximately $29.2 million. The acquisition was effected through a cash payment of $22.5 million less certain adjustments and the issuance of 12,523,364 common shares valued at $6.7 million. The Company has simultaneously securitized certain contracts from the portfolio to fund the cash portion of the transaction.

The common shares issued are 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.

During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds of $400. In return, the Company issued 999,819 common shares and 499,909 warrants. In addition, 7,427,499 warrants and 58,375 options were exercised for total cash proceeds of $3,714 and $17 respectively.

In April 2017, the Company, through its wholly owned subsidiary, issued $20 million of debentures under an existing facility.

28. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.