Dealnet Capital Corp.

Management Discussion and Analysis

December 31, 2018

As approved by the Board of Directors on March 25, 2019

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Dealnet Capital Corp. (the "Company" or "Dealnet") as at and for the year ended December 31, 2018 as approved by the Board of Directors on March 25, 2019. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.

CAUTIONARY STATEMENT

This MD&A has been prepared taking into consideration information available to March 25, 2019, and contains forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address Dealnet's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements.

You should not place undue reliance on these forward-looking statements. These statements reflect Management's current view of future events and are subject to certain risks and uncertainties as contained herein and, in the Company's, other filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that these expectations are based on reasonable assumptions, we can give no assurance that those expectations will materialize.

Contents

Company Overview

Dealnet is a specialty finance company serving the $20 billion Canadian home improvement finance market. The Company develops and supports consumer sales financing programs for approved dealers and distributors under agreements with original equipment manufacturers (OEMs) that supply a wide range of home improvement products to the retail market. The Company runs its Consumer Finance segment through the operating business, EcoHome Financial Inc. ("EcoHome"). Through a dealer network, the Company underwrites, originates, funds and services the prime quality loans and leases that homeowners need to finance the acquisition and installation of capital assets that improve the quality, comfort and safety of their homes.

In addition, the Company operates its Engagement segment in the business communications industry in Canada and the U.S. under the One Contact banner ("One Contact"), offering customer support services on a contract basis to third party institutions.

ANALYSIS FOR THE PERIOD ENDED December 31, 2018

Performance Highlights *(see page 48 for non-IFRS definitions)*

Q4 - 2018 Performance Highlights (QOQ)*

Consumer Finance Segment	Q4 2018	Q4 2017	
Finance Gross Margin (mm)	**$2.0**	$0.4**	↑
Net Interest Margin	**49%**	38%	↑
Organic orginations	**$14.0**	$11.7	↑
Average Yield on Earning Assets	**8.7%**	8.3%	↑
Weighted Average Interest Expense	**4.4%**	5.1%	↓
Consumer Finance OPEX	**2.7%**	5.1%	↓
Average in Quarter Earning Assets (mm)	**$180**	$171	↑
Period Ending Earning Assets (mm)	**$183**	$171	↑
Consumer Finance Contracts	**35,226**	32,509	↑

Engagement Segment	Q4 2018	Q4 2017	
Engagement Gross Margin (mm)	**$0.6**	$1.1	↓
Engagement Gross Margin	**27%**	26%	↑
Consolidated Operations			
Revenue mix			
Consumer Finance	**66%**	50%	↑
Engagement	**34%**	50%	↓
Gross Profit Contribution			
Gross Profit (mm)	**$2.6**	$1.5	↑
Consumer Finance	**76%**	28%	↑
Engagement	**24%**	72%	↓
Corporate Tangible Leverage Ratio	**4.9**	10.4	↓

2018 Performance Highlights (YOY)*

Consumer Finance Segment	2018	2017	
Finance Gross Margin (mm)	**$7.8**	$5.4**	↑
Net Interest Margin	**49%**	43%	↑
Organic orginations	**$44.4**	$42.3	↑
Average Yield on Earning Assets	**8.8%**	8.5%	↑
Weighted Average Interest Expense	**4.5%**	4.8%	↓
Consumer Finance OPEX	**2.9%**	4.0%	↓
Average Earning Assets (mm)	**$175**	$167	↑
Period Ending Earning Assets (mm)	**$183**	$171	↑
Consumer Finance Contracts	**35,226**	32,509	↑

Engagement Segment	2018	2017	
Engagement Gross Margin (mm)	**$2.9**	$3.7	↓
Engagement Gross Margin	**28%**	24%	↑
Consolidated Operations			
Revenue mix			
Consumer Finance	**63%**	51%	↑
Engagement	**37%**	49%	↓
Gross Profit Contribution			
Gross Profit (mm)	**$10.7**	$9.1	↑
Consumer Finance	**73%**	59%	↑
Engagement	**27%**	41%	↓
Corporate Tangible Leverage Ratio	**4.9**	10.4	↓

* Performance highlights are of continuing operations and include Gemma financial results in 2017 and for the period to March 9, 2018
** Q4 2017 amount impacted by collective allowance recorded of $1.2 million

Driving Shareholder Value

In 2018, the Company took the following steps to build shareholder value:

- Confirmed the Company's viability and competitiveness;
- Recapitalized to a net tangible value of $34.9 million, without shareholder dilution;
- Approached breakeven in the fourth quarter of 2018;
- Incorporated risk based pricing to ensure new originations are priced at profitable risk adjusted margins;
- Increased dealer support and incentives to target more than $5 million of quality profitable originations per month; and
- Remediated the Live Engagement segment so that One Contact had a 2018 segment profit of $564 thousand.

In 2019 and beyond, the Company will continue to build shareholder value by:

- Continuing along the path to profitability;
- Utilizing non-capital tax losses carried forward of $15.4 million;
- Becoming cash flow positive in the Consumer Finance segment through the following:
  - Growing fee income and controlling direct expenses;
  - Growing risk-adjusted margins with risk-based pricing & profitable origination growth;
  - Driving efficiencies through increased automation and limiting growth in operating expenses at or below the rate of inflation; and
  - Realization of expected contractual residual cash flows of $80 million over time (see page 12 for details);
- Monetizing the value of EcoHome's over 35,000 consumer borrowers by cross-selling other financial products; and
- Building our brands.

2018 Accomplishments – Confirming Our Viability and Competitiveness

The management team has used 2018 to restructure and revitalize the Company and place it on a path to profitability.

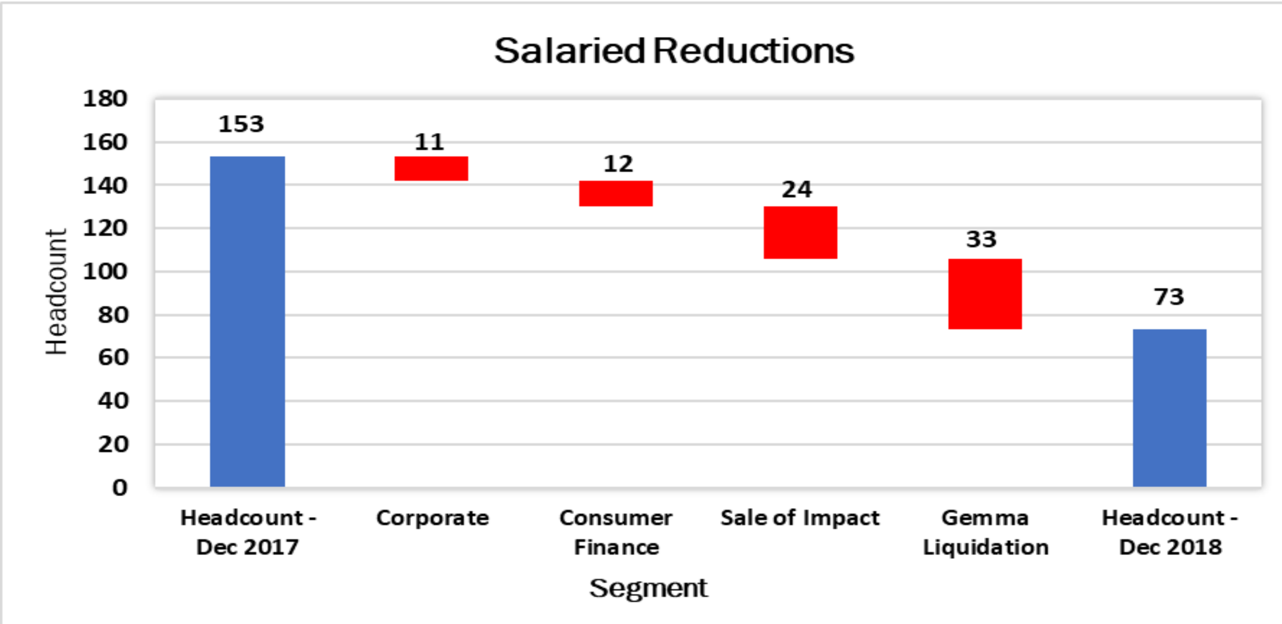
Turnaround Plan is Complete

Dealnet has used 2018 to right-size its operations. This encompasses a significant reduction in permanent headcount and overhead costs to reflect efficiencies and process improvements that have been implemented as well as ensuring the Company is properly scaled to support the operations of Consumer Finance and Live Engagement in the future.

As of December 31, 2018, the headcount for salaried employees has been reduced to 73 from 153 at December 31, 2017. The majority of the Company's hourly workforce are in the call centres.

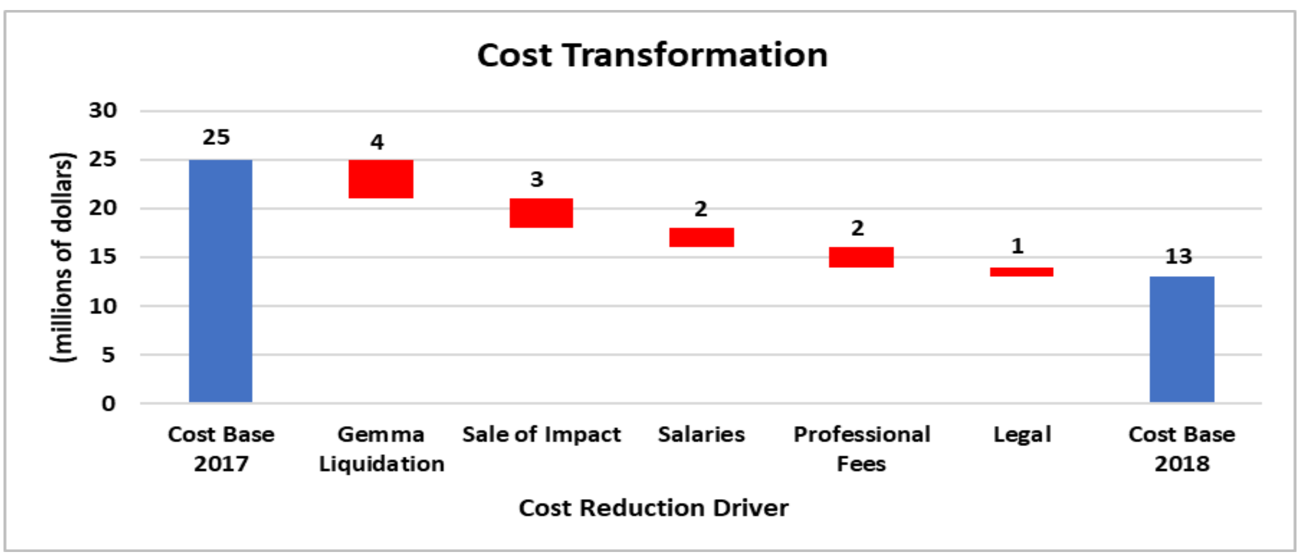
	March 2017	June 2017	September 2017	December 2017	March 2018	June 2018	September 2018	December 2018
Salaried	162	163	164	153	116	86	74	73
Hourly	410	360	372	503	234	200	214	241
Total	572	523	536	656	350	286	288	314

Below is a chart illustrating how the Company achieved its 52% reduction in headcount:



As the Company has streamlined its resource base, management believes it is at an appropriate staffing level to support current and future growth. Going forward, the Company plans to focus on further improving employee engagement through ongoing training and development.

In addition, the Company aggressively reduced its annual overhead cost base by $12 million over the year, from a $25 million adjusted cost base to an annualized $13 million. Going forward, the Company will continue to focus on cost containment with the goal of maintaining a monthly run-rate of the current $1 million for salaries and general and administrative expenses and limiting growth to at or below the rate of inflation, while further investing in digital technology to allow the Company to deliver its products and services faster and more cost effectively.



As a result of the above actions, Dealnet has experienced its most successful quarter, with a loss from continuing operations of $404 thousand, bringing the Company closer to breakeven results.

New Management Team

The Company has made a concentrated effort to streamline and improve its senior executive team to ensure the most effective leadership is in place to lead Dealnet into the future. This process has included hiring into new roles of General Counsel, Credit Risk Officer, and President of One Contact, as well as naming a new Chief Financial Officer and Chief Technology Officer. In addition, the overall management team is now focused and committed on growing the organization and leading it into future success.

Recapitalization of Dealnet

On July 6, 2018, the Company closed the sale of all of the issued and outstanding shares of Impact Mobile ("Impact") for a total cash consideration of approximately $27.9 million. The Company received $25.3 million of cash on closing and $2.5 million in January 2019 with the remaining $0.1 due in January 2020. The Company recorded an after-tax gain of $24.6 million. Available tax loss carryforwards fully offset the taxable gain.

With the sale of Impact, the Company's tangible net worth has improved from $17.8 million at December 31, 2017 to $34.9 million at December 31, 2018. With this improvement, the Company's tangible leverage ratio decreased from 10.4:1 to 4.9:1 over the commensurate period. This capital base is sufficient to support a finance receivable portfolio of up to $350 million based on existing leverage ratios.

The sale allowed Dealnet to recapitalize and solidify its balance sheet without having to do a dilutive equity raise or incur costly debt to support operations. With this higher tangible net worth and cash position and no large debt repayments due until 2021, the Company is able to concentrate on growth.

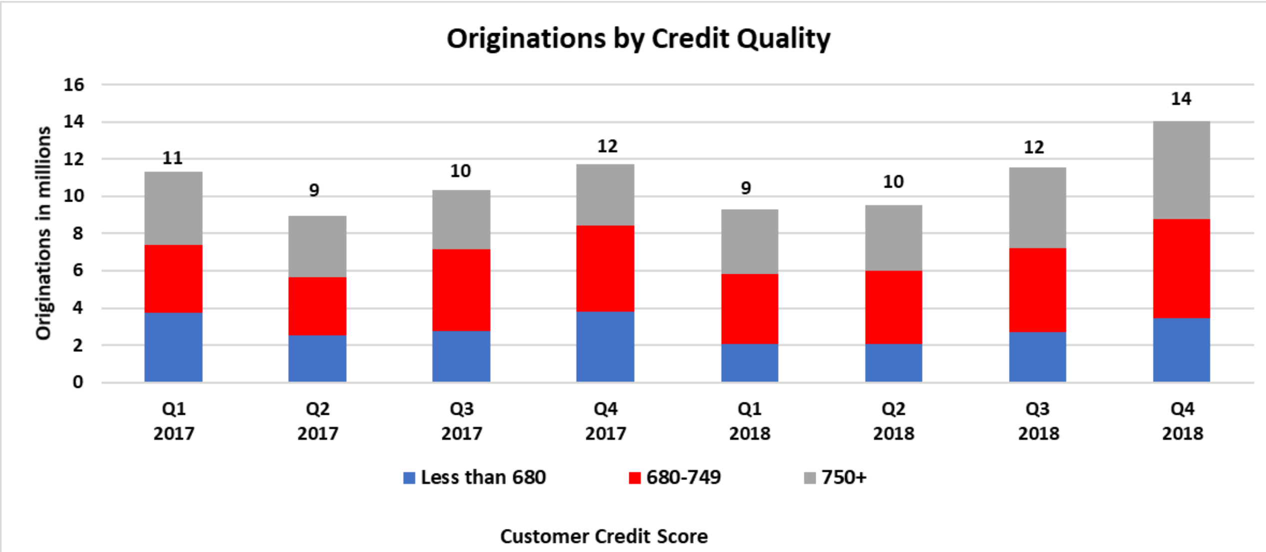
Call centre operations profitable

The Company's Live Engagement operations under One Contact continue to offer call centre services out of Toronto, Ontario and Reno, Nevada for both the Consumer Finance operations and external clients. One Contact is now led by a highly-experienced call centre executive who is focused on growing the business. The restructuring of the Company's Live Engagement operations which included the Gemma operations liquidation in March 2018, has succeeded in converting the Live Engagement back to profitability. One Contact earned segment profit of $564 thousand for the year.

Strong origination growth

The Company's Consumer Finance segment originated $14.0 million in the fourth quarter, 22% higher than the $11.5 million of originations in the third quarter of 2018, and 20% higher than the $11.7 million originated in the fourth quarter of 2017. This represented our strongest quarter to date of organic originations in 2018. With the introduction of risk-based pricing and improving the overall dealer experience through continuous enhancements to the online dealer portal, the Company was able to generate this growth with improved credit quality and at a higher net interest margin.

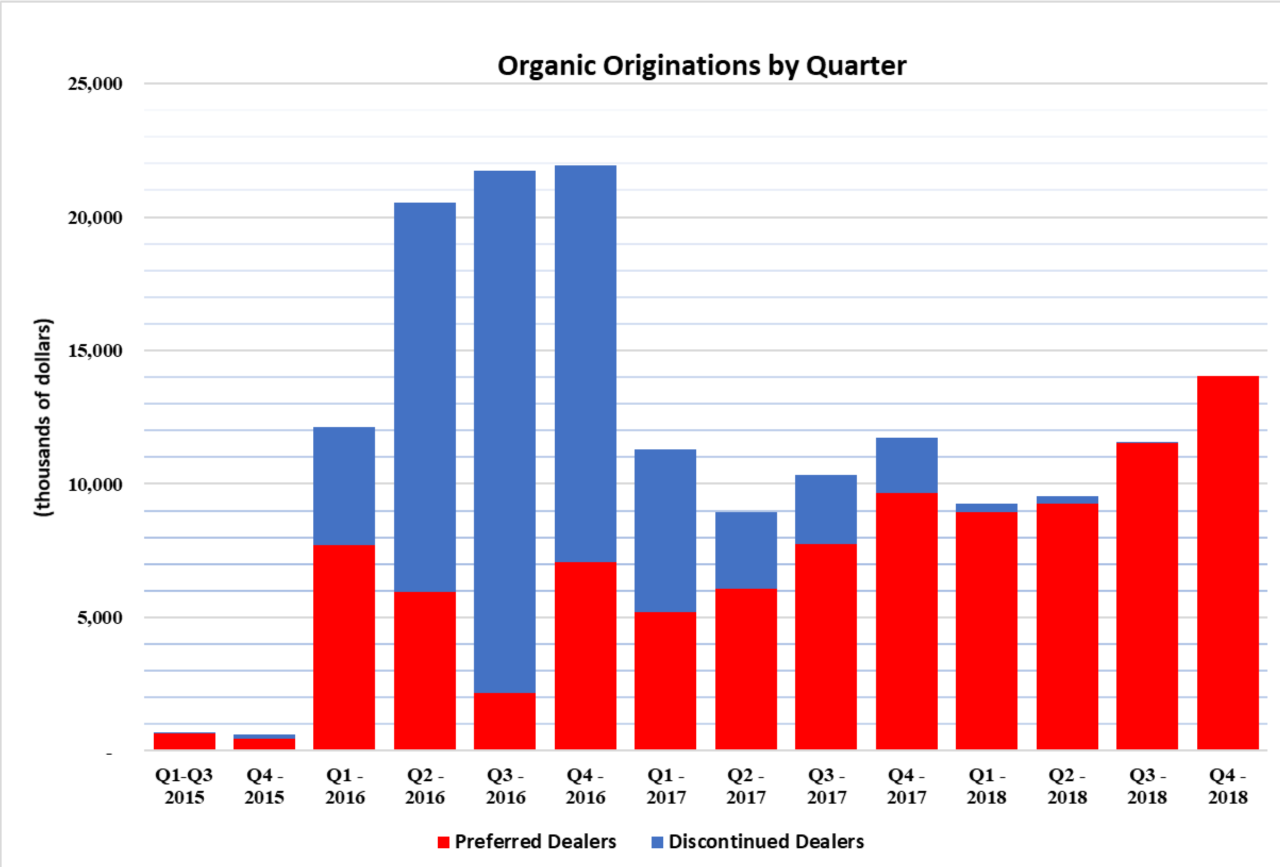
The increased quality of our origination base is demonstrated in the chart below, illustrating how the Company's focus on originating higher credit score originations has been successful:



The average credit score of consumer receivables is 727 as at December 31, 2018 compared to 726 at September 30, 2018 and 724 as at December 31, 2017. The average credit score for the fourth quarter originations was 730 versus 714 for the fourth quarter of 2017 while average yield for the fourth quarter originations was 8.7% versus 8.3% for the fourth quarter of 2017.

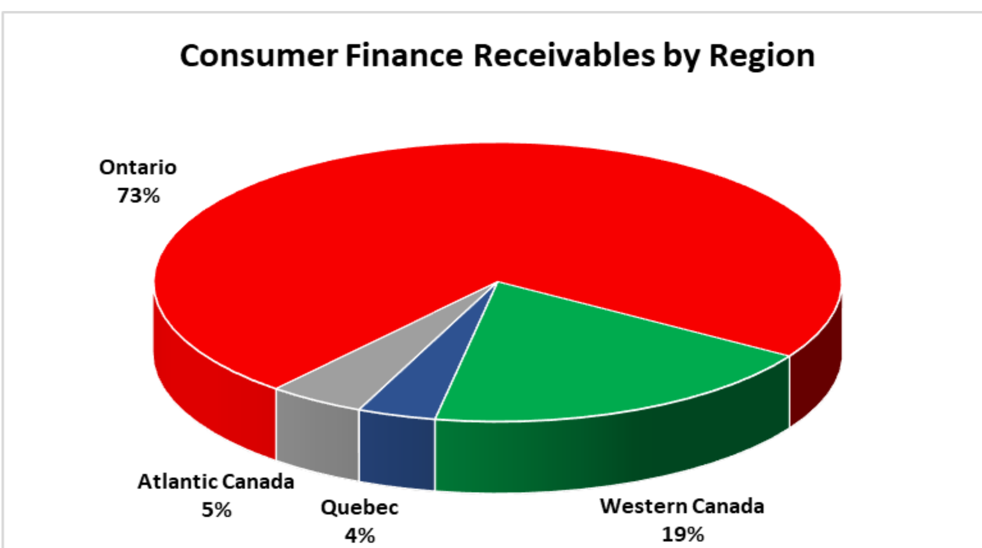
Driving profitable originations has become the focus of the management team: developing the right marketing strategy, staffing the sales force with the right people, designing the right financing products, introducing risk-based pricing and selecting the right dealer network to drive profitable growth. Despite the decline in overall originations from 2016 arising from the need to terminate certain non-performing dealers in 2017, the Company has delivered consistent and strong origination growth from its ongoing and active dealer network since Q1 2017.

Organic originations for the most recent quarters are outlined in the following chart:



In the first quarter of 2018, the Company secured a license to operate in Quebec and has recorded $7.6 million of originations to date. The Company expects the Quebec market to contribute significantly to our future origination volume over time.

The regional split of the Consumer Finance receivables as at December 31, 2018 is as follows:



2019 Priorities – Continuing on the Path to Profitability

With a dealer-friendly rate card, use of risk-based pricing to ensure originations will be profitable, improved operational capabilities, and increased use of data analytics, the Company is on a solid footing and our priorities in 2019 will ensure the total organization is concentrating on profitable growth.

Driving profitable growth in Consumer Finance

Dealnet's top priorities in 2019 to drive sustainable profitability in the Consumer Finance segment include:

- Substantially growing the origination volume from 2018 level of $44.4 million;
- Increasing the Company's fee revenue, an underutilized revenue source which is non-capital intensive;
- Establishing an inside sales force of sales professionals to complement the efforts of our current outside sales force;
- Focusing on fully serving the dealer needs for credit:
    - Simplified consumer interest rate card to facilitate the dealer's sales process;
    - Offering loans and leases;
    - Instant credit adjudication;
    - Best dealer experience;
    - Paperless solutions and eSignature capabilities; and
    - Special programs for high volume dealers to ensure 'first looks', year-round;
- Implementing further operational efficiencies to drive performance and reduce overhead costs; and
- Scaling the Company's earning asset base to profitable levels.

Maintaining the profitability of the call centres

One Contact is a profitable segment which provides free cash flow to fund other operations. For 2019, One Contact plans to: continue to retain its current customers; win new ones; and become a critical partner to the Consumer Finance segment by providing needed engagement services to its dealer and customer network.

Focusing on delinquent accounts

The Company has continued its focus to reduce the value of overdue accounts by expanding the internal collections team, utilizing third-party collection agencies in a judicious manner, initiating legal action when necessary, and ensuring delinquent accounts are dealt with before reaching the 90-day mark to increase the probability of full collection.

The current quarter did see an increase in the dollar amounts and percentage of delinquent accounts. As expected, the primary driver for these increases is in the greater than 90 days past due amounts. The Notice of Security Interest ("NOSI" - a form of registered lien on a property) is most effective as a repayment tool at the time a customer seeks to re-finance their home mortgage or sell their home. This can take on average 2 - 2.5 years from time of default. The Company is also undertaking legal action on these accounts in order to speed collection of overdue amounts.

Over the past year, the collection efforts of the Company have been focused on reducing further defaults by targeting early delinquencies and reducing migration to longer past due dates. With this approach, the Company has made progress in improving overall delinquencies less than 90 days to 2.0% of the overall portfolio at December 31, 2018 as compared to 2.7% at December 31, 2017.

Proactively managing liquidity

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

As the Company's portfolio has grown, it has successfully expanded the capacity of both its warehouse facilities and its securitization facilities. The Company will continue to proactively manage and grow its funding base to ensure that it has sufficient liquidity to fund its anticipated growth of originations.

The Company is also monitoring its expected future contractual residual cash flow from its finance receivables after repaying outstanding debentures and securitization facilities. These funding facilities require the Company to pay the cash flow from these collateralized receivables to our funders until the related debt has been completely paid. At that point, any remaining contractual residual cash flow and funder cash reserves will flow to the Company. Finance receivables experience on-going attrition and early prepayment by consumer borrowers, which accelerates the repayment of debt but also affects the amount of future residual cash flows. The expected contractual residual cash flow is unencumbered and does not include any customer payments after the contracts expire (e.g., End of Term).

The chart below details that the Company has approximately $74 million of net, expected future residual cash flow over the years 2019 – 2030:

Cumulative Expected Residual Cash Flow

December 31 (in millions)	**2020**	**2025**	**2030**
Contractual Cash Inflows	73	242	272
Contractual Cash Outflows	(70)	(177)	(178)
Net Cash Flows	3	65	94
Debenture Repayment	-	(10)	(20)
Surplus	3	55	74

Funding of Consumer Finance Receivables

The Company has substantial funding capacity for additional origination growth. Some recent changes to the Company's funding facilities include:

- Subsequent to the year end, in February 2019 the Company entered into a twelve-month credit facility of $10 million with a private lender. This interim credit facility will finance eligible consumer finance receivable contracts originated in the province of Quebec until a permanent Quebec funding facility is established. The credit facility bears interest of prime rate plus 8.05%. To date, the Company has borrowed $5 million under this facility;

- In November 2018, the Company renewed an existing facility with a Schedule 1 bank, which includes a new warehouse facility of $5 million, which was not utilized until February 2019;

- In October 2018, the Company renewed an existing facility with a major Canadian life insurance company. The renewal allows for a broader range of consumer home improvement products eligible for financing;

- In November 2017, the Company entered into a new $15 million warehouse facility with the above noted Canadian life insurance company; and

As at December 31, 2018, the Company held $182.8 million of finance receivables and $148.3 million of secured borrowings versus $170.7 million of finance receivables and $130.9 million of secured borrowings as at December 31, 2017. The rise in secured borrowings is due to the new warehouse facility. During the fourth quarter of 2018, the Company securitized approximately $12.7 million of finance receivables at an average interest rate of 5.33%.

Further Technology Deployments

The Company's dealer platform continues to be refined and enhanced. Work on the automated support 'chatbot' powered by machine learning was completed, and the tool is now live in production. This new tool allows dealers to ask questions about our platform, financing programs, and receive answers in real-time. This chatbot empowers dealers with the information they need to close deals faster, and has been successful in resolving support issues without support team member involvement. Feedback from dealers regarding this new tool has been very positive, and more processes will be supported through chat as we move forward.

Dealnet recently began a program to implement RPA (Robotic Process Automation) technology within our business. This program will ensure manual processes are automated, and scalable as we grow our business. The efficiency gains from this program will drive cost savings, and reduce the time it takes to process, and fund new credit applications. Work has started on this initiative, and internal process automations will roll-out throughout 2019.

Beginning in the first quarter of 2019, Dealnet launched a new CRM system for our sales team. This system is fully integrated with our One Contact call centre systems. The CRM enables us to contact, engage with, and onboard new dealers at scale. The integrated CRM, One Contact program is targeting thousands of dealer prospects across Canada. With this capability now in place, our sales pipeline continues to grow, and is supported by a solid foundation of highly scalable technology.

We continue to expand our technological footprint within the AWS (Amazon Web Services) environment. The scalability of our dealer platform, combined with the cutting-edge tools, and services within AWS ensures that we are able to rapidly deploy new value-added features to our dealers that have a direct link to driving more originations for Dealnet.

Results of Operations – For the three months ended December 31, 2018, September 30, 2018 and December 31, 2017

The following table sets forth a summary of the Company's consolidated financial performance as of the dates presented:

	For the three months ended				
in $'000s except for per share amounts	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**	**Change over September 30, 2018**	**Change over December 31, 2017**
	$	$	$	%	%
Consumer finance					
Interest income	**3,936**	3,889	3,587	1.2	9.7
Interest expense	**2,014**	1,984	2,219	1.5	(9.2)
	1,922	1,905	1,368	0.9	40.5
Fee and ancillary revenue	**574**	598	547	(4.0)	4.9
Direct expense	**(236)**	(632)	(344)	(62.7)	(31.4)
Provision for credit losses	**(274)**	(253)	(1,156)	8.3	(76.3)
	64	(287)	(953)	122.3	(106.7)
Finance income	**1,986**	1,618	415	22.7	378.6
Engagement					
Revenue	**2,283**	2,076	4,209	10.0	(45.8)
Cost of sales	**1,658**	1,314	3,121	26.2	(46.9)
	625	762	1,088	(18.0)	(42.6)
Gross profit	**2,611**	2,380	1,503	9.7	73.7
Operating expenses					
Salaries, wages and benefits	**1,912**	2,605	3,362	(26.6)	(43.1)
General and administrative	**932**	1,076	2,969	(13.4)	(68.6)
Finance costs, net	**(27)**	1,415	343	(101.9)	(107.9)
Depreciation and amortization	**191**	185	205	3.2	(6.8)
Share-based compensation	**91**	72	147	26.4	(38.1)
Impairment loss	**-**	-	17,854	n/a	(100.0)
Loss on loss of control	**(84)**	408	-	(120.6)	n/a
	3,015	5,761	24,880	(47.7)	(87.9)
Loss from continuing operations before income taxes	**(404)**	(3,381)	(23,377)	(88.1)	(98.3)
Income tax expense (recovery)	**-**	-	-	n/a	n/a
Deferred tax expense (recovery)	**-**	-	-	n/a	n/a
Net loss from continuing operations	**(404)**	(3,381)	(23,377)	(88.1)	(98.3)
Income from discontinued operations, net of tax	**22**	23,079	1,263	(99.9)	(98.3)
Net income (loss)	**(382)**	19,698	(22,114)	(101.9)	(98.3)
Other comprehensive income (loss)					
Foreign currency translation	**5**	(14)	(52)	(135.7)	(109.6)
Total comprehensive income (loss)	**(377)**	19,684	(22,166)	(101.9)	(98.3)
Income (loss) per common share - basic and diluted	**(0.00)**	0.07	(0.08)	n/a	n/a
Continuing operations	**(0.00)**	(0.01)	(0.08)	n/a	n/a
Discontinued operations	**0.00**	0.08	0.00	n/a	n/a

The Company recorded a net loss from continuing operations of $404 for the three months ended December 31, 2018, compared to a reported net loss of $3,381 for the three months ended September 30, 2018 and a reported net loss of $23,377 for the fourth quarter in 2017.

On July 6, 2018, the Company closed the sale of Impact Mobile. Accordingly, the results of operations of Impact Mobile have been segregated from the ongoing continuing business and presented as discontinued operations. For the fourth quarter of 2018, income from discontinued operations was $22, as compared to $23,079 from the previous quarter and $1,263 for the corresponding quarter in 2017. The third quarter of 2018 substantially represented the estimated gain on the sale of Impact Mobile of $23.0 million.

Gross profit of $2,611 for the three months ended December 31, 2018 increased by 10% when compared to gross profit of $2,380 realised in the third quarter of 2018. Gross profit for this quarter is higher by 74% when compared to the $1,503 reported for the three months ended December 31, 2017. The increase from Q3 is primarily due to:

- Lower credit administration expenses; partially offset by
- Lower gross profit from call centre operations.

Operating expenses for the three months ended December 31, 2018 were $3,015, 48% lower than the immediately preceding quarter and 88% lower than the corresponding quarter in 2017. As a result of Management's turnaround process, significant one-time expense items are included in operating expenses for the third quarter of 2018 and the fourth quarter of 2017. Once these one-time items are accounted for, total operating expenses improved by 8% from previous quarter and 50% over the same quarter of last year.

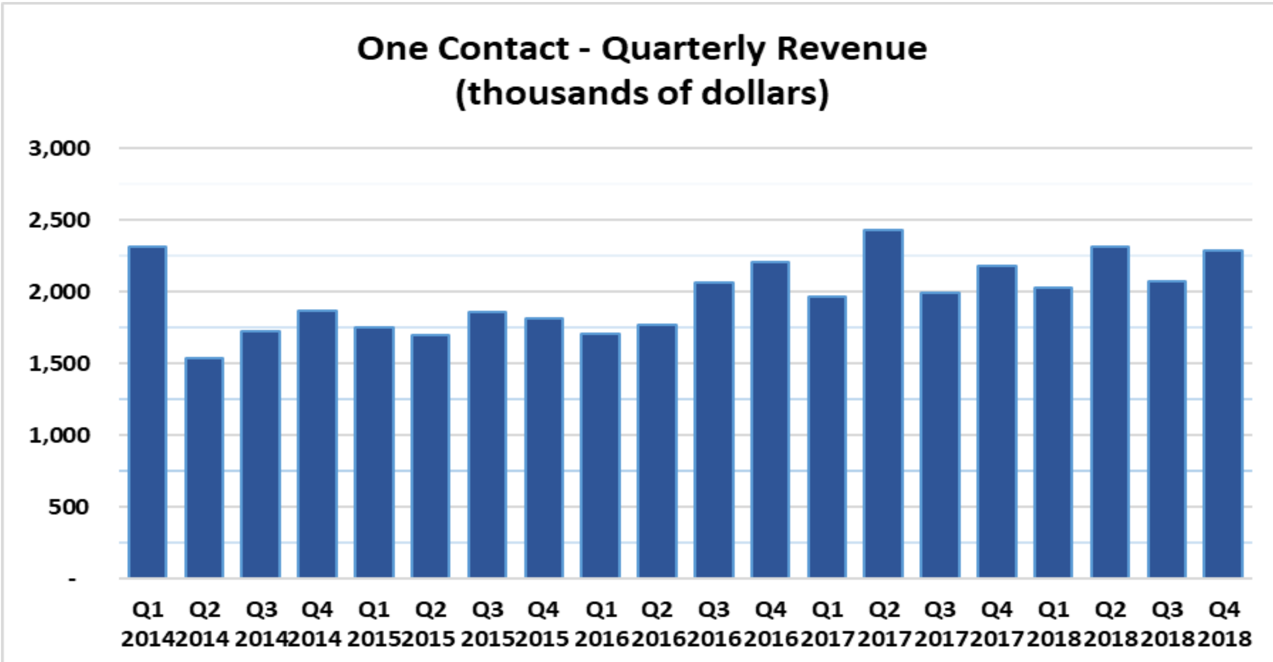
	Three months ended				
in $'000s	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**	**Change over September 30, 2018**	**Change over December 31, 2017**
	$	$	$	%	%
Operating Expenses	3,015	5,761	24,880	(47.7)	(87.9)
Less one-time expense items:					
Loss on loss of control	(84)	408	-		
Impairment loss	-	-	17,854		
Finance charges	-	1,415	-		
Severance	8	565	901		
	3,091	3,373	6,125	(8.4)	(49.5)

Consumer Finance interest income during the three months ended December 31, 2018 was $3,936, marginally higher (1%) than the prior quarter of $3,889 and 10% higher than the $3,587 recognized in the same period in 2017. The average yield on earning assets remained relatively stable at 8.7% from the previous quarter and improved from the reported 8.3% in the same quarter in the prior year.

Consumer Finance interest expense for the three months ended December 31, 2018 was $2,014, 2% higher than the interest expense of $1,984 for the immediately preceding quarter with a relatively flat interest rate. When compared to the three months ended December 31, 2017, interest expense was 9% lower as the weighted average interest expense as a percentage of earning finance assets dropped to 4.4% for the current quarter from 5.1% for the same quarter in 2017, which more than offset the higher average borrowings.

Secured borrowings rose to $148.3 million as at December 31, 2018, an increase of 4% from $142.1 million as at September 30, 2018, and up 13% from $130.9 million as at December 31, 2017. Securitization activity is a function of many factors including, but not limited to: timing of originations; seasoning timeframes of eligible contracts for securitization funders; sizing of securitization pools for efficiency; funder investment demand; and interest rate volatility.

Engagement business revenues for the three months ended December 31, 2018 were $2,283, 10% higher than the $2,076 of revenue reported in the prior quarter due to seasonality and 46% lower than the $4,209 reported for the same quarter in 2017 as a result of the liquidation of Gemma. Adjusting for the liquidation of Gemma, the change would have been 5% higher than the adjusted revenue of $2,180 in the same quarter of 2017.



Engagement cost of sales for the three months ended December 31, 2018 was $1,658, 26% higher than the $1,314 for the prior quarter, and 47% lower than the $3,121 for the same quarter in 2017. Adjusting for the liquidation of Gemma, the change would be 5% higher than the adjusted cost of sales of $1,573 for the fourth quarter of 2017.

Salaries, wages & benefits were $1,912 for the three months ended December 31, 2018 compared to $2,605 for the three months ended September 30, 2018 and $3,362 for the corresponding quarter in 2017. The decrease of 27% from the previous quarter is primarily due to severance costs of $565 thousand. The reduction from the prior year is driven by the liquidation of Gemma and lower overall headcount, as well as other cost reduction initiatives.

General & administrative expenses were $932 for the three months ended December 31, 2018, 13% lower than the $1,076 incurred for the three months ended September 30, 2018 and 69% lower than the $2,969 reported for the same quarter in 2017. The reduction in general and administrative expenses in the current quarter over the prior quarter is driven by the ongoing focus on cost reductions by management.

Finance costs, net, represents interest and accretion expenses on corporate debt and foreign exchange gain and loss. On December 22, 2017, the Company issued non-convertible Senior Secured Debentures with a $12 million face value, at a 10% discount on closing, bearing a coupon rate of 6% per annum. This debt was repaid on July 9, 2018, and a $1.4 million charge was recorded related to the remaining interest accretion in the third quarter of 2018. For the three months ended December 31, 2018, the Company recognised a total of nil related to interest and accretion costs.

Share-based compensation expense was $91 for the three months ended December 31, 2018 compared to $72 for the prior quarter and $147 for the same quarter in 2017. Shared-based compensation expense increased from previous quarter due to the issuance of 8.95 million options issued in the latter part of third quarter of

2018. The decrease from prior year is reflective of the lower level of overall unvested stock options and the forfeiture of stock options.

Income per share during the three months ended December 31, 2018 was $0.00, compared to $0.07 per share for the three months ended September 30, 2018 and a loss of $0.08 for the same period in 2017. The income per share in the previous quarter is due to the gain on the sale of Impact Mobile. Loss per share from continuing operations for the period ended December 31, 2018 was $0.00, as compared to a loss of $0.01 for the previous quarter and a loss per share of $0.08 for the same period in the prior year.

Overall Performance Highlights for the year ended December 31, 2018

The following table sets forth a summary of the Company's consolidated financial performance as of the dates presented:

in $'000s except for per share amounts	For the year ended December 31, 2018	December 31, 2017	Change over December 31, 2017
	$	$	%
Consumer finance			
Interest income	**15,361**	14,315	7.3
Interest expense	**7,889**	8,157	(3.3)
	7,472	6,158	21.3
Fee and ancillary revenue	**2,224**	1,986	12.0
Direct expense	**(1,399)**	(1,239)	12.9
Provision for credit losses	**(453)**	(1,508)	(70.0)
	372	(761)	(148.9)
Finance income	**7,844**	5,397	45.3
Engagement			
Revenue	**10,215**	15,447	(33.9)
Cost of sales	**7,363**	11,699	(37.1)
	2,852	3,748	(23.9)
Gross profit	**10,696**	9,145	17.0
Operating expenses			
Salaries, wages and benefits	**9,454**	13,184	(28.3)
General and administrative	**4,520**	9,348	(51.6)
Finance costs, net	**3,041**	704	332.0
Depreciation and amortization	**764**	1,914	(60.1)
Share-based compensation	**275**	1,289	(78.7)
Impairment loss	**-**	31,545	(100.0)
Loss on loss of control	**1,422**	-	n/a
	19,476	57,984	(66.4)
Loss from continuing operations before income taxes	**(8,780)**	(48,839)	(82.0)
Income tax expense (recovery)	**-**	-	n/a
Deferred tax expense (recovery)	**-**	-	n/a
Net loss from continuing operations	**(8,780)**	(48,839)	(82.0)
Income from discontinued operations, net of tax	**25,619**	4,141	518.7
Net income (loss)	**16,839**	(44,698)	(137.7)
Other comprehensive income (loss)			
Foreign currency translation	**6**	(104)	(105.8)
Total comprehensive income (loss)	**16,845**	(44,802)	(137.6)
Income (loss) per common share - basic and diluted	**0.06**	(0.16)	n/a
Continuing operations	**(0.03)**	(0.17)	n/a
Discontinued operations	**0.09**	0.01	n/a

The Company recorded a net loss from continuing operations of $8,780 for the year ended December 31, 2018, compared to a reported net loss of $48,839 for the year ended December 31, 2017, representing an 82% improvement from a year ago. Adjusting for the impact of the liquidation of Gemma and impairment losses, the loss from continuing operations for the current year would have been $6,985, 51% favorable to the adjusted loss from continuing operations of $14,215 for the year ended December 31, 2017.

Consumer Finance interest income during the year ended December 31, 2018 totaled $15,361, 7% higher than the $14,315 reported for the year ended 2017. The increase was driven by the average yield on earning assets for the year ended December 31, 2018 of 8.8%, thirty basis points higher than the 8.5% reported for the year ended 2017. In addition, average earning assets also increased to $175 million from $167 million.

Consumer Finance interest expense for the year ended December 31, 2018 was $7,889, 3% lower than the interest expense reported in 2017 of $8,157. The decrease in interest expense is the result of a lower weighted average interest rate of 4.5%, as compared to 4.8% in 2017. The favourable decrease in weighted average interest rate was a result of the repayment of $16 million of senior secured debentures bearing interest at 9% in January 2018 which was partially replaced by a warehouse facility at a lower interest rate.

Securitization borrowings increased by $17.4 million from $130.9 million as at end of 2017 to $148.3 million as at end of 2018. Securitization activity is a function of many factors including, but not limited to: timing of originations; seasoning timeframes of eligible contracts for securitization funders; sizing of securitization pools for efficiency; funder investment demand; and interest rate volatility.

Engagement business revenues during the year ended December 31, 2018 were $10,215 compared to $15,447 in 2017. The 34% decline in revenues year over year is directly related to the liquidation of Gemma.

Engagement cost of sales for year ended December 31, 2018 was $7,363, compared to $11,699 for the prior year. The decrease in cost of sales is a result of the liquidation of Gemma and continuous reduction of call center personnel.

Salaries, wages & benefits were $9,454 for year ended December 31, 2018 compared to $13,184 during 2017, a decrease of 28%. Excluding the impact of Gemma, salaries and wages for the year ended December 31, 2018 represent a 19% reduction from a year ago, as reflected by the lower salaried headcount.

General & administrative expenses were $4,520 for the year ended December 31, 2018 compared to $9,348 for 2017, a decrease of 52%. Adjusting for impact of Gemma, general and administrative expenses of continuing operations would have been reduced by 41%, mainly related to productivity savings through technology, reduced occupancy costs as the Company consolidated space, and elimination of any discretionary professional fees.

Finance costs were $3,041 for year ended December 31, 2018 compared to $704 for 2017. The issuance of corporate senior secured debenture in December 2017 and repayment in the third quarter accounted for the majority of the current year's finance costs.

Share-based compensation expense was $275 for year ended December 31, 2018 compared to $1,289 for 2017, due to lower level of unvested stock options and forfeiture of stock options.

The Company had sufficient loss carryforwards available to shelter its income for the year which was primarily driven by its gain on the sale of Impact Mobile.

Income per share (basic and diluted) during the year ended December 31, 2018 was $0.06 compared to a loss per share of $0.16 for the year ended December 31, 2017. The income per share in 2018 was primarily driven by the sale of Impact. Loss per share from continuing operations was $0.03 for the year ended December 31, 2018 versus a loss of $0.17 reported for the year ended 2017.

Consolidated Financial Position

The following table sets forth a summary of the Company's consolidated financial position as of the dates presented:

in $'000s	December 31, 2018	September 30, 2018	December 31, 2017	Change over September 30, 2018	Change over December 31, 2017
	$	$	$	%	%
Cash and cash equivalents	**8,684**	8,884	12,799	(2.3)	(32.2)
Restricted cash	**13,217**	13,056	18,402	1.2	(28.2)
Trade receivables, net of allowance	**523**	843	4,866	(38.0)	(89.3)
Finance receivables, net	**182,826**	177,569	170,681	3.0	7.1
Other assets	**5,051**	5,247	3,514	(3.7)	43.7
Property and equipment, net	**580**	653	2,517	(11.2)	(77.0)
Intangible assets, net	**1,105**	1,036	1,754	6.7	(37.0)
Goodwill	**-**	-	289	n/a	(100.0)
Assets	**211,986**	207,288	214,822	2.3	(1.3)
Accounts payable and other liabilities	**3,886**	4,556	10,314	(14.7)	(62.3)
Debentures and notes payable	**23,825**	24,347	53,760	(2.1)	(55.7)
Secured borrowings	**148,263**	142,098	130,898	4.3	13.3
Total liabilities	**175,974**	171,001	194,972	2.9	(9.7)
Share capital	**71,123**	71,123	71,473	-	(0.5)
Shares to be issued	**-**	-	300	n/a	(100.0)
Contributed surplus	**6,747**	6,645	6,474	1.5	4.2
Accumulated other comprehensive loss	**(53)**	(58)	(59)	(8.6)	(10.2)
Deficit	**(41,805)**	(41,423)	(58,338)	0.9	(28.3)
Shareholders' equity	**36,012**	36,287	19,850	(0.8)	81.4
Total liabilities and shareholders' equity	**211,986**	207,288	214,822	2.3	(1.3)

Total Assets

Total assets were $211,986 as at December 31, 2018, an increase of $4,698 or 2%, compared to $207,288 as at September 30, 2018, and a decrease of $2,836 or 1% compared to $214,822 as at December 31, 2017. The decrease in total assets from year to year are a direct result of the sale of Impact Mobile in July 2018 and the deconsolidation of Gemma assets upon its liquidation on March 9, 2018.

Trade receivables

The following table sets forth a breakdown of the Company's trade receivables as at December 31, 2018, September 30, 2017 and December 31, 2017:

in $'000s	December 31, 2018	September 30, 2018	December 31, 2017	Change over September 30, 2018	Change over December 31, 2017
	$	**$**	$	%	%
Trade receivables	**523**	843	4,906	(38.0)	(89.3)
Allowance for doubtful accounts	**-**	-	(40)	n/a	(100.0)
	523	843	4,866	(38.0)	(89.3)

Trade receivables are non-interest bearing and are generally 30 to 90 day terms. Management regularly measures the credit quality of trade receivables based on individual customer and market factors. For December 31, 2018, September 30, 2018 and December 31, 2017, 100% of the Company's trade receivables are considered current (less than 60 days). The reduction of trade receivables, net of allowance, from December 31, 2017 is primarily attributable to the loss of Gemma accounts of $1,727 and the sale of Impact Mobile which removed $1,951.

Management maintains an allowance for credit losses, which it establishes to provide for impairment of individual or groups of assets. Individual impairment is assessed by examining contractual delinquency and the individual borrower's financial condition. As at December 31, 2018, the Company has no allowance for credit losses for trade receivables for its continuing operations.

Finance receivables, net

The following table sets forth a breakdown of the Company's finance receivables as of December 31, 2018, September 30, 2018 and December 31, 2017:

in $'000s	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**	**Change over September 30, 2018**	**Change over December 31, 2017**
	$	**$**	$	%	%
Consumer finance leases	**105,238**	**108,894**	119,945	(3.4)	(12.3)
Consumer finance loans	**79,344**	**70,178**	51,903	13.1	52.9
Allowance for credit losses	**(1,756)**	**(1,503)**	(1,167)	16.8	50.5
	182,826	**177,569**	170,681	3.0	7.1

Consumer finance leases and loans before allowance for expected credit losses of $184,582 reported as at December 31, 2018 represents an increase of 3% from September 30, 2018 and 7% from December 31, 2017. The net growth in the current year before allowance for expected credit losses of $12,734 represents total organic originations of $44.4 million (2017 – $42.3 million) offset by collections and terminations. In 2017, in addition to organic originations of $42.3 million, the Company also acquired a $27,032 portfolio of finance receivables.

Of the aggregate 35,226 finance contracts as at December 31, 2018, (32,509 – 2017), 22,267 were lease contracts (23,195 – 2017), representing 57% of the net investment in financial contracts (70% – 2017), and 12,959 were loan contracts (9,314 – 2017), representing 43% of the net investment in finance contracts (30% - December 31, 2017). The portfolio is with customers who are homeowners. The portfolio risk is diversified across a large number of small transactions with an average outstanding balance of loans of $6.1 ($5.6 – 2017), and of leases of $4.6 ($5.2 – 2017).

The Company continues to focus on resolving its previously reported 2016 increase in delinquencies, caused primarily by customer complaints and consumer contract issues with dealers, principally inherited through the EcoHome business acquired from Chesswood. As a result, the Company suspended, or ceased accepting, new originations with some of these dealers while the majority of customer complaints were being addressed. The cessation of business with these dealers during 2017 led to the assessment and ultimate impairment of its Dealer relationships and Brand and trademarks within the Consumer Finance segment.

The Company also: (i) increased the length of time it holds new contracts in its warehouse facilities to provide greater assurance of predictable performance; (ii) revised its process for approvals of transactions prior to dealer funding; and; (iii) commenced the development of additional funding sources for more advanced loan types.

The following table presents the aging of the Company's consumer finance leases:

	December 31, 2018		September 30, 2018		December 31, 2017	
LEASES in $'000s	$	%	$	%	$	%
1-30 days past due	**1,253**	**1.2**	1,370	1.3	2,062	1.8
31-60 days past due	**552**	**0.5**	635	0.6	828	0.7
61-90 days past due	**318**	**0.3**	364	0.3	665	0.6
Greater than 90 days past due	**6,175**	**6.0**	5,754	5.5	4,702	4.0
Total past due	**8,298**	**8.0**	8,123	7.7	8,257	7.1
Current	**94,238**	**92.0**	97,617	92.3	107,637	92.9
Total consumer finance leases	**102,536**	**100.0**	105,740	100.0	115,894	100.0

Total past due finance lease receivables increased by $41 to $8,298 (8.0% of total leases) as at December 31, 2018 from December 31, 2017 of $8,257 (7.1% of total leases). Greater than 90 days past due lease receivables, have increased to $6,175 (6.0% of total leases) as at December 31, 2018 from $4,702 (4.0% of total leases) as at December 31, 2017. The Company significantly reduced lease origination activity during 2017 as it discontinued dealers. The portfolio has experienced a decline in total size faster than the decline in delinquencies, leading to higher percentages. Greater than 90 days past due amounts are expected to continue to increase as the utilization of the NOSI is most effective as a repayment tool at the time a customer seeks to re-finance their home mortgage or to sell their home. This can take on average 2 - 2.5 years from time of default. The collection efforts of the Company have been focused on reducing further defaults by targeting early delinquencies and reducing migration to longer past due dates. As per the above table, the Company has achieved reductions in each arrears category from 0 – 90 days.

In accordance with IFRS 9, the Company increased the December 31, 2017 allowance for expected credit losses ["ECL"] for leases of $814 by $169 to $983 as at January 1, 2018. As at December 31, 2018, the Company reported an allowance of expected credit losses for leases of $805.

An analysis of the changes in the classification of allowance for expected credit losses for leases is as follows:

	Stage 1 (Performing) $	**Stage 2 (Under-Performing)** $	**Stage 3 (Non-Performing)** $	**Total** $
As at January 1, 2018	741	61	181	983
Transfers to (from):				
Stage 1	**(37)**	**7**	**30**	**—**
Stage 2	**16**	**(41)**	**25**	**—**
Stage 3	**22**	**12**	**(34)**	**—**
Originations	**4**	**3**	**7**	**14**
Principal payments	**(513)**	**(16)**	**(50)**	**(579)**
Write-offs against allowance	**—**	**—**	**(16)**	**(16)**
Changes in credit risk	**(110)**	**212**	**301**	**403**
As at December 31, 2018	**123**	**238**	**444**	**805**

The Company formulates a "base case" view of the forward-looking perspective of relevant economic variables as well as a representative range of other possible forecasts scenarios. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company used the following assumptions to estimate ECL for leases under three different scenarios:

Assumptions	Base case	Optimistic case	Pessimistic case
Probability of default (Stages 1 and 2)	**1**	**0.90**	**1.10**
NOSI recovery time (Stage 1, 2 and 3)	**1**	**0.75**	**1.25**
Loss given default (Stage 3)	**1**	**0.60**	**1.40**

As of December 31, 2018, if the Company used only the "base case" scenario, the ECL for leases would be approximately $685 compared to $1,171 under the "pessimistic case" scenario and $422 under the "optimistic case" scenario. In all cases the percent of accounts in each stage was assumed to remain stable.

Credit risk ratings are assigned to each loan in Stage 1 based on the customer's external credit risk score.

The following table presents the aging of the Company's consumer finance loans:

	December 31, 2018		September 30, 2018		December 31, 2017	
LOANS in $'000s	$	%	$	%	$	%
1-30 days past due	**992**	**1.2**	893	1.3	737	1.4
31-60 days past due	**288**	**0.4**	293	0.4	110	0.2
61-90 days past due	**230**	**0.3**	192	0.3	113	0.2
Greater than 90 days past due	**833**	**1.0**	643	0.9	388	0.8
Total past due	**2,343**	**2.9**	2,021	2.9	1,348	2.6
Current	**77,103**	**97.1**	68,344	97.1	50,815	97.4
Total consumer finance loans	**79,446**	**100.0**	70,365	100.0	52,163	100.0

As at December 31, 2018, total past due finance loan receivables of $2,343 (or 2.9% of total loans) represents an increase of $995 from the December 31, 2017 balance of $1,348 (2.6% of total loans). This overall increase is partially in line with the overall increase in the loan portfolio of 52% from December 31, 2017. Greater than 90 days past due loan receivables have increased by $445 to $833 (1% of total loans) as at December 31, 2018 from $388 (0.8% of total loans) as at December 31, 2017. The Company increased loan origination activity during 2017 as it on-boarded new dealers which have a focus on loan products and was terminating underperforming dealers, many of which were driving lease originations. Greater than 90 days past due amounts are expected to continue to increase as the utilization of the NOSI is most effective as a repayment tool at the time a customer seeks to re-finance their home mortgage or to sell their home. This can take on average 2 - 2.5 years from time of default. The collection efforts of the Company have been focused on limiting defaults by targeting early delinquencies and reducing migration to longer past due dates. As per the above table, early arrears rates are at comparable rates to those now experienced in the lease book.

In accordance with IFRS 9, the Company increased the December 31, 2017 allowance for expected credit losses for loans of $353 by $137 to $490 as at January 1, 2018. As at end of December 31, 2018, the Company reported an allowance of expected credit losses for loans of $951.

An analysis of the changes in the classifications of allowance for expected credit losses for loans is as follows:

	Stage 1 (Performing) $	Stage 2 (Under-Performing) $	Stage 3 (Non-Performing) $	Total $
As at January 1, 2018	341	9	140	490
Transfers to (from):				
Stage 1	**(18)**	**6**	**12**	**—**
Stage 2	**1**	**(6)**	**5**	**—**
Stage 3	**14**	**2**	**(16)**	**—**
Originations	**82**	**136**	**53**	**271**
Principal payments	**(155)**	**(1)**	**(28)**	**(184)**
Write-offs against allowance	**—**	**—**	**(9)**	**(9)**
Changes in credit risk	**(43)**	**228**	**198**	**383**
As at December 31, 2018	**222**	**374**	**355**	**951**

The Company formulates a "base case" view of the forward-looking perspective of relevant economic variables as well as a representative range of other possible forecasts scenarios. The other represent more optimistic and more pessimistic outcomes.

The Company used the following assumptions to estimate ECL for loans under three different scenarios:

Assumptions	Base case	Optimistic case	Pessimistic case
Probability of default (Stages 1 and 2)	**1**	**0.90**	**1.10**
NOSI recovery time (Stage 1, 2 and 3)	**1**	**0.75**	**1.25**
Loss given default (Stage 3)	**1**	**0.60**	**1.40**

As of December 31, 2018, if the Company used only the "base case" scenario, the ECL for loans would be approximately $846 compared to $1,531 under the "pessimistic case" scenario and $515 under the "optimistic case" scenario. In all cases the percent of accounts in each stage was assumed to remain stable.

Many of the Company's reported delinquencies to date are not the result of a deterioration in the borrower's credit quality, but rather the result of disputes at the conclusion of a home improvement project when the homeowner may be unsatisfied, for whatever reason, with the dealer. The Company has worked closely with both customers and dealers to achieve a satisfactory resolution and bring accounts current. If unresolved, the account continues to age as do accounts in arrears due to credit problems. In either case, the Company intends to enforce its collateral rights. Enforcement against assets affixed to the home can take months, or years, to fully realize, typically dependent on the future timing of a sale, or mortgage refinancing, of the home.

As part of the credit risk management practices, the Company maintains various forms of collateral. 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, 2018, the Company held $914 [December 31, 2017– $942] in dealer reserves within accounts payable and other liabilities. As at December 31, 2018, the Company has $1,749 [December 31, 2017 – $1,478] due from dealers reported under other assets. The receivables arose from delinquent finance lease contracts upon termination by the Company. The Company intends to recover the outstanding balances through garnishment of future escalation payments otherwise due to the originating dealers. In 2018, the Company wrote-off $223 thousand of unrecoverable dealer reserves, all related to the discontinued One Dealer brand. The write-off was determined by comparing current amount due from dealers against expected recoveries from future escalations. Any deficiencies were written-off.

As further credit support, the Company maintains other forms of collateral on its leases and loans. The Company is entitled to provincially register a NOSI at any time during the life of the contract. The Company's practice is to register a NOSI at the inception of the term for larger contracts or those from certain dealers, or immediately upon delinquency in the case of all others.

Based on these safeguards, practices and experience, management has determined that the finance receivable portfolio has not suffered significant impairment.

Other

The following table sets forth a summary of other assets by category for the periods presented:

in $'000s	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**
	$	**$**	$
Restricted cash	**13,217**	13,056	18,402
Other assets	**5,051**	5,247	3,514
Property and equipment, net	**580**	653	2,517
Intangible assets, net	**1,105**	1,036	1,754
Goodwill	**-**	-	289
	19,953	19,992	26,476

Restricted cash

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

in $'000s	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**
	$	$	$
Cash designated for originations	**5**	3	4,384
Cash reserves - fixed facilities	**2,000**	2,000	3,600
Cash reserves - secured borrowing	**11,212**	11,053	10,418
	13,217	**13,056**	**18,402**

Other Assets
Other assets consist of the following:

in $'000s	December 31, 2018	September 30, 2018	December 31, 2017
	$	$	$
Due from purchaser	**2,638**	2,694	-
Due from dealers	**1,749**	1,802	1,478
Due from vendor	-	-	663
Amounts due from sale of contracts	-	-	441
Due from Gemma estate	**149**	-	-
Prepaid expenses and other receivables	**275**	317	460
Security deposits	**84**	170	270
HST receivable	**156**	264	202
	5,051	5,247	3,514

As at December 31, 2018, $2,638 is due from the purchaser of Impact Mobile. Subsequent to year end, $2.5 million was received with remainder due in January 2020.

Lease delinquencies are generally recoverable from dealers through subsequent funding or through claw-back of their reserves. In some cases, lease delinquencies exceed the available dealer reserves on hand and are recoverable through garnishment of future escalation payments otherwise due to the originating dealer. As at December 31, 2018, the Company had $1,749 of receivables from dealers. During the current year, the Company wrote-off $223 of unrecoverable dealer reserves, all related to the discontinued One Dealer brand. The write-off was determined by comparing current amount due from dealer against expected recoveries from future escalations. Any deficiencies were written-off.

On January 13, 2017, the Company acquired a consumer finance lease portfolio of $27,032. As at end of 2017, net finance receivables of $663 remain outstanding from the vendor. This amount was collected in the third quarter through the cancellation of shares held in escrow for the seller.

During the fourth quarter of 2017, the Company sold a total of 632 lease contracts at net book value for cash consideration of $3,784 plus applicable taxes. The outstanding purchase price of $441 reported as of December 31, 2017 was collected in full plus interest in May 2018.

The Company expected to realize net recoveries of approximately $206 in cash from the estate of Gemma upon liquidation of its net assets. During 2018, the Company has recovered $165 from the Gemma estate upon liquidation of certain assets less expenses. The Company expects to further recover $149. This receivable includes $108 of deposits placed with the trustee.

Property and equipment
Property and equipment consist of the following:

in $'000s	**December 31, 2018**	**September 30 2018**	**December 31, 2017**	**Change over September 31, 2018**	**Change over December 31, 2017**
	$	$	$	%	%
Computer hardware	**227**	**247**	**585**	(8.1)	(61.2)
Leased assets	**-**	**-**	**1,129**	n/a	(100.0)
Office equipment	**98**	**101**	**162**	(3.0)	(39.5)
Leasehold improvements	**255**	**305**	**641**	(16.4)	(60.2)
	580	**653**	**2,517**	(11.2)	(77.0)

These assets have reduced 77% from $2,517 at the end of 2017 to $580 as at December 31, 2018 due primarily to the sale of Impact Mobile and the liquidation of Gemma.

Intangibles
Intangibles consist of the following:

in $'000s	**December 31, 2018**	**September 30 2018**	**December 31, 2017**	**Change over September 30, 2018**	**Change over December 31, 2017**
	$	$	$	%	%
Customer relationships	**-**	**-**	889	n/a	(100.0)
Computer software and other	**1,105**	**1,036**	865	6.7	27.7
	1,105	**1,036**	1,754	6.7	(37.0)

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition apart from goodwill. The Company's intangible assets include computer software, customer relationships and are measured at amortized cost. The decrease from $1,754 or 37% at the end of 2017 to $1,105 as at December 31, 2018 is due to the sale of Impact Mobile and the liquidation of Gemma.

Goodwill
Goodwill consists of the following:

in $'000s	**December 31 2018**	**September 30 2018**	**December 31, 2017**	**Change over September 30, 2018**	**Change over December 31, 2017**
	$	$	$	%	%
Consumer Finance	-	-	-	n/a	n/a
Mobile Engagement	-	-	289	n/a	(100.0)
Live Engagememt	-	-	-	n/a	n/a
	-	-	289	n/a	(100.0)

Debentures, Notes Payable and Secured Borrowings

The following table below represents the carrying value of the Company's borrowings:

in $'000s	December 31, 2018	September 30, 2018	December 31, 2017	Change over September 30, 2018	Change over December 31, 2017
	$	$	$	%	%
Secured debentures	**18,911**	18,874	34,768	0.2	(45.6)
Senior secured debentures	**-**	-	9,354	n/a	(100.0)
Secured promissory note	**4,914**	5,473	7,148	(10.2)	(31.3)
Unsecured convertible VTB note	**-**	-	2,490	n/a	(100.0)
Secured borrowings	**148,263**	142,098	130,898	4.3	13.3
	172,088	166,445	184,658	3.4	(6.8)

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

On May 5, 2016, the Company issued a $3 million secured debenture under this existing facility at a fixed interest rate of 5.85%, maturing on June 30, 2017. The debenture was extended to mature on January 11, 2018 at the rate of 9.0%. This was repaid in full upon maturity of the debenture.

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

In April 2017, the Company, through a wholly owned subsidiary, issued $20 million of debentures to mature on October 13, 2017, bearing interest at 9.0%. This was extended to mature on January 11, 2018 under the same terms. On November 29, 2017, the Company repaid $7 million of the secured debentures and repaid $13 million upon maturity in January 2018.

Included in restricted cash was $5 as at December 31, 2018 [December 31, 2017 – $4,384] of funds received under the secured debentures. These funds can only be used for the origination of finance receivable contracts.

Also included in restricted cash are total cash reserves of $2,000 as at December 31, 2018 [December 31, 2017 – $3,600] to support the credit risk associated with the two secured debentures. In addition, the debentures are secured against consumer finance contracts with a book value of $20.0 million [December 31, 2017 – $31.9 million].

Secured promissory note
As part of the February 18, 2016 acquisition of EcoHome, the Company issued an $8 million promissory note to Chesswood bearing interest at 4.0% per annum, to mature on April 28, 2016. The note represented the intercompany warehouse funding to EcoHome for leases and loans that had not yet been securitized with EcoHome funders prior to the acquisition of EcoHome. As of January 1, 2017, $3 million of the remaining principal outstanding was extended to mature on October 16, 2017, with interest of 5.5% per annum.
On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the note, inter alia, to evidence an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million, bearing interest at the prime rate plus 3% per annum, with monthly repayments of $186 plus interest,

and a final principal repayment of $1 million due on the maturity date of October 16, 2020.

The note is secured against a pool of consumer finance contracts valued at $5,936 as at December 31, 2018 [December 31, 2017 – $8,585].

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

As part of the transaction, the Company issued a total of 48 million warrants or 4,000 non-transferrable share purchase warrants to the holder for every $1,000 Debenture purchased. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months. If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days. The Company incurred total transaction costs of $805, $300 of which were paid by the issuance of 2,777,777 common shares in April 2018, and $267 by the issuance of 10,662 preferred shares. The common shares were restricted for trading until July 6, 2018.

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

On July 9, 2018, concurrent with the sale of Impact Mobile, the Company repaid the $12 million debentures in full. Pursuant to the terms of the of the common share purchase warrants that were issued with the Debentures, the expiry date of the warrants issued was accelerated to December 22, 2018. No warrants were exercised.

Unsecured convertible vendor take-back note
As part of the February 18, 2016 acquisition of EcoHome, the Company issued Chesswood a $2.5 million convertible note, which matured on February 18, 2018 and was 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. The Company repaid the note in full prior to its maturity.

Secured borrowings

Dealnet finances its consumer finance lease and loan receivables by pledging such receivables as security for amounts borrowed from funders under bulk facilities. The Company retains servicing responsibilities of the pledged finance lease and loan receivables; the lenders have the right to enforce their security interest in the pledged receivables and the cash reserves that provide additional credit enhancement (see "*Other*" above), if the Company defaults under these facilities.

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

in $'000s	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**
	$	$	$
Carrying value of finance receivables transferred	**148,373**	140,230	125,585
Cash reserves	**11,212**	11,053	10,418
Available collateral	**159,585**	151,283	136,003
Carrying value of associated liabilities	**148,130**	141,967	130,913

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

The weighted average stated interest rate of the outstanding liabilities is 4.57% as at December 31, 2018 [December 31, 2017 – 4.11%] and excludes deferred financing costs and premiums or discounts. Included in restricted cash are cash reserves held with counterparties and forming part of the collateral security for these facilities are $11,212 as at December 31, 2018 [2017 – $10,418].

In November 2017, the Company renewed its securitization facility with a major Canadian life insurance company for an additional $50 million. During 2018, the Company securitized $41.6 million under this facility [2017 – $31.2 million]. In October 2018, the Company renewed this facility for an additional $40 million and with a broader range of consumer home improvement products eligible for financing.

As part of this November 2017 renewal, the Company also entered into a warehouse facility of $15 million with a term of 270 days from the funding date, bearing interest at 90-day Banker's Acceptance rates plus 3.5%. As at December 31, 2018, the Company utilized $11.2 million [2017 – nil] of the $15 million warehouse facility.

Under the existing securitization facility with a Schedule 1 bank, the Company securitized $4 million during 2018 [2017– $18.1 million]. In November 2018, the Company renewed this existing facility and entered into a warehouse facility of $5 million. The facility has a term of 90 days from the funding date, bearing interest at the prime rate plus 3% per annum. As at December 31, 2018, the Company has not utilized the existing facility.

In February of 2018, the Company terminated its securitization facility with a major Canadian financial institution and paid in full the outstanding balance of $7,134 [2017 – $7,338], net of cash reserves released of $779 plus applicable taxes.

Subsequent Event – Quebec Interim Facility

Subsequent to the year end, in February 2019, the Company entered into a twelve-month credit facility of $10 million with a private lender. This interim credit facility will finance eligible consumer finance receivable contracts originated in the province of Quebec until a permanent Quebec funding facility is established. The credit facility bears interest of prime rate plus 8.05%. To date, the Company has borrowed $5 million under this facility.

Equity

Share and warrant transactions for 2018 and 2017 are as follows:

[a] In April 2018, the Company issued 2,777,777 common shares to settle transaction costs of $300 incurred on the issuance of the $12 million senior secured debentures.

[b] On January 13, 2017, the Company issued 12,523,364 common shares valued at $5,511 as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million and incurred share issuance costs of $36. The common shares issued were subject to a hold period of four months expiring on May 14, 2017. Of the 6,630,014 common shares held in escrow to be released over a two-year period ending December 31, 2019, 1,473,336 common shares were cancelled as part of the settlement reached with the vendor to settle the outstanding receivable on acquisition of the portfolio of consumer finance lease contracts. Additionally, the common shares are subject to a three-year timed-release escrow commencing on closing. The remaining 5,156,678 common shares were released from escrow on August 20, 2018.

[c] On December 22, 2017, the Company issued a total of 48 million warrants as part of the issuance of 12,000 non-convertible senior secured debentures. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months. If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days. Given the sale of Impact Mobile on July 9, 2018, the expiry date of the warrants issued were accelerated to expire on December 22, 2018.

[d] During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds $400 [book value – $668]. In addition, the Company issued 999,819 common shares and 499,909 warrants.

[e] During the first quarter of 2017, a total of 7,427,499 common shares were issued upon the exercise of an equal number of warrants with a weighted exercise price of $0.50 for cash proceeds of $3,713 [book value – $5,978].

[f] During 2017, the Company issued 106,675 common shares from the exercise of employee stock options at a weighted average exercise price of $0.28 each for cash proceeds of $30 and a book value of $32.

Share-based compensation

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

Common share stock options	**Number [000s]**	**Weighted average exercise price $**
As at January 1, 2017	22,331	0.50
Issued	1,600	0.26
Exercised	(107)	0.28
Expired/forfeited	(6,336)	0.58
As at December 31, 2017	**17,488**	**0.45**
Issued	**8,950**	**0.08**
Expired/forfeited	**(7,865)**	**0.46**
As at December 31, 2018	**18,573**	**0.27**

On August 24, 2018, the Company granted a total of 8,950,000 stock options to directors, employees and consultants. During 2017, the Company granted 1,600,000 stock options to employees and consultants.

The stock options vest over a period of 18 months [2017 – 18 months], exercisable for a period of 5 years [2017 – 4 to 5 years] at a weighted average price of $0.08 [2017 – $0.26]. The fair value of these options was estimated to be $474 [2017 – $202] 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, 2018 are as follows:

	Options outstanding [000s]	**Weighted average exercise price** $	**Remaining contractual life** [in years]	**Options vested** [000s]	**Options unvested** [000s]
Expiry date					
2019	3,633	0.37	0.38	3,633	—
2020	1,510	0.30	1.51	1,510	—
2021	3,930	0.59	2.62	3,930	—
2022	1,250	0.24	3.65	1,083	167
2023	8,250	0.08	4.65	—	8,250
	18,573	**0.27**	**3.06**	**10,156**	**8,417**

Selected Financial Information – For the Years Ended December 31, 2018, 2017 and 2016

The following table summarizes key financial data to be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2018. Such financial statements are prepared using IFRS and are reported in Canadian dollars.

in $'000s except for per share amounts	**2018**	**2017**	**2016**
Revenue			
Consumer Finance*	15,361	14,315	7,604
Live Engagement	10,215	15,447	18,499
	25,576	29,762	26,103
Gross profit	10,696	9,145	8,698
Net loss from continuing operations	(8,780)	(48,839)	(13,345)
Total assets	211,986	214,822	209,812
Debentues and notes payable	23,825	53,760	27,055
Secured Borrowings	148,263	130,898	118,387
Income (loss) per common share - basic and diluted	0.06	(0.16)	(0.05)
Loss per share on continuing operations- basic and diluted	(0.03)	(0.17)	(0.06)
Dividends	Nil	Nil	Nil

* Consumer Finance represents interest income only and excludes fee and ancillary revenue.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, as originally reported, the latest of which ended December 31, 2018. This information has been prepared on the same basis as the Company's audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the related notes to those statements.

in $'000s except for per share amounts	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue								
Consumer Finance*	3,936	3,889	3,773	3,763	3,587	3,606	3,631	3,491
Live Engagement	2,283	2,076	2,318	3,538	4,210	3,589	3,982	3,666
	6,219	5,965	6,091	7,301	7,797	7,195	7,613	7,157
Gross profit	2,611	2,380	2,996	2,709	1,503	2,628	2,498	2,516
Net loss from continuing operations	(404)	(3,381)	(1,392)	(3,603)	(23,376)	(17,690)	(4,014)	(3,759)
Total assets	211,986	207,288	204,459	205,727	214,822	223,658	241,612	229,777
Debentues and notes payable	23,825	24,347	35,490	35,559	53,760	46,206	46,154	27,104
Secured Borrowings	148,263	142,098	145,129	144,565	130,898	128,760	128,280	131,973
Income (loss) per common share - basic and diluted	(0.00)	0.07	0.00	(0.01)	(0.08)	(0.06)	(0.01)	(0.01)
Loss per share on continuing operations- basic and diluted	(0.00)	(0.01)	0.00	(0.01)	(0.08)	(0.06)	(0.01)	(0.01)
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Consumer Finance represents interest income only and excludes fee and ancillary revenue.

The above table reflects only the financial results of the continuing operations. The financial contribution of Impact Mobile has been segregated and disclosed as discontinued operations on the Results of Operations.

Key factors that account for the fluctuation in the Company's quarterly revenues and net loss are primarily the result of:

1. In the third quarter of 2017, the impairment loss of $13,691 accounted for the main fluctuation in the quarter-to-quarter net loss.
2. In the fourth quarter of 2017, the impairment loss of $17,854 contributed to the net loss of $23,376.
3. In Q1 2018, the liquidation of Gemma resulted in reduction of Live Engagement revenue and the recognition of loss on loss of control of $1,091.
4. In Q3 2018, operating expenses included following one-time items: $1,415 of finance charges related to repayment of senior secured debentures; $565 thousand of severance; and $408 thousand on loss of loss of control.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2018.

Summary of Significant Accounting Policies and Judgements

The Company's audited consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the two-year period ended December 31, 2018, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Notes 3, 4 and 5 of the Company's consolidated financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements, the application of critical estimates and judgements in the preparation of the financial statements and recent accounting pronouncements.

Related Party Transactions

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

	2018	**2017**
	$	$
Salaries, bonuses and benefits	**3,068**	2,497
Termination benefits	**111**	1,217
Share-based compensation	**156**	613
	3,335	4,327

The amounts disclosed in the table are the amounts reflected in the consolidated financial statements during the reporting period and considered to be compensation to key management personnel. Key management personnel are those having authority and responsibility at any time during the year for planning, directing and controlling the activities of the Company, including senior management and members of the Board. The total number of key management personnel was 11 during 2018 [2017 – 14].

Included in the 2018 amounts are $1,055 [2017 – nil] relating to key management personnel compensation for the sale of Impact Mobile.

Other related party transactions

In December 2017, certain officers, directors and key management personnel invested $2,627 in the senior secured debentures.

In July 2018, the senior secured debentures were redeemed. Interest and accretion charges of $827 [2017 – $19] related to the senior secured debentures were included in finance costs, net in the consolidated statements of income (loss) and comprehensive income (loss).

Financial Instruments

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost. The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018:

Financial assets	**IAS 39 Classification**	**IFRS 9 Classification**
Cash and cash equivalents	FVTPL	Amortized cost
Restricted cash	FVTPL	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Consumer finance loans	Loans and receivables	Amortized cost
Other assets		
Due from dealers	Loans and receivables	Amortized cost
Due from vendor	Loans and receivables	Amortized cost
Amounts due from sale of contracts	Loans and receivables	Amortized cost
Due from Gemma estate	Loans and receivables	FVTPL
Security deposits	Loans and receivables	Amortized cost

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels for disclosure purposes. 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.

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, expressed in thousands of dollars, as follows:

	2018				
Financial Instruments	**IFRS 9 Category**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Cash and cash equivalents [i]	Amortized cost	8,684	—	—	8,684
Restricted cash [i]	Amortized cost	13,217	—	—	13,217
Trade receivables [i]	Amortized cost	—	523	—	523
Consumer finance loans, net [ii]	Amortized cost	—	77,987	—	77,987
Other assets [i]	Amortized cost	—	4,471	—	4,471
Due from Gemma estate [i]	FVTPL	—	149	—	149
Accounts payable and other liabilities [i]	Amortized cost	—	(3,886)	—	(3,886)
Debentures and notes payable [iv]	Amortized cost	—	—	(23,186)	(23,186)
Secured borrowings [iii]	Amortized cost	—	(146,842)	—	(146,842)

	2017				
Financial Instruments	**IAS 39 Category**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Cash and cash equivalents [i]	FVTPL	12,799	—	—	12,799
Restricted cash [i]	FVTPL	18,402	—	—	18,402
Trade receivables [i]	Loans and receivables	—	4,866	—	4,866
Consumer finance loans, net [ii]	Loans and receivables	—	50,582	—	50,582
Other assets [i]	Loans and receivables	—	2,852	—	2,852
Accounts payable and other liabilities [i]	Financial liabilities	—	(10,058)	—	(10,058)
Debentures and notes payable [iv]	Financial liabilities	—	—	(53,036)	(53,036)
Secured borrowings [iii]	Financial liabilities	—	(128,371)	—	(128,371)

Risk Management

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. The following analysis provides a measurement of major financial reporting and other risks as at December 31, 2018. This is not a comprehensive list.

Liquidity Risk

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due. The Company oversees its liquidity to ensure that it has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations under both normal and stressed conditions. The most significant exposure to liquidity risk relates to the repayment of secured borrowings, debentures, and notes payable. In addition, growth in origination volume requires the investment of upfront cash. The exposure to secured borrowings is primarily managed by term-matching the cash flows generated by the Company's net investment in leases and loans with the repayment requirements. With respect to debentures, notes payable and origination growth, the mitigation of liquidity risk is dependent on the Company's ability to extend current debt facilities or to raise additional funds through secure private debt placements or equity.

The following tables set out the remaining undiscounted contractual payments and maturities of the Company's financial assets, financial liabilities and other commitments including interest as at December 31, 2018.

	2019 $	2020 $	2021 $	2022 $	2023 $	2024+ $	Total $
Financial assets							
Cash and cash equivalents	8,684	—	—	—	—	—	8,684
Restricted cash	1,629	1,684	3,726	2,086	1,868	2,224	13,217
Trade receivables	523	—	—	—	—	—	523
Finance receivables – leases *[a]*	20,412	18,654	18,939	19,271	19,197	59,041	155,514
Finance receivables – loans *[a]*	15,304	15,368	16,388	21,042	26,363	9,732	104,197
Other assets	4,413	138	—	—	—	69	4,620
Total financial assets	50,965	35,844	39,053	42,399	47,428	71,066	286,755
Financial liabilities							
Accounts payable and other liabilities	(3,877)	(9)	—	—	—	—	(3,886)
Secured debentures	—	—	(10,000)	—	—	(10,000)	(20,000)
Secured promissory note	(2,229)	(2,671)	—	—	—	—	(4,900)
Secured borrowings *[b]*	(31,357)	(20,475)	(33,027)	(25,399)	(22,851)	(15,021)	(148,130)
Interest payable	(7,266)	(6,105)	(4,801)	(3,096)	(1,767)	(1,964)	(24,999)
	(44,729)	(29,260)	(47,828)	(28,495)	(24,618)	(26,985)	(201,915)
Property leases	(1,033)	(586)	(319)	(319)	(319)	(398)	(2,974)
Total financial liabilities	(45,762)	(29,846)	(48,147)	(28,814)	(24,937)	(27,383)	(204,889)

[a] Repayments of secured borrowings are funded through cash flows from related finance receivables.

[b] 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 scheduled collections of minimum monthly payments are not to be regarded as a forecast of future cash collections.

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 and cash equivalents, restricted cash, trade receivables, due from dealers and finance receivables. The carrying amounts of financial assets represent the maximum credit exposure. 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, 2018, the Company has no allowance for credit losses [2017 – $40].

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

The Company's loan receivables consist of unsecured consumer loans and, accordingly, the Company is exposed to credit risk within this portfolio. The Company mitigates credit risk by assessing the borrower's capacity and willingness to pay through its underwriting policies and by ensuring that all loan contracts greater than $15 or ones that have become delinquent are registered with a NOSI. As at December 31, 2018, the Company recorded an allowance for expected credit losses for loans of $951 [2017 – $353 prior to IFRS adjustment of $137].

Credit risk within the Company's lease receivables portfolio is mitigated by ensuring all lease contracts greater than $15 or ones that have become delinquent are registered with a NOSI and 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, 2018, the Company held $914 [2017 – $942] in dealer reserves within accounts payable and accrued liabilities. In addition, the Company has recorded an allowance for expected credit losses for leases of $805 [2017 – $814 prior to IFRS adjustment of $169].

As at December 31, 2018, the Company has $1,749 [2017 – $1,478] due from dealers reported under other assets. The receivables arose primarily from terminated delinquent finance lease contracts. The Company intends to recover the outstanding balances through garnishment of future escalation payments otherwise due to the originating dealers.

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

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

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to loss for the year. As at December 31, 2018, the Company did not hedge any currency exposures.

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

Internal Control Over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company. The adoption of IFRS 9 and IRFS 15 did not result in a material change to internal controls.

Reportable Segment Information

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 administrations expenses. All numbers are expressed in thousands of dollars.

	2018				
	Live Engagement	Consumer Finance	Corporate	Continuing operations	Discontinued operations
	$	$	$	$	$
Revenue					
Canada	**4,092**	**17,585**	**—**	**21,677**	**5,338**
United States	**6,123**	**—**	**—**	**6,123**	**1,092**
	10,215	**17,585**	**—**	**27,800**	**6,430**
Cost of sales	**7,363**	**9,741**	**—**	**17,104**	**1,855**
Gross profit	**2,852**	**7,844**	**—**	**10,696**	**4,575**
Expenses					
Salaries, wages and benefits	**1,309**	**3,485**	**4,660**	**9,454**	**2,828**
General and administrative	**1,348**	**1,586**	**1,586**	**4,520**	**403**
Finance costs, net	**(23)**	**1**	**3,063**	**3,041**	**41**
Loss on loss of control	**1,422**	**—**	**—**	**1,422**	**—**
Segment profit (loss)	**(1,204)**	**2,772**	**(9,309)**	**(7,741)**	**1,303**
Depreciation and amortization				**(764)**	**(206)**
Share-based compensation				**(275)**	**—**
Income (loss) before income taxes				**(8,780)**	**1,097**

In 2018, revenues from one customer in the Company's Live Engagement segment represented approximately 15.5% of the Company's total revenue.

	2017				
	Live Engagement	Consumer Finance	Corporate	Continuing operations	Discontinued operations
	$	$	$	$	$
Revenue					
Canada	10,960	16,301	—	27,261	8,520
United States	4,487	—	—	4,487	2,056
	15,447	16,301	—	31,748	10,576
Cost of sales	11,699	10,904	—	22,603	2,952
Gross profit	3,748	5,397	—	9,145	7,624
Expenses					
Salaries, wages and benefits	2,884	4,336	5,964	13,184	2,543
General and administrative	3,334	2,435	3,579	9,348	661
Finance costs, net	127	—	577	704	24
Impairment loss	2,495	29,050	—	31,545	—
Segment profit (loss)	(5,092)	(30,424)	(10,120)	(45,636)	4,396
Depreciation and amortization				(1,914)	(205)
Share-based compensation				(1,289)	—
Income (loss) before income taxes				(48,839)	4,191

Total assets

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

	2018				
	Live Engagement	Consumer Finance	Corporate	Discontinued operations	Consolidated
	$	$	$	$	$
Canada	**741**	**206,930**	**3,945**	**—**	**211,616**
United States	**370**	**—**	**—**	**—**	**370**
Total assets	**1,111**	**206,930**	**3,945**	**—**	**211,986**

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

Consolidated Statements of Financial Position

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in $'000s	**December 31, 2018**	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	As at				
Cash and cash equivalents	**8,684**	8,884	5,465	6,526	12,799
Restricted cash	**13,217**	13,056	13,651	14,509	18,402
Trade receivables, net of allowance	**523**	843	1,138	2,423	4,866
Finance receivables, net	**182,826**	177,569	174,290	172,932	170,681
Other assets	**5,051**	5,247	3,749	5,282	3,514
Property and equipment, net	**580**	653	738	1,982	2,517
Intangible assets, net	**1,105**	1,036	1,004	1,784	1,754
Goodwill	**-**	-	-	289	289
Assets held for sale	**-**	-	4,424	-	-
Assets	**211,986**	207,288	204,459	205,727	214,822
Accounts payable and other liabilities	**3,886**	4,556	4,233	8,418	10,314
Debentures and notes payable	**23,825**	24,347	35,490	35,559	53,760
Secured borrowings	**148,263**	142,098	145,129	144,565	130,898
Liabilities held for sale	**-**	-	2,161	-	-
Total Liabilities	**175,974**	171,001	187,013	188,542	194,972
Share capital	**71,123**	71,123	72,038	71,473	71,473
Shares to be issued	**-**	-	-	300	300
Contributed surplus	**6,747**	6,645	6,573	6,549	6,474
Accumulated other comprehensive loss	**(53)**	(58)	(44)	(67)	(59)
Deficit	**(41,805)**	(41,423)	(61,121)	(61,070)	(58,338)
Shareholders' equity	**36,012**	36,287	17,446	17,185	19,850
Total liabilities and shareholders' equity	**211,986**	207,288	204,459	205,727	214,822

Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss)

	For the three months ended				
in $'000s except for per share amounts	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**
	$	$	$	$	$
Consumer finance					
Interest income	**3,936**	**3,889**	3,773	3,763	3,587
Interest expense	**2,014**	**1,984**	1,966	1,925	2,219
	1,922	**1,905**	1,807	1,838	1,368
Fee and ancillary revenue	**574**	**598**	587	465	547
Direct expense	**(236)**	**(632)**	(266)	(265)	(344)
Provision for credit losses	**(274)**	**(253)**	35	39	(1,156)
Other direct revenue (expense)	**64**	**(287)**	356	239	(953)
Finance income	**1,986**	**1,618**	2,163	2,077	415
Engagement					
Revenue	**2,283**	**2,076**	2,318	3,538	4,209
Cost of sales	**1,658**	**1,314**	1,485	2,906	3,121
	625	**762**	833	632	1,088
Gross profit	**2,611**	**2,380**	2,996	2,709	1,503
Operating expenses					
Salaries, wages and benefits	**1,912**	**2,605**	2,197	2,740	3,362
General and administrative	**932**	**1,076**	1,131	1,381	2,969
Finance costs, net	**(27)**	**1,415**	823	830	343
Depreciation and amortization	**191**	**185**	197	191	205
Share-based compensation	**91**	**72**	33	79	147
Impairment loss	**-**	**-**	-	-	17,854
Loss on loss of control	**(84)**	**408**	7	1,091	-
	3,015	**5,761**	4,388	6,312	24,880
Loss from continuing operations before income taxes	**(404)**	**(3,381)**	(1,392)	(3,603)	(23,377)
Income tax expense (recovery)	**-**	**-**	-	-	-
Deferred tax expense (recovery)	**-**	**-**	-	-	-
Net loss from continuing operations	**(404)**	**(3,381)**	(1,392)	(3,603)	(23,377)
Income from discontinued operations, net of tax	**22**	**23,079**	1,341	1,177	1,263
Net income (loss)	**(382)**	**19,698**	(51)	(2,426)	(22,114)
Other comprehensive income (loss)					
Foreign currency translation	**5**	**(14)**	23	(8)	(52)
Total comprehensive income (loss)	**(377)**	**19,684**	(28)	(2,434)	(22,166)
Income (loss) per common share - basic and diluted	(0.00)	0.07	(0.00)	(0.01)	(0.08)
Continuing operations	(0.00)	(0.01)	(0.00)	(0.01)	(0.08)
Discontinued operations	0.00	0.08	0.00	0.00	0.00
Weighted average number of shares outstanding	**282,528**	**283,921**	283,849	281,224	281,224

Comparative Figures

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

Definition of non-IFRS measures

Performance Highlights	Definition
Consumer Finance	
Finance income ($mm)	Profits earned by Consumer Finance segment. Includes Net interest plus Other direct revenue, net
Net interest margin (%)	Net interest divided by Interest income, expressed as a percentage
Engagement	
Engagement income ($mm)	Engagement (Live and Mobile) revenue minus Cost of Sales
Engagement margin (%)	Engagement divided by Revenue, expressed as a percentage
Revenue Mix	
Revenue	Interest income plus Fee and ancillary revenue plus Engagement revenue
Consumer Finance - %	Interest income plus Fee and ancillary revenue divided by Revenue, expressed as a percentage
Engagement - %	Engagement revenue divided by Revenue, expressed as a percentage
Gross Profit Mix	
Consumer Finance - %	Finance income divided by Gross profit, expressed as a percentage
Engagement - %	Engagement margin divided by total Gross Profit for all segments, expressed as a percentage.
Average Yield on Earning Assets	Interest income (annualized) and expressed as a % of average finance assets for the period
Weighted Average Interest expense (as a % of Earning Assets)	Interest expense over average earning assets for the quarter (annualized rate)
Consumer Finance OPEX (as a % of Average Earning Assets)	OPEX comprises salaries, wages and benefits plus general and admininistrative expenses plus impairment loss (as reported on the segment note), divided by Average earning assets, expressed as a percentage
Average Earning Assets ($mm)	Average of Finance receivables for the relevant period
Period Ending Earning Assets ($mm)	Finance receivable balance outstanding as at reporting period
Tangible Leverage	Financial strength ratio that measures proportion of the Company's total debt (secured borrowings, debentures and notes payable) to Tangible net worth. The number indicates that, for every dollar of tangible net worth, the Company owes $x in debt
Tangible net worth ($mm)	Total shareholders' equity minus Intangible assets, net and minus goodwill.
Consumer Finance Contracts	Number of lease and loan contracts outstanding as at the end of the reporting period
Residual Cash Flow	Excess of cash flows from finance receivables after payment of secured borrwings and other related debt
Customer Credit Score	Equivalent to Beacon score

Updated Share Information

The Company is currently authorized to issue: (i) an unlimited number of common shares without nominal or par value; and, (ii) an unlimited number of preferred shares, issuable in series. There are no outstanding preferred shares.

	Outstanding Share Data As at		
	March 25, 2019	**December 31, 2018**	**December 31, 2017**
Common Shares - Basic	282,528,054	282,528,054	281,223,613
Common share purchase warrants	-	2,000,000	50,000,000
Stock options	18,573,333	18,573,333	17,488,233
Convertible vendor take-back	-	-	3,906,250
Deferred share units	538,888	538,888	821,745
Common shares - fully diluted	301,640,275	303,640,275	353,439,841