



**CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018**

## Management's Report on Internal Control over Financial Reporting

The consolidated financial statements of Dundee Corporation (the "Corporation"), the accompanying notes thereto and other financial information contained in the Corporation's management's discussion and analysis and annual information form are the responsibility of, and have been prepared by management. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout the documents accompanying these consolidated financial statements and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee, which is comprised entirely of independent directors, reviews the Corporation's interim and annual consolidated financial statements and its management's discussion and analysis, and recommends them for approval by the Board of Directors. Other key responsibilities of the Audit Committee include the monitoring of the Corporation's system of internal control over financial reporting, including disclosure controls, and reviewing the qualifications, fees, independence and performance of the external auditor. The Audit Committee reports its findings to the Board of Directors before the consolidated financial statements and the accompanying management's discussion and analysis are approved by the Board of Directors.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders of the Corporation at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion as to their compliance with International Financial Reporting Standards. The auditor has full and unrestricted access to the Audit Committee to discuss their audit and related matters.

(signed) Jonathan Goodman  
*Chairman and  
Chief Executive Officer*

(signed) Robert Sellars  
*Executive Vice President and  
Chief Financial Officer*

Toronto, Canada  
March 28, 2019



## *Independent auditor's report*

To the Shareholders of Dundee Corporation

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dundee Corporation and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alodie Cuvelier-Brew.

**(Signed) "PricewaterhouseCoopers LLP"**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 28, 2019

# DUNDEE CORPORATION

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

|                                                      |       | As at             |                     |
|------------------------------------------------------|-------|-------------------|---------------------|
|                                                      | Note  | December 31, 2018 | December 31, 2017   |
| <b>ASSETS</b>                                        |       |                   |                     |
| Cash                                                 |       | \$ 52,787         | \$ 75,278           |
| Accounts receivable                                  |       | 59,210            | 62,036              |
| Client accounts receivable                           | 8     | 17,276            | 18,115              |
| Brokerage securities owned                           |       | -                 | 8,859               |
| Investments                                          | 9     | 270,144           | 385,193             |
| Equity accounted investments                         | 6, 10 | 49,580            | 110,737             |
| Resource assets                                      | 6, 11 | 139,335           | 143,707             |
| Derivative financial instrument                      | 16    | 29,951            | -                   |
| Livestock                                            | 12    | 29,318            | 36,305              |
| Capital and other assets                             | 13    | 93,379            | 127,084             |
| Deferred income tax assets                           | 22    | 26,531            | 26,250              |
| Assets of discontinued operations held for sale      |       | -                 | 112,182             |
| <b>TOTAL ASSETS</b>                                  |       | <b>\$ 767,511</b> | <b>\$ 1,105,746</b> |
| <b>LIABILITIES</b>                                   |       |                   |                     |
| Accounts payable and accrued liabilities             |       | \$ 40,341         | \$ 58,468           |
| Client deposits and related liabilities              | 8     | 17,276            | 17,208              |
| Income taxes payable                                 |       | 6,571             | 2,569               |
| Corporate debt                                       | 5, 14 | 53,618            | 60,110              |
| Preference Shares, series 5                          | 16    | 82,234            | 91,211              |
| Liabilities of discontinued operations held for sale |       | -                 | 115,675             |
|                                                      |       | 200,040           | 345,241             |
| <b>SHAREHOLDERS' EQUITY</b>                          |       |                   |                     |
| Share capital                                        |       |                   |                     |
| Common shares                                        | 17    | 286,815           | 282,719             |
| Preference Shares, series 2                          | 16    | 84,053            | 84,053              |
| Preference Shares, series 3                          | 16    | 43,015            | 43,015              |
| Contributed surplus                                  |       | 13,620            | 13,736              |
| Warrants                                             | 17    | 1,516             | 1,516               |
| Reserves for changes in equity of subsidiaries       |       | (60,711)          | (61,627)            |
| Retained earnings                                    |       | 160,683           | 370,340             |
| Accumulated other comprehensive income               | 17    | 17,763            | 2,808               |
|                                                      |       | 546,754           | 736,560             |
| <b>NON-CONTROLLING INTEREST</b>                      | 18    | 20,717            | 23,945              |
|                                                      |       | 567,471           | 760,505             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>    |       | <b>\$ 767,511</b> | <b>\$ 1,105,746</b> |

The accompanying notes are an integral part of these consolidated financial statements.

### Commitments, contingencies and off-balance sheet arrangements (note 27)

### Approved by the Board:

(signed) Garth A.C. MacRae  
Director

(signed) K. Barry Sparks  
Director

# DUNDEE CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

*For the years ended December 31, 2018 and 2017  
(expressed in thousands of Canadian dollars, except for per share amounts)*

|                                                                 | Note   | 2018                | 2017               |
|-----------------------------------------------------------------|--------|---------------------|--------------------|
| <b>REVENUES</b>                                                 | 19     | \$ 154,687          | \$ 183,294         |
| <b>OTHER ITEMS IN NET LOSS</b>                                  |        |                     |                    |
| Cost of sales                                                   |        | (133,607)           | (146,980)          |
| Depreciation and depletion                                      | 11, 13 | (26,224)            | (10,702)           |
| General and administrative expenses                             | 21     | (73,764)            | (100,911)          |
| Net (loss) income from investments                              | 9      | (66,797)            | 63,365             |
| Share of loss from equity accounted investments                 | 10     | (64,962)            | (53,092)           |
| Fair value changes in livestock                                 | 12     | 4,223               | 10,060             |
| Remeasurement of financial instruments                          | 11, 16 | 8,607               | 3,269              |
| Interest expense                                                | 14, 16 | (9,562)             | (11,127)           |
| Foreign exchange gain                                           |        | 2,309               | 63,004             |
| <b>NET (LOSS) EARNINGS BEFORE INCOME TAXES</b>                  |        | (205,090)           | 180                |
| Income tax expense                                              | 22     | (7,532)             | (1,309)            |
| <b>NET LOSS FROM CONTINUING OPERATIONS</b>                      |        | (212,622)           | (1,129)            |
| <b>DISCONTINUED OPERATIONS</b>                                  | 5      |                     |                    |
| Dundee Energy Limited Partnership                               |        |                     |                    |
| Operating loss and gain on disposal of subsidiary, net of taxes |        | 3,493               | (38,412)           |
| Blue Goose Pure Foods Ltd.                                      |        |                     |                    |
| Operating loss and loss on disposal of subsidiary, net of taxes |        | -                   | (30,846)           |
|                                                                 |        | 3,493               | (69,258)           |
| <b>NET LOSS FOR THE YEAR</b>                                    |        | <b>\$ (209,129)</b> | <b>\$ (70,387)</b> |
| <b>NET (LOSS) EARNINGS ATTRIBUTABLE TO:</b>                     |        |                     |                    |
| Owners of the parent                                            |        |                     |                    |
| Continuing operations                                           |        | \$ (204,447)        | \$ (2,574)         |
| Discontinued operations                                         |        | 2,024               | (49,959)           |
|                                                                 |        | (202,423)           | (52,533)           |
| Non-controlling interest                                        |        |                     |                    |
| Continuing operations                                           |        | (8,175)             | 1,445              |
| Discontinued operations                                         |        | 1,469               | (19,299)           |
|                                                                 |        | (6,706)             | (17,854)           |
|                                                                 |        | <b>\$ (209,129)</b> | <b>\$ (70,387)</b> |
| <b>BASIC AND DILUTED NET (LOSS) EARNINGS PER SHARE</b>          | 23     |                     |                    |
| Continuing operations                                           |        | \$ (3.52)           | \$ (0.16)          |
| Discontinued operations                                         |        | 0.03                | (0.85)             |
|                                                                 |        | <b>\$ (3.49)</b>    | <b>\$ (1.01)</b>   |

*The accompanying notes are an integral part of these consolidated financial statements.*

# DUNDEE CORPORATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

*For the years ended December 31, 2018 and 2017  
(expressed in thousands of Canadian dollars)*

|                                                                           | <i>Note</i> | 2018                | 2017                |
|---------------------------------------------------------------------------|-------------|---------------------|---------------------|
| <b>NET LOSS FOR THE YEAR</b>                                              |             | \$ (209,129)        | \$ (70,387)         |
| Other comprehensive income (loss):                                        |             |                     |                     |
| <b>Items that may be reclassified to net loss</b>                         |             |                     |                     |
| Unrealized gain (loss) from foreign currency translation                  |             | 17,292              | (15,428)            |
| Share of other comprehensive income from equity accounted investments,    |             | 1,088               | 5,812               |
| net of associated taxes                                                   |             | (288)               | (1,540)             |
| <b>Transfer of realized foreign currency translation gain to net loss</b> | 6           | -                   | (64,436)            |
| Total other comprehensive income (loss) from continuing operations        |             | 18,092              | (75,592)            |
| <b>COMPREHENSIVE LOSS FOR THE YEAR</b>                                    |             | <b>\$ (191,037)</b> | <b>\$ (145,979)</b> |
| <b>COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:</b>                       |             |                     |                     |
| Owners of the parent                                                      |             |                     |                     |
| Continuing operations                                                     |             | \$ (189,492)        | \$ (65,341)         |
| Discontinued operations                                                   |             | 2,024               | (49,959)            |
|                                                                           |             | (187,468)           | (115,300)           |
| Non-controlling interest                                                  |             |                     |                     |
| Continuing operations                                                     |             | (5,038)             | (11,380)            |
| Discontinued operations                                                   |             | 1,469               | (19,299)            |
|                                                                           |             | (3,569)             | (30,679)            |
|                                                                           |             | <b>\$ (191,037)</b> | <b>\$ (145,979)</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

# DUNDEE CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*For the years ended December 31, 2018 and 2017  
(expressed in thousands of Canadian dollars)*

| (Expressed in thousands of Canadian dollars)      |        |                                      |                  |                                   |                                   |                        |          |                                                         |                      |                                                 |                             |            |  |
|---------------------------------------------------|--------|--------------------------------------|------------------|-----------------------------------|-----------------------------------|------------------------|----------|---------------------------------------------------------|----------------------|-------------------------------------------------|-----------------------------|------------|--|
|                                                   |        | Attributable to Owners of the Parent |                  |                                   |                                   |                        |          |                                                         |                      |                                                 |                             |            |  |
|                                                   | Note   | Number of<br>Common<br>Shares        | Common<br>Shares | Preference<br>Shares,<br>Series 2 | Preference<br>Shares,<br>Series 3 | Contributed<br>Surplus | Warrants | Reserves<br>for changes<br>in equity<br>of subsidiaries | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Non-controlling<br>Interest | Total      |  |
| Balance, December 31, 2016                        |        | 58,736,482                           | \$ 282,234       | \$ 84,053                         | \$ 43,015                         | \$ 12,289              | \$ 1,516 | \$ (59,086)                                             | \$ 429,828           | \$ 65,651                                       | \$ 49,430                   | \$ 908,930 |  |
| <b>For the year ended December 31, 2017</b>       |        |                                      |                  |                                   |                                   |                        |          |                                                         |                      |                                                 |                             |            |  |
| Net (loss) earnings, continuing operations        |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (2,574)              | -                                               | 1,445                       | (1,129)    |  |
| Net loss, discontinued operations                 | 5      | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (49,959)             | -                                               | (19,299)                    | (69,258)   |  |
| Other comprehensive loss, continuing operations   |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | -                    | (62,767)                                        | (12,825)                    | (75,592)   |  |
| Dividends on Preference Shares, series 2          |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (4,948)              | -                                               | -                           | (4,948)    |  |
| Dividends on Preference Shares, series 3          |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (2,007)              | -                                               | -                           | (2,007)    |  |
| Stock based compensation                          | 17, 20 | 79,925                               | 485              | -                                 | -                                 | 1,447                  | -        | -                                                       | -                    | -                                               | -                           | 1,932      |  |
| Changes of ownership interest in subsidiaries     | 7      | -                                    | -                | -                                 | -                                 | -                      | -        | (2,541)                                                 | -                    | (76)                                            | 5,194                       | 2,577      |  |
| Balance, December 31, 2017                        |        | 58,816,407                           | 282,719          | 84,053                            | 43,015                            | 13,736                 | 1,516    | (61,627)                                                | 370,340              | 2,808                                           | 23,945                      | 760,505    |  |
| <b>For the year ended December 31, 2018</b>       |        |                                      |                  |                                   |                                   |                        |          |                                                         |                      |                                                 |                             |            |  |
| Net loss, continuing operations                   |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (204,447)            | -                                               | (8,175)                     | (212,622)  |  |
| Net earnings discontinued operations              | 5      | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | 2,024                | -                                               | 1,469                       | 3,493      |  |
| Other comprehensive income, continuing operations |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | -                    | 14,955                                          | 3,137                       | 18,092     |  |
| Dividends on Preference Shares, series 2          |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (4,948)              | -                                               | -                           | (4,948)    |  |
| Dividends on Preference Shares, series 3          |        | -                                    | -                | -                                 | -                                 | -                      | -        | -                                                       | (2,286)              | -                                               | -                           | (2,286)    |  |
| Stock based compensation                          | 17, 20 | 2,283,533                            | 4,096            | -                                 | -                                 | (116)                  | -        | -                                                       | -                    | -                                               | -                           | 3,980      |  |
| Changes of ownership interest in subsidiaries     | 7      | -                                    | -                | -                                 | -                                 | -                      | -        | 916                                                     | -                    | -                                               | 341                         | 1,257      |  |
| Balance, December 31, 2018                        |        | 61,099,940                           | \$ 286,815       | \$ 84,053                         | \$ 43,015                         | \$ 13,620              | \$ 1,516 | \$ (60,711)                                             | \$ 160,683           | \$ 17,763                                       | \$ 20,717                   | \$ 567,471 |  |

*The accompanying notes are an integral part of these consolidated financial statements.*

# DUNDEE CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOW

*For the years ended December 31, 2018 and 2017  
(expressed in thousands of Canadian dollars)*

|                                                                             | Note | 2018             | 2017             |
|-----------------------------------------------------------------------------|------|------------------|------------------|
| <b>OPERATING ACTIVITIES:</b>                                                |      |                  |                  |
| Net loss for the year                                                       |      | \$ (209,129)     | \$ (70,387)      |
| Adjusted for:                                                               |      |                  |                  |
| Net loss from discontinued operations                                       |      | (3,493)          | 69,258           |
| Items not affecting cash and other adjustments                              | 24   | 168,700          | (57,949)         |
| Changes in non-cash working capital items                                   | 24   | 3,120            | (10,204)         |
| Cash used in operating activities – continuing operations                   |      | (40,802)         | (69,282)         |
| Cash (used in) provided from operating activities – discontinued operations |      | (4,021)          | 67,062           |
| <b>CASH USED IN OPERATING ACTIVITIES</b>                                    |      | <b>(44,823)</b>  | <b>(2,220)</b>   |
| <b>INVESTING ACTIVITIES:</b>                                                |      |                  |                  |
| Net investment in resource assets                                           |      | -                | (154)            |
| Net investment in livestock and other agricultural assets                   |      | (5,659)          | (7,075)          |
| Proceeds from cash in business and asset dispositions                       | 6    | 4,400            | 22,119           |
| Acquisitions of portfolio investments                                       |      | (40,973)         | (19,850)         |
| Proceeds from dispositions of portfolio investments                         |      | 79,601           | 132,641          |
| Net investment in capital and other assets                                  |      | 2,059            | 1,556            |
| Cash provided from investing activities – continuing operations             |      | 39,428           | 129,237          |
| Cash provided from (used in) investing activities – discontinued operations |      | 25,939           | (63,518)         |
| <b>CASH PROVIDED FROM INVESTING ACTIVITIES</b>                              |      | <b>65,367</b>    | <b>65,719</b>    |
| <b>FINANCING ACTIVITIES:</b>                                                |      |                  |                  |
| Change in corporate debt                                                    |      | (6,943)          | (50,242)         |
| Net cash from transactions with non-controlling interests                   |      | 642              | (944)            |
| Redemption of Preference Shares, series 5                                   | 16   | (7,582)          | -                |
| Dividends paid on Preference Shares, series 2                               | 16   | (4,948)          | (4,948)          |
| Dividends paid on Preference Shares, series 3                               | 16   | (2,286)          | (2,007)          |
| Cash used in financing activities – continuing operations                   |      | (21,117)         | (58,141)         |
| Cash used in financing activities – discontinued operations                 |      | (25,654)         | (1,959)          |
| <b>CASH USED IN FINANCING ACTIVITIES</b>                                    |      | <b>(46,771)</b>  | <b>(60,100)</b>  |
| <b>NET (DECREASE) INCREASE IN CASH DURING THE YEAR</b>                      |      | <b>(26,227)</b>  | <b>3,399</b>     |
| Cash, continuing operations, beginning of year                              |      | 75,278           | 73,464           |
| Cash, discontinued operations, beginning of year                            |      | 3,736            | 2,151            |
|                                                                             |      | 52,787           | 79,014           |
| Less cash, discontinued operations, end of year                             |      | -                | (3,736)          |
| <b>CASH, CONTINUING OPERATIONS, END OF YEAR</b>                             |      | <b>\$ 52,787</b> | <b>\$ 75,278</b> |
| Cash flows from continuing operations include the following amounts:        |      |                  |                  |
| Interest paid                                                               |      | \$ 10,506        | \$ 11,738        |
| Taxes paid                                                                  |      | \$ 3,992         | \$ 1,936         |
| Cash flows from discontinued operations include the following amounts:      |      |                  |                  |
| Interest paid                                                               |      | \$ 4,237         | \$ 5,440         |
| Taxes paid                                                                  |      | \$ -             | \$ -             |

*The accompanying notes are an integral part of these consolidated financial statements.*

# DUNDEE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

Tabular dollar amounts in thousands of Canadian dollars, except per share amounts

### 1. NATURE OF OPERATIONS

Dundee Corporation (the “Corporation” or “Dundee Corporation”) is a public Canadian independent holding company, listed on the Toronto Stock Exchange (“TSX”) under the symbol “DC.A”. Through its operating subsidiaries, the Corporation is engaged in diverse business activities in the areas of investment advisory, corporate finance, energy, resources, agriculture, real estate and infrastructure. The Corporation also holds, directly and indirectly, a portfolio of investments mostly in these key areas, as well as other select investments in both publicly listed and private enterprises.

The Corporation is incorporated under the *Business Corporations Act* (Ontario) and is domiciled in Canada. The Corporation’s head office is located at 1 Adelaide Street East, 20th Floor, Toronto, Ontario, Canada, M5C 2V9.

At December 31, 2018 and 2017, the Corporation’s major operating subsidiaries included:

| As at and for the years ended December 31, | 2018                 |                     | 2017                 |                     |
|--------------------------------------------|----------------------|---------------------|----------------------|---------------------|
| (in alphabetical order)                    | Opening<br>Ownership | Ending<br>Ownership | Opening<br>Ownership | Ending<br>Ownership |
| AgriMarine Holdings Inc.                   | 100%                 | 100%                | 100%                 | 100%                |
| Blue Goose Capital Corp.                   | 90%                  | 89%                 | 90%                  | 90%                 |
| Dundee 360 Real Estate Corporation         | 100%                 | 100%                | 100%                 | 100%                |
| Dundee Energy Limited                      | 58%                  | 58%                 | 58%                  | 58%                 |
| Dundee Securities Ltd.                     | 100%                 | -                   | 100%                 | 100%                |
| Dundee Sustainable Technologies Inc.       | 63%                  | 62%                 | 66%                  | 63%                 |
| Eurogas International Inc.                 | 54%                  | 54%                 | 53%                  | 54%                 |
| Goodman & Company, Investment Counsel Inc. | 100%                 | 100%                | 100%                 | 100%                |
| United Hydrocarbon International Corp.     | 83%                  | 83%                 | 85%                  | 83%                 |

### 2. BASIS OF PREPARATION

These consolidated financial statements of the Corporation as at and for the year ended December 31, 2018 (“2018 Consolidated Financial Statements”), with comparative information as at and for the year ended December 31, 2017, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting. These consolidated financial statements were approved by the Board of Directors on March 28, 2019.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Corporation in the preparation of its consolidated financial statements are set out below.

#### **Basis of Measurement**

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, certain investments in equity and debt securities, certain resource assets and certain biological assets, each of which are measured at fair value as determined at each reporting date.

#### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements, other than intercompany transactions with discontinued operations. Subsidiaries are those entities where the Corporation, through its investment in the entity, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

#### **Non-controlling Interest**

Non-controlling interest is initially recognized as the proportionate share of the identifiable net assets of a subsidiary on the date of its acquisition and is subsequently adjusted for the non-controlling interest's share in changes of the acquired subsidiary's earnings and capital. Effects of transactions with non-controlling interests are recorded in equity if there is no change in control.

#### **Segmented Reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chairman and Chief Executive Officer of the Corporation.

#### **Equity Accounted Investments**

Equity accounted investments are investments over which the Corporation has significant influence, but not control. Generally, the Corporation is considered to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Corporation may hold an interest of more than 20% in an entity without exerting significant influence. Conversely, the Corporation may hold an interest of less than 20% and exert significant influence through representation on the board of directors, direction of management or through contractual agreements. The financial results of the Corporation's equity accounted investments are included in the Corporation's consolidated financial statements using the equity method, whereby the Corporation recognizes its share of earnings or losses and of other comprehensive income or loss ("OCI") of the underlying equity accounted investment in its own net earnings or OCI, as applicable. Dilution gains and losses arising from changes in the Corporation's interest in equity accounted investments are recognized in net earnings. If the Corporation's carrying value in an equity accounted investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Corporation has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

The Corporation assesses, at each reporting date, whether there is objective evidence that its interest in an equity accounted investment is impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of the equity accounted investment is written down to its estimated recoverable amount, with any difference charged to the consolidated statements of operations.

### **Joint Arrangements**

A joint arrangement is a contractual arrangement pursuant to which the Corporation and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint ventures or joint operations, reflecting the underlying contractual rights and obligations of each investor that jointly controls the arrangement. Joint arrangements that are classified as joint operations are accounted for using the proportionate consolidation method whereby the Corporation recognizes its share of the assets, liabilities, revenues and expenses of the joint operations. Joint arrangements classified as joint ventures are accounted for using the equity method.

### **Business Combinations**

The Corporation uses the acquisition method to account for business combinations. The consideration transferred for the acquisition is measured as the aggregate of the fair values of assets transferred, net of liabilities incurred or assumed, including contingent consideration and any equity instruments of the Corporation issued in exchange for control of the acquiree. Fair value is determined at the date of the exchange of the consideration transferred. Acquisition costs are recorded as an expense in net earnings as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "*Business Combinations*" are recognized at their fair values at the acquisition date.

Contingent consideration to be transferred by the Corporation, if any, is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of contingent consideration that is deemed an asset or a liability are recognized in net earnings or as changes to OCI, as appropriate. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is recorded as equity.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' share of the net assets of the acquiree. To the extent that the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets acquired, the excess is recorded as goodwill. If the consideration transferred is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net earnings.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net earnings. Amounts arising from interests in the acquiree prior to the date of acquisition of control that have previously been recognized in OCI are reclassified to net earnings. Changes in the Corporation's ownership interest of a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recorded as a component of equity.

### **Foreign Currency Translation**

#### *Functional and Presentation Currency*

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

#### *Functional Currency of Subsidiaries and Equity Accounted Investments*

The financial statements of consolidated subsidiaries and equity accounted investments that have a functional currency that is different from that of the Corporation are translated into Canadian dollars using average rates for the period for items included in the consolidated statements of operations and OCI and the rates in effect at the dates of the consolidated statements of financial position for assets and liabilities. All resulting changes are recognized in OCI as cumulative translation adjustments. At December 31, 2018 and 2017, the functional currency of certain of the Corporation's subsidiaries and equity accounted investments was the U.S. dollar.

If the Corporation's interest in foreign operations of a subsidiary or an equity accounted investment is diluted, but the foreign operations remain a subsidiary or an equity accounted investment, a pro rata portion of the cumulative translation adjustment related to those foreign operations is reallocated between controlling and non-controlling interest in the case of a subsidiary, or is recognized as a dilution gain or loss in the case of an equity accounted investment. When the Corporation disposes of its entire interest in foreign operations, or when it loses control, joint control, or significant influence in respect of an investment denominated in foreign currency, the related cumulative translation adjustment included in accumulated other comprehensive income ("AOCI") is recognized in the consolidated statements of operations.

#### *Foreign Currency Transactions*

Foreign currency transactions are translated into the Corporation's functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency at each period-end date, are recognized in the consolidated statements of operations, except when deferred in OCI as qualifying cash flow hedges and qualifying net investment hedges.

### **Financial Instruments**

#### ***Financial Instruments for the Year Ended December 31, 2018***

The Corporation's financial instruments include cash, accounts receivable, client accounts receivable and client deposits and related liabilities, brokerage securities owned, investments, certain resource assets, derivative financial instruments, accounts payable and accrued liabilities, corporate debt and the Corporation's Preference Shares, series 5 (note 16), which have been classified for accounting purposes as debt.

#### *Classification*

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI"), or at amortized cost. The Corporation determines the classification of financial assets at initial recognition based on the Corporation's business model for managing the financial assets and their contractual cash flow characteristics.

The Corporation classifies its investments in equity and debt securities as FVTPL. Investments in equity securities that are not held for trading may be irrevocably designated at FVOCI on initial recognition. There were no financial instruments designated as FVOCI. Financial instruments designated as FVTPL include certain accounts receivable, investments, brokerage securities owned, certain resource assets and derivative financial instruments with a positive fair value.

Investments in fixed income instruments may be measured at amortized cost if both of the following criteria are met: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset gives rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. Fixed income investments that do not meet the criteria for amortized cost are classified and measured at FVTPL. Financial assets at amortized cost include cash, certain accounts receivable and client accounts receivable.

Financial liabilities designated as FVTPL are comprised of derivative financial instruments with a negative fair value. Financial liabilities at amortized cost include accounts payable and accrued liabilities, client deposits and related liabilities, corporate debt and the Corporation's Preference Shares, series 5.

#### *Initial Recognition and Measurement*

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned and the Corporation has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expires.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognized in OCI.

Designated investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Corporation does not designate any of its equity instruments at FVTOCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Corporation's Preference Shares, series 5, were recognized initially at the fair value of its predecessor Preference Shares, series 4, net of any transaction costs incurred.

#### *Impairment of financial assets at amortized cost*

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at:

- (a) an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.
- (b) an amount equal to 12-month expected credit losses if the credit risk on the financial asset has not increased significantly since initial recognition.

The Corporation applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Corporation recognizes in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### *Derivatives*

Included in the Corporation's portfolio of investments are warrants and/or options, which were acquired directly by the Corporation, or which were received by the Corporation as consideration for the Corporation's investment in the underlying investee. These warrants and/or options are derivative financial assets and are carried in the Corporation's consolidated statements of financial position at their estimated fair value, determined using a modified Black Scholes option pricing model.

The Corporation's brokerage subsidiary may enter into foreign exchange contracts to manage currency risk on pending securities settlements in currencies other than the Canadian dollar. These exchange contracts have not been designated as hedges for accounting purposes and have been classified as FVTPL. The carrying values of foreign exchange contracts have been included in "*Brokerage securities owned*" when they have a positive fair value or in "*Brokerage securities sold short*" when they have a negative fair value. Changes in fair values of these foreign exchange contracts are recognized in the Corporation's consolidated statements of operations as "*Revenues*" as these financial instruments are integral to the underlying operations of the Corporation's brokerage subsidiary.

The Corporation's resource-based subsidiaries may manage their exposure to changes in commodity prices and associated earnings volatility by periodically entering into commodity-based derivative contracts in accordance with their risk management policy. The Corporation has not applied hedge accounting to these arrangements. Therefore, these contracts are designated as FVTPL and they are included in the consolidated financial statements as "*Derivative financial*

*instruments*". Commodity-based derivative contracts are reported as an asset when they have a positive fair value and as a liability when they have a negative fair value. Changes in fair values of these contracts are recorded in the consolidated statements of operations as a "*Remeasurement of financial instruments*", except to the extent that such changes in fair value are deemed a component of discontinued operations.

Certain of the Corporation's equity-accounted investees may, from time to time, enter into derivative financial instruments in order to mitigate their exposure to fluctuations in interest rates or in the prices of commodities. These equity-accounted subsidiaries have not applied hedge accounting to these arrangements and, accordingly, the Corporation's proportionate share of changes in the fair values of these arrangements is recorded in the consolidated statements of operations as "*Share of earnings or loss from equity accounted investments*".

#### ***Financial Instruments for the Year Ended December 31, 2017***

Financial assets at amortized cost include cash, certain accounts receivable and client accounts receivable. These amounts are initially measured at the amount required to be received, less, when material, a discount to reduce the assets to fair value. Subsequently, these assets are recognized at amortized cost using the effective interest method.

#### ***Impairment of Financial Assets at Amortized Cost***

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has a negative impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence may include significant financial difficulty of the obligor or delinquencies in interest and principal payments. If such evidence exists, the Corporation recognizes an impairment loss equal to the difference between the carrying value of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate for the financial asset.

An impairment of a financial asset carried at amortized cost is reversed in subsequent periods if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

#### ***Client Accounts***

Client accounts include trading accounts of brokers and dealers. The Corporation's brokerage subsidiaries include a full service, Type 2 securities dealer and member of the Investment Industry Regulatory Organization of Canada ("IIROC"). In accordance with brokerage industry practice, client transactions are entered into on either a cash or a margin basis and are recorded on a trade-date basis. Amounts receivable from or payable to clients in respect of transactions conducted on a cash basis are due on the settlement date of the transaction. If transactions are conducted on a margin basis, credit is extended to the client to purchase securities. Securities purchased and other securities in the client's account are held as collateral for the amounts loaned under margin arrangements. Amounts loaned to any client are limited by margin requirements as set out by IIROC and are subject to credit review and monitoring procedures as established by the Corporation's brokerage subsidiary. Interest charged to clients on margin loans and interest paid to clients for client deposits are based on a floating rate of interest. Following to the sale of Dundee Securities Ltd on December 14, 2018, the client account balance from brokerage subsidiaries was \$nil at December 31, 2018 (note 6).

In addition, client accounts also include funds placed in escrow by an acquirer in a real estate property transaction from which applicable fees are distributed to the relevant parties associated with the real estate transaction.

#### ***Allowance for Credit Losses for the year ended December 31, 2017***

Amounts due from clients are carried at the contractual amount receivable, net of any allowance for credit losses. The Corporation's brokerage subsidiary maintains an allowance for credit losses which is considered adequate to absorb all credit-related losses. Specific allowances for credit losses may be established as a result of detailed reviews of individual collateral positions securing client accounts receivable. Should the value of the underlying collateral decline by an amount

significant enough that it becomes insufficient to repay the margin loan in full, and the client is unable or unwilling to deposit additional collateral, a specific allowance is recorded in the amount equivalent to these unsecured balances. The recording of a specific allowance for credit losses does not limit recourse to collection from the client.

### **Resource Assets**

A portion of the Corporation's exploration, evaluation, development and production activities is conducted pursuant to working interest arrangements with third parties. Accordingly, these consolidated financial statements reflect only the Corporation's share of revenue, expenses and capital expenditures associated with these activities.

#### *Oil and Gas Development Costs*

The Corporation capitalizes all costs associated with its development and production activities, including accrued costs for decommissioning liabilities. Capitalized costs include the acquisition of leases and oil and gas rights, geological and geophysical expenditures, equipment costs and that portion of general and administrative expenses directly attributable to these activities. Expenditures that improve the productive capacity or extend the life of a property are capitalized. Maintenance and repairs are generally expensed as incurred.

Capitalized costs associated with properties with proved reserves, adjusted for estimated future costs to be incurred in developing such proved reserves, are depleted over estimated proved reserves using the unit of production method. For purposes of these calculations, production and reserves of natural gas are converted to barrels on an energy equivalent basis at a ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil. Depletion rates are updated annually unless there is a material change in circumstances, in which case they are updated more frequently. Acquisition costs of probable reserves are not depleted or depreciated while under active evaluation for commercial reserves. Costs are transferred to depletable costs as proved reserves are recognized.

Assets used in the development and production of oil and gas properties are depreciated over the estimated economic life of the asset. The Corporation's pipeline infrastructure is depreciated using the unit of production method. Other tangible resource assets are depreciated on a straight-line or declining-balance basis.

#### *Exploration and Evaluation Activities – Undeveloped Properties*

The Corporation capitalizes all costs associated with undeveloped properties, except for costs incurred before the Corporation has obtained the legal right to explore an area, in which case costs are expensed as incurred. Exploration and evaluation activities include those expenditures for an area or project for which technical feasibility and commercial viability have not yet been determined and may include lease acquisitions, geological and geophysical expenditures, carrying costs of non-productive properties, equipment costs, that portion of general and administrative expenses directly attributable to exploration and evaluation activities and costs associated with decommissioning liabilities. Technical feasibility and commercial viability of a project are considered to be determined when proved or probable reserves are determined to exist, at which time the costs are reclassified as development costs, with assigned reserves. Proceeds received by the Corporation from the disposal of undeveloped properties or pursuant to the terms of farm-out arrangements are normally deducted from the carrying value of undeveloped properties.

#### *Royalty Interest*

The Corporation holds a royalty interest in future hydrocarbon production that may result from certain exploration properties in the Republic of Chad. The royalty interest was received as partial consideration for the Corporation's disposition of the underlying exploration property. The Corporation has determined that its entitlement to cash flows pursuant to the terms of the royalty interest is an entitlement to cash and accordingly, it has classified the royalty interest as a financial instrument at FVTPL. Determination of the fair value of the royalty interest was made using a risk adjusted discounted cash flow valuation model. The valuation model incorporates resource estimates derived from independently prepared technical reports by a global petroleum consulting firm specializing in resource assessments. The reports were prepared in 2016 and disclose only contingent and prospective resources, both of which are highly speculative and lack the degree of confidence

to be classified as reserves. More work is required to demonstrate that these resources can ever be commercially recoverable.

### **Livestock**

Livestock is recorded at fair value less estimated point-of-sale costs. Point-of-sale costs include necessary costs to dispose of livestock, including costs incurred to bring the livestock to market. Changes in the fair value of livestock are recognized in net earnings.

### **Capital and Other Assets**

Capital assets are recorded at cost, net of accumulated depreciation and impairment, if any, and are depreciated on a straight-line or declining-balance basis. Annual depreciation rates estimated by the Corporation range from 10% to 50%. Leasehold improvements are depreciated on a straight-line basis over the period of the lease. The Corporation reviews the depreciation methods, residual values and estimates of the useful life of each of its capital and other assets at least annually. On sale or retirement, the capital asset and its related accumulated depreciation are removed from the consolidated financial statements and any related gain or loss is reflected in net earnings.

Included in capital and other assets are certain intangible assets. Intangible assets related to real estate operations include brand, franchise, trademark rights, resort development contracts, construction management contracts, agency relationships and other identifiable non-monetary assets without physical form. These intangible assets are initially recognized at cost or at fair value when acquired through a business combination, and are subsequently measured at cost less accumulated amortization and impairment, where amortization is calculated using the straight-line method based on the estimated useful life of those intangible assets with a finite life.

Intangible assets related to agriculture operations include grazing and watering licensing and leasing arrangements that provide the Corporation with the right to use crown land to feed, pasture, and water livestock for a fee, as well as trade names, customer relationships and non-compete arrangements. The Corporation's grazing arrangements range from 10 to 20 year terms and have been issued under the jurisdiction of the British Columbia government. Grazing arrangements are renewed at the end of each term if the licenses are kept in good standing and continue to be used for agricultural farming. Other intangible assets associated with agricultural operations acquired pursuant to a business combination are initially recorded at fair value, and are subsequently carried at cost less amortization and impairment. Amortization of the assets is on a straight-line basis over various terms ranging from two to 15 years.

The intended use, expected life and economic benefit to be derived from intangible assets with a finite life are re-evaluated by the Corporation when there are potential indicators of impairment. Indefinite-life intangible assets are not subject to amortization but are assessed for impairment on an annual basis or more frequently if there are potential indicators of impairment. If events or changes in circumstances indicate that a previously recognized impairment loss has decreased or no longer exists, a reversal is recognized in net earnings to the extent that the carrying amount of the intangible asset after reversal does not exceed the carrying amount that would have resulted had no impairment taken place.

Also included in capital and other assets are deferred non-equity based compensation arrangements, which are amortized to compensation expense over the expected service period, and deferred trademark costs and intellectual property acquired in business combinations that are depreciated on a straight-line basis over various terms ranging from three to 15 years.

### **Impairment of Non-Financial Assets**

Non-financial assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss, if any, is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ("cash generating units" or "CGUs"). If their carrying value is assessed not to be recoverable, an impairment loss is recognized.

An assessment is made, at each reporting date, as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation makes an estimate of the recoverable amount and, if appropriate, reverses all or part of the impairment. If the impairment is reversed, the carrying amount of the asset is increased to the newly estimated recoverable amount. This increased carrying amount may not exceed the carrying amount that would have resulted after taking into account depreciation if no impairment loss had been recognized in the prior periods. The amount of any impairment reversal is recorded immediately in net earnings for the period.

### **Decommissioning Liabilities**

A decommissioning liability is recognized when the Corporation has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the liability can be made. Decommissioning liabilities relate to obligations to plug a well, dismantle and remove property, plant and equipment, or complete site restoration work. The Corporation has estimated its decommissioning liability in consultation with third parties and such estimates are based on current costs and technology. When a decommissioning liability is recognized, a corresponding amount, equivalent to the amount of the obligation, is recognized as part of the cost of “*Resource assets*”.

Decommissioning liabilities are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. A decommissioning liability that is denominated in a foreign currency is translated at the prevailing foreign exchange rate at each period end. The effect of any changes to the decommissioning liability, including changes to the underlying estimates and changes in both foreign exchange rates and market interest rates used to discount the obligation, is added to or deducted from the cost of the related assets. Accretion, representing the increase in the decommissioning liability due to the passage of time, is recognized as “*Interest expense*”, except to the extent that such accretion is deemed a component of discontinued operations.

### **Preference Shares**

The Corporation classifies its Preference Shares, series 5 as financial liabilities for reporting purposes given that these shares are subject to provisions for settlement using a variable number of equity instruments of the Corporation, or provisions for mandatory redemption requirements. The option to settle using a variable number of equity instruments gives rise to an embedded derivative asset, disclosed as a “*Derivative financial instrument*” in the consolidated statements of financial position and classified as a financial instrument at FVTPL. The fair value of the embedded derivative asset was derived using an option-pricing valuation model.

Issue costs related to the issuance of the Corporation’s Preference Shares, series 5 are netted against the associated liability and recorded at amortized cost using the effective interest method. The amortization of issue costs is recorded as “*Interest expense*” in the consolidated statements of operations.

The Corporation’s Preference Shares, series 2 and Preference Shares, series 3 (note 16) are rate reset preferred shares and are therefore not subject to provisions for settlement using a variable number of equity instruments of the Corporation, or provisions for mandatory redemption requirements. Accordingly, the Corporation classifies its Preference Shares, series 2 and Preference Shares, series 3 as equity instruments.

### **Revenue Recognition**

#### ***Revenue Recognition for the Year Ended December 31, 2018***

Revenue is comprised of management fees earned from asset management activities, revenue from the provision of resource services, sales of agricultural products and real estate revenues. Revenue is recognized when control over a product or

service is transferred to a customer. Revenue is measured at the best estimate of the transaction price, to the extent that it is highly probable a significant reversal of the revenue recognized will not occur when the uncertainty is resolved.

#### *Management Fee Revenue*

Asset management fees are generally calculated as a percentage of the capital under management. These fees are recognized on an accrual basis over the period during which the related service is rendered. Performance or incentive fees are earned when the investment performance of the capital being managed exceeds established benchmarks. Performance or incentive fees are recognized at the end of the performance fee period, once the amount is established with certainty and it is highly probable a significant reversal of the revenue recognized will not occur.

#### *Revenue from the Provision of Resource Services*

The Corporation's resource-based subsidiary renders technical services to customers in the mining industry to evaluate processing alternatives using the subsidiary's processing facility. Revenue is recognised over time in the accounting period in which the services are rendered, when control of a service transfers to a customer by reference to stage of completion of the specific transaction which is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### *Sales of Agricultural Products*

Sales of agricultural products are recognized when control over the product has been transferred to the customer, which is the moment the product is delivered or when the customer takes possession of the product. Revenue is measured at the best estimate of the transaction price, to the extent that it is highly probable a significant reversal of the revenue recognized will not occur when the uncertainty is resolved.

#### *Real Estate Revenue*

Real estate revenue is comprised of (i) commission revenues from brokerage sales of real estate which are recorded at the gross amount of the commission earned under the contract. Revenue is recognized as real estate brokerage services are provided and is measured based on the commission expected to be received under the contract, constrained to the amount that is highly probable of not being subject to a significant reversal of revenue. Brokerage services consists of assisting customers to purchase or sell their property, but revenue is only recognized when the transaction documents are notarized, legally transferring ownership rights of the property to the purchaser; and (ii) consulting and management fee revenue which is recognized over time when the company meets its performance obligations under the contract. The Corporation's real estate subsidiary has applied judgement in determining that it is the principal in delivering brokerage services to customers, resulting in the recognition of gross commission revenue, with sales commissions paid to real estate brokers recognized in costs of sales.

#### ***Revenue Recognition for the Year Ended December 31, 2017***

Revenue is comprised of management fees earned from asset management activities, financial services revenue, revenue from the provision of resource services, sales of agricultural products, real estate revenues and interest and dividend income. Included in revenue from discontinued operations is revenue from oil and gas operations and from the sale of agricultural processing activities, as well as associated interest and dividend revenue. Generally, revenue is recognized and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be reliably estimated.

#### *Management Fee Revenue*

Asset management fees are generally calculated as a percentage of the capital under management. These fees are recognized on an accrual basis over the period during which the related service is rendered. Performance or incentive fees are earned when the investment performance of the capital being managed exceeds established benchmarks. Performance or incentive fees are not recognized in net earnings until the amount is established with certainty and is no longer dependent on future events.

#### *Financial Services Revenue*

Financial services revenue includes investment banking, principal trading and commission revenue. Financial services revenue also includes margin interest earned on client margin accounts and administration fee revenue associated with the administration of registered plan accounts.

Fees earned from underwriting activities, mergers and acquisitions and other corporate finance advisory assignments are included as investment banking revenue and are recognized when the underlying transactions have been completed or are substantially completed under the terms of the engagement. Expenses incurred by the Corporation pursuant to securities offerings where the Corporation is an underwriter or agent, are deferred until the related revenue is recognized.

Principal trading revenue includes revenue earned from principal trading operations and is recorded on a trade-date basis. Principal trading revenue includes interest, dividends and changes in fair values of securities held, and also includes foreign exchange trading revenue earned for the provision of foreign exchange services to institutional and retail clients. Foreign exchange trading revenue is recognized on a trade-date basis.

Commission revenue is generated primarily from acting as agent for trading securities on behalf of clients and is recorded on a trade-date basis. Margin interest and administration fee revenue is recognized on an accrual basis over the associated service period.

#### *Revenue from the Provision of Resource Services*

The Corporation renders technical services to customers in the mining industry to evaluate processing alternatives using proprietary technologies. Revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction, which is assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue is recognized to the extent that the amount can be reliably measured and it is probable that future economic benefits will flow to the Corporation.

#### *Sales of Agricultural Products*

Sales of agricultural products are recognized when there has been a transfer of risks and rewards to the customer, generally through the execution of a sales agreement, and when no further work or processing is required, the quantity and quality of the goods have been determined, the price is fixed, and delivery of the goods to the customer and title has passed. Revenue associated with the processing of certain agricultural products is included in discontinued operations.

#### *Real Estate Revenue*

Real estate revenue is comprised of (i) commission revenues from brokerage sales of real estate which are recorded on a gross basis and which are recognized when the parties are bound by the terms of the underlying contracts, all consideration has been exchanged, all conditions precedent to closing have been performed and transfer of significant risk and rewards of ownership have occurred; and (ii) consulting and management fee revenue which is recognized when earned and realized or realizable under the terms of the underlying agreement.

#### *Interest and Dividend Revenue*

Interest and dividends earned from the Corporation's portfolio of investments are recognized in the Corporation's consolidated statements of operations when the Corporation's right to receive payment is established and collectability is reasonably assured.

#### *Oil and Gas Sales*

Included in discontinued operations is revenue associated with the Corporation's production and sales of crude oil, natural gas, and natural gas liquids and is recognized when title is transferred to the customer and delivery has taken place. A portion of the Corporation's production and sales activities is conducted pursuant to working interest arrangements with third parties. Accordingly, these consolidated financial statements reflect only the proportionate interest of the Corporation in such activities.

Revenue from oil and gas sales is presented net of royalty payments to third parties including the government and other mineral interest owners. Royalties on production are recorded using rates in effect under the terms of contracts with such third parties at the time of production.

### **Cost of Sales**

#### *Financial Services*

Certain capital markets professionals and financial advisors are compensated by variable compensation payments which are calculated as a percentage of revenues generated or by departmental profitability.

#### *Resource Services*

Cost of sales in the provision of resource services includes administrative costs directly attributable to these activities, including labour and associated overhead.

#### *Agriculture*

Cost of sales include the value of livestock at the time of harvest, processing costs and other agricultural expenses incurred in raising the livestock or processing of agricultural inventory. Cost of sales associated with the processing of certain agricultural products is included in discontinued operations.

#### *Real Estate*

Real estate cost of sales includes commissions and other related costs paid to real estate brokers, and is generally calculated as a percentage of associated real estate commission revenue.

#### *Oil and Gas*

Cost of sales of oil and gas include costs incurred to operate and maintain wells and related equipment and facilities and include items such as labour, repairs and maintenance, materials including fuel utilized in operating the wells and related equipment and facilities, property taxes and insurance costs. These cost of sales are included in discontinued operations.

### **Provisions**

The Corporation may record a provision when it has determined that it has a present obligation, whether legal or constructive, and where it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When an obligation is not probable but is reasonably possible, or is probable but the amount of loss cannot be reliably estimated, disclosure is provided in the notes to the consolidated financial statements, without a provision being recorded in the consolidated financial statements.

### **Stock Based Compensation**

The Corporation issues stock based compensation awards to directors, employees and consultants. These arrangements include stock options and other stock based awards such as bonus awards, performance share units and deferred share units. The Corporation uses a fair value based method to account for stock based compensation. The fair value of stock based compensation, as at the date of grant, is measured using an option-pricing model and is recognized over the applicable vesting period as compensation expense, based on the number of stock based awards expected to vest, with a corresponding increase in contributed surplus. When stock options or other stock based compensation arrangements are exercised, the proceeds received, together with any amount in contributed surplus, are included in share capital. The number of stock based awards expected to vest is reviewed at least annually, with any impact being recognized immediately in net earnings, with a corresponding adjustment to contributed surplus.

## **Income Taxes**

The Corporation follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in net earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

## **Per Share Information**

Basic earnings per common share is computed by dividing the net earnings attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share, where applicable, is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments by applying the treasury stock method. The Corporation's potentially dilutive instruments are comprised of stock options, bonus awards, performance share units, deferred share units and other share-based compensatory awards granted to employees and directors.

## **Changes in Accounting Policies Implemented During 2018**

### *IFRS 9, "Financial Instruments" ("IFRS 9")*

On January 1, 2018, the Corporation implemented final amendments to IFRS 9 which introduce new requirements for the classification, measurement and impairment of financial assets, and new requirements related to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value that focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. New hedge accounting requirements incorporated into IFRS 9 increase the scope of items that may qualify as a hedged item and changes the requirements of hedge effectiveness testing that must be met in order to apply hedge accounting. The implementation of amendments to IFRS 9 resulted in changes to the disclosure and classification of the financial instruments; however, there was no impact to the measurement of these financial instruments in the Corporation's 2018 Consolidated Financial Statements.

### *IFRS 15, "Revenues from Contracts with Customers" ("IFRS 15")*

On January 1, 2018, the Corporation implemented IFRS 15 which clarify the application of certain of its underlying principles, including the identification of a performance obligation, and the determination of whether a company is a principal or is acting as an agent in the provision of a good or service. The Corporation determined that there were no significant differences in the measurement and timing of revenue recognition between the requirements of IFRS 15 and the Corporation's previous revenue recognition policies. Accordingly, the implementation of IFRS 15 had no significant impact to the Corporation's 2018 Consolidated Financial Statements.

### *IFRS 2, "Share-based Payment" ("IFRS 2")*

On January 1, 2018, the Corporation implemented amendments to IFRS 2 which clarify how to account for certain types of share-based payment transactions. The implementation of amendments to IFRS 2 had no impact to the Corporation's 2018 Consolidated Financial Statements.

## **Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective**

### *IFRS 16, "Leases" ("IFRS 16")*

In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater

transparency of an entity's lease obligations. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 is expected to result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. Also, it is expected that there will be an increase in depreciation and interest expenses, a decrease in operating expense and an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in the cash flow statement. The Corporation will use the modified retrospective approach of adoption resulting in no restatement of prior year comparatives. The quantitative impact of adopting IFRS 16 will be provided in our first 2019 quarterly report.

#### **4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these consolidated financial statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's consolidated financial statements. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and other items in net operating earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant judgments, estimates and assumptions that the Corporation has made in the preparation of its consolidated financial statements.

##### **Going Concern Assumptions**

The financial statements of the Corporation's subsidiaries are prepared on a going concern basis, unless management of the subsidiary determines that it intends to liquidate, or that it has no realistic alternative but to do so. If it is determined that a subsidiary is not able to continue as a going concern, the financial statements of such subsidiary should be prepared using the liquidation basis of accounting, the purpose of which is to provide relevant information about an entity's resources and obligations by measuring and presenting assets and liabilities in the entity's financial statements at the estimated amount of cash that the entity expects to collect, or the amount of cash the entity expects to pay to settle its obligations during the course of liquidation. Certain of the Corporation's subsidiaries are contending with material uncertainties related to events or conditions that cast significant doubt upon each subsidiary's ability to continue as a going concern. In preparing the consolidated financial statements, management must apply judgment in evaluating whether the financial statements of each subsidiary should be prepared on a going concern basis or on a liquidation basis. Different conclusions could result in significant changes to the carrying value of the assets and liabilities of such subsidiary.

##### **Liquidity**

There are uncertainties related to the timing and use of the Corporation's cash resources and available borrowing capacity. The development stage of the Corporation's investments and business strategies does not currently generate sufficient operating cash flows to fund their obligations as they become due. As such, these obligations will require that the Corporation generate liquidity through the divestiture of investments, through the use of available borrowing capacity, or through the issuance of debt or equity. Based on the current cash flow forecast, management anticipates it will continue to liquidate in the next 12 months certain of its investments. The Corporation may experience difficulty in obtaining satisfactory financial terms, resulting from both fluctuations in the financial markets as well as the concentration of its investment portfolio. Failure to obtain adequate financing on satisfactory terms may have a material adverse effect to the Corporation's results of operations or its financial condition.

##### **Fair Value of Financial Instruments**

Certain financial instruments are recorded in the Corporation's consolidated statements of financial position at values that are representative of, or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. For all other financial instruments carried at fair value, the fair value is determined using valuation techniques. Such techniques may reflect recent

arm's length transactions in trading of the underlying financial instrument, reference to the current fair value of another instrument that has substantially the same terms, valuations of comparable companies, or discounted income or cash flow analysis. By their nature, these valuation models require the use of assumptions. Changes in the underlying assumptions of these models could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using these valuation techniques may affect the amount of net earnings recorded for a particular investment in a particular period. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for the determination of fair value is appropriate. The most significant judgments, estimates and assumptions were made in the estimation of the fair value of United Hydrocarbon International Corp.'s royalty interest which is detailed in note 25.

#### **Impairment of Equity Accounted Investments**

The Corporation assesses, at each reporting date, whether there is any objective evidence that an equity accounted investment is impaired. An equity accounted investment is impaired if there is objective evidence of impairment as a result of one or more events that have occurred that may impact the estimated cash flows of the equity accounted investment. Objective evidence that an equity accounted investment is impaired may include a significant or prolonged decline in the trading price of a publicly traded equity accounted investment to an amount below its carrying value; restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise; indication that an equity accounted investment is in default of obligations or will enter bankruptcy; and the disappearance of an active market for a security. The assessment of impairment of equity accounted investments requires significant judgment, where management evaluates, among other factors, volatility in the trading price of the equity accounted investment, if available, the duration and extent to which the fair value of an equity accounted investment is less than its carrying value, and the financial health of and short-term business outlook for the investments. Different assumptions could result in significant changes to the carrying values of equity accounted investments and to the associated amounts of equity earnings from such investments.

#### **Subsidiaries, Equity Accounted Investments and Joint Arrangements**

The Corporation holds direct investments in various industry sectors, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Corporation's investment is passive in nature. The assessment of whether the Corporation exerts control, joint control or significant influence over an investment will determine the accounting treatment for the investment and may have a significant effect on the Corporation's results of operations.

#### **Business Combinations and Asset Acquisitions**

The Corporation uses significant judgment to conclude whether an acquired set of activities and assets are a business, and such judgment can lead to significantly different accounting results. The acquisition of a business is accounted for as a business combination. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition. There are many differences in accounting for a business combination versus an asset acquisition including the recognition of goodwill and deferred tax amounts, the initial measurement of assets and liabilities and the accounting for transaction costs. These differences not only affect the accounting as at the acquisition date, but will also affect future depreciation, depletion and possible impairment analysis. Accordingly, the conclusion as to whether a business has been acquired can have a significant effect on the Corporation's reported financial position and results of operations.

Management uses the acquisition method of accounting for an acquired set of activities and assets that have been determined to be a business. Significant judgment is required in applying the acquisition method of accounting for business combinations and specifically, in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

### Decommissioning Liabilities

The Corporation is required to provide for decommissioning liabilities. The Corporation must estimate these costs in accordance with existing laws, contracts and other policies. The estimate of future costs involves a number of estimates relating to timing, type of costs and associated contract negotiations, and review of potential methods and other technical advancements. Furthermore, due to uncertainties concerning environmental remediation, the ultimate cost of the Corporation's decommissioning liabilities could differ from amounts provided. The estimate of the Corporation's obligations are subject to change due to amendments to applicable laws and regulations and as new information concerning the Corporation's operations becomes available. The Corporation is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

### Income Tax

The determination of the Corporation's income and other tax liabilities requires the interpretation of complex laws and regulations, often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize a deferred tax asset could be materially impacted.

## 5. DISCONTINUED OPERATIONS

### Dundee Energy Limited Partnership

A volatile commodity price environment has constrained Dundee Energy Limited Partnership ("DELP"), a subsidiary of Dundee Energy Limited ("Dundee Energy") access to capital. On July 21, 2017, DELP received notice from its lender demanding repayment of amounts borrowed pursuant to the credit facility dated July 2, 2012, as amended (note 14). DELP was not able to comply with the demand request. Accordingly, on August 16, 2017, DELP commenced insolvency proceedings by filing a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)* in order for it to run a court-supervised sale solicitation process ("SSP"), with the goal of identifying proposals to purchase some or all of the business, properties or assets of DELP. DELP obtained an order from the Ontario Superior Court of Justice approving the terms of the SSP.

On November 16, 2018, DELP completed the sale of substantially all of its property for total cash consideration of \$27,002,000 and recognized a loss of \$18,849,000 from the transaction. At closing, \$1,030,000 of the cash consideration was retained by the court officer for further post-close related expenditures; any unused balance will be applied against the outstanding loan arrangement.

The assets and liabilities of DELP which were sold as part of the transaction, and the resulting loss on the sale of such net assets are illustrated in the following table.

|                                                        |                    |
|--------------------------------------------------------|--------------------|
| <b>Carrying value of net assets sold:</b>              |                    |
| Accounts receivable                                    | \$ 4,933           |
| Resource assets                                        | 91,336             |
| Accounts payable                                       | (3,979)            |
| Decommissioning liabilities                            | (46,439)           |
|                                                        | 45,851             |
| <b>Proceeds received on disposition of net assets:</b> |                    |
| Cash                                                   | 25,972             |
| Holdback                                               | 1,030              |
|                                                        | 27,002             |
| <b>Loss on sale of net assets</b>                      | <b>\$ (18,849)</b> |

Operating results and cash flow of DELP have been classified as discontinued operations in the consolidated statements of operations and comprehensive loss, and as cash flow from discontinued operations respectively, for the each of the years ended December 31, 2018 and 2017. The assets and liabilities related to the DELP business were reclassified as assets or liabilities of discontinued operations in the consolidated financial statement as at December 31, 2017. Following the completion of the sale of substantially all of DELP's property on November 16, 2018, Dundee Energy lost the ability to make substantive decisions over relevant activities concerning the remaining assets of DELP. Accordingly, Dundee Energy has determined that it effectively lost control of the operations of DELP and, as a result, the associated assets and liabilities were subsequently deconsolidated, resulting in a gain from disposal of subsidiary of \$30,829,000. Dundee Energy's retained interest in DELP was recognized at a fair value of \$nil.

*Gain on Disposal of Subsidiary*

|                                       | Note |           |               |
|---------------------------------------|------|-----------|---------------|
| <b>Carrying value of net assets:</b>  |      |           |               |
| Cash                                  |      | \$        | 28            |
| Accounts receivable                   |      |           | 3,056         |
| Corporate debt                        | 14   |           | (30,777)      |
| Accounts payable                      |      |           | (3,136)       |
| <b>Gain on disposal of subsidiary</b> |      | <b>\$</b> | <b>30,829</b> |

*Net Loss from Discontinued Operations\**

| For the years ended December 31,       | Note   | 2018               | 2017               |
|----------------------------------------|--------|--------------------|--------------------|
| <b>REVENUES</b>                        | 19     | \$ 20,686          | \$ 22,613          |
| <b>OTHER ITEMS IN NET LOSS</b>         |        |                    |                    |
| Cost of sales                          |        | (10,575)           | (10,929)           |
| Depreciation and depletion             | 11     | (7,415)            | (27,299)           |
| General and administrative expenses    | 21     | (5,988)            | (3,692)            |
| Remeasurement of financial instruments |        | -                  | 1,299              |
| Interest expense                       | 14, 15 | (5,461)            | (5,320)            |
| Foreign exchange gain (loss)           |        | 266                | (276)              |
|                                        |        | (8,487)            | (23,604)           |
| Loss on sale of net assets             |        | (18,849)           | -                  |
| <b>NET LOSS BEFORE INCOME TAXES</b>    |        | <b>(27,336)</b>    | <b>(23,604)</b>    |
| Income tax expense                     | 22     | -                  | (14,808)           |
| <b>NET LOSS FOR THE YEAR</b>           |        | <b>\$ (27,336)</b> | <b>\$ (38,412)</b> |
| <b>NET LOSS ATTRIBUTABLE TO:</b>       |        |                    |                    |
| Owners of the parent                   |        | \$ (15,841)        | \$ (22,260)        |
| Non-controlling interest               |        | (11,495)           | (16,152)           |
|                                        |        | <b>\$ (27,336)</b> | <b>\$ (38,412)</b> |

\* 2018 revenues covered the period up to November 16, 2018, the date that the sale of substantially all of DELP's property was completed.

In late March 2019, Dundee Energy and certain of its subsidiaries filed an assignment for the benefit of creditors under the *Bankruptcy and Insolvency Act*.

**Blue Goose Pure Foods Ltd.**

Blue Goose Pure Foods Ltd. (“BGPF”), a wholly-owned subsidiary of the Corporation’s agriculture subsidiary, Blue Goose Capital Corp. (“Blue Goose”) had acquired substantially all of the operating assets of Tender Choice Foods Inc., a facility specializing in the production, processing and distribution of various meat products.

On December 6, 2017, there was a catastrophic fire at the facilities of BGPF that rendered the facilities inoperative. On December 7, 2017, the lender made demand on BGPF for the payment of all amounts borrowed, including accrued interest thereon. BGPF was not able to meet the requirements of the demand and accordingly, on December 14, 2017, the lender appointed an interim receiver with broad powers over the assets, following which BGPF effectively lost control of the operations of BGPF, and the associated net assets were subsequently deconsolidated, resulting in a loss from disposal of subsidiary of \$22,577,000.

*Loss on Disposal of Subsidiary*

|                                       | Note |                  |
|---------------------------------------|------|------------------|
| <b>Carrying value of net assets:</b>  |      |                  |
| Accounts receivable                   |      | \$ 7,634         |
| Livestock                             | 12   | 11,735           |
| Capital and other assets              | 13   | 43,405           |
| Deferred income tax assets            | 22   | 2,954            |
| Accounts payable                      |      | (12,018)         |
| Corporate debt                        |      | (31,133)         |
| <b>Loss on disposal of subsidiary</b> |      | <b>\$ 22,577</b> |

*Net Loss from Discontinued Operations*

| For the year ended December 31,     | Note | 2017              |
|-------------------------------------|------|-------------------|
| <b>REVENUES</b>                     | 19   | \$ 77,628         |
| <b>OTHER ITEMS IN NET LOSS</b>      |      |                   |
| Cost of sales                       |      | (70,395)          |
| Depreciation and depletion          |      | (27,084)          |
| General and administrative expenses | 21   | 12,056            |
| Interest expense                    |      | (1,492)           |
| Foreign exchange loss               |      | (37)              |
| <b>NET LOSS BEFORE INCOME TAXES</b> |      | <b>(9,324)</b>    |
| Income tax recovery                 | 22   | 1,055             |
| <b>NET LOSS FOR THE YEAR</b>        |      | <b>\$ (8,269)</b> |
| <b>NET LOSS ATTRIBUTABLE TO:</b>    |      |                   |
| Owners of the parent                |      | \$ (7,428)        |
| Non-controlling interest            |      | (841)             |
|                                     |      | <b>\$ (8,269)</b> |

## 6. SIGNIFICANT DISPOSITIONS

### Significant Dispositions Completed by the Corporation During 2018

|                                                        |           | DUK      | NW Fisheries  | DSL             |
|--------------------------------------------------------|-----------|----------|---------------|-----------------|
| <b>Carrying value of net assets sold:</b>              |           |          |               |                 |
| Cash                                                   | \$        | 972      | \$ -          | \$ 150          |
| Accounts receivable                                    |           | 410      | -             | 1,304           |
| Livestock                                              |           | -        | 866           | -               |
| Capital and other assets                               |           | -        | 932           | -               |
| Accounts payable                                       |           | (579)    | -             | (101)           |
|                                                        |           | 803      | 1,798         | 1,353           |
| <b>Proceeds received on disposition of net assets:</b> |           |          |               |                 |
| Cash                                                   |           | -        | 2,472         | 1,400           |
| Escrow account                                         |           | -        | -             | 1,500           |
| Accounts receivable                                    |           | -        | -             | 300             |
| Contingent consideration                               |           | -        | -             | 800             |
|                                                        |           | -        | 2,472         | 4,000           |
| <b>Gain on sale of net assets</b>                      | <b>\$</b> | <b>-</b> | <b>\$ 674</b> | <b>\$ 2,647</b> |

#### *Dundee Securities Europe Limited*

On April 1, 2018, the Corporation completed the sale of 80% of the business of Dundee Securities Europe Limited (“DUK”) to certain members of its key management. The Corporation retained 1,968,000 class A voting shares and 450,000 class B 10% non-cumulative preference shares of DUK, which represented a 20% voting interest in DUK, the Corporation determined that it still has significant influence over the investment and accordingly, this investment is accounted for using the equity method (note 10).

#### *Asset disposition of North Wind Fisheries Ltd.*

On July 11, 2018, Blue Goose completed a transaction that resulted in the partial sale of the assets in North Wind Fisheries Ltd. (“NW Fisheries”), fish division of Blue Goose, for total consideration of \$2,472,000 and recognized a gain of \$674,000. This gain on the sale has been included in these consolidated financial statements as “*Interest and other revenue*” (note 19).

#### *Dundee Securities Ltd.*

On December 14, 2018, the Corporation completed a transaction whereby it sold its 100% interest in Dundee Securities Ltd. (“DSL”), a member of the Investment Industry Regulatory Organization of Canada, for total consideration of \$4,000,000 and recognized a gain of \$2,647,000. This gain on the sale has been included in these consolidated financial statements as “*Interest and other revenue*” (note 19).

At closing of the sale transaction, the Corporation received \$2,900,000 of cash consideration, in which \$1,500,000 was held in an escrow account and will be released within a two-year period pursuant to the terms of the share purchase agreement. In addition, the Corporation may receive up to a further \$800,000 of additional consideration, which amount is contingent upon the retention and performance of assets under administration by the acquiring company. Subsequent to December 31, 2018, the Corporation received \$300,000 to settle the receivable set up at the day of the sale transaction.

The potential undiscounted amount of all future consideration that the Corporation may receive under the contingent arrangement referred to above is between \$nil and \$800,000. The fair value of the contingent consideration as at December 14, 2018 and December 31, 2018 was \$800,000 and was determined by applying future expected performance returns on assets under administration. These key inputs to the determination of fair value of the contingent consideration are not observable in the market and therefore, the Corporation has classified the measurement of the asset at level 3 of the fair value hierarchy.

## Significant Dispositions Completed by the Corporation During 2017

|                                                                             | DSI       |            | UHCL      |               |
|-----------------------------------------------------------------------------|-----------|------------|-----------|---------------|
| <b>Carrying value of net assets sold:</b>                                   |           |            |           |               |
| Cash                                                                        | \$        | 953        | \$        | 3,204         |
| Accounts receivable                                                         |           | 367        |           | 245           |
| Income taxes receivable                                                     |           | 34         |           | -             |
| Resource assets                                                             |           | -          |           | 213,441       |
| Capital and other assets                                                    |           | -          |           | 191           |
| Accounts payable                                                            |           | (2)        |           | (5,193)       |
| Decommissioning liabilities                                                 |           | -          |           | (3,114)       |
| Foreign currency translation gain in accumulated other comprehensive income |           | -          |           | (64,436)      |
|                                                                             |           | 1,352      |           | 144,338       |
| <b>Proceeds received on disposition of net assets:</b>                      |           |            |           |               |
| Cash                                                                        |           | 1,346      |           | 24,930        |
| Accounts receivable                                                         |           |            |           |               |
| First production bonus                                                      |           | -          |           | 30,673        |
| Escrowed consideration                                                      |           | -          |           | 11,655        |
| Holdbacks                                                                   |           | -          |           | 3,681         |
| Other expected working capital adjustments                                  |           | -          |           | 780           |
| Resource assets                                                             |           |            |           |               |
| Royalty interest                                                            |           | -          |           | 137,055       |
|                                                                             |           | 1,346      |           | 208,774       |
| <b>Gain (loss) on sale of net assets</b>                                    | <b>\$</b> | <b>(6)</b> | <b>\$</b> | <b>64,436</b> |

### *Disposition of Dundee Securities Inc.*

On May 26, 2017, the Corporation disposed of its 100% interest in Dundee Securities Inc., a member of the Financial Industry Regulatory Authority and registered as a broker dealer with the U.S. Securities Exchange Commission, for gross proceeds of \$1,346,000.

### *Disposition of United Hydrocarbon Chad Ltd.*

Pursuant to a share purchase agreement settled on September 22, 2017, United Hydrocarbon International Corp. (“UHIC”) and its wholly-owned subsidiary, United Hydrocarbon Holdings Ltd. (“UHHL”) completed a transaction whereby UHHL sold its 100% interest in United Hydrocarbon Chad Ltd. (“UHCL”) to Delonex Energy Limited (“Delonex”). UHCL is the holder of the production sharing contract (“PSC”), pursuant to which UHIC had previously indirectly carried out its exploration activities in the Republic of Chad. Subject to certain escrow restrictions and working capital adjustments, UHIC received cash of US\$35,000,000 at closing. Further, UHIC may receive up to US\$50,000,000 upon Delonex successfully achieving first oil. UHIC has also retained a royalty interest (note 11) ranging from 5% to 10% of net cash flows generated pursuant to the PSC, after the payment of royalties and taxes to the Republic of Chad as provided for in the PSC, conditional on the price of Brent Crude oil being equal to or greater than US\$45.00 per barrel in any calendar quarter.

The Corporation accounted for this transaction as a disposition of UHCL and therefore, it derecognized UHCL’s assets and liabilities at their consolidated carried value immediately prior to the date of the transaction. The operations of UHCL were denominated in U.S. currency. Accordingly, upon the derecognition of UHCL’s net assets, the Corporation transferred \$64,436,000 of foreign exchange currency gains previously recorded as other comprehensive income to net earnings.

## 7. ACQUISITIONS AND DILUTIONS OF INTERESTS IN SUBSIDIARIES

### Change of Ownership Interests in Subsidiaries

|                                        | Interest Owned as at |           |           | Effect on Reserves for Changes<br>in Equity of Subsidiaries<br>during the year ended |                   |
|----------------------------------------|----------------------|-----------|-----------|--------------------------------------------------------------------------------------|-------------------|
|                                        | 31-Dec-18            | 31-Dec-17 | 31-Dec-16 | 31-Dec-18                                                                            | 31-Dec-17         |
| Blue Goose Capital Corp.               | 89%                  | 90%       | 90%       | \$ 346                                                                               | \$ (512)          |
| Dundee Energy Limited                  | 58%                  | 58%       | 58%       | -                                                                                    | 10                |
| Dundee Sustainable Technologies Inc.   | 62%                  | 63%       | 66%       | 570                                                                                  | 1,013             |
| Eurogas International Inc.             | 54%                  | 54%       | 53%       | -                                                                                    | (3)               |
| United Hydrocarbon International Corp. | 83%                  | 83%       | 85%       | -                                                                                    | (3,049)           |
| <b>Total</b>                           |                      |           |           | <b>\$ 916</b>                                                                        | <b>\$ (2,541)</b> |

#### *Blue Goose Capital Corp.*

In addition to the Corporation's equity interest in Blue Goose, the Corporation continues to hold a \$15,000,000 convertible debenture in Blue Goose, which is subject to interest at a rate of 8% per annum, of which 50% is paid to the Corporation in cash, with the remaining 50% paid to the Corporation through the issuance of further common shares of Blue Goose. During 2018, the Corporation received 99,998 (2017 – 99,998) common shares of Blue Goose pursuant to these arrangements. This transaction, combined with other transactions conducted between Blue Goose and its minority shareholders, resulted in an increase in reserves for changes in equity of subsidiaries of \$346,000 (2017 – decrease of \$512,000).

#### *Dundee Sustainable Technologies Inc.*

During 2018, Dundee Sustainable Technologies Inc. ("Dundee Sustainable") raised \$65,000 (2017 – \$500,000) pursuant to a private placement whereby it issued 2,015,991 (2017 – 14,285,714) of its common shares to minority interests, reducing the Corporation's ownership interest from 66% at December 31, 2016 to 63% at December 31, 2017 and further reduced to 62% at December 31, 2018. Combined with other changes in its shareholders' equity resulting from accrued stock based compensation expense, these transactions resulted in an increase in reserves for changes in equity of subsidiaries of \$570,000 (2017 – \$1,013,000).

#### *United Hydrocarbon International Corp.*

Transactions conducted between UHIC and its minority shareholders during 2017, including shares issued to certain key employees following completion of UHIC's transaction with Delonex (note 6), resulted in a reduction in reserves for changes in equity of subsidiaries by \$3,049,000.

#### *Issuance of Limited Partnership Units in Subsidiary of Dundee Energy Limited*

During 2017, and in order to fund legal and other related costs of the Castor underground gas storage project located in Spain ("Castor Project") arbitration process, a subsidiary of Dundee Energy raised funds through voluntary cash calls to its limited partners. The subsidiary raised partners' capital of \$1,338,000 from the cash calls, including \$1,002,000 raised directly from Dundee Energy. As not all limited partners participated in the voluntary cash calls, Dundee Energy's interest in the subsidiary increased marginally, resulting in a reduction in reserves for changes in equity of subsidiaries of \$15,000.

#### *Cancellation of Shares Pursuant to Sunset Clause Provisions*

During 2017, Dundee Energy cancelled 185,158 of its common shares and Eurogas International Inc. ("Eurogas") cancelled 38,109 of its common shares pursuant to its sunset clause provisions relating to prior corporate reorganizations. These transactions, combined with other transactions between these entities and their minority shareholders, resulted in a change in the Corporation's ownership interest in these subsidiaries, and an associated increase in reserves for changes in equity of subsidiaries of \$22,000 in aggregate.

## 8. CLIENT ACCOUNTS RECEIVABLE AND CLIENT DEPOSITS AND RELATED LIABILITIES

| As at December 31,                          | 2018                             |                                               | 2017                             |                                               |
|---------------------------------------------|----------------------------------|-----------------------------------------------|----------------------------------|-----------------------------------------------|
|                                             | Client<br>Accounts<br>Receivable | Client<br>Deposits and<br>Related Liabilities | Client<br>Accounts<br>Receivable | Client<br>Deposits and<br>Related Liabilities |
| Funds deposited into trust / held in escrow | \$ 17,276                        | \$ 17,276                                     | \$ 17,208                        | \$ 17,208                                     |
| Amounts receivable from carrying broker     | -                                | -                                             | 907                              | -                                             |
|                                             | <b>\$ 17,276</b>                 | <b>\$ 17,276</b>                              | <b>\$ 18,115</b>                 | <b>\$ 17,208</b>                              |

“Funds deposited into trust / held in escrow” include funds placed in escrow by an acquiror in a real estate property transaction from which applicable fees are distributed to the relevant parties associated with the real estate transaction.

## 9. INVESTMENTS

### Cost and Fair Value of Investments

| As at December 31,         | 2018              |                   | 2017              |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
|                            | Cost              | Fair Value        | Cost              | Fair Value        |
| Publicly traded securities | \$ 370,180        | \$ 166,492        | \$ 408,276        | \$ 220,534        |
| Private investments        | 210,018           | 71,067            | 260,798           | 127,459           |
| Debt securities            | 52,368            | 31,804            | 48,286            | 36,345            |
| Warrants and options       | -                 | 781               | 20                | 855               |
|                            | <b>\$ 632,566</b> | <b>\$ 270,144</b> | <b>\$ 717,380</b> | <b>\$ 385,193</b> |

During 2018, the Corporation invested \$39,183,000 (2017 – \$17,497,000) to acquire new positions, or to increase its interest in existing positions within its portfolio. Investment purchases included the purchase of \$17,411,000 Class F convertible preferred units and \$15,500,000 promissory note of Parq Equity Limited Partnership, the limited partnership structure that ultimately owns the Corporation’s interest in the casino and resort development project in Vancouver, British Columbia.

During 2018, the Corporation generated proceeds of \$79,601,000 (2017 – \$132,641,000) from the sale of various public and private investments and from collection of amounts due under debt arrangements. Proceeds in 2017 included proceeds of \$106,113,000 from the sale of 15,536,288 class A subordinate voting shares of Dream Unlimited Corp.

### Net (Loss) Income from Investments

| For the years ended December 31, | 2018                     |                    |                         | 2017               |                         |
|----------------------------------|--------------------------|--------------------|-------------------------|--------------------|-------------------------|
|                                  | Interest<br>and Dividend | Realized           | Change in<br>Unrealized | Realized           | Change in<br>Unrealized |
| Publicly traded securities       | \$ 283                   | \$ 5,397           | \$ (16,825)             | \$ (86,369)        | \$ 154,957              |
| Private investments              | 3,209                    | (51,390)           | (4,733)                 | 740                | (9,824)                 |
| Debt securities                  | 7,085                    | (1,126)            | (8,623)                 | (694)              | 3,031                   |
| Warrants and options             | -                        | (20)               | (54)                    | 400                | 1,124                   |
|                                  | <b>\$ 10,577</b>         | <b>\$ (47,139)</b> | <b>\$ (30,235)</b>      | <b>\$ (85,923)</b> | <b>\$ 149,288</b>       |

Changes in the fair value of individual investments since December 31, 2017 are included in the Corporation’s net earnings or loss. During 2018, the Corporation recorded a loss in the fair value on its investments designated as FVTPL of \$77,374,000 (2017 – gain of \$63,365,000). The net loss recognized during 2018 include a change in unrealized loss of \$71,062,000 (2017 – \$6,494,000) related to the Corporation’s investment in Parq Equity Limited Partnership. During 2018, there was a reclassification of \$54,050,000 from change in unrealized loss to realized loss due to the share buyback from one of the Corporation’s private investments. In addition, the Corporation recognized interest and dividend income from its investments for the amount of \$10,577,000 in accordance with the adoption of IFRS 15 during 2018. For the year ended

December 31, 2017, interest and dividend income earned from its investments was included in “Interest and other revenue” in these consolidated financial statements.

## 10. EQUITY ACCOUNTED INVESTMENTS

| As at and for the years ended December 31,     |           |                  |                          | 2018      |                   |                          | 2017      |                   |                          |
|------------------------------------------------|-----------|------------------|--------------------------|-----------|-------------------|--------------------------|-----------|-------------------|--------------------------|
| Investment                                     | Ownership | Carrying Value   | Share of Earnings (Loss) | Ownership | Carrying Value    | Share of Earnings (Loss) | Ownership | Carrying Value    | Share of Earnings (Loss) |
| 0832912 B.C. Unlimited Liability Company (i)   | 50%       | \$ -             | \$ (52,592)              | 50%       | \$ 52,592         | \$ (4,858)               | 50%       | \$ 52,592         | \$ (4,858)               |
| Android Industries, LLC                        | 20%       | 23,048           | (989)                    | 20%       | 24,322            | (222)                    | 20%       | 24,322            | (222)                    |
| Cambridge Medical Funding Group II, LLC        | 50%       | -                | -                        | 50%       | -                 | (8,422)                  | 50%       | -                 | (8,422)                  |
| Cambridge Medical Capital Services LLC         | 50%       | -                | -                        | 50%       | -                 | (54)                     | 50%       | -                 | (54)                     |
| Dundee Acquisition Ltd.                        | 98%       | 243              | 624                      | 98%       | (381)             | 3,510                    | 98%       | (381)             | 3,510                    |
| Dundee Sarea Acquisition I Limited Partnership | 34%       | 5,582            | (12,931)                 | 33%       | 16,713            | 531                      | 33%       | 16,713            | 531                      |
| Dundee Sarea Limited Partnership               | 21%       | -                | (91)                     | 21%       | 91                | (245)                    | 21%       | 91                | (245)                    |
| Dundee Securities Europe Limited               | 20%       | 687              | (116)                    | n/a       | -                 | -                        | n/a       | -                 | -                        |
| Odyssey Resources Limited                      | 31%       | -                | -                        | 31%       | -                 | (33)                     | 31%       | -                 | (33)                     |
| Union Group International Holdings Limited     | 40%       | 14,500           | 1,703                    | 40%       | 11,424            | (44,567)                 | 40%       | 11,424            | (44,567)                 |
|                                                |           | 44,060           | (64,392)                 |           | 104,761           | (54,360)                 |           | 104,761           | (54,360)                 |
| Real estate joint ventures                     |           | 5,520            | (570)                    |           | 5,976             | 1,268                    |           | 5,976             | 1,268                    |
|                                                |           | <b>\$ 49,580</b> | <b>\$ (64,962)</b>       |           | <b>\$ 110,737</b> | <b>\$ (53,092)</b>       |           | <b>\$ 110,737</b> | <b>\$ (53,092)</b>       |

- (i) Dundee Corporation owns a 50% interest in 0832912 B.C. Unlimited Liability Company (formerly Paragon Holdings (Smithe Street) ULC), which, in turn owns an indirect 71% interest in a resort development project. Dundee Corporation has an effective 37% interest in the underlying project, before any changes in ownership that may result from the exercise of the Corporation’s conversion rights.

### Significant Transactions Affecting the Carrying Value of Equity Accounted Investments

#### 0832912 B.C. Unlimited Liability Company (formerly Paragon Holdings (Smithe Street) ULC) (“B.C. Holdings”)

B.C. Holdings holds an interest in Parq Holding Limited Partnership, the developer and operator of a casino and resort project in Vancouver, British Columbia (the “Parq Project”). During 2018, the ownership group provided equity of \$33,411,000 to the Parq Project, including \$17,411,000 funded directly by the Corporation, in the form of Class F convertible preferred units. In addition, the Corporation provided \$15,500,000 in the form of a 20% convertible promissory note maturing on January 1, 2019, and shall be automatically extended thereafter in 30-day increments. On or after the maturity date, the Corporation may elect to convert all of the amounts outstanding, including interest thereon, into Class G limited partnership units of Parq Equity Limited Partnership (“Class G Units”), at a conversion price of \$1.0772 per Class G Unit.

The Corporation accounts for its indirect investment in the Parq Project using the equity method of accounting. The Parq Project initially opened in the fall of 2017, and became fully operational in the first quarter of 2018. The initial ramp up of operations was slower than anticipated. Furthermore, a key aspect of the value attributed to the Corporation’s investment in the Parq Project is the refinancing of existing debt. In the interim, the Parq Project may require additional injections of cash from its equity partners in order to fund shortfalls in operations. There can be no assurance that the Parq Project will have access to revised financing on more favourable terms or at all, or that the Corporation and its equity partners will have access to the necessary capital to fund any operational shortfalls. The Corporation determined that these events have impacted the estimated cash flows from the Parq Project and accordingly, during 2018, the Corporation completed an assessment of the recoverable amount of the investment by calculating its value in use. Based on its assumptions resulting from changes in the estimated long-term forecast of the Parq Project, the Corporation concluded that, at December 31, 2018, the recoverable amount of the Corporation’s investment was \$nil and recognized an impairment charge of

\$22,344,000 which is included in the Corporation's share of loss from its investment in 2018 of \$52,592,000 (2017 – \$4,858,000).

*Dundee Sarea Acquisition I Limited Partnership (“Dundee Sarea Fund”)*

During 2018, the Corporation invested \$1,800,000 in Dundee Sarea Fund and, as a result, at December 31, 2018, \$20,922,000 had been invested or otherwise committed to Dundee Sarea Fund. The Corporation's aggregate commitment to Dundee Sarea Fund is \$21,000,000. At December 31, 2018, Dundee Sarea Fund's sole investment consisted of a 91% ownership in Redecam Group S.p.A (“Redecam”), an Italian-based designer, manufacturer and installer of air filtration equipment and flue gas treatment systems for air pollution control. During 2018, the Corporation invested €1,350,000 (\$2,108,000 Canadian dollars) in a 12% promissory note of Redecam. This promissory note is designated as FVTPL and reported as investments (note 9). Reflecting the ongoing uncertainties of operations at Redecam, during 2018, the Corporation recognized a loss of \$12,931,000 (2017 – gain of \$531,000) from its investment in Dundee Sarea, reducing its carrying value to \$5,582,000 at the end of December 2018.

*Union Group International Holdings Limited (“Union Group”)*

The Corporation was unable to ascertain information regarding the carrying value of Union Group's assets and liabilities and information regarding Union Group's operating results. The carrying value of Union Group at December 31, 2018 reflects the sale proceeds that the Corporation received in January 2019 following the sale of all of interest in Union Group.

*Dundee Securities Europe Limited*

In connection with the sale of 80% interest of DUK in April 2018 (note 5), the Corporation retained 1,968,000 class A voting shares and 450,000 class B 10% non-cumulative preference shares of DUK, which represented a 20% voting interest in DUK, the Corporation determined that it still has significant influence over the investment and accordingly, this investment is accounted for using the equity method.

**Financial Information about Equity Accounted Investments**

The following tables summarize financial information about the assets, liabilities, revenues, net earnings and OCI of the Corporation's material equity accounted investments, excluding Union Group, as at and for the years ended December 31, 2018 and 2017.

| As at and for the year ended December 31, 2018                 | B.C. Holdings | Android      | Other     |
|----------------------------------------------------------------|---------------|--------------|-----------|
| Ownership interest                                             | 50%           | 20%          | n/a       |
| Assets                                                         | \$ 386,920    | \$ 105,623   | \$ 19,259 |
| Liabilities                                                    | (421,203)     | (81,094)     | (274)     |
| Non-controlling interest                                       | 12,641        | 288          | -         |
| Percentage ownership of net assets                             | (21,642)      | 24,817       | 18,985    |
| Difference between net assets and carrying value of investment | 21,642        | (1,769)      | (12,473)  |
| Carrying value                                                 | \$ -          | \$ 23,048    | \$ 6,512  |
| Revenue                                                        | \$ 170,885    | \$ 1,236,608 | \$ 1,278  |
| Net loss                                                       | (152,681)     | (5,274)      | (42,829)  |
| Comprehensive loss                                             | -             | (9,739)      | -         |

| As at and for the year ended December 31, 2017                 | B.C. Holdings | Android      | Other     |
|----------------------------------------------------------------|---------------|--------------|-----------|
| Ownership interest                                             | 50%           | 20%          | n/a       |
| Assets                                                         | \$ 412,193    | \$ 96,624    | \$ 18,292 |
| Liabilities                                                    | (380,018)     | (70,827)     | (1,283)   |
| Non-controlling interest                                       | (8,544)       | 293          | -         |
| Percentage ownership of net assets                             | 23,631        | 26,090       | 17,009    |
| Difference between net assets and carrying value of investment | 28,961        | (1,768)      | (586)     |
| Carrying value                                                 | \$ 52,592     | \$ 24,322    | \$ 16,423 |
| Revenue                                                        | \$ 82,638     | \$ 1,504,321 | \$ 2,114  |
| Net loss                                                       | (13,223)      | (2,523)      | (162)     |
| Comprehensive income                                           | -             | 4,084        | 15        |

The Corporation's financial information in respect of its equity accounted information as outlined above is based on the most recent audited annual financial statements or, if such audited annual financial statements are not available, from unaudited annual or interim financial statements of each equity accounted investment. Adjustments are made to reflect material transactions and events in the intervening period, if any. For purposes of this disclosure, the assets and liabilities of the equity accounted investments with presentation currencies in other than the Canadian dollar have been translated using prevailing foreign exchange rates at the dates of the consolidated statements of financial position. Revenues, net earnings and items in OCI have been translated using average foreign exchange rates during the respective periods.

## 11. RESOURCE ASSETS

### Resource Assets in Continuing Operations

|                                              | Machinery<br>and<br>Equipment | Royalty<br>Interest<br>(note 6) | Other         | Total             |
|----------------------------------------------|-------------------------------|---------------------------------|---------------|-------------------|
| <b>At December 31, 2016</b>                  |                               |                                 |               |                   |
| Cost                                         | \$ 286                        | \$ -                            | \$ 361        | \$ 647            |
| Accumulated depreciation and depletion       | -                             | -                               | -             | -                 |
| Net carrying value, December 31, 2016        | 286                           | -                               | 361           | 647               |
| <b>For the year ended December 31, 2017</b>  |                               |                                 |               |                   |
| Carrying value December 31, 2016             | 286                           | -                               | 361           | 647               |
| Business disposition (note 6)                | -                             | 137,055                         | -             | 137,055           |
| Net additions *                              | -                             | 3,080                           | -             | 3,080             |
| Depreciation                                 | -                             | -                               | -             | -                 |
| Remeasurement of financial instruments **    | -                             | 2,925                           | -             | 2,925             |
| Net carrying value, December 31, 2017        | 286                           | 143,060                         | 361           | 143,707           |
| <b>At December 31, 2017</b>                  |                               |                                 |               |                   |
| Cost                                         | \$ 286                        | \$ 143,060                      | \$ 361        | \$ 143,707        |
| Accumulated depreciation and depletion       | -                             | -                               | -             | -                 |
| Net carrying value, December 31, 2017        | 286                           | 143,060                         | 361           | 143,707           |
| <b>For the year ended December 31, 2018</b>  |                               |                                 |               |                   |
| Carrying value December 31, 2017             | 286                           | 143,060                         | 361           | 143,707           |
| Net additions *                              | -                             | 13,079                          | -             | 13,079            |
| Depreciation                                 | (286)                         | -                               | -             | (286)             |
| Remeasurement of financial instruments **    | -                             | (17,165)                        | -             | (17,165)          |
| Net carrying value, December 31, 2018        | -                             | 138,974                         | 361           | 139,335           |
| <b>At December 31, 2018</b>                  |                               |                                 |               |                   |
| Cost                                         | -                             | 138,974                         | 361           | 139,335           |
| Accumulated depreciation and depletion       | -                             | -                               | -             | -                 |
| <b>Net carrying value, December 31, 2018</b> | <b>\$ -</b>                   | <b>\$ 138,974</b>               | <b>\$ 361</b> | <b>\$ 139,335</b> |

\* Represents a foreign currency translation gain associated with the translation of resource assets with carrying values denominated in a foreign currency. This amount is included in the consolidated statements of comprehensive loss.

**\*\* During 2018, the Corporation recorded a loss of \$4,179,000 (2017 – gain of \$344,000) in respect of changes in the fair value of contingent consideration associated with its royalty interest which is included in the consolidated statement of operations as “Remeasurement of financial instruments”. The contingent consideration amount is included in these consolidated statements of financial position as “Accounts receivable”.**

### *Royalty Interest*

In connection with the disposition of its investment in UHCL, UHIC retains a royalty interest in the underlying PSC. Under the terms of this arrangement, UHIC will be entitled to a royalty interest ranging from 5% to 10% of net cash flows generated pursuant to the PSC, after payment of royalties and taxes to the Republic of Chad as provided for in the PSC. Such royalty payments will only be paid to UHIC if the average price of Brent Crude oil is equal to or greater than US\$45.00 per barrel in any calendar quarter. At the date of acquisition on September 22, 2017, the Corporation estimated the fair value of the royalty interest at \$137,055,000.

The Corporation’s entitlement to cash flows pursuant to the royalty interest has resulted in the Corporation designating the royalty interest as a financial instrument at FVTPL. During 2018, the Corporation recognized a loss of \$17,165,000 from the change in the fair value of the royalty interest (2017 – gain of \$2,925,000 since acquisition completed on September 22, 2017).

### **Resource Assets in Discontinued Operations**

|                                                 | <i>Property, Plant and Equipment</i> |                         |                         |                    | <i>Exploration and Evaluation</i> |                        |             |
|-------------------------------------------------|--------------------------------------|-------------------------|-------------------------|--------------------|-----------------------------------|------------------------|-------------|
|                                                 | Oil and Gas Development Costs        | Pipeline Infrastructure | Machinery and Equipment | Land and Buildings | Other                             | Undeveloped Properties | Total       |
| <b>At December 31, 2016</b>                     |                                      |                         |                         |                    |                                   |                        |             |
| Cost                                            | \$ 157,371                           | \$ 27,751               | \$ 26,122               | \$ 4,715           | \$ 1,709                          | \$ 25,371              | \$ 243,039  |
| Accumulated depreciation and depletion          | (86,274)                             | (9,527)                 | (8,213)                 | (170)              | (566)                             | (6,934)                | (111,684)   |
| Net carrying value, December 31, 2016           | 71,097                               | 18,224                  | 17,909                  | 4,545              | 1,143                             | 18,437                 | 131,355     |
| <b>Year ended December 31, 2017</b>             |                                      |                         |                         |                    |                                   |                        |             |
| Carrying value December 31, 2016                | 71,097                               | 18,224                  | 17,909                  | 4,545              | 1,143                             | 18,437                 | 131,355     |
| Net additions                                   | -                                    | -                       | (34)                    | -                  | (2)                               | 536                    | 500         |
| Remeasure decommissioning liabilities (note 15) | (1,737)                              | -                       | -                       | -                  | -                                 | -                      | (1,737)     |
| Depreciation and depletion                      |                                      |                         |                         |                    |                                   |                        |             |
| Impairment                                      | -                                    | -                       | -                       | -                  | -                                 | (18,973)               | (18,973)    |
| Other                                           | (6,015)                              | (930)                   | (1,343)                 | (31)               | (7)                               | -                      | (8,326)     |
| Net carrying value, December 31, 2017           | 63,345                               | 17,294                  | 16,532                  | 4,514              | 1,134                             | -                      | 102,819     |
| <b>At December 31, 2017</b>                     |                                      |                         |                         |                    |                                   |                        |             |
| Cost                                            | 155,634                              | 27,751                  | 26,077                  | 4,715              | 1,707                             | -                      | 215,884     |
| Accumulated depreciation and depletion          | (92,289)                             | (10,457)                | (9,545)                 | (201)              | (573)                             | -                      | (113,065)   |
| Net carrying value, December 31, 2017           | 63,345                               | 17,294                  | 16,532                  | 4,514              | 1,134                             | -                      | 102,819     |
| <b>Year ended December 31, 2018</b>             |                                      |                         |                         |                    |                                   |                        |             |
| Carrying value December 31, 2017                | 63,345                               | 17,294                  | 16,532                  | 4,514              | 1,134                             | -                      | 102,819     |
| Net additions                                   | -                                    | -                       | 33                      | -                  | -                                 | -                      | 33          |
| Remeasure decommissioning liabilities (note 15) | (4,101)                              | -                       | -                       | -                  | -                                 | -                      | (4,101)     |
| Depreciation and depletion                      | (5,370)                              | (851)                   | (1,165)                 | (27)               | (2)                               | -                      | (7,415)     |
| Sale of net assets (note 5)                     | (53,874)                             | (16,443)                | (15,400)                | (4,487)            | (1,132)                           | -                      | (91,336)    |
| Net carrying value, December 31, 2018           | -                                    | -                       | -                       | -                  | -                                 | -                      | -           |
| <b>At December 31, 2018</b>                     |                                      |                         |                         |                    |                                   |                        |             |
| Cost                                            | -                                    | -                       | -                       | -                  | -                                 | -                      | -           |
| Accumulated depreciation and depletion          | -                                    | -                       | -                       | -                  | -                                 | -                      | -           |
| <b>Net carrying value, December 31, 2018</b>    | <b>\$ -</b>                          | <b>\$ -</b>             | <b>\$ -</b>             | <b>\$ -</b>        | <b>\$ -</b>                       | <b>\$ -</b>            | <b>\$ -</b> |

DELP’s undeveloped properties included properties that were designated as exploration and evaluation properties. During 2017, and in light of restricted financial resources available to DELP (notes 5 and 14), DELP determined that it was appropriate to impair its undeveloped properties designated as exploration and evaluation properties, by \$18,973,000, reducing their carried value to \$nil.

## 12. LIVESTOCK

| For the years ended December 31,           | 2018            |                   |                  | 2017            |                   |                  |
|--------------------------------------------|-----------------|-------------------|------------------|-----------------|-------------------|------------------|
|                                            | Inventory       | Biological Assets | Total            | Inventory       | Biological Assets | Total            |
| <b>Balance, beginning of year</b>          | \$ 2,710        | \$ 33,595         | \$ 36,305        | \$ 8,556        | \$ 34,745         | \$ 43,301        |
| Loss on liquidation of net assets (note 5) | -               | -                 | -                | (11,735)        | -                 | (11,735)         |
| Asset dispositions (note 6)                | -               | (866)             | (866)            | -               | -                 | -                |
| Net additions (usage / harvested)          | 754             | (11,098)          | (10,344)         | 5,889           | (11,210)          | (5,321)          |
| Fair value changes                         | -               | 4,223             | 4,223            | -               | 10,060            | 10,060           |
| <b>Balance, end of year</b>                | <b>\$ 3,464</b> | <b>\$ 25,854</b>  | <b>\$ 29,318</b> | <b>\$ 2,710</b> | <b>\$ 33,595</b>  | <b>\$ 36,305</b> |

Approximately \$11,603,000 of biological assets and all inventory amounts are expected to be sold or utilized within the next 12 months. Biological assets include a beef herd with a fair value of \$19,855,000 (2017 – \$25,247,000) and fish biomass with a fair value of \$5,999,000 (2017 – \$8,348,000).

## 13. CAPITAL AND OTHER ASSETS

|                                              | Capital Assets         |                                |                    |                  | Intangible Assets |                         |                  |
|----------------------------------------------|------------------------|--------------------------------|--------------------|------------------|-------------------|-------------------------|------------------|
|                                              | Furniture and Fixtures | Computer and Network Equipment | Land and Buildings | Other            | Trademarks        | Other Intangible Assets | Total            |
| <b>At December 31, 2016</b>                  |                        |                                |                    |                  |                   |                         |                  |
| Cost                                         | \$ 3,667               | \$ 8,661                       | \$ 78,186          | \$ 52,603        | \$ 16,529         | \$ 92,268               | \$ 251,914       |
| Accumulated depreciation and amortization    | (2,470)                | (7,636)                        | (12,448)           | (18,514)         | (9,641)           | (14,479)                | (65,188)         |
| Net carrying value, December 31, 2016        | 1,197                  | 1,025                          | 65,738             | 34,089           | 6,888             | 77,789                  | 186,726          |
| <b>For the year ended December 31, 2017</b>  |                        |                                |                    |                  |                   |                         |                  |
| Carrying value December 31, 2016             | 1,197                  | 1,025                          | 65,738             | 34,089           | 6,888             | 77,789                  | 186,726          |
| Disposal of subsidiary (note 5)              | (12)                   | (55)                           | -                  | (2,656)          | -                 | (40,682)                | (43,405)         |
| Business dispositions                        | (45)                   | (52)                           | -                  | (94)             | -                 | -                       | (191)            |
| Asset additions                              | 375                    | 385                            | 1,563              | 4,739            | 95                | 106                     | 7,263            |
| Asset disposals                              | (560)                  | (494)                          | (1,869)            | (4,822)          | -                 | (428)                   | (8,173)          |
| Depreciation and amortization                |                        |                                |                    |                  |                   |                         |                  |
| Impairment                                   | -                      | -                              | (1,648)            | -                | -                 | -                       | (1,648)          |
| Other                                        | (419)                  | (479)                          | (1,054)            | (5,290)          | (1,030)           | (5,216)                 | (13,488)         |
| Net carrying value, December 31, 2017        | 536                    | 330                            | 62,730             | 25,966           | 5,953             | 31,569                  | 127,084          |
| <b>At December 31, 2017</b>                  |                        |                                |                    |                  |                   |                         |                  |
| Cost                                         | 2,705                  | 5,769                          | 77,805             | 45,928           | 16,624            | 47,223                  | 196,054          |
| Accumulated depreciation and amortization    | (2,169)                | (5,439)                        | (15,075)           | (19,962)         | (10,671)          | (15,654)                | (68,970)         |
| Net carrying value, December 31, 2017        | 536                    | 330                            | 62,730             | 25,966           | 5,953             | 31,569                  | 127,084          |
| <b>For the year ended December 31, 2018</b>  |                        |                                |                    |                  |                   |                         |                  |
| Carrying value December 31, 2017             | 536                    | 330                            | 62,730             | 25,966           | 5,953             | 31,569                  | 127,084          |
| Asset dispositions (note 6)                  | -                      | -                              | (76)               | (856)            | -                 | -                       | (932)            |
| Asset additions                              | 204                    | 8                              | 266                | 1,848            | 85                | 164                     | 2,575            |
| Asset disposals                              | (179)                  | (65)                           | (62)               | (5,387)          | -                 | (1,860)                 | (7,553)          |
| Depreciation and amortization                |                        |                                |                    |                  |                   |                         |                  |
| Impairment                                   | -                      | -                              | (5,084)            | -                | (4,000)           | (10,196)                | (19,280)         |
| Other                                        | (276)                  | (256)                          | (919)              | (3,969)          | (983)             | (2,112)                 | (8,515)          |
| Net carrying value, December 31, 2018        | 285                    | 17                             | 56,855             | 17,602           | 1,055             | 17,565                  | 93,379           |
| <b>At December 31, 2018</b>                  |                        |                                |                    |                  |                   |                         |                  |
| Cost                                         | 1,656                  | 819                            | 77,863             | 30,323           | 16,709            | 41,304                  | 168,674          |
| Accumulated depreciation and amortization    | (1,371)                | (802)                          | (21,008)           | (12,721)         | (15,654)          | (23,739)                | (75,295)         |
| <b>Net carrying value, December 31, 2018</b> | <b>\$ 285</b>          | <b>\$ 17</b>                   | <b>\$ 56,855</b>   | <b>\$ 17,602</b> | <b>\$ 1,055</b>   | <b>\$ 17,565</b>        | <b>\$ 93,379</b> |

Included in “*Other Intangible Assets*” are certain franchise rights for which during 2018, Dundee 360 accelerated the amortization to the value attributed to these franchise rights by \$7,956,000, reducing the carrying value of the franchise rights to its estimated recoverable amount. Included as “*Land and buildings*” are certain real estate assets, including land owned by Dundee 360 Real Estate Corporation (“Dundee 360”) through its 86% owned subsidiary, Clearpoint Resort Limited (Malta). During 2018, Dundee 360 initiated the sale process for its indirectly wholly-owned subsidiary, which held the rights to the land. As a result, during 2018, Dundee 360 recognized an impairment of \$2,084,000 (2017 – \$1,648,000) against the carrying value of land, reducing the residual value of these assets to the estimated sale proceeds of approximately \$2,279,000 (2017 – \$4,373,000). Dundee 360 anticipates that the sale transaction will be completed during the second quarter of 2019.

The Corporation accelerated the amortization to the value attributed to the trademarks by \$4,000,000, reducing their carrying value to the estimated fair value.

During 2018, Blue Goose reassessed the value of its properties and recognized an impairment charge of \$3,000,000 against certain properties. In addition, Blue Goose recognized an impairment of \$2,240,000 against certain intangible assets, reducing its carried value to \$nil.

#### 14. CORPORATE DEBT

| As at and for the years ended December 31,                          |                  | 2018             | 2017             |                  |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                     | Corporate Debt   | Interest Expense | Corporate Debt   | Interest Expense |
| <b>Corporate revolving term credit facility</b>                     | \$ -             | 266              | \$ -             | 1,590            |
| <b>Subsidiaries</b>                                                 |                  |                  |                  |                  |
| Demand revolving credit facility, Dundee Energy Limited Partnership | -                | 4,237            | 57,400           | 3,948            |
| Loan facilities, Blue Goose Capital Corp.                           | 53,567           | 3,354            | 60,015           | 3,177            |
| Loan facilities, Dundee 360 Real Estate Corporation                 | 51               | -                | 95               | -                |
|                                                                     | 53,618           | 7,857            | 117,510          | 8,715            |
| Less: Corporate debt from discontinued operations                   |                  |                  |                  |                  |
| Dundee Energy Limited Partnership                                   | -                | (4,237)          | (57,400)         | (3,948)          |
| <b>Corporate debt, continuing operations</b>                        | <b>\$ 53,618</b> | <b>\$ 3,620</b>  | <b>\$ 60,110</b> | <b>\$ 4,767</b>  |

At December 31, 2018 and 2017, the estimated fair value of corporate debt approximated its carrying value.

##### Corporate Revolving Term Credit Facility

On April 27, 2017, the Corporation established an \$80 million revolving term credit facility with a Canadian Schedule I Chartered Bank. On April 26, 2018, the Corporation amended the terms of the revolving term credit facility by reducing the amounts available from \$80 million to \$20 million. On December 24, 2018, the Corporation further amended the terms of these credit facility and confined the credit availments to the amount of a letter of credit that matures on February 17, 2019. Subsequent to December 31, 2018, the maturity date further extends to June 30, 2019.

At December 31, 2018, the Corporation had issued letters of credit in the amount of €2,400,000 (\$3,747,000 Canadian dollars) under the terms of the above-mentioned revolving term credit facility to support certain of its equity accounted investments.

##### Loan Facilities, Blue Goose Capital Corp.

Blue Goose and its subsidiaries have entered into several borrowing arrangements, pursuant to which Blue Goose had borrowed an aggregate of \$53,567,000 at December 31, 2018 (2017 – \$60,015,000).

A subsidiary of Blue Goose has established a credit facility with a Canadian Schedule I Chartered Bank. As of December 31, 2018, the credit facility comprised of

- (i) a \$12,500,000 demand revolving credit facility bearing interest at prime plus 0.25%;
- (ii) a \$4,322,000 one-time advance for the purchase of certain real estate property, which amount bears interest at prime plus 0.25%;
- (iii) a \$2,569,000 non-revolving demand credit facility, bearing interest at prime plus 0.25% for the purchase of certain real estate assets in 2016;
- (iv) a \$455,000 (2017 – \$2,000,000) equipment lease facility entered into in May 2017, bearing interest at the fixed rate for each lease term plus 1.50%;
- (v) a \$5,000,000 demand non-revolving loan for the acquisition of farm properties and/or capital expenditures bearing interest at prime plus 0.25%.

At the option of Blue Goose, draws under this facility bear interest at the above-mentioned rates or, for bankers' acceptance, at the bank's prevailing banker's acceptance rate plus 1.25%. At December 31, 2018, the subsidiary had drawn \$18,989,000 (2017 – \$19,647,000) against these arrangements. The credit facility is secured against all of the assets of the subsidiary. In addition, Blue Goose has provided a guarantee of up to \$3,500,000 as further security against the credit facility.

Blue Goose has established other credit facilities with Farm Credit Canada, a leading lender to the agricultural sector, of up to \$24,750,000. These lending arrangements include:

- (i) a \$14,750,000 variable rate credit facility secured by a first charge mortgage against various real estate assets. The variable rate credit facility bears interest at prime plus 1.80% and matures on April 1, 2022.
- (ii) a separate \$10,000,000 real property loan facility, the proceeds of which were used to facilitate the acquisition of a ranch property in western Canada. The real property loan matured on May 1, 2018 and was renewed under amended terms that include interest rate at the lender's prime plus 2.05% and a maturity of May 1, 2023.

At December 31, 2018, Blue Goose had borrowed \$5,927,000 (2017 – \$11,465,000) against the fixed term credit facility and \$7,834,000 (2017 – \$8,205,000) against the real property loan. The credit facility is secured by a first charge mortgage in the principal amount of \$33,000,000 against various real estate assets held directly by certain wholly-owned subsidiaries of Blue Goose.

Blue Goose has established a separate \$10,000,000 fixed term real property loan facility with Farm Credit Canada, bearing interest of 4.5% per annum and maturing on October 1, 2021. At December 31, 2018, amounts borrowed pursuant to this facility were \$9,304,000 (2017 – \$9,636,000). In addition to security provided by Blue Goose to Farm Credit Canada as described above, Dundee Agricultural Corporation, a wholly-owned subsidiary of the Corporation, provided a limited guarantee in respect of this loan arrangement.

On July 22, 2016, Blue Goose issued \$12,500,000 of secured convertible debentures. The convertible debentures mature on the fifth anniversary of the date of issuance and bear interest at 8% during the first two years of their term, increasing to 10% in the remaining three years. Subject to certain conditions as outlined in the terms of the convertible debentures, the convertible debentures may be converted, at any time and at the option of the holder of the convertible debentures, into common shares of Blue Goose at a price of \$7.25 per share. Of the total proceeds of \$12,500,000 received upon issuance, \$10,764,000 was allocated to the liability component and \$1,736,000 was allocated to the equity component. The resulting debt discount will be amortized as additional non-cash interest expense over the five-year period for which the debt is expected to be outstanding. At December 31, 2018, the carrying value of these convertible debentures was \$11,513,000 (2017 – \$11,062,000).

Other than as outlined above, the lending institutions to Blue Goose do not have recourse to Dundee Corporation in respect of any of the amounts borrowed under these arrangements.

The credit facilities available to Blue Goose and its subsidiaries require the maintenance of certain financial covenants and reporting requirements customary to such loan arrangements, including the delivery of financial information and debt covenant certification as provided for in the loan agreements. At December 31, 2018, Blue Goose was in compliance with its financial covenants.

#### **Demand Revolving Credit Facility, Dundee Energy Limited Partnership**

DELP established a credit facility with a Canadian Schedule I Chartered Bank secured against its assets, and Dundee Energy also assigned a limited recourse guarantee of its units in DELP as further security against the credit facility.

The credit facility was subject to certain covenants, including maintenance of minimum levels of working capital. On July 21, 2017, Dundee Energy and DELP received notice from DELP's lender, demanding repayment of amounts borrowed, which Dundee Energy and DELP were unable to meet. Accordingly, DELP commenced the process of conducting a SSP pursuant to the provisions of the *Companies' Creditors Arrangement Act* (note 5). On November 16, 2018, Dundee Energy announced that pursuant to an order of the Ontario Superior Court of Justice, the sale of substantially all of the property of DELP was completed.

Upon completion of the sale of DELP's net assets, DELP arranged for the repayment of its lending arrangement and reduced its outstanding loan balance to \$30,777,000 prior to the deconsolidation of DELP. During 2018, DELP incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, if applicable, of \$4,237,000 (2017 – \$3,948,000).

The lender to DELP does not have recourse to Dundee Corporation in respect of this lending arrangement.

## **15. DECOMMISSIONING LIABILITIES, DISCONTINUED OPERATIONS**

| As at and for the years ended December 31,                                                 | 2018          | 2017             |
|--------------------------------------------------------------------------------------------|---------------|------------------|
| <i>Discount rates applied to future obligations</i>                                        | 2.19% - 2.39% | 1.64% - 2.15%    |
| <i>Inflation rate</i>                                                                      | 2.00%         | 2.00%            |
| Discounted future obligations, beginning of year                                           | \$ 51,706     | \$ 55,520        |
| Effect of changes in estimates and<br>remeasurement of discount and foreign exchange rates | (4,101)       | (1,737)          |
| Liabilities settled (reclamation expenditures)                                             | (2,390)       | (3,449)          |
| Accretion (interest expense)                                                               | 1,224         | 1,372            |
| Sale of net assets (note 5)                                                                | (46,439)      | -                |
| <b>Discounted future obligations, end of year</b>                                          | <b>\$ -</b>   | <b>\$ 51,706</b> |

## **16. PREFERENCE SHARES**

### **Authorized**

The Corporation is authorized to issue an unlimited number of first preference shares, issuable in series, an unlimited number of second preference shares, issuable in series, and an unlimited number of third preference shares, issuable in series.

### *First Preference Shares*

Each series of first preference shares ranks on a parity with the first preference shares of every other series and will be entitled to preference on the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation over the Subordinate Shares (note 17), Class B Shares (note 17), second preference shares and third preference shares.

### *Second Preference Shares*

Each series of second preference shares ranks junior and subordinate to the first preference shares, on a parity with second preference shares of every other series and will be entitled to preference over the Subordinate Shares, Class B Shares and third preference shares. There were no second preference shares outstanding on December 31, 2018 and 2017.

### *Third Preference Shares*

Each series of third preference shares ranks junior and subordinate to the first preference shares and the second preference shares, on a parity with the third preference shares of every other series and will be entitled to preference over the Subordinate Shares and Class B Shares. There were no third preference shares outstanding on December 31, 2018 and 2017.

#### **Issued and Outstanding Preference Shares, Series 2 (“Preference Shares, series 2”)**

|                                          | Number<br>of Shares | Par<br>Value | Issue<br>Costs | Carrying<br>Value |
|------------------------------------------|---------------------|--------------|----------------|-------------------|
| Balance as at December 31, 2018 and 2017 | 3,479,385           | \$ 86,985    | \$ (2,932)     | \$ 84,053         |

At December 31, 2018 and 2017, the Corporation had issued 3,479,385 cumulative 5-year rate reset preferred shares with a face value of \$25.00 per share. The Preference Shares, series 2 rank on a parity with the Preference Shares, series 3 and series 5 (see below) and rank in priority to the Subordinate Shares and the Class B Shares of the Corporation as to the payment of dividends and distribution of assets on dissolution, liquidation or winding-up of the Corporation. The Preference Shares, series 2 entitle the holder to a fixed preferential cumulative dividend, payable quarterly. The dividend rate is reset every five years to equal the then Canadian dollar denominated non-callable Government of Canada bond yield with a term to maturity of five years plus 4.10%. The Preference Shares, series 2 are generally non-voting, except in limited circumstances. At December 31, 2018 and 2017, the fixed preferential cumulative dividend rate related to the Preference Shares, series 2 was 5.688%. During 2018, the Corporation paid dividends of \$4,948,000 (2017 – \$4,948,000) on its outstanding Preference Shares, series 2.

Holders of Preference Shares, series 2 have the option to convert their shares into cumulative floating rate First Preference Shares, series 3 (see below) subject to certain conditions, on the fifth year anniversary of their issuance and every fifth year thereafter. The conversion is on the basis of one Preference Share, series 3 for each Preference Share, series 2. The next scheduled fifth year anniversary will be on September 30, 2019.

The Preference Shares, series 2 may be redeemed, at the option of the Corporation, on September 30 in the fifth year following their issuance, and on September 30 every fifth year thereafter at a price of \$25.00 per share, together with accrued and unpaid dividends up to, but excluding, the redemption date. The next possible fifth year redemption date is September 30, 2019.

The Corporation may, at any time, purchase the Preference Shares, series 2 for cancellation in the open market, by private agreement, or otherwise.

#### **Issued and Outstanding Preference Shares, Series 3 (“Preference Shares, series 3”)**

|                                          | Number<br>of Shares | Par<br>Value | Carrying<br>Value |
|------------------------------------------|---------------------|--------------|-------------------|
| Balance as at December 31, 2018 and 2017 | 1,720,615           | \$ 43,015    | \$ 43,015         |

At December 31, 2018 and 2017, the Corporation had issued 1,720,615 Preference Shares, series 3. The Preference Shares, series 3 rank on a parity with the Preference Shares, series 2 and series 5 (see below), and rank in priority to the Subordinate Shares and the Class B Shares of the Corporation as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of the Corporation. Holders of Preference Shares, series 3 are entitled to receive

quarterly floating rate, cumulative preferential cash dividends based on the applicable three-month Government of Canada T-Bill rate plus 4.10%. During 2018, the Corporation paid dividends of \$2,286,000 (2017 – 2,007,000) on its outstanding Preference Shares, series 3, representing a coupon rate ranging from 4.97% to 5.61% (2017 – ranging from 4.58% to 4.84%). The Preference Shares, series 3 are generally non-voting, except in limited circumstances.

Holders of Preference Shares, series 3 have the option, on September 30, 2019 and on each September 30 every fifth year thereafter, to convert their Preference Shares, series 3 into Preference Shares, series 2. The conversion is on the basis of one Preference Share, series 2 for each Preference Share, series 3.

On September 30, 2019 and on each September 30 every fifth year thereafter, the Corporation has the option to redeem the Preference Shares, series 3 by payment of an amount in cash of \$25.00 per share together with accrued and unpaid dividends up to, but excluding, the redemption date. On any date that is not a conversion date, the Corporation has the option to redeem the Preference Shares, series 3 by payment of an amount in cash of \$25.50 per share, together with accrued and unpaid dividends up to, but excluding, the redemption date.

The Corporation may, at any time, purchase the Preference Shares, series 3 for cancellation in the open market, by private agreement, or otherwise.

#### **Issued and Outstanding Preference Shares, Series 5 (“Preference Shares, series 5”)**

|                                             | Number<br>of Shares | Par<br>Value     | Carrying<br>Value |
|---------------------------------------------|---------------------|------------------|-------------------|
| Balance as at December 31, 2016             | 3,598,203           | \$ 89,955        | \$ 92,359         |
| <b>For the year ended December 31, 2017</b> |                     |                  |                   |
| Amortization of premium                     | -                   | -                | (1,148)           |
| Balance as at December 31, 2017             | 3,598,203           | 89,955           | 91,211            |
| <b>For the year ended December 31, 2018</b> |                     |                  |                   |
| Redemption                                  | (303,265)           | (7,582)          | (7,582)           |
| Amortization of premium                     | -                   | -                | (1,395)           |
| <b>Balance as at December 31, 2018 *</b>    | <b>3,294,938</b>    | <b>\$ 82,373</b> | <b>\$ 82,234</b>  |

\* The fair value of outstanding Preference Shares, series 5 as at December 31, 2018 was \$53,049,000.

At December 31, 2017, the Corporation had issued 3,598,203 Preference Shares, series 5 with a face value of \$25.00 per share. The Preference Shares, series 5 rank on a parity with the Preference Shares, series 2 and series 3 and in priority to the Subordinate Shares and the Class B Shares of the Corporation as to the payment of dividends and distribution of assets on dissolution, liquidation or winding-up of the Corporation. The Preference Shares, series 5 entitle the holder to a fixed preferential cumulative dividend at a dividend rate of 7.5% per annum, payable quarterly. During 2018, the Corporation paid dividends of \$6,227,000 (2017 – \$6,747,000) on its outstanding Preference Shares, series 5. These amounts have been included as “Interest expense” in the 2018 Consolidated Financial Statements. The Preference Shares, series 5 are generally non-voting, except in limited circumstances.

In accordance with the terms of the Corporation’s Preference Shares, series 5, holders thereof had the option to redeem up to 17% of their holdings on January 31, 2018 at a price of \$25.00 per share. During 2018, the Corporation paid cash of \$7,582,000 to redeem 303,265 Preference Shares, series 5 pursuant to these arrangements. There were 3,294,938 Preference Shares, series 5 outstanding with an aggregate par value of \$82,373,000 at the end of December 2018. Holders of Preference Shares, series 5 have the option to redeem all or any outstanding shares on or after June 30, 2019 for an amount in cash for each Preference Shares, series 5, to be redeemed at a price of \$25.00.

The Preference Shares, series 5 are redeemable at the option of the Corporation for a cash price of (i) \$25.25 per share if redeemed prior to June 30, 2019; and (ii) \$25.00 per share if redeemed on or after June 30, 2019, together, in each case, with any accrued and unpaid dividends thereon.

The Preference Shares, series 5 are convertible at the option of the Corporation, into Subordinate Shares at any time prior to June 30, 2019. The Preference Shares, series 5 would be converted on the basis of one Preference Share, series 5 for that number of Subordinate Shares that is equal to the redemption price at the time of the conversion as outlined above, divided by the greater of : (i) \$2.00; and (ii) 95% of the weighted average trading price of the Subordinate Shares on the TSX for the 20 consecutive trading days ending on the fourth day prior to the date specified for conversion, if such fourth day is not a trading day, the immediately preceding trading day.

The redemption option feature meets the definition of an embedded derivative and has been bifurcated and recognized as “*Derivative financial instrument*” in these consolidated financial statements. The fair value ascribed to the redemption option feature was \$29,951,000 as at December 31, 2018 (2017 – \$nil). Accordingly, the Corporation recognized \$29,951,000 in these consolidated financial statements as “*Remeasurement of financial instruments*”.

The Corporation may, at any time, purchase the Preference Shares, series 5 for cancellation in the open market, by private agreement, or otherwise.

## 17. SHARE CAPITAL

### Authorized

The Corporation is authorized to issue an unlimited number of Class A subordinate voting shares (“Subordinate Shares”) and an unlimited number of Class B common shares (“Class B Shares”). Holders of Subordinate Shares and Class B Shares are entitled to one vote and 100 votes, respectively, for each such share held. The Subordinate Shares and Class B Shares participate equally, share for share, as to dividends. The Class B Shares are convertible into Subordinate Shares on a one-for-one basis at any time. In the event of an offer to purchase the Class B Shares by a third party, and in certain circumstances, each Subordinate Share will be convertible, at the option of the holder, into one Class B Share for purposes of accepting an offer.

### Issued and Outstanding

|                                                       | SUBORDINATE SHARES |                   | CLASS B SHARES   |                 | TOTAL             |                   |
|-------------------------------------------------------|--------------------|-------------------|------------------|-----------------|-------------------|-------------------|
|                                                       | Number             | Amount            | Number           | Amount          | Number            | Amount            |
| <b>Outstanding December 31, 2016</b>                  | 55,621,546         | \$ 274,080        | 3,114,936        | \$ 8,154        | 58,736,482        | \$ 282,234        |
| <b>For the year ended December 31, 2017</b>           |                    |                   |                  |                 |                   |                   |
| Issuance of shares under share incentive arrangements | 79,925             | 485               | -                | -               | 79,925            | 485               |
| Conversion from Class B Shares to Subordinate Shares  | 132                | -                 | (132)            | -               | -                 | -                 |
| Outstanding December 31, 2017                         | 55,701,603         | 274,565           | 3,114,804        | 8,154           | 58,816,407        | 282,719           |
| <b>For the year ended December 31, 2018</b>           |                    |                   |                  |                 |                   |                   |
| Issuance of shares under share incentive arrangements | 2,283,533          | 4,096             | -                | -               | 2,283,533         | 4,096             |
| <b>Outstanding December 31, 2018</b>                  | <b>57,985,136</b>  | <b>\$ 278,661</b> | <b>3,114,804</b> | <b>\$ 8,154</b> | <b>61,099,940</b> | <b>\$ 286,815</b> |

### Subordinate Share Warrants

At December 31, 2018 and 2017, there were 1,421,124 subordinate share warrants outstanding. Each subordinate share warrant entitles the holder thereof to purchase one Subordinate Share of the Corporation at a price of \$6.00 per Subordinate Share on or before June 30, 2019, after which time the subordinate share warrant will expire and be of no further force and effect.

## Accumulated Other Comprehensive Income

|                                                                                                         | Equity<br>Accounted<br>Investments | Foreign<br>Currency<br>Translation | Non-<br>controlling<br>Interest | Total            |
|---------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|---------------------------------|------------------|
| Balance at December 31, 2016                                                                            | \$ (9,743)                         | \$ 86,694                          | \$ (11,300)                     | \$ 65,651        |
| <b>For the year ended December 31, 2017</b>                                                             |                                    |                                    |                                 |                  |
| Other comprehensive (loss) income                                                                       | 4,272                              | (15,428)                           | 2,244                           | (8,912)          |
| Transfer of realized foreign currency translation gain in UHCL to net (loss) earnings (note 6)          | -                                  | (64,436)                           | 10,581                          | (53,855)         |
| Reattribution of accumulated other comprehensive income on change of ownership interest in subsidiaries | -                                  | -                                  | (76)                            | (76)             |
| Balance at December 31, 2017                                                                            | (5,471)                            | 6,830                              | 1,449                           | 2,808            |
| <b>For the year ended December 31, 2018</b>                                                             |                                    |                                    |                                 |                  |
| Other comprehensive income                                                                              | 800                                | 17,292                             | (3,137)                         | 14,955           |
| <b>Balance at December 31, 2018</b>                                                                     | <b>\$ (4,671)</b>                  | <b>\$ 24,122</b>                   | <b>\$ (1,688)</b>               | <b>\$ 17,763</b> |

## 18. NON-CONTROLLING INTEREST

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. Non-controlling interests that are material to Dundee Corporation include non-controlling interest in respect of the Corporation's investments in Blue Goose, Dundee Energy and UHIC. Significant equity transactions undertaken in each of these subsidiaries, including transactions with non-controlling interests, are outlined in notes 5, 6 and 7.

| As at December 31,                                          | 2018             | 2017             |
|-------------------------------------------------------------|------------------|------------------|
| <b>Non-controlling interest in continuing operations:</b>   |                  |                  |
| Blue Goose Capital Corp.                                    | \$ (95)          | \$ 1,818         |
| Dundee Energy Limited                                       | (3,325)          | (3,631)          |
| United Hydrocarbon International Corp.                      | 33,309           | 34,181           |
| Other                                                       | (9,172)          | (6,954)          |
|                                                             | 20,717           | 25,414           |
| <b>Non-controlling interest in discontinued operations:</b> |                  |                  |
| Dundee Energy Limited Partnership                           | -                | (1,469)          |
|                                                             | <b>\$ 20,717</b> | <b>\$ 23,945</b> |

The schedules below summarize financial information for each of the Corporation's subsidiaries with significant amounts attributed to non-controlling interest. The amounts disclosed are based on the financial position and financial results of each subsidiary, as included in the 2018 Consolidated Financial Statements, before accounting for any intercompany eliminations.

| As at and for the year ended December 31, 2018          | Blue Goose | Dundee Energy | UHC        |
|---------------------------------------------------------|------------|---------------|------------|
| Non-controlling interest ownership percentage           | 11%        | 42%           | 17%        |
| Assets                                                  | \$ 85,963  | \$ 112        | \$ 190,935 |
| Liabilities                                             | (57,500)   | (2,356)       | (44)       |
| Intercompany amounts                                    | (29,355)   | (5,386)       | -          |
| Net assets (liabilities)                                | \$ (892)   | \$ (7,630)    | \$ 190,891 |
| <b>Continuing operations</b>                            |            |               |            |
| Revenues                                                | \$ 27,229  | \$ -          | \$ -       |
| Net (loss) earnings from operations before income taxes | (20,417)   | 445           | (22,311)   |
| Other comprehensive income                              | -          | -             | 17,313     |
| <b>Discontinued operations, net of taxes</b>            | -          | 3,493         | -          |
| Operating cash flows                                    | (2,402)    | (1,416)       | (4,252)    |
| Investing cash flows                                    | (3,365)    | -             | 68         |
| Financing cash flows                                    | 5,574      | 1,496         | -          |
| Net cash flows from discontinued operations             | -          | (3,736)       | -          |
| <b>As at and for the year ended December 31, 2017</b>   |            |               |            |
| Non-controlling interest ownership percentage           | 10%        | 42%           | 17%        |
| Assets                                                  | \$ 100,918 | \$ 57         | \$ 199,610 |
| Liabilities                                             | (65,113)   | (4,242)       | (3,721)    |
| Intercompany amounts                                    | (17,382)   | (3,890)       | -          |
| Net assets from discontinued operations                 | -          | (3,493)       | -          |
| Net assets (liabilities)                                | \$ 18,423  | \$ (11,568)   | \$ 195,889 |
| <b>Continuing operations</b>                            |            |               |            |
| Revenues                                                | \$ 28,100  | \$ (1,425)    | \$ -       |
| Net earnings (loss) from operations before income taxes | (12,529)   | (2,093)       | 41,854     |
| Other comprehensive loss                                | -          | -             | (80,251)   |
| <b>Discontinued operations, net of taxes</b>            | (30,846)   | (38,412)      | -          |
| Operating cash flows                                    | (3,395)    | (1,450)       | (16,105)   |
| Investing cash flows                                    | (7,628)    | -             | 21,572     |
| Financing cash flows                                    | 6,643      | 1,396         | (1,970)    |
| Net cash flows from discontinued operations             | (732)      | 2,317         | -          |

## 19. REVENUES

### Revenues from Continuing Operations

| For the years ended December 31, | 2018              | 2017              |
|----------------------------------|-------------------|-------------------|
| Management fees                  | \$ 1,561          | \$ 2,213          |
| Financial services               | 3,481             | 9,657             |
| Resource services                | 1,916             | 2,424             |
| Agriculture                      | 34,662            | 37,822            |
| Real estate                      | 104,039           | 113,416           |
| Interest and other *             | 9,028             | 17,762            |
|                                  | <b>\$ 154,687</b> | <b>\$ 183,294</b> |

\* Interest and other revenue for year ended December 31, 2018 includes \$3,321,000 gain on sale of NW Fisheries and DSL (note 6).

**Revenues from Discontinued Operations**

| For the years ended December 31, | 2018             | 2017              |
|----------------------------------|------------------|-------------------|
| Oil and gas, net of royalties    | \$ 20,597        | \$ 22,430         |
| Agriculture                      | -                | 77,697            |
| Interest and other               | 89               | 114               |
|                                  | <b>\$ 20,686</b> | <b>\$ 100,241</b> |

**20. SHARE INCENTIVE PLAN ARRANGEMENTS****Share Incentive Plan**

The Corporation has established a share incentive plan (the “Plan”) for its employees, officers and directors. The Plan includes a share purchase component, a share option component and a share bonus component.

At December 31, 2018, the aggregate maximum number of Subordinate Shares available under the Plan was 15,480,000, of which 9,242,548 have been issued, 944,245 are issuable pursuant to awards that have been granted under the Plan’s share bonus plan component and which remain outstanding at December 31, 2018, and 5,293,207 of which remain available for issuance under the Plan.

*Share Purchase Component*

Under the terms of the Plan, the Corporation may establish a share purchase plan pursuant to which eligible participants may contribute towards the purchase of Subordinate Shares of the Corporation, either from treasury or in the open market. Under the terms of the Plan, the Corporation may, at its full discretion, match employee contributions, either in whole or in part, with such matching contribution also being applied towards the purchase of the Corporation’s Subordinate Shares. There was no share purchase plan established in 2018 or 2017.

*Share Option Component*

Under the terms of the Corporation’s share option plan, the Corporation may issue options to eligible participants to purchase Subordinate Shares from treasury subject to terms, including vesting criteria, as determined by the Compensation Committee of the Corporation’s Board of Directors. The exercise price per option granted may not be less than the closing price of the Subordinate Shares as quoted on the TSX or such other stock exchange, as applicable, on the last trading day immediately preceding the day the options are granted. There were no options granted nor option awards outstanding at December 31, 2018 and 2017.

*Share Bonus Component*

The Plan permits Subordinate Shares of the Corporation to be issued from treasury or purchased in the market for delivery to eligible participants under the share bonus component. During 2018, the Corporation issued 49,043 (2017 – 33,806) Subordinate Shares from treasury in settlement of vested share bonus awards. There were no new awards granted during 2018. During 2017, the Corporation awarded 398,018 bonus shares with an aggregate value of \$1,250,000 in respect of certain deferred compensation arrangements. Aggregate share bonus awards outstanding but not yet vested at December 31, 2018 pursuant to the Corporation’s share bonus plan were 261,745.

*Performance Share Unit Awards*

The Corporation established a performance share unit (“PSU”) plan which provides for a one-time, long-term award made pursuant to the share bonus component of the Plan. The PSU awards are subject to performance based vesting requirements, calculated as at the vesting date, as well as continued employment of the recipient during a four-year vesting period.

Under the terms of the PSU awards, no PSUs will vest to a recipient if, within the last 12 months of the four-year vesting period, the volume weighted average price of the Corporation’s Subordinate Shares do not trade at or above \$10.00 per share over a consecutive 60-day trading period. However, if this target price is exceeded, a multiplier will be applied to the

original award in proportion to the increase in share price. There were 682,500 performance share units outstanding as at December 31, 2018.

#### *Deferred Share Unit Plan*

The Corporation has also established a deferred share unit (“DSU”) plan pursuant to which the Compensation Committee of the Corporation’s Board of Directors may issue discretionary awards to eligible participants based on certain criteria, including services performed or to be performed. DSUs are redeemable when a participant is no longer a director, officer or employee of the Corporation or any of its subsidiaries, by a one-time payment to the participant, based on the value of the underlying Subordinate Shares at that time.

At December 31, 2018, the aggregate maximum number of Subordinate Shares available under the DSU plan was 1,500,000, of which 404,161 have been issued and 995,109 are issuable pursuant to awards that have been granted. During 2018, the Corporation issued 192,357 (2017 – 114,852) DSUs to certain directors of the Corporation in partial payment for their services. In addition, the Corporation issued 110,000 to an executive for services rendered. During 2018, the Corporation paid cash of \$653,000 (2017 – \$212,000) and issued 311,423 (2017 – 25,474) Subordinate Shares from treasury in net settlement of 686,888 (2017 – 78,404) deferred share units that track the value of the Corporation’s Subordinate Shares.

In connection with a court approved plan of arrangement transaction completed in 2013 pursuant to which the Corporation distributed certain assets of the Corporation, holders of DSUs prior to completion of the distribution received additional DSUs, representing the fair value equivalent of the amounts distributed. Each such additional DSU entitles the holder to the market price of one class A subordinate voting share of Dream Unlimited Corp., with such market price to be settled, at the Corporation’s option, in cash or through the delivery of Subordinate Shares of the Corporation, either issued from treasury or acquired in the open market. During 2018, the Corporation redeemed 702,975 (2017 – 31,854) of these awards in exchange for the issuance of 1,923,067 (2017 – 20,645) Subordinate Shares and cash consideration of \$3,687,000 (2017 – \$116,000). At December 31, 2018, there were 486,270 (2017 – 1,189,245) DSUs issued that track the value of class A subordinate voting shares of Dream Unlimited Corp.

#### **Stock Based Compensation**

During 2018, the Corporation recognized a stock based compensation expense amount of \$2,619,000 (2017 – \$3,310,000) related to its share incentive arrangements, exclusive of similar arrangements of its subsidiaries.

The Corporation has determined that share incentive awards that track the underlying market price of the class A subordinate voting shares of Dream Unlimited Corp. represent an obligation of the Corporation, as settlement will occur in cash and/or in a variable number of Subordinate Shares of the Corporation. Accordingly, these obligations are included in “*Accounts payable and accrued liabilities*” and are marked-to-market to reflect the market price of an underlying class A subordinate voting share of Dream Unlimited Corp. on the dates of the statements of financial position. Changes in the fair value of these obligations are included in stock based compensation.

| For the years ended December 31,                             | 2018            | 2017            |
|--------------------------------------------------------------|-----------------|-----------------|
| Deferred share unit plan                                     | \$ 419          | \$ 365          |
| Share bonus plan                                             | 117             | 853             |
| Performance share unit plan                                  | 982             | 944             |
| Dream Unlimited Corp. tracking share incentive arrangements: |                 |                 |
| Deferred share units                                         | 1,101           | 1,148           |
|                                                              | <b>\$ 2,619</b> | <b>\$ 3,310</b> |

### Stock Based Compensation of Other Subsidiaries

From time to time, other subsidiaries of the Corporation may incur stock based compensation expense pursuant to their respective share incentive plan arrangements. During 2018, these subsidiaries recognized a stock based compensation expense amount of \$615,000 (2017 – \$3,467,000). Included in stock based compensation during 2017 is \$3,386,000 of stock based compensation incurred by UHIC, including compensation relating to the acceleration of vesting provisions following completion of its divestiture of UHCL (note 6).

## 21. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

### General and Administrative Expenses in Continuing Operations

| For the years ended December 31, | 2018             | 2017              |
|----------------------------------|------------------|-------------------|
| Salary and salary-related        | \$ 32,407        | \$ 43,438         |
| Stock based compensation         | 3,234            | 6,777             |
| Corporate and professional fees  | 9,468            | 15,989            |
| General office                   | 19,374           | 22,843            |
| Other                            | 9,281            | 11,864            |
|                                  | <b>\$ 73,764</b> | <b>\$ 100,911</b> |

### General and Administrative Expenses in Discontinued Operations

| For the years ended December 31,                 | 2018            | 2017              |
|--------------------------------------------------|-----------------|-------------------|
| Salary and salary-related                        | \$ 2,500        | \$ 3,960          |
| Corporate and professional fees                  | 3,883           | 3,234             |
| General office                                   | 1,143           | 1,233             |
| Capitalized expenditures                         | (1,538)         | (1,798)           |
|                                                  | 5,988           | 6,629             |
| Change in fair value of contingent consideration | -               | (14,993)          |
|                                                  | <b>\$ 5,988</b> | <b>\$ (8,364)</b> |

## 22. INCOME TAXES

### Effective Income Tax Rates

During 2018, the Corporation recognized an income tax expense amount on its earnings from continuing operations of \$7,532,000 (2017 – \$1,309,000), the major components of which include the following items:

| For the years ended December 31, | 2018              | 2017              |
|----------------------------------|-------------------|-------------------|
| Current income tax expense       | \$ (7,994)        | \$ (2,862)        |
| Deferred income tax recovery     | 462               | 1,553             |
| <b>Total income tax expense</b>  | <b>\$ (7,532)</b> | <b>\$ (1,309)</b> |

In addition, during 2017 the Corporation recognized an income tax expense amount in respect of discontinued operations of \$13,753,000 and an income tax expense amount in respect of the disposal of subsidiary of \$2,954,000.

The income tax (expense) recovery amount on pre-tax earnings (loss) from continuing operations differs from the income tax (expense) recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (2017 – 26%), as a result of the following items:

| For the years ended December 31,                                    | 2018              | 2017              |
|---------------------------------------------------------------------|-------------------|-------------------|
| Loss (earnings) before tax at statutory rate of 26%<br>(2017 – 26%) | \$ 54,350         | \$ (49)           |
| Effect on taxes of:                                                 |                   |                   |
| Non-deductible expenses                                             | (4,068)           | (3,721)           |
| Non-taxable revenue                                                 | 8,061             | 1,545             |
| Net income tax not previously recognized                            | (731)             | (125)             |
| Earnings in tax exempt foreign jurisdiction                         | -                 | 13,380            |
| Change in unrecognized temporary differences                        | (62,863)          | (12,284)          |
| Other differences                                                   | (2,281)           | (55)              |
| <b>Total income tax expense</b>                                     | <b>\$ (7,532)</b> | <b>\$ (1,309)</b> |

### Deferred Income Tax Amounts

The movements in the deferred income tax assets and liabilities during 2018 and 2017, and components of the Corporation's net deferred income tax assets are as follows:

| Deferred Tax Assets                                  | Loss<br>Carry<br>Forwards | Capital<br>and Other<br>Assets | Reserves<br>and Accrued<br>Liabilities | Other           | Total            |
|------------------------------------------------------|---------------------------|--------------------------------|----------------------------------------|-----------------|------------------|
| Balance, December 31, 2016                           | \$ 72,429                 | \$ 3,003                       | \$ 5,696                               | \$ 18,978       | \$ 100,106       |
| (Charged) credited to the statement of operations    | (17,530)                  | (152)                          | 132                                    | 752             | (16,798)         |
| (Charged) credited to loss on disposal of subsidiary | (3,399)                   | (76)                           | -                                      | (79)            | (3,554)          |
| (Charged) credited to discontinued operations        | (1,730)                   | 34                             | (4,311)                                | (15,649)        | (21,656)         |
| Balance, December 31, 2017                           | 49,770                    | 2,809                          | 1,517                                  | 4,002           | 58,098           |
| (Charged) credited to the statement of operations    | 11,407                    | (1,386)                        | 52                                     | (717)           | 9,356            |
| <b>Balance, December 31, 2018</b>                    | <b>\$ 61,177</b>          | <b>\$ 1,423</b>                | <b>\$ 1,569</b>                        | <b>\$ 3,285</b> | <b>\$ 67,454</b> |

| Deferred Tax Liabilities                                  | Investments<br>and Equity<br>Accounted<br>Investments | Other             | Total              |
|-----------------------------------------------------------|-------------------------------------------------------|-------------------|--------------------|
| Balance, December 31, 2016                                | \$ (31,381)                                           | \$ (25,720)       | \$ (57,101)        |
| (Charged) credited to the statement of operations         | 16,236                                                | 2,115             | 18,351             |
| (Charged) credited to accounts payable                    | -                                                     | (61)              | (61)               |
| (Charged) credited to loss on disposal of subsidiary      | -                                                     | 600               | 600                |
| (Charged) credited to discontinued operations             | -                                                     | 7,903             | 7,903              |
| (Charged) credited to the statement of comprehensive loss | (1,540)                                               | -                 | (1,540)            |
| Balance, December 31, 2017                                | (16,685)                                              | (15,163)          | (31,848)           |
| (Charged) credited to the statement of operations         | (14,303)                                              | 5,409             | (8,894)            |
| (Charged) credited to accounts payable                    | -                                                     | 107               | 107                |
| (Charged) credited to the statement of comprehensive loss | (288)                                                 | -                 | (288)              |
| <b>Balance, December 31, 2018</b>                         | <b>\$ (31,276)</b>                                    | <b>\$ (9,647)</b> | <b>\$ (40,923)</b> |

A deferred income tax asset is only recognized when management believes it is more likely than not that the benefit will be recognized, which management considers will occur with appreciation in the value of its investments.

At December 31, 2018, the Corporation had approximately \$560,000,000 (2017 – \$605,000,000) of temporary differences in respect of its investments in subsidiaries for which no deferred tax liability has been recognized on the basis that such differences are not expected to reverse in the foreseeable future.

At December 31, 2017, the Corporation had operating loss carry forwards of \$528,816,000 (2017 – \$505,195,000) and capital loss carry forwards of \$237,264,000 (2017 – \$231,918,000). Operating and capital loss carry forwards by year of expiry are summarized below:

| Year of Expiry:                         | Recognized |                | Unrecognized |                | Total             |
|-----------------------------------------|------------|----------------|--------------|----------------|-------------------|
| 2024 and subsequent years               | \$         | 230,286        | \$           | 272,256        | \$ 502,542        |
| Non-Canadian                            |            | -              |              | 26,274         | 26,274            |
| Total operating loss carry forwards     | \$         | <b>230,286</b> | \$           | <b>298,530</b> | \$ <b>528,816</b> |
| No expiry - Capital loss carry forwards | \$         | <b>250</b>     | \$           | <b>237,014</b> | \$ <b>237,264</b> |

## 23. NET (LOSS) EARNINGS PER SHARE

| For the years ended December 31,                              | 2018 |            | 2017 |            |
|---------------------------------------------------------------|------|------------|------|------------|
| Net (loss) earnings attributable to owners of the parent      | \$   | (202,423)  | \$   | (52,533)   |
| Less: Dividends on Preference Shares, series 2                |      | (4,948)    |      | (4,948)    |
| Dividends on Preference Shares, series 3                      |      | (2,286)    |      | (2,007)    |
|                                                               | \$   | (209,657)  | \$   | (59,488)   |
| Represented by:                                               |      |            |      |            |
| Continuing operations                                         | \$   | (211,681)  | \$   | (9,529)    |
| Discontinued operations                                       |      | 2,024      |      | (49,959)   |
| Weighted average number of shares outstanding during the year |      | 59,988,531 |      | 58,789,901 |
| Basic and diluted (loss) earnings per share                   |      |            |      |            |
| Continuing operations                                         | \$   | (3.52)     | \$   | (0.16)     |
| Discontinued operations                                       |      | 0.03       |      | (0.85)     |
|                                                               | \$   | (3.49)     | \$   | (1.01)     |

The Preference Shares, series 5 are convertible at the option of the Corporation, into Subordinate Shares at any time prior to June 30, 2019. According to the formula (note 16), the Preference Shares, series 5 would be converted into approximately 41,599,000 Subordinate Shares at December 31, 2018 which will dilute the basic earnings per share in the future, but were not included in the calculation of the diluted earnings per share because they are anti-dilutive for the periods presented.

## 24. SUPPLEMENTAL CASH FLOW INFORMATION

### Items Not Affecting Cash and Other Adjustments

| For the years ended December 31,                 | 2018              | 2017               |
|--------------------------------------------------|-------------------|--------------------|
| Depreciation and depletion                       | \$ 26,224         | \$ 10,702          |
| Net loss (income) from investments               | 77,374            | (63,365)           |
| Share of loss from equity accounted investments  | 64,962            | 53,092             |
| Deferred income taxes                            | (462)             | (1,553)            |
| Stock based compensation                         | 3,234             | 6,777              |
| Gain on business and asset dispositions (note 6) | (3,321)           | (64,430)           |
| Harvesting of livestock                          | 19,794            | 18,420             |
| Fair value changes in                            |                   |                    |
| Livestock                                        | (4,223)           | (10,060)           |
| Royalty interest (note 11)                       | 17,165            | (2,925)            |
| Embedded derivative (note 16)                    | (29,951)          | -                  |
| Contingent consideration (note 11)               | 4,179             | (597)              |
| Other                                            | (6,275)           | (4,010)            |
|                                                  | <b>\$ 168,700</b> | <b>\$ (57,949)</b> |

### Changes in Non-Cash Working Capital Items

| For the years ended December 31,                                           | 2018            | 2017               |
|----------------------------------------------------------------------------|-----------------|--------------------|
| Accounts receivable                                                        | \$ 4,678        | \$ 15,226          |
| Accounts payable and accrued liabilities                                   | (11,476)        | (12,375)           |
| Current income tax amounts                                                 | 4,002           | 4,798              |
| Brokerage securities owned and sold short, net                             | 8,800           | 4,419              |
| Client accounts receivable, net of client deposits and related liabilities | 907             | (22,418)           |
| Agricultural inventory                                                     | (3,791)         | 146                |
|                                                                            | <b>\$ 3,120</b> | <b>\$ (10,204)</b> |

## 25. FINANCIAL INSTRUMENTS

### Fair Value Measurements

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's consolidated statements of financial position, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the consolidated financial statements. These assets and liabilities have been categorized into hierarchal levels, according to the significance of the inputs used in determining fair value measurements.

|                                            | Carrying Value<br>as at<br>December 31, 2018 | Fair Value as at December 31, 2018                                         |                                                           |                                                    |
|--------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                            |                                              | Quoted prices in<br>active markets<br>for identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| <b>Recurring Measurements</b>              |                                              |                                                                            |                                                           |                                                    |
| <b>Financial Assets</b>                    |                                              |                                                                            |                                                           |                                                    |
| Investments                                |                                              |                                                                            |                                                           |                                                    |
| Publicly traded securities                 | \$ 166,492                                   | \$ 166,492                                                                 | \$ -                                                      | \$ -                                               |
| Private investments                        | 71,067                                       | -                                                                          | -                                                         | 71,067                                             |
| Debt securities                            | 31,804                                       | -                                                                          | -                                                         | 31,804                                             |
| Warrants and options                       | 781                                          | 1                                                                          | -                                                         | 780                                                |
| Equity accounted investments               |                                              |                                                                            |                                                           |                                                    |
| Union Group International Holdings Limited | 14,500                                       | -                                                                          | -                                                         | 14,500                                             |
| Accounts receivable                        |                                              |                                                                            |                                                           |                                                    |
| Contingent consideration                   | 30,397                                       | -                                                                          | -                                                         | 30,397                                             |
| Derivative financial instrument            | 29,951                                       | -                                                                          | -                                                         | 29,951                                             |
| <b>Resource assets</b>                     |                                              |                                                                            |                                                           |                                                    |
| Royalty interest                           | 138,974                                      | -                                                                          | -                                                         | 138,974                                            |
| <b>Livestock</b>                           | 25,854                                       | -                                                                          | 25,854                                                    | -                                                  |
| <b>Disclosure of Fair Value</b>            |                                              |                                                                            |                                                           |                                                    |
| Preference Shares, series 5                | 82,234                                       | 53,049                                                                     | -                                                         | -                                                  |

|                                              |    | Fair Value as at December 31, 2017                                         |                                                           |                                                    |    |        |    |         |
|----------------------------------------------|----|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|----|--------|----|---------|
|                                              |    | Quoted prices in<br>active markets<br>for identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |    |        |    |         |
| Carrying Value<br>as at<br>December 31, 2017 |    |                                                                            |                                                           |                                                    |    |        |    |         |
| <b>Recurring Measurements</b>                |    |                                                                            |                                                           |                                                    |    |        |    |         |
| <b>Financial Assets</b>                      |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Investments                                  |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Publicly traded securities                   | \$ | 220,534                                                                    | \$                                                        | 220,534                                            | \$ | -      | \$ | -       |
| Private investments                          |    | 127,459                                                                    |                                                           | -                                                  |    | -      |    | 127,459 |
| Debt securities                              |    | 36,345                                                                     |                                                           | 8,362                                              |    | -      |    | 27,983  |
| Warrants and options                         |    | 855                                                                        |                                                           | 91                                                 |    | -      |    | 764     |
| Equity accounted investments                 |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Union Group International Holdings Limited   |    | 11,424                                                                     |                                                           | -                                                  |    | -      |    | 11,424  |
| Accounts receivable                          |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Contingent consideration                     |    | 31,705                                                                     |                                                           | -                                                  |    | -      |    | 31,705  |
| Brokerage securities owned                   |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Equities                                     |    | 8,841                                                                      |                                                           | 8,523                                              |    | 318    |    | -       |
| Other                                        |    | 18                                                                         |                                                           | -                                                  |    | 18     |    | -       |
| <b>Resource assets</b>                       |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Royalty interest                             |    | 143,060                                                                    |                                                           | -                                                  |    | -      |    | 143,060 |
| <b>Livestock</b>                             |    | 33,595                                                                     |                                                           | -                                                  |    | 33,595 |    | -       |
| <b>Disclosure of Fair Value</b>              |    |                                                                            |                                                           |                                                    |    |        |    |         |
| Publicly traded equity accounted investments |    | -                                                                          |                                                           | 568                                                |    | -      |    | -       |
| Preference Shares, series 5                  |    | 91,211                                                                     |                                                           | 88,192                                             |    | -      |    | -       |

The fair value of cash, other accounts receivable, client accounts receivable, accounts payable and accrued liabilities, client deposits and related liabilities and corporate debt approximates their carrying values.

*Level 1* – The fair value of financial instruments classified as level 1 were determined by using unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of publicly traded securities, certain equity instruments held within the Corporation's brokerage business, and certain debt securities and warrants are based on published quotes in active markets.

*Level 2* – The fair value of financial instruments classified as level 2 were determined by obtaining quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or by obtaining other inputs that are observable or that can be corroborated by observable market data. The fair value of certain of the Corporation's brokerage securities owned and the fair value of the Corporation's derivative financial instruments are prepared using non-binding third party quotes. The determination of the fair value of livestock is based on commodity pricing for the underlying agricultural product, and applied using a valuation methodology appropriate for the harvesting of these assets.

*Level 3* – Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date.

The Corporation has a significant portfolio of investments in debt and equity securities of private enterprises, with substantial exposure to the exploration and development of natural resources and energy sectors. These investments have been classified as level 3 financial assets. The fair values of these private investments and debt securities at December 31, 2018 and 2017 were determined individually, using the most appropriate valuation methodology for each discrete investment. The valuation methodologies employed primarily consist of, but are not limited to, the following: discounted cash flow, loan to value, recent material transactions in the investment, and comparable company analysis. Further, in

certain instances, the Corporation employed liquidity discounts, discounts for pre-production companies, and single asset company discounts, the latter two being generally applied to early stage resource investments.

A summary of changes in the fair value of level 3 financial assets during 2018 and 2017 is as follows:

|                                                  | Private<br>Investments | Debt<br>Securities | Warrants<br>and<br>Options | Equity<br>Accounted<br>Investments | Derivative<br>Financial<br>Instrument | Royalty<br>Interest | Contingent<br>Consideration | Total             |
|--------------------------------------------------|------------------------|--------------------|----------------------------|------------------------------------|---------------------------------------|---------------------|-----------------------------|-------------------|
| At December 31, 2016                             | \$ 123,648             | \$ 42,405          | \$ 143                     | \$ -                               | \$ -                                  | \$ -                | \$ -                        | \$ 166,196        |
| <b>For the year ended December 31, 2017</b>      |                        |                    |                            |                                    |                                       |                     |                             |                   |
| New investments                                  | 16,116                 | 201                | -                          | 11,424                             | -                                     | 137,055             | 30,673                      | 195,469           |
| Proceeds from sales of investments               | (1,926)                | (14,303)           | (896)                      | -                                  | -                                     | -                   | -                           | (17,125)          |
| Transfer to level 1                              | (6,237)                | (547)              | -                          | -                                  | -                                     | -                   | -                           | (6,784)           |
| Changes in market values                         | (9,084)                | 1,403              | 1,517                      | -                                  | -                                     | 2,925               | 344                         | (2,895)           |
| Transfer from debt securities to private investm | 201                    | (201)              | -                          | -                                  | -                                     | -                   | -                           | -                 |
| Other transactions                               | 4,741                  | (975)              | -                          | -                                  | -                                     | 3,080               | 688                         | 7,534             |
| At December 31, 2017                             | \$ 127,459             | \$ 27,983          | \$ 764                     | \$ 11,424                          | \$ -                                  | \$ 143,060          | \$ 31,705                   | \$ 342,395        |
| <b>For the year ended December 31, 2018</b>      |                        |                    |                            |                                    |                                       |                     |                             |                   |
| New investments                                  | 17,641                 | 17,556             | -                          | -                                  | -                                     | -                   | -                           | 35,197            |
| Proceeds from sales of investments               | (14,241)               | (5,124)            | -                          | -                                  | -                                     | -                   | -                           | (19,365)          |
| Transfer to level 1                              | (4,802)                | -                  | -                          | -                                  | -                                     | -                   | -                           | (4,802)           |
| Changes in market values *                       | (56,123)               | (9,972)            | 16                         | 3,076                              | 29,951                                | (17,165)            | (4,179)                     | (54,396)          |
| Other transactions                               | 1,133                  | 1,361              | -                          | -                                  | -                                     | 13,079              | 2,871                       | 18,444            |
| <b>At December 31, 2018</b>                      | <b>\$ 71,067</b>       | <b>\$ 31,804</b>   | <b>\$ 780</b>              | <b>\$ 14,500</b>                   | <b>\$ 29,951</b>                      | <b>\$ 138,974</b>   | <b>\$ 30,397</b>            | <b>\$ 317,473</b> |

\* Changes in market values include an unrealized loss of \$65,562,000 and \$5,500,000 on private investments and debt securities, respectively, related to the Corporation's investment in Parq Equity Limited Partnership.

Other than as described above, there have been no other transfers between the fair value hierarchy levels during the 2018.

The valuation techniques applied by the Corporation in determining the fair value of its financial instruments classified as level 3 use the following significant unobservable inputs.

| Valuation Techniques        | Significant Unobservable Inputs                |
|-----------------------------|------------------------------------------------|
| Discounted cash flow        | Discount rate (i) (v) (vi)<br>Future cash flow |
| Net asset value             | Appraised value (ii)                           |
| Comparable company analysis | Selection of comparable entities (iii)         |
| Other                       | Liquidity discount (iv)                        |

#### Sensitivity Analysis on Pre-tax Net Loss

- The Corporation applied discount rates between 10% and 50% in the determination of fair value of private investments when using a discounted cash flow valuation technique. A 2% increase in the discount rate used for each individual investment would have resulted in an increase to the Corporation's net loss of \$56,000 (2017 – \$381,000), and a corresponding decrease of 2% in the discount rate would have resulted in a \$56,000 (2017 – \$390,000) decrease to the Corporation's net loss.
- An increase of 3% of the appraised value of private investments whose fair value was determined using their underlying net asset value would reduce the Corporation's net loss by \$1,394,000 (2017 – \$2,937,000), while a 3% decrease in the appraised value would increase the Corporation's net loss by \$1,394,000 (2017 – \$2,937,000).
- Determining the fair value of private investments using comparable company analysis involves the comparison of operating metrics and valuation multiples for public companies in a peer group, to those of the private investment. The determination of the appropriate comparable companies is subject to significant judgment. A 5% increase in valuation multiples for the selected comparable peer group would have reduced the Corporation's net loss by \$102,000 (2017 – \$143,000) and a corresponding 5% decrease in the valuation multiples would have increased the net loss by \$102,000 (2017 – \$143,000).
- In assessing the fair value of its private investments, the Corporation may have applied a liquidity discount ranging from 25% to 50% (2017 – 20% to 50%). A 5% increase in the applied liquidity discount would result in an increase of \$4,420,000 (2017 – \$4,154,000)

to the Corporation's net loss. Correspondingly, a 5% decrease in the applied liquidity discount would result in a \$4,420,000 (2017 – \$4,154,000) reduction in the Corporation's net loss.

- (v) Significant variables in determining the fair value of UHIC's royalty interest include an estimate of future oil prices, an estimate of the probability and timing of success in the commercial discovery of oil and the determination of the appropriate discount rate to apply to expected cash flows.
- In determining fair value at December 31, 2018, UHIC assumed a long-range future oil price of US\$77.28/bbl (2017 – US\$73.50/bbl). A 5% increase in the estimated price of oil would increase the fair value of the royalty interest by US\$3,963,000 (2017 – US\$3,886,000) and correspondingly, a 5% decrease in the estimated price of oil would decrease the fair value of the royalty interest by US\$3,980,000 (2017 – US\$3,886,000).
  - UHIC has assumed a 47% (2017 – 45%) chance of success in determining the fair value of its royalty interest. A 5% increase in the probability metric would increase the fair value of the royalty interest by US\$10,723,000 (2017 – US\$11,117,000) and correspondingly, a 5% decrease in the probability metric would decrease the fair value of the royalty interest by US\$10,723,000 (2017 – US\$11,117,000).
  - UHIC has applied a discount rate to expected cash flows of 16.4% (2017 – 14.4%). A 2% increase in the discount rate would decrease the fair value of the royalty interest by US\$11,624,000 (2017 – US\$13,251,000). A decrease of 2% in the discount rate would increase the fair value of the royalty interest by US\$13,815,000 (2017 – US\$15,878,000).
- (vi) Included in accounts receivable is a US\$50,000,000 bonus amount that UHIC expects to receive upon production of first oil on the underlying property associated with its royalty interest. This contingent bonus amount is considered a financial instrument and is measured at fair value, determined by a probability metric on chances of success, and with a discount rate applied to the estimated cash flows.
- UHIC has applied a 73% (2017 – 74%) average probability metric to its valuation of the contingent consideration. A 5% increase in the average probability metric would increase the fair value of the contingent consideration by US\$1,526,000 (2017 – US\$1,703,000) and correspondingly, a decrease of 5% in the average probability metric would decrease the fair value of the contingent consideration by US\$1,526,000 (2017 – US\$1,703,000).
  - UHIC has applied a 16.4% (2017 – 13%) discount rate to the expected cash flows from the contingent consideration. A 2% increase in the discount rate would reduce the fair value of the contingent consideration by US\$1,200,000 (2017 – US\$1,270,000) and correspondingly, a 2% decrease in the discount rate would increase the fair value of the contingent consideration by US\$1,291,000 (2017 – US\$1,370,000).
- (vii) In assessing the fair value of the derivative financial instrument relating to the Preference Shares, series 5, the Corporation assumed a price per share of \$1.28 in respect of the variable number of equity instruments issued upon settlement. A 5% increase to the assumed price per share would decrease the fair value of the derivative financial instrument by \$2,662,000 and correspondingly, a 5% decrease to the assumed price per share would increase the fair value of the derivative financial instrument by \$2,662,000.

## **Risk Management**

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects on the Corporation's financial performance.

### **Market Risk**

Market risk is the risk that a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Corporation segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

#### *Fair Value Risk*

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange currency rates, because of changes in market prices. The following table illustrates the effect to net earnings, before associated income taxes and non-controlling interest, of a 3% absolute change in the fair value of brokerage securities owned and sold short, and in the fair value of the Corporation's investment portfolio of securities classified as FVTPL.

| For the years ended December 31,                                   | Effect on Net Earnings |        |
|--------------------------------------------------------------------|------------------------|--------|
|                                                                    | 2018                   | 2017   |
| Brokerage securities owned, net of brokerage securities sold short | \$ -                   | \$ 196 |
| Investments classified as FVTPL                                    | 8,104                  | 11,556 |

#### *Interest Rate Risk*

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not independently measure the effects of interest rate risk on its portfolio of investments designated as FVTPL.

The Corporation is exposed to interest rate risk on its variable rate corporate debt and on client account margin loans and credit balances. The following table illustrates the effect to net earnings, before associated income taxes and non-controlling interest, of a 50 basis point absolute change in market interest rates to these items.

| For the years ended December 31,                | Effect on Net Earnings |        |
|-------------------------------------------------|------------------------|--------|
|                                                 | 2018                   | 2017   |
| Variable rate corporate debt *                  | \$ 232                 | \$ 356 |
| Client account margin loans and credit balances | -                      | 5      |

\* Excludes the effect of interest rate changes on debt in discontinued operations.

#### *Currency Risk*

The Corporation is exposed to foreign exchange transaction and translation risk due to the volatility of foreign exchange rates arising on its U.S. dollar denominated investments, as well as on its corporate borrowings, to the extent that such borrowings were drawn in a foreign currency. A 3% absolute change in the foreign exchange translation rate of Canadian to U.S. dollars would result in a change to net earnings of \$435,000 (2017 – \$891,000), before associated income taxes.

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Blue Goose's accounts receivable are with customers for meat sales, fish sales, trucking sales and custom farming sales. The majority of Blue Goose's accounts receivable balances represent trade accounts receivable in the normal course of business. Blue Goose manages credit associated with accounts receivable by monitoring the credit quality of its customers on a regular basis.

The Corporation's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Corporation's consolidated statements of financial position.

| As at December 31,         | 2018       | 2017       |
|----------------------------|------------|------------|
| Cash                       | \$ 52,787  | \$ 75,278  |
| Accounts receivable        |            |            |
| Contingent consideration   | 30,397     | 31,705     |
| Other                      | 28,813     | 30,331     |
| Client accounts receivable | 17,276     | 18,115     |
|                            | 129,273    | 155,429    |
| Discontinued operations    |            |            |
| Cash                       | -          | 3,736      |
| Accounts receivable        | -          | 5,627      |
|                            | \$ 129,273 | \$ 164,792 |

### **Liquidity Risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to liquidity risk as it continues to have cash outflows to support its business development strategies and that of its subsidiaries and equity account investments. The Corporation's objective for liquidity risk management is to maintain sufficient available resources to meet commitments and obligations in a cost effective manner. The Corporation monitors its financial position at least quarterly.

There are uncertainties related to the timing and use of the Corporation's cash resources and available borrowing capacity. The development stage of the Corporation's investments and business strategies may not generate sufficient operating cash flows to fund their obligations as they become due. As such, these obligations may require that the Corporation generate liquidity through the divestiture of non-core investments, through the use of available borrowing capacity, or through the issuance of debt or equity. The Corporation may experience difficulty in obtaining satisfactory financial terms. Failure to obtain adequate financing on satisfactory terms may have a material adverse effect to the Corporation's results of operations or its financial condition.

The following table details the Corporation's contractual maturity for its financial liabilities. The information presented is based on the earliest date on which the Corporation may be required to settle its obligations.

|                                                         | Expected Payments Schedule |                  |                 |             |                   |  |
|---------------------------------------------------------|----------------------------|------------------|-----------------|-------------|-------------------|--|
|                                                         | 2019                       | 2020 to 2021     | 2022 to 2023    | Thereafter  | Total             |  |
| <i>As at December 31, 2018</i>                          |                            |                  |                 |             |                   |  |
| Accounts payable and accrued liabilities                | \$ 40,341                  | \$ -             | \$ -            | \$ -        | \$ 40,341         |  |
| Credit facilities, Blue Goose Capital Corp. (i)         | 17,487                     | 35,317           | 9,325           | -           | 62,129            |  |
| Debt facilities, Dundee 360 Real Estate Corporation (i) | 44                         | 7                | -               | -           | 51                |  |
| Preference Shares, series 5 (ii)                        | 85,462                     | -                | -               | -           | 85,462            |  |
|                                                         | <b>\$ 143,334</b>          | <b>\$ 35,324</b> | <b>\$ 9,325</b> | <b>\$ -</b> | <b>\$ 187,983</b> |  |

(i) Including interest payments.

(ii) Including dividend payments.

|                                                                     | Expected Payments Schedule |              |              |            |            | Total |
|---------------------------------------------------------------------|----------------------------|--------------|--------------|------------|------------|-------|
|                                                                     | 2018                       | 2019 to 2020 | 2021 to 2022 | Thereafter |            |       |
| <i>As at December 31, 2017</i>                                      |                            |              |              |            |            |       |
| Accounts payable and accrued liabilities                            | \$ 58,468                  | \$ -         | \$ -         | \$ -       | \$ 58,468  |       |
| Credit facilities, Blue Goose Capital Corp.                         | 61,413                     | 28           | 12           | -          | 61,453     |       |
| Debt facilities, Dundee 360 Real Estate Corporation                 | 44                         | 51           | -            | -          | 95         |       |
| Preference Shares, series 5                                         | 7,582                      | 82,373       | -            | -          | 89,955     |       |
|                                                                     | 127,507                    | 82,452       | 12           | -          | 209,971    |       |
| Discontinued operations                                             |                            |              |              |            |            |       |
| Accounts payable and accrued liabilities                            | 6,569                      | -            | -            | -          | 6,569      |       |
| Demand revolving credit facility, Dundee Energy Limited Partnership | 57,400                     | -            | -            | -          | 57,400     |       |
|                                                                     | \$ 191,476                 | \$ 82,452    | \$ 12        | \$ -       | \$ 273,940 |       |

### **Market Risk in Assets under Management**

The Corporation's assets under management are exposed to various forms of market risk including, but not limited to fair value risk, interest rate risk and currency risk. These risks transfer to the Corporation through the generation of management fee revenues.

### **Equity Accounted Investments**

The various risk factors discussed above may also impact the Corporation's equity accounted investments and therefore impact future net earnings and OCI. The Corporation, however, does not measure or monitor these risks in isolation.

## 26. CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as the aggregate of its shareholders' equity and interest bearing debt, including certain outstanding preference shares. The following table summarizes the carrying value of the Corporation's capital as at December 31, 2018 and 2017.

| As at December 31,          | 2018              | 2017              |
|-----------------------------|-------------------|-------------------|
| Shareholders' equity        | \$ 546,754        | \$ 736,560        |
| Corporate debt              | 53,618            | 60,110            |
| Preference Shares, series 5 | 82,234            | 91,211            |
|                             | <b>\$ 682,606</b> | <b>\$ 887,881</b> |

The Corporation's objectives when managing capital include (i) ensuring that the Corporation is able to meet its financial obligations as they become due, whilst ensuring compliance with all applicable debt covenants; (ii) ensuring that the Corporation has sufficient capital to manage business activities in each of its operating segments; (iii) ensuring that the Corporation has sufficient capital available to benefit from acquisition opportunities, should they arise; (iv) ensuring that the Corporation and all of its regulated entities meet relevant regulatory capital requirements; and (v) ensuring adequate returns for shareholders. The Corporation regularly assesses its capital management practices in response to changing economic conditions.

Certain of the Corporation's subsidiaries are subject to regulatory capital requirements. Compliance with these requirements requires that the subsidiaries maintain sufficient cash and other liquid assets on hand to maintain regulatory capital requirements, rather than using these liquid assets in connection with its business or otherwise. As at December 31, 2018 and 2017, these subsidiaries complied with all regulatory capital requirements.

Certain of the Corporation's subsidiaries, including those in the development stage, may have significant liquidity risk without the continued financial support of Dundee Corporation.

## 27. COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

### Commitments

#### *Lease Commitments*

The Corporation and its subsidiaries have lease agreements for premises and equipment pursuant to which future minimum annual lease payments, exclusive of operating costs and realty taxes, are as follows:

|                       | Operating lease payments |
|-----------------------|--------------------------|
| Less than 1 year      | \$ 7,582                 |
| Between 1 and 5 years | 17,270                   |
| Thereafter            | 3,926                    |

#### *Sublease Receivable Commitments*

The Corporation and its subsidiaries have sublease agreements for premises to which future minimum lease receipts, exclusive of reimbursement of operating costs and realty taxes, are as follows:

|                       | Operating sublease receipts |
|-----------------------|-----------------------------|
| Less than 1 year      | \$ 2,089                    |
| Between 1 and 5 years | 4,927                       |
| Thereafter            | -                           |

#### *Investment Commitments*

The Corporation may invest in structures or investment products that require an upfront commitment, which the Corporation will fund in the future on a drawdown basis. The Corporation's consolidated financial statements do not report the amount of the commitment. Instead, amounts drawn are recorded in the cost of the investment as incurred.

The Corporation may also commit to providing credit facilities to investee companies. Generally, the Corporation's commitments under these types of arrangements are short term in nature and are extended to provide temporary bridge financing arrangements to investee companies in expectation of future equity or debt issuances.

#### *Franchise Arrangements with Realogy Holdings Corporation ("Realogy")*

Dundee 360 has entered into a master franchise agreement with Realogy relating to the use of the "Sotheby's International Realty" name ("Sotheby's"). Under the terms of the master franchise agreement, Dundee 360 pays the franchisor a franchise fee of 6% of gross commission income earned by its agents, with a minimum annual requirement of US\$1,245,000. Payments under these arrangements are guaranteed by the Corporation. The franchise fee may be reduced by a luxury premium award based on a percentage of gross commission revenue if certain targets are met.

From time to time, Realogy may provide financing to Dundee 360 in order to support its expansion initiatives. At December 31, 2018, Dundee Corporation had guaranteed US\$1,037,000 of amounts owing from Dundee 360 to its franchisor.

#### *Extension of the Production Sharing Contract ("PSC")*

UHC and Delonex entered into an agreement in respect of any fees associated with a further extension of the current three-year term of the PSC. As part of its agreement with Delonex, UHC agreed to fund 100% of any cost associated with the PSC extension up to US\$10,000,000. Should the extension costs exceed US\$10,000,000, 50% of any excess will be funded by UHC. UHC currently estimates the cost of the extension at US\$1,000,000.

At the time UHC sold its interest in UHCL to Delonex in 2017, US\$3,000,000 was held back from the cash payment by Delonex, which is available to Delonex to fund any fees associated with an extension of the PSC. Any additional amount owed over the US\$3,000,000 holdback will be withheld from future contingent royalty payments. Upon the granting of the extension by the Republic of Chad, any amounts not used by Delonex to secure the extension will be returned to UHC. Should the extension not be granted prior to June 5, 2020, the US\$3,000,000 holdback will be forfeited by UHC to Delonex.

#### *Letters of Credit in Favour of Redecam Group S.p.A*

The Corporation has issued letters of credit in the aggregate amount of €2,400,000 to support the lending arrangements of Redecam Group S.p.A, an investment held through Dundee Corporation's investment in Dundee Sarea Fund (notes 10 and 14).

### **Contingencies**

#### *Castor Project Contingency*

In accordance with the terms of a royal decree issued by the Spanish authorities in connection with the Castor Project, Escal UGS S.L., the developer and former owner of Castor Project, and its shareholders remain responsible for any possible flaws or defects in the facilities associated with the Castor Project that become apparent during the 10 years following the October 2014 issuance of the royal decree.

#### *Guarantee in Favour of Investissement Quebec*

In order to support a \$5,000,000 investment by Investissement Quebec into Dundee Sustainable, Dundee Corporation has guaranteed \$1,500,000 of Dundee Sustainable's debt owing to Investissement Quebec.

#### *Guarantee in Favour of Farm Credit Canada*

Blue Goose established a real property loan facility for \$10,000,000 (note 14) with Farm Credit Canada. Dundee Agricultural Corporation, a wholly-owned subsidiary of the Corporation, has provided a full guarantee to Farm Credit Canada in respect of the loan. Farm Credit Canada does not have recourse to Dundee Corporation in respect of this guarantee.

#### *Guarantees Issued in the Normal Course of Business*

The Corporation and its operating subsidiaries may become liable under other guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such commitments would not have a material adverse effect on the consolidated financial statements of the Corporation.

#### *Legal Contingencies*

The Corporation and/or its subsidiaries are defendants in various legal actions. The defenses to these claims and the quantification of damages are yet to be determined and the amount of the loss, if any, cannot be determined at this time. The Corporation intends to vigorously defend itself against all legal claims. Although the ultimate outcome of these matters cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management, based on information currently available, that these are not material liabilities, adequate provisions have been made for any liabilities and the resolution of these matters will not have a material adverse effect on the consolidated financial position of the Corporation.

#### *Tax Contingencies*

Filing of the Corporation's tax returns requires the interpretation of complex tax laws and regulations. The Canada Revenue Agency audits the Corporation's tax returns annually to ensure compliance with the tax laws and regulations. For the taxation year ended December 31, 2014, the Canada Revenue Agency has requested further clarification of a principal filing position. As of the filing of its December 31, 2018 financial statements, the Corporation cannot be assured the Canada Revenue Agency will accept the filing position. If the filing position is not accepted, the Corporation has estimated income taxes payable of approximately \$11 million and interest payable of approximately \$2 million in respect of its December 31, 2014 taxation year. Presently, the Corporation does not expect the change in filing position to result in income taxes payable in respect of its 2015-2018 taxation years. As discussions with the Canada Revenue Agency are ongoing, resolution is not expected until the 2019 fiscal year.

### **Off-Balance Sheet Arrangements**

#### *Indemnification Agreements*

The Corporation executes agreements that provide for indemnifications to third parties in the normal course of business. The Corporation has also agreed to indemnify its directors and officers and those of certain of its subsidiaries and to indemnify member to the Independent Review Committees of its managed products, to the extent permitted under corporate law, against costs and damages that may be incurred by such individuals as a result of lawsuits or any other proceedings in which they are sued as a result of their service. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay third parties, as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined.

Historically, the Corporation has not made any payments under such indemnification agreements. No amounts have been recorded in these consolidated financial statements with respect to these indemnifications.

## 28. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, related party transactions and balances as at and for the year ended December 31, 2018 are as described below.

### **Dundee 360 Real Estate Corporation**

Dundee 360 has agreed to provide up to \$89,000 to one of its key employees pursuant to an interest free loan arrangement which will be utilized by the employee for professional development purposes. During 2018, Dundee 360 forgave \$44,000 of the loan balance. A portion of the loan balance will be extinguished yearly, at the discretion of Dundee 360, following the achievement of certain reporting milestones by the employee.

Dundee 360 had entered into a joint venture development agreement with an agency of the Government of Cuba to develop certain hotel properties in Cuba. Dundee 360 entered into a transaction for the sale of the Cuban assets to a former key employee of Dundee 360 for aggregate cash consideration of \$2,260,000, subject to approval of the authorities of the Cuban government for the transfer of ownership of Dundee 360's rights, which is expected during the third quarter of 2019. Under the terms of the transaction, the purchaser remains responsible for ongoing operating costs associated with the project.

Dundee 360 is involved in the listing, marketing and selling of real estate, both in the residential resale market and for stand-alone real estate projects. These activities are carried out through the "*Sotheby's International Realty*" name. Officers, directors and employees of the Corporation, its subsidiaries and other related parties may make use of the services provided by Sotheby's. Generally, transactions between Sotheby's, the Corporation and these related entities, are conducted on normal market terms and are recorded at their exchange value.

### **Dundee Securities Ltd.**

Dundee Securities, its subsidiaries and its sister companies, in the course of their regular business activities, have historically conducted routine transactions with the Corporation and with the Corporation's affiliates, including the Corporation's equity accounted investments. Generally, transactions between Dundee Securities, the Corporation and these related entities, are conducted on normal market terms.

### *Financial Services Revenue*

The Corporation may trade securities through registered brokers on behalf of its asset management clients and other discretionary client portfolios. These transactions may be conducted through Dundee Securities in accordance with a rate schedule. In addition, Dundee Securities may facilitate the purchase and sale of foreign currencies on behalf of these clients.

Dundee Securities may participate in corporate finance related activities, including financial advisory activities for the Corporation, its subsidiaries and affiliates, including equity accounted investments and fiduciary accounts managed by the Corporation.

Officers, directors and employees of the Corporation, its subsidiaries and other related parties may make use of the facilities of Dundee Securities.

### **Compensation of Key Management**

Compensation and other fees paid to directors of the Corporation and to each of the Corporation's Chairman and Chief Executive Officer, the President, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Operating Officer, and certain other senior executives of the Corporation are shown in the following table.

| For the years ended December 31, | 2018            | 2017            |
|----------------------------------|-----------------|-----------------|
| Directors fees                   | \$ 768          | \$ 1,220        |
| Salaries and benefits (i) (ii)   | 5,471           | 3,698           |
| Stock based compensation         | 1,238           | 2,352           |
|                                  | <b>\$ 7,477</b> | <b>\$ 7,270</b> |

(i) Including a one-time co-investment performance bonus to a former executive of \$1,524,000.

(ii) Excluding the severance pay to certain former executives of approximately \$4,000,000.

## 29. SEGMENTED INFORMATION

The Corporation's reportable business segments are organized in a manner that reflects how management views those business activities. The tabular information that follows shows data of reportable segments reconciled to amounts reflected in these consolidated financial statements.

| <i>Business Entity</i>                                                  | <i>Business Activity</i>                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate and Other Portfolio Holdings                                  | Investments in public and private equity and debt securities in diversified industry segments                                                                                                                                                                                                                                                           |
| Goodman & Company, Investment Counsel Inc.                              | 100%-owned private subsidiary registered as a portfolio manager and exempt market dealer across Canada and an investment fund manager in Ontario, Quebec and Newfoundland. This segment also includes the activities of Dundee Global Investment Management Inc. through which the Corporation previously explored certain wealth management strategies |
| Dundee Securities Ltd.<br>(note 6)                                      | Previous 100%-owned private subsidiary and, historically, a full-service Canadian investment dealer registered with the Investment Industry Regulatory Organization of Canada                                                                                                                                                                           |
| Dundee Energy Limited                                                   | 58%-owned public, non-listed subsidiary in the oil and gas industry                                                                                                                                                                                                                                                                                     |
| Dundee Energy Limited Partnership<br>(Discontinued operations) (note 5) | 58%-owned private subsidiary engaged in oil and gas activities in southern Ontario                                                                                                                                                                                                                                                                      |
| United Hydrocarbon International Corp.                                  | 83%-owned private subsidiary engaged in oil and gas exploration through the holding of a royalty interest in the Republic of Chad                                                                                                                                                                                                                       |
| Dundee Sustainable Technologies Inc.                                    | 62%-owned publicly listed subsidiary developing patented sustainable precious and base metals extraction processes                                                                                                                                                                                                                                      |
| Eurogas International Inc.                                              | 54%-owned publicly listed subsidiary engaged in oil and gas exploration                                                                                                                                                                                                                                                                                 |
| Blue Goose Capital Corp.                                                | 89%-owned private subsidiary operating in organic and natural protein processing and production                                                                                                                                                                                                                                                         |
| Blue Goose Pure Foods Inc.<br>(Discontinued operations) (note 5)        | Previous 89%-owned private subsidiary specializing in the production, processing and distribution of meat products                                                                                                                                                                                                                                      |
| AgriMarine Holdings Inc.                                                | 100%-owned private aquaculture company focused on fish farming and sustainable aquaculture technologies                                                                                                                                                                                                                                                 |
| Dundee 360 Real Estate Corporation                                      | 100%-owned private subsidiary engaged in development and management of international hotel, resort, residential and commercial real estate projects                                                                                                                                                                                                     |

## Segmented Operations for the Year Ended December 31, 2018

|                                                                           | Revenues   | Cost of Sales | Other Amounts<br>in Earnings (Loss) | Net<br>Earnings (Loss) |
|---------------------------------------------------------------------------|------------|---------------|-------------------------------------|------------------------|
| <i>Corporate and other portfolio holdings</i>                             | \$ 2,767   | \$ -          | \$ (136,802)                        | \$ (134,035)           |
| <i>Asset management and capital markets</i>                               |            |               |                                     |                        |
| Goodman & Company, Investment Counsel Inc.                                | 4,288      | -             | (7,113)                             | (2,825)                |
| Dundee Securities Ltd.                                                    | 5,508      | (2,371)       | (7,409)                             | (4,272)                |
| <i>Resource industry</i>                                                  |            |               |                                     |                        |
| Dundee Energy Limited                                                     | -          | -             | 445                                 | 445                    |
| Dundee Energy Limited Partnership                                         | 20,686     | (10,575)      | (37,447)                            | (27,336)               |
| United Hydrocarbon International Corp.                                    | -          | -             | (22,311)                            | (22,311)               |
| Dundee Sustainable Technologies Inc.                                      | 1,975      | (1,508)       | (3,885)                             | (3,418)                |
| Eurogas International Inc.                                                | -          | -             | (945)                               | (945)                  |
| <i>Agriculture industry</i>                                               |            |               |                                     |                        |
| Blue Goose Capital Corp.                                                  | 27,229     | (34,460)      | (13,186)                            | (20,417)               |
| AgriMarine Holdings Inc.                                                  | 10,109     | (10,491)      | (3,931)                             | (4,313)                |
| <i>Real estate industry</i>                                               |            |               |                                     |                        |
| Dundee 360 Real Estate Corporation                                        | 105,081    | (84,777)      | (33,303)                            | (12,999)               |
| <i>Intersegment</i>                                                       | (2,270)    | -             | 2,270                               | -                      |
|                                                                           | 175,373    | (144,182)     | (263,617)                           | (232,426)              |
| <i>Less: Discontinued operations</i>                                      |            |               |                                     |                        |
| Dundee Energy Limited Partnership                                         | (20,686)   | 10,575        | 37,447                              | 27,336                 |
| <b>LOSS FROM CONTINUING OPERATIONS BEFORE</b>                             |            |               |                                     |                        |
| <b>INCOME TAXES AND NON-CONTROLLING INTEREST</b>                          | \$ 154,687 | \$ (133,607)  | \$ (226,170)                        | (205,090)              |
| Income taxes                                                              |            |               |                                     | (7,532)                |
| Non-controlling interest                                                  |            |               |                                     | 8,175                  |
| <b>NET LOSS FROM CONTINUING OPERATIONS</b>                                |            |               |                                     |                        |
| <b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                               |            |               |                                     | <b>\$ (204,447)</b>    |
| Discontinued operations, before income taxes and non-controlling interest | \$ 20,686  | \$ (10,575)   | \$ (37,447)                         | (27,336)               |
| Gain on disposal of subsidiary                                            |            |               |                                     | 30,829                 |
|                                                                           |            |               |                                     | 3,493                  |
| Income taxes                                                              |            |               |                                     | -                      |
| Non-controlling interest                                                  |            |               |                                     | (1,469)                |
| <b>NET EARNINGS FROM DISCONTINUED OPERATIONS</b>                          |            |               |                                     |                        |
| <b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                               |            |               |                                     | <b>\$ 2,024</b>        |

# Segmented Operations for the Year Ended December 31, 2017

|                                                                           |    | Revenues | Cost of Sales | Other Amounts<br>in Earnings (Loss) | Net<br>Earnings (Loss) |
|---------------------------------------------------------------------------|----|----------|---------------|-------------------------------------|------------------------|
| <i>Corporate and other portfolio holdings</i>                             | \$ | 16,105   | \$ -          | \$ (22,141)                         | \$ (6,036)             |
| <i>Asset management and capital markets</i>                               |    |          |               |                                     |                        |
| Goodman & Company, Investment Counsel Inc.                                |    | 2,619    | -             | (9,272)                             | (6,653)                |
| Dundee Securities Ltd.                                                    |    | 12,049   | (4,462)       | (12,458)                            | (4,871)                |
| <i>Resource industry</i>                                                  |    |          |               |                                     |                        |
| Dundee Energy Limited                                                     |    | (1,425)  | -             | (668)                               | (2,093)                |
| Dundee Energy Limited Partnership                                         |    | 22,613   | (10,929)      | (35,288)                            | (23,604)               |
| United Hydrocarbon International Corp.                                    |    | -        | -             | 41,854                              | 41,854                 |
| Dundee Sustainable Technologies Inc.                                      |    | 2,461    | (2,405)       | (3,625)                             | (3,569)                |
| Eurogas International Inc.                                                |    | -        | -             | (608)                               | (608)                  |
| <i>Agriculture industry</i>                                               |    |          |               |                                     |                        |
| Blue Goose Capital Corp.                                                  |    | 28,100   | (39,449)      | (1,180)                             | (12,529)               |
| Blue Goose Pure Foods Ltd.                                                |    | 77,628   | (70,395)      | (16,557)                            | (9,324)                |
| AgriMarine Holdings Inc.                                                  |    | 10,073   | (11,357)      | (3,295)                             | (4,579)                |
| <i>Real estate industry</i>                                               |    |          |               |                                     |                        |
| Dundee 360 Real Estate Corporation                                        |    | 115,021  | (89,307)      | (26,450)                            | (736)                  |
| <i>Intersegment</i>                                                       |    | (1,709)  | -             | 1,709                               | -                      |
|                                                                           |    | 283,535  | (228,304)     | (87,979)                            | (32,748)               |
| <i>Less: Discontinued operations</i>                                      |    |          |               |                                     |                        |
| Dundee Energy Limited Partnership                                         |    | (22,613) | 10,929        | 35,288                              | 23,604                 |
| Blue Goose Pure Foods Ltd.                                                |    | (77,628) | 70,395        | 16,557                              | 9,324                  |
| <b>EARNINGS FROM CONTINUING OPERATIONS BEFORE</b>                         |    |          |               |                                     |                        |
| <b>    INCOME TAXES AND NON-CONTROLLING INTEREST</b>                      | \$ | 183,294  | \$ (146,980)  | \$ (36,134)                         | 180                    |
| Income taxes                                                              |    |          |               |                                     | (1,309)                |
| Non-controlling interest                                                  |    |          |               |                                     | (1,445)                |
| <b>NET EARNINGS FROM CONTINUING OPERATIONS</b>                            |    |          |               |                                     |                        |
| <b>    ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                           |    |          |               | <b>\$</b>                           | <b>(2,574)</b>         |
| Discontinued operations, before income taxes and non-controlling interest | \$ | 100,241  | \$ (81,324)   | \$ (51,845)                         | (32,928)               |
| Loss on disposal of subsidiary                                            |    |          |               |                                     | (22,577)               |
|                                                                           |    |          |               |                                     | (55,505)               |
| Income taxes                                                              |    |          |               |                                     | (13,753)               |
| Non-controlling interest                                                  |    |          |               |                                     | 19,299                 |
| <b>NET LOSS FROM DISCONTINUED OPERATIONS</b>                              |    |          |               |                                     |                        |
| <b>    ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                           |    |          |               | <b>\$</b>                           | <b>(49,959)</b>        |

### Segmented Net Assets as at December 31, 2018

|                                               | ASSETS           |                   |                          |                   |                   |                    | LIABILITIES         |                      |              |
|-----------------------------------------------|------------------|-------------------|--------------------------|-------------------|-------------------|--------------------|---------------------|----------------------|--------------|
|                                               | Cash             | Investments       | Deferred<br>Income Taxes | Other<br>Assets   | Total             |                    | Corporate<br>Debt   | Other<br>Liabilities | Total        |
| <i>Corporate and other portfolio holdings</i> | \$ 38,386        | \$ 313,517        | \$ 26,821                | \$ 40,959         | \$ 419,683        | \$                 | -                   | \$ (104,440)         | \$ (104,440) |
| <i>Asset management and capital markets</i>   |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Goodman & Company, Investment Counsel Inc.    | 4,168            | 687               | -                        | 2,502             | 7,357             | -                  | -                   | (1,393)              | (1,393)      |
| <i>Resource industry</i>                      |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Dundee Energy Limited                         | 112              | -                 | -                        | -                 | 112               | -                  | -                   | (2,356)              | (2,356)      |
| United Hydrocarbon International Corp.        | 5,006            | -                 | -                        | 185,929           | 190,935           | -                  | -                   | (44)                 | (44)         |
| Dundee Sustainable Technologies Inc.          | 116              | -                 | -                        | 7,881             | 7,997             | -                  | -                   | (6,230)              | (6,230)      |
| Eurogas International Inc.                    | 11               | -                 | -                        | -                 | 11                | -                  | -                   | (949)                | (949)        |
| <i>Agriculture industry</i>                   |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Blue Goose Capital Corp.                      | 668              | -                 | -                        | 85,295            | 85,963            | (53,567)           | -                   | (3,933)              | (57,500)     |
| AgriMarine Holdings Inc.                      | 194              | -                 | -                        | 16,668            | 16,862            | -                  | -                   | (3,615)              | (3,615)      |
| <i>Real estate industry</i>                   |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Dundee 360 Real Estate Corporation            | 4,126            | 5,520             | (290)                    | 29,235            | 38,591            | (51)               | -                   | (23,462)             | (23,513)     |
| <b>Total</b>                                  | <b>\$ 52,787</b> | <b>\$ 319,724</b> | <b>\$ 26,531</b>         | <b>\$ 368,469</b> | <b>\$ 767,511</b> | <b>\$ (53,618)</b> | <b>\$ (146,422)</b> | <b>\$ (200,040)</b>  |              |

### Segmented Net Assets as at December 31, 2017

|                                                           | ASSETS           |                   |                          |                   |                   |                    | LIABILITIES         |                      |              |
|-----------------------------------------------------------|------------------|-------------------|--------------------------|-------------------|-------------------|--------------------|---------------------|----------------------|--------------|
|                                                           | Cash             | Investments       | Deferred<br>Income Taxes | Other<br>Assets   | Total             |                    | Corporate<br>Debt   | Other<br>Liabilities | Total        |
| <i>Corporate and other portfolio holdings</i>             | \$ 40,475        | \$ 488,954        | \$ 27,397                | \$ 20,587         | \$ 577,413        | \$                 | -                   | \$ (116,990)         | \$ (116,990) |
| <i>Asset management and capital markets</i>               |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Goodman & Company, Investment Counsel Inc.                | 2,710            | 1,000             | -                        | 626               | 4,336             | -                  | -                   | (887)                | (887)        |
| Dundee Securities Ltd.                                    | 17,832           | -                 | -                        | 15,590            | 33,422            | -                  | -                   | (4,978)              | (4,978)      |
| <i>Resource industry</i>                                  |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Dundee Energy Limited                                     | 32               | -                 | -                        | 25                | 57                | -                  | -                   | (4,242)              | (4,242)      |
| Dundee Energy Limited Partnership                         | 3,736            | -                 | -                        | 108,446           | 112,182           | (57,400)           | -                   | (58,275)             | (115,675)    |
| United Hydrocarbon International Corp.                    | 9,190            | -                 | -                        | 190,420           | 199,610           | -                  | -                   | (3,721)              | (3,721)      |
| Dundee Sustainable Technologies Inc.                      | 495              | -                 | -                        | 7,507             | 8,002             | -                  | -                   | (5,747)              | (5,747)      |
| Eurogas International Inc.                                | 1                | -                 | -                        | 286               | 287               | -                  | -                   | (661)                | (661)        |
| <i>Agriculture industry</i>                               |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Blue Goose Capital Corp.                                  | 861              | -                 | -                        | 100,057           | 100,918           | (60,015)           | -                   | (5,098)              | (65,113)     |
| AgriMarine Holdings Inc.                                  | (66)             | -                 | -                        | 19,633            | 19,567            | -                  | -                   | (3,447)              | (3,447)      |
| <i>Real estate industry</i>                               |                  |                   |                          |                   |                   |                    |                     |                      |              |
| Dundee 360 Real Estate Corporation                        | 3,748            | 5,976             | (1,147)                  | 41,375            | 49,952            | (95)               | -                   | (23,685)             | (23,780)     |
| Less: Net assets of discontinued operations held for sale | 79,014           | 495,930           | 26,250                   | 504,552           | 1,105,746         | (117,510)          | -                   | (227,731)            | (345,241)    |
|                                                           | (3,736)          | -                 | -                        | (108,446)         | (112,182)         | 57,400             | -                   | 58,275               | 115,675      |
| <b>Total</b>                                              | <b>\$ 75,278</b> | <b>\$ 495,930</b> | <b>\$ 26,250</b>         | <b>\$ 396,106</b> | <b>\$ 993,564</b> | <b>\$ (60,110)</b> | <b>\$ (169,456)</b> | <b>\$ (229,566)</b>  |              |