DIFFERENCE CAPITAL FINANCIAL INC.
ANNUAL INFORMATION FORM

For the year ended December 31, 2012

June 18, 2013

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GENERAL INFORMATION

References

References in this annual information form ("**AIF**") to "Difference Capital", the "Company", "we", "us", "our" and words of similar meaning refer to Difference Capital Financial Inc.

Date of Information

Unless otherwise indicated, the information contained in this AIF is presented as at June 17, 2013.

Currency

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this AIF constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Company, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this AIF includes, but is not limited to, statements with respect to: the Company's investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Company's financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this AIF include, but are not limited to: the nature of the Company's investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its manager and management team; risks affecting the Company's investments; global political and economic conditions; investments by the Company in private issuers which have illiquid securities; management of the growth of the Company; exchange rate fluctuations; and other risks and factors discussed in this AIF under "Risk Factors".

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this AIF is provided as at the date of this AIF, based upon the opinions and estimates of management and information available to management as at the date of this AIF, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this AIF.

All of the forward-looking information contained in this AIF is expressly qualified by this cautionary statement.

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This AIF contains references to "net asset value per share" ("**NAV**" or "**Net Asset Value**"), which is a non-GAAP financial measure. A non-GAAP financial measure is a numerical measure of the Company's historical or future financial performance, financial position or cash flow, which does not meet one or more of the criteria of the generally accepted accounting principles ("**GAAP**") which are applicable to the Company for presentation in the Company's financial statements. NAV is calculated as total assets minus total liabilities divided by the total number of common shares of the Company outstanding as at a specific date. The term net asset value per share does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that the measure can provide information useful to its shareholders in understanding the Company's performance and facilitate the comparison of the results of its ongoing operations, and may assist in the evaluation of the Company's business relative to that of its peers.

CORPORATE STRUCTURE

Name, Address and Incorporation

Difference Capital Financial Inc. was incorporated by letters patent under the laws of Canada on January 14, 1972 under the name "Eskimo International Resources Limited" with an authorized capital of 3,000,000 shares without par value. The Company changed its name to "Natalma Mines Limited" by supplementary letters patent dated August 17, 1972.

The Company was continued under the *Canada Business Corporations Act* (the "**CBCA**") by articles of continuance dated November 19, 1979. By articles of amendment dated March 25, 1983, the existing 300,005 issued shares without par value were divided into 3,000,500 issued shares without par value. On May 4, 1983, the articles of the Company were amended to change the name of the Company from "Natalma Mines Limited" to "Tonka Resources Inc.".

By articles of amendment dated February 18, 1988, the articles of the Company were amended such that: (i) the name of the Company was changed to "Consolidated Tonka Resources Inc."; (ii) the 4,091,550 issued common shares of the Company were consolidated into 204,577 issued common shares; and (iii) the authorized capital of the Company was changed such that the Company was authorized to issue an unlimited number of common shares without par value and an unlimited number of preference shares without par value. On October 29, 1993, the articles of the Company were amended to change the name of the Company to "South China Industries (Canada) Inc.".

On November 2, 1993, the articles of the Company were amended to: (i) consolidate all of the issued and outstanding common shares of the Company on a two (old) for one (new) basis; (ii) increase the authorized capital of the Company by creating an unlimited number of subordinate voting shares and an unlimited number of multiple voting shares; (iii) change all of the outstanding common shares of the Company into subordinate voting shares on the basis of one subordinate voting share for each common share; and (iv) cancel the common shares and preference shares as classes of authorized shares of the Company. Restated articles of incorporation were filed on December 1, 1993 under the CBCA.

On June 30, 1999, the articles of the Company were amended to: (i) change the name of the Company from “South China Industries (Canada) Inc.” to “TriNorth Capital Inc.”; (ii) increase the authorized capital of the Company by creating an unlimited number of common shares and an unlimited number of preference shares; (iii) change all of the outstanding subordinate voting shares into common shares of the Company on the basis of one common share for each subordinate voting share; and (iv) cancel all authorized and unissued multiple voting shares and subordinate voting shares of the Company.

On May 28, 2012, following approval from the Company’s shareholders at the annual and special meeting of the shareholders held on May 24, 2012, the Company amended its articles whereby the existing common shares were consolidated on the basis of one (1) post-consolidation common share for every ten (10) existing shares. Concurrently, the Company changed its name from “TriNorth Capital Inc.” to “Difference Capital Funding Inc.” and undertook a reorganization of its business (collectively, the “**Difference Transaction**”).

At the Company’s annual and special meeting of the shareholders held on June 13, 2013, the Company obtained approvals for a reorganization of its corporate structure (the “**Reorganization**”). See under the heading “Description of Business - Reorganization” for details concerning the Reorganization.On June 17, 2013, following approval from the Company’s shareholders at the annual and special meeting of the shareholders held on June 13, 2013, the Company amended its articles whereby the existing common shares were consolidated on the basis of one (1) post-consolidation common share (the “**Common Shares**”) for every ten (10) existing shares (the “**Consolidation**”). Concurrently, the Company changed its name from “Difference Capital Funding Inc.” to “Difference Capital Financial Inc.”.

The Company’s head office is located at 130 King St. West, Suite 2950, Toronto, Ontario, M5X 1C7. The Company’s registered office is located at Wildeboer Dellelce Place, Suite 800, 365 Bay Street, Toronto, Ontario, M5H 2V1.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History of the Business

Details of the events that have influenced the general development of the Company’s business over its last three completed financial years are provided below. Additional information concerning the Company’s business is provided elsewhere in this AIF under the heading “Description of the Business”.

2013

On June 17, 2013, the Company announced the appointment of Ivan Fecan to the board of directors of the Company (the “**Board**”) and the formation of an advisory board (the “**Advisory Board**”) consisting of the Hon. David Peterson, Jim Ryan, Hon. John Reynolds, Lorie Haber and Mark Opzoomer.

On June 13, 2013, Jim Shaw joined the Board, as approved by the Company’s shareholders at the special and annual meeting of shareholders of the Company held on June 13, 2013.

On May 31, 2013, May 10, 2013 and March 20, 2013, the Company made investments of $1.25 million, $1.25 million and $1 million, respectively, in ePals Corporation (“**ePals**”) in the form of a senior secured convertible debenture.

On May 24, 2013, the Company made a $3.0 million investment in InfraReDx, Inc. ("**InfraReDx**") in the form of convertible debentures and warrants.

On May 16, 2013, the Company made a $2.7 million investment in Enterprise Group, Inc. ("**Enterprise**") in the form of a convertible debenture.

On May 10, 2013, the Company issued a promissory note (the "**Note**") bearing interest at 5% per annum to Michael Wekerle, the Executive Chairman and a director of the Company. The amounts funded under the Note were used primarily to satisfy certain contractual obligations as well as for general corporate purposes.

On April 19, 2013, the Company made a $500,000 investment in Ipowow, Inc. ("**Ipowow**") in the form of common shares.

On April 3, 2013 and April 12, 2013, the Company made investments of US$250,000 and US$555,000, respectively, in Appinions Inc. ("**Appinions**") in the form of convertible debentures.

On March 12, 2013, the Company obtained a receipt from the Ontario Securities Commission for its final short form prospectus filed in each of the Provinces of Canada, other than Québec, qualifying the distribution of 39,810,696 Units (as hereinafter defined) issuable upon the exercise of 39,810,696 Special Warrants (as hereinafter defined) previously issued by the Company in connection with the Second Tranche (as hereinafter defined). Each Special Warrant entitled the holder to receive one unit (a "**Unit**") of the Company, for no additional consideration, upon the exercise or deemed exercise of the Special Warrants. Each Unit is comprised of one Common Share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant entitles the holder to purchase one Common Share at a price of $0.60 per Common Share on or prior to October 3, 2014.

On March 6, 2013, the Company announced that it had acquired 6 million shares of Parta Dialogue Inc. ("**Parta**") on the secondary market, representing a 9.47% stake in the company.

On March 4, 2013, the Company acquired 650,000 common shares ("**Espial Shares**") of Espial Group Inc. ("**Espial**"), at a price of $0.85 per Share, representing approximately 4.62% of the total issued and outstanding Shares of the Issuer. As at the date hereof, the Company and Michael Wekerle together have ownership and control over 2,614,200 Espial Shares, representing approximately 18.60% of the outstanding Shares.

On February 28, 2013, Henry Kneis resigned as a Secretary of the Company and Jeff Kehoe joined the Company as General Counsel and was appointed as Secretary of the Company.

On February 27, 2013, Lignol Energy Corporation ("**Lignol**") entered into a secured credit facility for up to $5 million with the Company (the "**Lignol Credit Facility**"). Amounts drawn down in respect of the facility bear interest at 8% per annum and the facility will mature on the earlier of February 27, 2014, or upon the completion of an equity financing in respect of Lignol raising gross proceeds of at least $5 million. The Lignol Credit Facility is secured by Lignol's interest in all of its shares of Australian Renewable Fuels Limited and its securities held by Territory Biofuels Limited. As of the date hereof, Lignol has drawn down on the entire $5 million with respect to the Lignol Credit Facility.

On February 26, 2013, the Company made a $1.8 million investment in Crailar Technologies Inc. ("**Crailar**") in the form of a secured convertible debenture.

On February 7, 2013, the Company made a $1.0 million investment in Amaya Gaming Group Inc. ("**Amaya**") in the form of a debenture and warrants.

On February 6, 2013, the Company announced that the Special Warrants (as hereinafter defined) issued during the First Tranche (as hereinafter defined) were exercised into 114,539,084 Common Shares and 57,269,530 Warrants (as hereinafter defined).

On January 29, 2013, the Company announced that it had sold approximately 15% of its $19.9 million unsecured convertible debentures in Virgin Gaming (the "**VG Debentures**") at a 20% premium to its acquisition price on June 5, 2012. The sale of the VG Debentures took place in two separate transactions, both to institutional investors. One sale was made as part of a larger secondary transaction pursuant to which a global institutional investor acquired common shares in the capital of Virgin Gaming (the "**VG Shares**") and $2.0 million of VG Debentures for a total investment of $10 million in Virgin Gaming. The Company subsequently sold an additional $1.1 million principal amount of its VG Debentures. During January and February 2013, the Company also purchased an aggregate of approximately $2.3 million of VG Shares from Virgin Gaming shareholders through a number of separate transactions.

On January 18, 2013, the Company announced that it had made investments totaling more than $9.0 million in Brainscope Company, Inc. ("**Brainscope**"), SoMedia Networks Inc. ("**SoMedia**"), Ipowow, Wasabi Energy Limited ("**Wasabi**") and Thunderbird Films Inc. ("**Thunderbird**") during the period between December 4 and December 19, 2012. Each of these investments is described in greater detail below under the heading "Description of the Business – The Company's Investments".

2012

Between October 30, 2012 and December 10, 2012, the Company acquired an aggregate of 15,231,000 common shares (the "**Cyberplex Shares**") of EQ Inc. (formerly Cyberplex Inc., "**Cyberplex**"). Cyberplex announced that it had changed its operating name to "EQ Works" on June 13, 2013.

On December 4, 2012, the Company announced that it had made strategic investments totaling more than $14 million in QuickPlay Media Inc. ("**QuickPlay**"), Fem Med Formulas Limited Partnership ("**Fem Med**"), Crailar, ePals, InfraReDx and GuestLogix Inc. ("**GuestLogix**") from August 1, 2012 to November 30, 2012. Each of these investments is described in greater detail below under the heading "Description of the Business – The Company's Investments".

On November 21, 2012, the Company announced that it had entered into share exchange agreements with certain shareholders of Ethoca Solutions Inc. ("**Ethoca**") to acquire 35,578 common shares of Ethoca, for total consideration of $978,395, in exchange for the issuance of 2,795,413 Common Shares at a price of $0.35 per Common Share (the "**Ethoca Share Exchange**"). The Ethoca Share Exchange transaction was completed on December 18, 2012.

On November 19, 2012, the Company completed a non-brokered private placement of approximately 154,349,780 special warrants (the "**Special Warrants**"), raising an aggregate of approximately $54,022,423 (the "**Special Warrant Consideration**"). The Special Warrants were issued in separate tranches on October 3, 2012, October 4, 2012 (collectively, the "**First Tranche**"), and November 19, 2012 (the "**Second Tranche**"). As part of the Special Warrant Consideration, the Company received Virgin Shares valued at $500,000 in exchange for 1,428,571 Special Warrants pursuant to a securities exchange agreement with a Virgin Gaming shareholder.

On October 3, 2012, Michael Wekerle resigned as Chief Executive Officer and was appointed to the Board as Executive Chairman, Paul Sparkes was appointed as Executive Vice Chairman of the Company, Neil Johnson was appointed as Chief Executive Officer of the Company and Henry Kneis resigned as a director of the Company and was appointed as Chief Operating Officer and Chief Financial Officer of the Company. On November 7, 2012, Henry Kneis was appointed as Secretary of the Company.

On August 27, 2012, the Company purchased 12.5 million common shares (the "**Lignol Common Shares**") of Lignol for a total investment of $1.0 million. On December 17, 2012, the Company purchased 9 million units of Lignol (the "**Lignol Units**") for a total investment of $1.35 million, as well as 7,666,667 subscription receipts of Lignol (the "**Lignol Subscription Receipts**") for a total investment of $1.15 million. Each Lignol Unit is comprised of one Lignol Common Share and one-half of one common share purchase warrant. On March 6, 2013, the Lignol Subscription Receipts were converted into Lignol Units, following approval from the shareholders of Lignol at a special meeting of the Lignol shareholders in respect of: (i) the creation of the Company as a "Control Person" as defined in the TSX Venture Exchange (the "**TSXV**") Corporate Finance Manual; and (ii) the waiver of the application of the shareholder rights plan of Lignol (the "**Lignol Shareholder Rights Plan**") with respect to the Company being the Beneficial Owner (as defined in the Lignol Shareholder Rights Plan) of 20% or more of the outstanding Voting Shares (as defined in the Lignol Shareholder Rights Plan). As at the date hereof, the Company had also previously purchased an aggregate of 3,549,000 Lignol Common Shares through the facilities of the TSXV. As at the date hereof, the Company owns approximately 25.6% of the issued and outstanding Lignol Common Shares on a fully diluted basis.

On August 7, 2012, the Company made a US$750,000 investment in Gotham Analytics LLC ("**Gotham Analytics**") in the form of common membership units (the "**Gotham Units**").

On June 29, 2012, the Company made a US$2.0 million investment in Appinions in the form of a convertible debenture.

On June 11, 2012, the Company announced that it had closed a non-brokered private placement for gross proceeds of $30,078,606 through the issuance of 100,935,603 Common Shares.

On June 5, 2012 the Company announced it had made a $19.9 million investment in Virgin Gaming in the form of a convertible debenture.

On June 1, 2012, the Company appointed Michael Wekerle as its Chief Executive Officer and John Albright as a director of the Company.

On May 30, 2012, the Company issued 71,776,261 Common Shares in connection with the first tranche of a non-brokered private placement of the Company ("**Tranche One**") and, on June 8, 2012, the Company issued 29,159,331 Common Shares under the second tranche of the private placement ("**Tranche Two**", and together with Tranche One, the "**May Private Placement**").

Concurrent with the closing of Tranche One of the May Private Placement, and as approved by the Company's shareholders at the special and annual meeting of shareholders of the Company on May 24, 2012, Henry Kneis and Paul Sparkes joined the Board.

On May 30, 2012 the Company transferred approximately 14.9 million common shares (the "**Feronia Shares**") of Feronia Inc. ("**Feronia**") it held to a trust created for the benefit of eligible shareholders. On August 30, 2012, the Company distributed the Feronia Shares to such eligible shareholders.

On April 5, 2012, in connection with the announcement of the Difference Transaction, the Company announced that it had terminated the previously announced proposal to engage Roger Dent as its Chief Investment Officer and concurrent non-brokered private placement of convertible debentures.

2011

During the last two quarters of 2011, the Company sold 521,000 of its Feronia Shares for gross proceeds of $159,981 with a realized gain of $47,914. In the first four months of the year, the Company sold 566,000 Feronia Shares for gross proceeds of $176,015 with a realized gain of $54,268. The Company's position in Feronia was reduced to 11.1% of the outstanding common shares of Feronia.

On August 4, 2011, the Company announced that it would not proceed with a previously announced private placement financing of subscription receipts (the "**Financing**"), as it had not raised the minimum gross proceeds amount by the expiry of the TSXV conditional approval date of August 3, 2011 and the TSXV would not extend its conditional approval. The Company also announced that it would not proceed with the previously announced transactions which were conditional on the completion of the Financing, including the delivery of the 17 million Feronia Shares owned by the Company to a trustee for shareholders of the Company on record as at June 24, 2011 as a payment on the reduction of the stated capital of the Company's common shares, the consolidation of the outstanding common shares of the Company on the basis of one post-consolidation share for every three pre-consolidation shares, and the change of name of the Company.

Effective January 25, 2011, the Company terminated its management agreement with Navina Asset Management Inc. (formerly Lawrence Asset Management Inc.).

2010

As a result of unfavorable market conditions in 2009, the Company focused in 2010 on minimizing operating costs, preserving cash and maximizing the value of its various assets, the most important asset being the Company's Feronia Shares.

During the last quarter of 2010, the Company determined that the fair value of its investment in Wild Horse Farms & Bio Energy Corporation was nil and consequently a further write down of $366,345 was recorded in the fourth quarter of 2010.

On October 1, 2010 the Company announced that it had issued a notice to terminate the management contract with Navina Asset Management Inc. effective January 25, 2011. With only two significant investments remaining in the portfolio and amidst ongoing efforts to conserve cash, it was decided that active management of the investment portfolio would no longer be required in 2011.

In March 2010, Saber Energy Corporation ("**Saber**") merged with Talon Metals Corp. ("**Talon**") so that the Company owned 981,518 common shares of Talon, a Toronto Stock Exchange listed company. In the second quarter of 2010, all of the Company's interest in Talon was sold for gross proceeds of $392,613, resulting in a net realized gain of $35,571.

The Company's interest in CIC Energy Corp. was sold in January 2010 for gross proceeds of $433,373, resulting in a net realized loss of $499,769.

Investments

The following is a list of the investments purchased and sold by the Company since the completion of the Difference Transaction on May 28, 2012.

- Invested $19.9 million in Virgin Gaming, in the form of unsecured convertible debentures. To date the Company has sold approximately 15% of the VG Debentures at a 20% premium to its acquisition price. The sale of the VG Debentures took place in two separate transactions, both to institutional investors. One sale was made as part of a larger secondary transaction pursuant to which a global institutional investor acquired VG Shares and $2.0 million of VG Debentures for a total investment of $10 million in Virgin Gaming. The Company subsequently sold an additional $1.1 million principal amount of its VG Debentures. During January and February 2013, the Company also purchased an aggregate of approximately $2.3 million of VG Shares from Virgin Gaming shareholders through a number of separate transactions.

- Invested US$2.8 million in Appinions in the form of two series of convertible debentures.

- Invested US$750,000 in Gotham Analytics in the form of Gotham Units.

- Invested $2.4 million in QuickPlay in the form of equity.

- Invested $3.5 million in Lignol in the form of equity, warrants and subscription receipts. The Company has also provided Lignol with a $5.0 million loan in connection with the Lignol Credit Facility.

- Invested $3.5 million in Crailar in the form of two series of convertible debentures.

- Invested $2.5 million in Fem Med in the form of a convertible debenture.

- Invested $5.3 million in ePals in the form of two convertible debenture issues.

- Invested $2.0 million in GuestLogix in the form of a debenture and 1 million common share purchase warrants.

- Invested US$5.0 million in InfraReDx in the form of a convertible debenture and warrants.

- Invested US$1.0 million in Brainscope in the form of a convertible debenture.

- Invested $600,000 in SoMedia in the form of a convertible debenture.

- Invested AUD$500,000 and a subsequent investment of $500,000 in Ipowow in the form of a convertible debenture and common shares, respectively.

- Invested AUD$3.0 million in Wasabi in the form of a debenture and 150 million common share purchase warrants.

- Invested $4.0 million in Thunderbird in the form of common shares.

- Invested $978,395 in Ethoca in the form of common shares in connection with the Ethoca Share Exchange.

- Invested $1.0 million in Amaya in the form of a debenture and 48,000 common share purchase warrants.
- Invested $2.7 million in Enterprise in the form of a convertible debenture.
- Invested $0.9 million in Parta in the form of common shares.
- Invested $1.5 million in Espial in the form of common shares.
- Invested $1.0 million in Cyberplex in the form of common shares.
- Invested approximately US$15.5 million in United States real estate assets.

DESCRIPTION OF THE BUSINESS

General

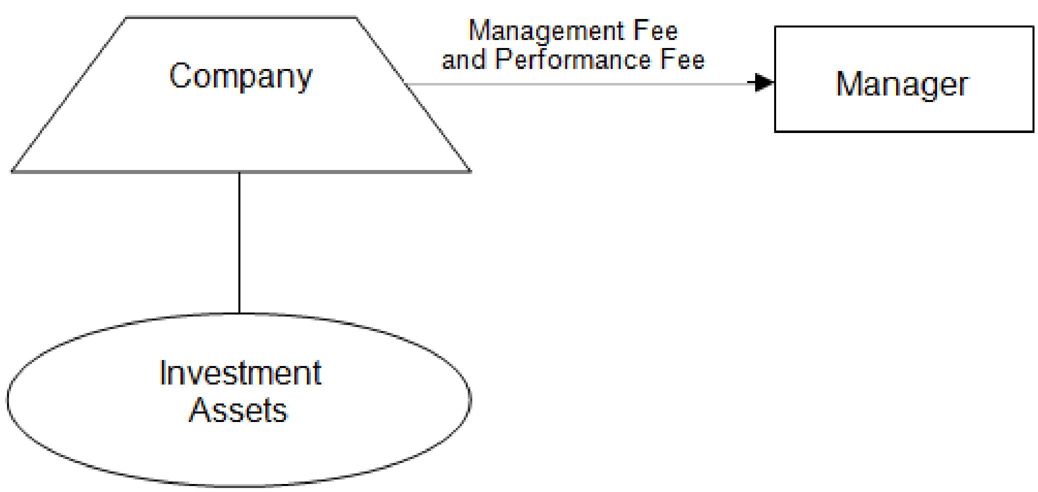
The Company is a publicly listed merchant bank focused on creating shareholder value through strategic investments in, and advisory services for, growth companies, particularly in the technology, media and healthcare sectors, as well as opportunistic investments in undervalued financial assets and real property.

Reorganization

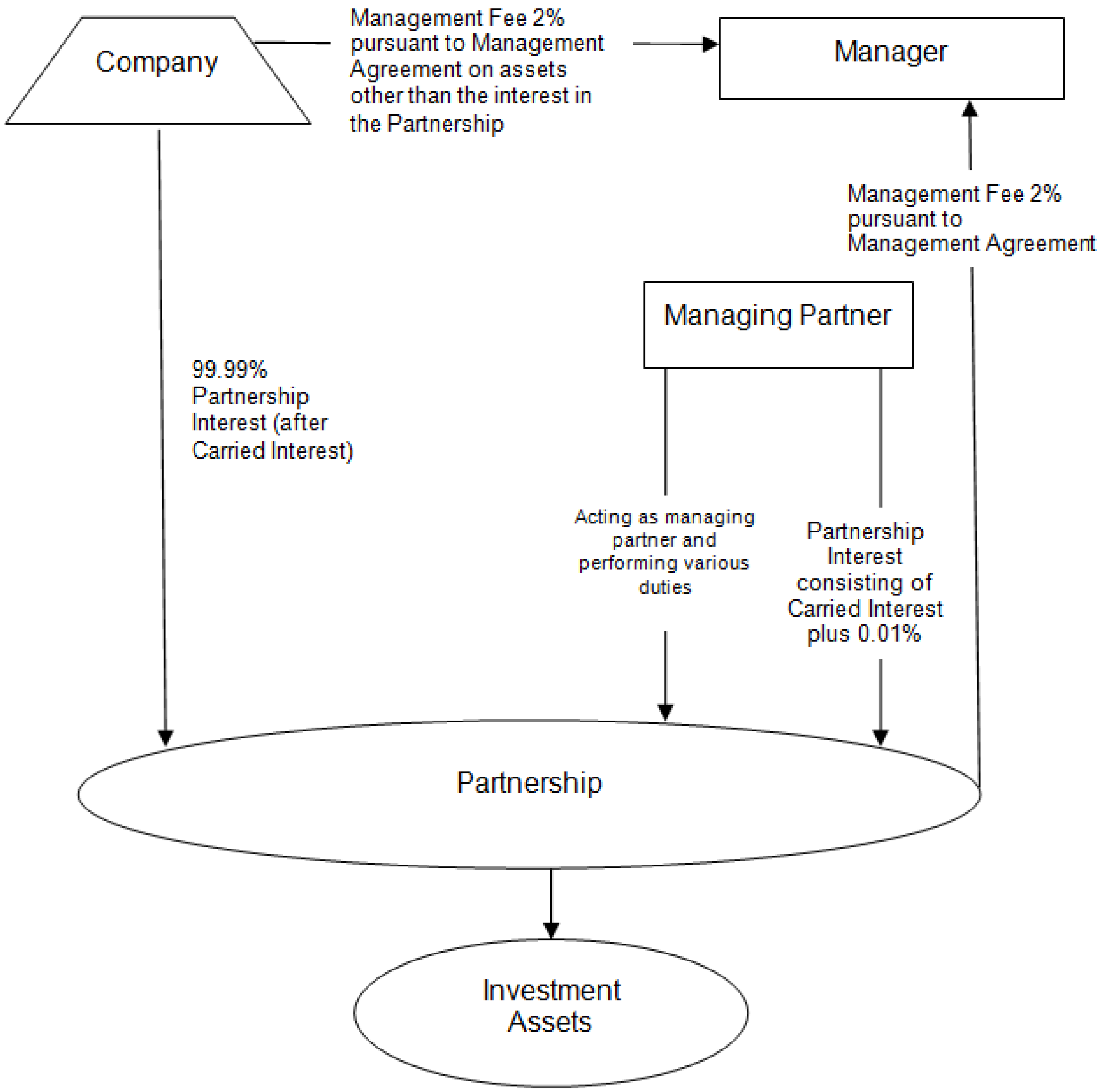
On June 13, 2013, the shareholders of the Company approved the Reorganization. The Company currently pays the Manager an annual Management Fee (as hereinafter defined) and an annual Performance Fee (as hereinafter defined). Through the Reorganization, the Company will reorganize its investing activities to be more efficient yet remain fully compliant with all applicable securities and tax legislation. The Reorganization described below reflects the deliberations of the Board and management as to how best to achieve the desired results for the Company and its shareholders.

The Company currently anticipates completing the Reorganization by the end of the third quarter 2013.

Set out below is a schematic of the current arrangements between the Manager and Company:



After the Reorganization is complete, the arrangements will be as follows:



The principal steps in the Reorganization are as follows:

(a) The Manager will incorporate a new wholly-owned subsidiary under the laws of Canada to act as managing partner (the "**MP**"). The officers and directors of the MP will be individuals who are officers and directors of the Manager.

(b) The Company and the MP will establish a new partnership, Difference Capital Partners (the "**Partnership**"). The fiscal year of the Partnership will end on December 31. Under the partnership agreement, the MP will be entitled to a partnership interest comprised of two elements: (i) a carried interest calculated annually equal to 20% of the increase in the net asset value from the start of the fiscal year in question to the end of that fiscal year less the Hurdle Rate (as hereinafter defined), with the Hurdle Rate subject to a maximum of 5% (the "Carried Interest"); and (ii) 0.01% of the remaining property of the Partnership. The Company will be entitled to 99.99% of the property of the Partnership after the Carried Interest.

(c) The Company will transfer its investments to the Partnership and the Partnership will assume the related liabilities of the Company, if any. The Company and the MP will jointly elect pursuant to subsection 97(2) Income Tax Act (Canada) (the "**Tax Act**") that such property be transferred to the Partnership on a tax-deferred "rollover" basis to the Company. The only partners of the Partnership at all times will be the Company and the MP.

(d) The Manager will act as the manager of the Partnership and will receive a management fee equal to 2% of the net asset value of the Partnership calculated and payable monthly as of the last business day of each month.

(e) The existing Management Agreement will be amended to exclude the Company's interest in the Partnership from the calculation of the Management Fee and the Performance Fee.

The effect of the Reorganization will be that the Company's investment activities will be carried out through the Partnership. The details of the Reorganization are more fully described in the Company's management information circular dated May 9, 2013.

Investment Strategies and Criteria

The Company's investment strategy is currently focused on investments in debt and equity securities in both privately held and public target companies ("**Target Companies**").

The Company provides investors with the opportunity to gain exposure to unique investments and income from advisory services. Specifically, the Company seeks to invest in the mid to late stages of a Target Company's development or in technologies that are developed and validated but may be in the early stage of commercialization. This strategy allows the Company to invest in enterprises that are commercially viable and have visibility toward high growth. The Company is not bound to commit to any particular sector, thereby allowing for diversification; however, the present focus is generally on technology-related, media-related and healthcare-related, intellectual property-rich Target Companies. This approach may change over time as market conditions change and the capital markets respond. The Company evaluates each opportunity on its merits. The Company enters investments at a stage where potential exists to maximize strong returns and manages risk by applying the considerable business expertise of its directors and officers to the investments undertaken. With the continued investment of the Company's resources into strategic sectors, the Company is well positioned to benefit from a global economic recovery and positive trends in Canadian and international growth companies. The Company believes that the market is near the bottom of the cycle for technology-focused companies and as such, the Company is poised to take advantage of significant growth in this sector. There are very few merchant banks in Canada focused on this sector, providing the Company with an opportunity to more easily capitalize on evolving growth trends. The Company's near-term vision continues to be that it will complement gains from capital appreciation in its investee companies with a recurring and growing income stream from services provided to companies by highly experienced executives.

While the Company has made investments in the range of $250,000 to $20 million, typical investment sizes range from $2.0 million to $5.0 million.

When investments are made they may be accompanied by share purchase warrants to enhance the return on account of increased risk. Debt placements often include conversion rights and in some cases are accompanied by bonus shares or warrants, and may be secured by tangible assets of sufficient value to safeguard the investment.

In pursuit of returns, the Company, when appropriate, employs the following disciplines:

- The Company seeks to invest in post-early/seed stage financing rounds of Target Companies.

- The Company seeks investments that include as many of the following characteristics as possible: (i) a product/service with national/international market potential; (ii) gross margins that support a sustainable growth rate in excess of 25% per annum and at least 15% per annum; (iii) low asset intensity ratios (i.e. less than 50%); (iv) protected intellectual property; (v) scalability; and (vi) currently revenue generating.

- At this time, the Company seeks investments primarily, albeit not exclusively, in the technology, media and healthcare sectors and focuses on investments with clear paths to liquidity in a two to three year period. As investment issuers need to be managed for cash flow in order to reduce financing risks associated with delayed liquidity events, certain sectors will not be considered by the Company.

- The Company has a target rate of return of 20% per annum on its investments in Target Companies. Returns are expected to materialize partially from income on its debt and convertible debenture holdings, but primarily through capital gains based on the growth of its equity and equity-linked securities.

- The Company acquires a detailed knowledge of the business of the Target Company.

- Where appropriate, the Company seeks board representation or board observation rights.

- The Company utilizes the services of independent advisors and consultants to acquire additional information about Target Companies where appropriate.

The Manager (as hereinafter defined) also considers opportunistic investments that come to its attention through its proprietary deal flow. The Manager has extensive experience with a variety of asset classes and strategies including real estate, arbitrage, structured products, long/short equity, market-making, and proprietary trading. The Manager is well positioned to evaluate unique investments that offer significant potential returns on both an absolute and risk-adjusted basis. Such opportunities exist due to structural, market, legal, regulatory, tax, informational or other idiosyncratic inefficiencies. The Company may invest a portion of its capital, generally no more than 20%, in such opportunities. Over time, it is the Company's plan that should it identify a strategy or asset class that it believes merits significant investment beyond its own allocation, the Company may choose to contribute such assets to a separate vehicle and offer to existing shareholders and other potential investors the ability to co-invest with the Company in this new entity.

Types of Investments

The Company may create a concentrated portfolio consisting of equity and/or debt investments. The composition of the portfolio will depend, in part, on available capital and investment opportunities available to the Company and will vary over time depending on an array of factors, including the state of financial markets.

Diversification and Risk Mitigation

The Company's policy with respect to investment diversification is to investigate a wide range of opportunities from emerging technologies to products available for everyday use. Each investment will be assessed on its own merits and its potential to generate gains for the Company.

The Company may seek board representation, board observation rights or to participate on the board of advisors in investments that may benefit from such participation, although it is not required and is at the discretion of the Company's management. Debt placements with equity conversion rights may be secured by the borrower's assets. The Company has no particular requirements with respect to the allocation of its investments between equity and debt. Investment allocations will be made on the merits of individual investments.

Investment Committee

The Company has an investment committee (the "**Investment Committee**") consisting of John Albright (Chair), Henry Kneis, Paul Sparkes, Michael Wekerle and Neil Johnson to monitor and review the Company's investments. Members of the Investment Committee are appointed annually by the Board. The Chairman of the Investment Committee is appointed by the members of the Investment Committee. The members of the Investment Committee have a significant degree of investment expertise. The Investment Committee is responsible for overseeing the management of the Company's investments.

The Manager (as hereinafter defined) has discretion to make investments in an amount equal to or less than 10% of the NAV at the time of such investment. In order for the Manager to make an investment equaling more than 10% of the NAV at the time of such investment, the Manager is required to seek approval from an independent director who sits on the Investment Committee or, alternatively, the Manager must seek approval from the Board.

The Investment Committee meets as required and reports to the Board as required with respect to its decisions and activities.

Investment Selection

To identify potential investments, the Company relies on the members of its management, including the Manager, the Board, and the Advisory Board and from time to time other reliable business affiliations. These persons have a broad range of international business experience and their own networks of business partners, financiers and venture capitalists through whom potential investments may be identified. Once an investment has been pre-screened by the Manager, it is presented to the investment committee of the Manager, the Investment Committee and/or the Board, as applicable, for review and approval. In the event that a director or member of any investment committee or any member of the Board has a personal interest in any proposed investment, that interest must be declared and the matter dealt with as set forth below under "Conflict Provisions".

Participation in Advisory Fees

The Manager operates a complementary advisory and consulting services business to assist clients with capital markets, media, communications, government, regulatory and strategic advice. The Manager's advisory and consulting services are focused on delivering impartial, creative, and long-term ideas to clients by a management team with diverse and complementary skill sets. The model focuses on a relationship-driven approach that provides advice tailored to each client's specific needs and circumstances to ensure delivery of individual solutions. The Manager works with advisory clients' senior management to deliver solutions for a range of issues.

Under the management agreement between the Company and the Manager, the Company is entitled to receive 40% of any advisory or consultancy fees, net of direct expenses, earned by the Manager from the Company's investee companies. As there are no direct expenses associated with this revenue stream and the Company has significant operating tax loss carry forwards, the Company's entire advisory revenue stream effectively flows straight through to net income. The response from growth companies to the Company's combined strategic advice and capital investment platform has been very positive, and this service offering is expected to be a key growth area for the Company.

Conflict Provisions

The Company believes that it has assembled a strong Board and Advisory Board, with diverse backgrounds and significant international business expertise and experience. In assembling a Board and Advisory Board with these characteristics, the Company's primary goal is to gain exposure to a wide variety of potential investments, including investments with which board members or management may already be familiar or that come to their attention through other business dealings.

The Company has no restrictions with respect to investing in companies in which a board member or a member of the management team of the Company or the Manager may already have an interest. Any conflict of interest with respect to a proposed investment shall be disclosed to the Board, which, at its sole discretion, shall determine if the conflicted person shall abstain from making further recommendations or decisions with respect to the investment.

Prior to making any investment commitment, all members of management, the Manager, the Board, the Advisory Board and the Investment Committee are required to disclose their interest in the potential investment. Where a conflict is determined to exist within the Board, the director having a conflict of interest abstains from making further decisions or recommendations concerning the potential investment and from voting on all matters related to the potential investment. Where a conflict exists within the Investment Committee, the member having a conflict of interest abstains from making recommendations with respect to the proposed investment.

The Company is also subject to the "related party" transaction policies of the applicable securities laws, which mandates disinterested Board approval for certain transactions.

Employees

As at the date hereof, the Company had five individuals who perform management and executive functions.

The Company's Investments

Investments

As at the date hereof, the Company had the following investments:

Virgin Gaming

On June 5, 2012, the Company purchased $19.9 million of VG Debentures at par. On December 31, 2012, the Company sold $2.0 million face amount of its VG Debentures at a 20% premium to its acquisition price. The Company subsequently sold an additional $1.1 million principal amount of its VG Debentures to a large institutional investor also at a 20% premium to its acquisition cost. The VG Debentures were issued in denominations of $1,000 and bear interest at the rate of 5% calculated and payable annually, and will mature on June 15, 2014. The VG Debentures are convertible into VG Shares at the option of the Company at any time prior to the maturity date at a conversion price of $1.00 per share.

During January and February 2013, the Company also purchased an aggregate of approximately $2.3 million of VG Shares from Virgin Gaming shareholders through a number of separate transactions.

Virgin Gaming intends to use its best efforts to complete a liquidity transaction, such as an initial public offering, the sale of the company or a similar transaction providing liquidity, prior to September 5, 2013. If Virgin Gaming fails to complete a liquidity transaction during this period, the Company will thereafter be entitled to receive an additional cash payment equal to 10% of the outstanding principal amount of the VG Debenture held. Prior to any change of control of Virgin Gaming, or any offering of VG Shares or convertible debentures at a price/conversion price of less than $1.00 per share, Virgin Gaming shall have the obligation to notify and consult the Company in respect of any such transaction. The VG Debentures will, at the option of Virgin Gaming, be redeemable by Virgin Gaming at any time at the outstanding principal amount of the VG Debentures plus accrued and unpaid interest (if any) thereon.

Virgin Gaming provides an online gaming service that facilitates tournaments, leagues, and ladders for video game consoles. In addition, it acts as a social gaming community for competitive gamers to interact with one another.

Appinions Inc.

On June 29, 2012, the Company made a US$2.0 million investment in Appinions in the form of unsecured convertible debentures, which have a three-year term, pay interest at the rate of 6% per annum and are convertible into common shares of Appinions at the option of the Company. On an as-converted, fully-diluted basis, the debentures held by the Company represent a 15.4% ownership stake in the equity of Appinions. On April 3, 2013 and April 12, 2013, the Company made investments of US$250,000 and US$555,000, respectively, in Appinions in the form of convertible debentures, which have a one-year term, pay interest at the rate of 10% per annum and are convertible into common shares of Appinions at the option of the Company.

Appinions' proprietary software, based on a decade of research at Cornell University, identifies social media influencers who create content and who attract the most attention and media coverage. Using Appinions' influencer exchange service allows public relations agencies and brand owners to identify the influencers for any topic, brand, issue or person.

Gotham Analytics LLC

On August 7, 2012, the Company made a US$750,000 investment in Gotham Analytics in the form of Gotham Units, representing 48% of the equity of Gotham Analytics. Gotham Analytics specializes in the delivery of systems and solutions that leverage satellite communications for mission critical remote monitoring applications.

QuickPlay Media Inc.

On August 8, 2012, the Company made a $2.4 million investment in QuickPlay in the form of two secondary market purchases of common shares in the capital of QuickPlay's parent company, representing an aggregate 2.25% stake in QuickPlay. QuickPlay is a provider of cloud-based infrastructure for premium media services used by large communication companies.

Lignol Energy Corporation

On August 27, 2012, the Company purchased 12.5 million Lignol Common Shares at $0.08 per Lignol Common Share for a total consideration of $1.0 million as part of a non-brokered private placement undertaken by Lignol. On December 17, 2012, the Company purchased 9 million Lignol Units for a total investment of $1.35 million, as well as 7,666,667 Lignol Subscription Receipts for a total investment of $1.15 million. On March 6, 2013, the Lignol Subscription Receipts were converted into Lignol Units. The Company had also previously purchased an aggregate of 3,549,000 Lignol Common Shares through the facilities of the TSXV. As at the date hereof, the Company owns approximately 25.6% of the issued and outstanding Lignol Common Shares on a fully diluted basis.

The Company and Lignol entered into the Lignol Credit Facility on February 27, 2013. Amounts drawn down in respect of the facility bear interest at 8% per annum and the facility will mature on the earlier of February 27, 2014, or upon the completion of an equity financing in respect of Lignol raising gross proceeds of at least $5 million. The Lignol Credit Facility is secured by Lignol's interest in all of its shares of Australian Renewable Fuels Limited and its securities in Territory Biofuels Limited. As of the date hereof, Lignol has drawn down on the entire $5.0 million with respect to the Lignol Credit Facility.

Lignol is a technology company in the advanced biofuels and renewable chemicals sector, undertaking the development of bio-refining technologies for the production of advanced biofuels, including fuel-grade ethanol and other renewable chemicals from non-food cellulosic biomass feedstocks.

Crailar Technologies Inc.

On September 20, 2012, the Company made a $2.5 million investment in Crailar (formerly Naturally Advanced Technologies Inc.) in the form of listed convertible secured debentures (the "**Crailar Debentures**") with a five-year term, paying interest of 10% per annum payable semi-annually and convertible into common shares of Crailar ("**Crailar Common Shares**") at a price of $2.90 per Crailar Common Share. On February 26, 2013, the Company sold $800,000 of the Crailar Debentures and purchased $1.8 million of newly issued Crailar debentures.

Crailar has developed proprietary technologies for the production of flax fibres, typically used in linen production, that can be woven into fabrics that are indistinguishable from cotton, but in a process that drastically reduces chemical and water usage.

Fem MED Formulas Limited Partnership

On August 30, 2012, the Company made a $2.5 million investment in Fem MED in the form of secured convertible debentures (the "**Fem MED Debentures**"). Fem MED is a mass channel retail brand of doctor-formulated, condition-specific supplements designed specifically to address women's most common health concerns.

ePals Corporation

In October 2012, the Company invested $3.0 million in ePals in the form of convertible debentures (the "**ePals Debentures**") with a maturity date of October 31, 2014, and an option for the issuer to extend the term to October 31, 2016. The ePals Debentures have a two-year term, pay interest semi-annually at a rate of 6.5% and are convertible into common shares in the capital of ePals (the "**ePals**

Common Shares") at a price of $0.60 per ePals Common Share at the option of the Company. On March 20, 2013, May 10, 2013 and May 31, 2013, the Company purchased an additional $1.0 million, $1.25 million and $1.25 million, respectively, of 10% senior secured convertible debentures.

ePals is an education media and safe social learning company connecting millions of users in over 330,000 schools for collaboration around high quality content and educational projects. ePals also publishes industry-leading children's literature in physical and digital formats. These magazines, books and mobile apps are subscribed to by hundreds of thousands of families and approximately one-third of all middle schools in the United States. ePals reaches approximately 850,000 classrooms and millions of teachers, students and parents in approximately 200 countries and territories.

GuestLogix Inc.

On November 30, 2012, the Company invested $2.0 million in GuestLogix in the form of a debenture (the "**GuestLogix Debentures**") and 1,000,000 warrants (the "**GuestLogix Warrants**") to purchase common shares in the capital of GuestLogix (the "**GuestLogix Common Shares**"). The GuestLogix Debentures bear interest at a rate of 12% payable on the earlier of: (i) March 31, 2014; and (ii) the completion of a corporate transaction. The GuestLogix Warrants are exercisable into GuestLogix Common Shares at $0.80 per GuestLogix Common Share at any time prior to the earlier of: (a) November 30, 2014; and (b) the completion of a corporate transaction.

GuestLogix is a global provider of onboard store technology and payment solutions designed and developed to help airlines and other travel operators create, manage, and control onboard retail environments that are tailored to their needs and the needs of their passengers.

InfraReDx, Inc.

On November 30, 2012 and May 24, 2013, the Company invested US$2.0 million and $3.0 million, respectively, in InfraReDx in the form of a secured convertible debenture (the "**InfraReDx Debentures**") and warrants (the "**InfraReDx Warrants**") to purchase preferred stock in the capital of InfraReDx. The InfraReDx Debentures pay 6.0% interest per annum and convert, at the discretion of the Company, into either: (i) common shares of InfraReDx at the initial public offering price; (ii) common shares at $0.62 per common share upon an asset sale, merger or acquisition; or (iii) preferred shares upon, and at the same price as, a preferred equity financing. The InfraReDx Warrants are exercisable into InfraReDx's Series E Preferred Stock at $0.04 per share at any time prior to November 30, 2017.

InfraReDx is a privately-funded medical device company dedicated to helping provide practitioners with the information needed for enhanced clinical decision making in treating coronary artery disease. InfraReDx is committed to improving the safety and efficacy of coronary stenting and ultimately serving as part of a strategy to prevent initial coronary events.

Thunderbird Films, Inc.

On December 4, 2012, the Company invested $4.0 million in Thunderbird in the form of common shares. Thunderbird is an expanded multiplatform media production, distribution and rights management company that is known for its collaboration with talented producers, maximizing the financial and creative benefits of Canadian co-production to assist in the financing, production and distribution of all genres of programming for the world market.

Brainscope Company, Inc.

On December 11, 2012, the Company invested US$1.0 million in Brainscope in the form of a convertible debenture (the "**Brainscope Debentures**"). The Brainscope Debentures pay 8.0% interest per annum and convert into Series C preferred shares at $1.00 per share or common shares at a price per share equal to that paid under a qualified financing.

Brainscope is a privately-held medical neurotechnology company developing a new generation of handheld, portable, simple-to-use, non-invasive tools to rapidly and objectively assess brain function at the initial point of care to aid in detection and objective assessment of traumatic brain injury/concussion.

SoMedia Networks Inc.

On December 18, 2012, the Company invested $600,000 in SoMedia in the form of a convertible debenture. SoMedia provides cloud-based video content production platforms and massive scale video production services. SoMedia provides resale, white-label, and on-demand video production services to web services companies, digital publishers, agencies, corporate brands and broadcasters across North America.

Ipowow, Inc.

On December 18, 2012, the Company invested AUD$500,000 in Ipowow in the form of a convertible debenture (the "**Ipowow Debentures**"). On April 19, 2013, the Company made a subsequent $500,000 investment in Ipowow in the form of equity and converted the Ipowow Debentures to common shares.

Ipowow is an interactive media company on the leading edge of the global shift towards participation television and second screen content. Ipowow gives broadcasters, TV producers and advertisers the power to create a new breed of participation television with compelling engagement for the viewer.

Wasabi Energy Limited

On December 19, 2012, the Company invested AUD$3.0 million in Wasabi in the form of a debenture and warrants to purchase common shares in the capital of Wasabi. Wasabi is an emerging power producer that also invests in sustainable technologies.

Amaya Gaming Group Inc.

On February 7, 2013, the Company acquired 1,000 units of Amaya (the "**Amaya Units**"). Each Amaya Unit consists of a $1,000 principal amount unsecured subordinated debenture paying interest at a rate of 7.5% per annum and 48,000 non-transferable common share purchase warrants (each, an "**Amaya Warrant**"). Each Amaya Warrant shall entitle the holder thereof to purchase one common share in the capital of Amaya (each, an "**Amaya Share**") at any time prior to January 31, 2016 at an exercise price of $6.25 per Amaya Share.

Amaya provides a full suite of gaming products and services including casino, poker, sportsbook, platform, lotteries and slot machines. Some of the world's largest gaming operators and casinos are powered by Amaya's online, mobile, and land-based products.

Enterprise Group Inc.

On May 16, 2013, the Company invested $2.7 million in Enterprise in the form of convertible debentures (the "**Enterprise Debentures**"). The Enterprise Debentures have a two-year term, pay interest quarterly at a rate of 6.0% and are convertible into common shares in the capital of Enterprise (the "**Enterprise Common Shares**") at a price of $0.50 per Enterprise Common Share at the option of the Company.

Enterprise is a consolidator of construction services companies operating in the energy, utility and transportation infrastructure industries. The company's focus is primarily on utility and infrastructure construction, as well as specialized equipment rental. Enterprise's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management and human resources to support continued growth. Enterprise became a Western Canadian leader in flameless heat technology in September 2012 with its acquisition of Artic Therm International Ltd.

Ethoca Solutions Inc.

In connection with the Ethoca Share Exchange, the Company acquired 35,578 common shares of Ethoca, for total consideration of $978,395, in exchange for the issuance of 2,795,413 Common Shares at a price of $0.35 per Common Share in several separate secondary market transactions. Ethoca is a global collaboration-based technology company serving merchants and card issuing banks in the online payment industry.

Marketable Securities

Marketable securities include the following investments:

EQ Inc. (formerly Cyberplex Inc.)

On November 26, 2012, the Company announced that it had acquired an aggregate of 12,620,000 Cyberplex Shares, representing approximately 9.90% of the total issued and outstanding Cyberplex Shares, between October 30, 2012 and November 21, 2012. On December 10, 2012, the Company announced that it had acquired an additional 2,611,000 Cyberplex Shares, resulting in an aggregate ownership of 15,231,000 Cyberplex Shares and representing 12.01% of the outstanding Cyberplex Shares.

Parta Dialogue Inc.

On March 6, 2013, the Company announced that it had acquired 6 million shares of Parta on the secondary market, representing a 9.47% stake in the company.

Espial Group Inc.

On March 4, 2013, the Company acquired 650,000 Espial Shares, at a price of $0.85 per Espial Share, representing approximately 4.62% of the total issued and outstanding common shares of Espial. The Company has aggregate ownership of 1,613,300 Shares, representing 11.48% of the outstanding Espial Shares. Michael Wekerle, the Executive Chairman of the Company, acquired 700,000 Espial Shares on March 4, 2013 at a price of $0.85 per Espial Share, representing approximately 4.98% of the total issued and outstanding common shares of Espial. Michael Wekerle has aggregate ownership of 1,000,900 Espial Shares, representing 7.12% of the outstanding Espial Shares. Pursuant to applicable securities laws, the Company and Michael Wekerle are presumed to be acting jointly or in concert with regard to their respective ownership of Espial Shares. As at the date hereof, together they have ownership and control over 2,614,200 Espial Shares, representing an 18.60% stake in the company.

Other Marketable Securities

During periods where capital is not committed to longer-term investments, the Company seeks to deploy its capital in other listed and/or liquid investments. Holding periods in this portfolio tend to be significantly shorter than strategic investments, as they tend to be opportunistic in nature. As of June 17, 2013, the Company had invested a net amount of approximately $1.3 million, fair value, in listed equity securities in this tactical portfolio, excluding the investments referenced above.

United States Real Estate

The Company has also purchased approximately US$15.5 million in United States real estate assets. These holdings include an aggregate investment of US$10.0 million in Chieftain Residential, LP ("**Chieftain**") to take advantage of the recovering U.S. residential real estate market. The Company invested US$7.5 million in limited partner equity in Chieftain, and it invested US$2.5 million through a debenture that pays interest of 8% per annum and matures in March 2018.

The Company currently has a 50% stake in Chieftain, while Knightswood Trust LLC ("**Knightswood**") owns the other 50%. The general partner of Chieftain, Ramesh Properties LLC ("**Ramesh**"), is entitled to a 10% carry on the profitability of Chieftain. The majority of the funds to date have been used to purchase, renovate and lease distressed assets in the Atlanta, Georgia market. Chieftain currently owns 283 single family residences and townhouses. Chieftain continues to purchase approximately forty homes per months primarily through trustee auctions.

A lender (the "**Lender**") recently agreed to provide to Chieftain a $29.5 million non-recourse loan for a term of 48 months at a rate of Libor plus 5%. The purpose of the loan is to continue to purchase single family and townhouses in Atlanta as well as other U.S. markets where pricing inefficiencies are identified.

On May 28, 2013, the Board of Directors of the Company signed two indemnity agreements, one indemnifying the Lender against misrepresentation, fraud and other acts of intentional dishonesty by Chieftain and the second, an environmental indemnification against determinations of violation of hazardous materials laws on the properties purchased by Chieftain. Knightswood, Ramesh, and the CEO of Ramesh personally, have all also executed the same indemnity agreements to the benefit of the Lender.

NET ASSET VALUE CALCULATION

Net Asset Value means the net asset value of the Company, as determind by subtracting the aggregate fair value of the liabilities of the Company from the aggregate fair value of the assets of the Company on the date on which the calculation is being made. In determining Net Asset Value, the Company shall pursue a valuation policy that is consistently applied and is based on measures considered reasonable in the industry. Without limiting the generality of the foregoing, the Manager, in applying the Company's valuation policy, will take into account the following:

(a) the valuation guidance offered by the Canadian Securities Administrators which is applicable to the Company;

(b) the valuation guidance set out in the applicable accounting standards;

(c) the value of each of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the date as of which the NAV is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof, provided that: (i) the value of any security which is a debt obligation which, at the time of acquisition, had a remaining term to maturity of one year or less shall be the amount paid to acquire the obligation plus the amount of any interest accrued on such obligation since the time of acquisition (for the purposes of the foregoing, interest accrued will include amortization over the remaining term to maturity of any discount or premium from the face value of an obligation at the time of its acquisition); and (ii) if the Manager has determined that any such deposit, bill, demand note, or account receivable is not worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

(d) the value of any security which is listed or traded upon a stock exchange will be the closing price of the security on such date or, if there is no sale reported to have taken place on that day, the simple average of the closing bid and ask prices (unless, in the opinion of the Manager, acting reasonably, such value does not reflect the value thereof, in which case the Manager will employ acceptable valuation techniques appropriate in the circumstances), as at the valuation date on which the Net Asset Value is being determined, all as reported by any means in common use;

(e) the value of securities quoted in foreign currencies will be translated into Canadian currency at the exchange rate at noon on such date as announced by the Bank of Canada;

(f) the value of any securities traded over-the-counter will be the simple average of the closing bid and ask prices on such date or, if there is no current bid price, the closing sale price on such date, all as reported by the financial press or an independent reporting organization, unless a different fair value is otherwise determined by the Manager employing acceptable valuation techniques appropriate in the circumstances;

(g) the value of any security or other asset for which a market quotation is not readily available will be its cost, which shall approximate the fair value of the security or other asset, as applicable, upon acquisition, unless a different fair value is determined by the Manager employing acceptable valuation techniques appropriate in the circumstances;

(h) the value of any security or property or other assets to which, in the Manager's opinion, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be valued at the fair value thereof determined in good faith in such manner as the Manager from time to time determines; and

(i) all expenses or liabilities (including fees payable to the Manager) of the Company shall be calculated on an accrual basis.

The Manager may vary any of the foregoing provisions relating to the computation of Net Asset Value of the Company where such variation is required under applicable securities or tax laws or in order to conform with industry practices or generally accepted accounting principles.

Under certain circumstances, the Manager may, to the extent not already reserved for in the accounts of the Company, establish a reserve for contingent liabilities or uncollectible amounts which reduces the Net Asset Value.

DIVIDENDS AND DISTRIBUTIONS

Subject to the solvency restrictions in the CBCA, there are no other restrictions in the Company's articles or elsewhere that would prevent it from paying dividends or distributions on the Common Shares. The Company currently intends to pay a dividend on terms determined by the Board. The declaration of any future dividends by the Company is within the discretion of the Board and will be dependent on the Company's earnings, financial condition and capital requirements, as well as any other factors deemed relevant by the Board.

DESCRIPTION OF CAPITAL STRUCTURE

The Company has two authorized classes of shares: an unlimited number of Common Shares and an unlimited number of preference shares, issuable in series (the "**Preference Shares**").

Common Shares

The holders of Common Shares are entitled to one vote per Common Share at all meetings of the Company's shareholders. Holders of the Common Shares are entitled to receive dividends as and when declared by the Board, and to receive a *pro rata* share of the assets of the Company available for distribution to the holders of Common Shares in the event of liquidation, dissolution or winding up of the Company.

The Company's common shares were consolidated on the basis of one post-consolidation Common Share for every ten existing common shares on May 28, 2012. Subsequently, the Company's common shares were consolidated on the basis of one post-consolidation Common Share for every ten existing common shares on June 17, 2013. Prior to the financings described below in "Prior Sales", the number of post-Consolidation Common Shares issued and outstanding was 1,509,635.

As at the date hereof, there are 27,317,713 Common Shares issued and outstanding.

Preference Shares

The Preference Shares may be issued, from time to time, in one or more series with such rights, privileges, restrictions and conditions as the Board may determine, including, without limiting the generality of the foregoing, the issue price per share of the shares of such series; the rate or amount of any dividends or the method of calculating any dividends; the dates of payment thereof; any redemption, purchase and/or conversion prices; terms and conditions of any redemption, purchase and/or conversion; and any sinking fund or other provisions.

The Preference Shares of each series will rank on a parity with the Preference Shares of every other series and are entitled to preference over the Common Shares and any other shares ranking junior to the Preference Shares with respect to the payment of dividends and in the distribution of the assets of the Company in the event of liquidation, dissolution or winding-up. If any dividends or amounts payable on the return of capital in respect of a series of Preference Shares are not paid in full, all series of Preference Shares shall participate rateably in respect of such dividend or return of capital. The Preference Shares of any series may be made convertible into Common Shares. Unless the directors determine otherwise, the Preference Shares shall have no voting rights as a class.

As at the date hereof, there are no outstanding Preference Shares.

Warrants

The Company also has outstanding Warrants. The Warrants were issued pursuant to the terms of a warrant indenture (the "**Warrant Indenture**") dated October 3, 2012 and entered into between DCF and Computershare Trust Company of Canada, as warrant agent thereunder. Following the Consolidation, there are Warrants outstanding to acquire 7,717,486 Common Shares at an exercise price of $6.00 per Common Share, subject to adjustment, at any time prior to 5:00 p.m. (Toronto time) on October 3, 2014. Should all such Warrants be exercised, then the number of Common Shares outstanding would increase to 35,035,199.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSXV under the trading symbol "DCF". The following table sets forth the reported intraday high and low prices and the trading volume by month for the Common Shares on the TSXV for the year 2012.

2012	High ($)	Low ($)	Volume
December	0.36	0.32	836,300
November	0.40	0.31	3,473,900
October	0.35	0.27	4,025,100
September	0.40	0.30	629,400
August	0.46	0.36	184,700
July	0.48	0.39	498,100
June(1)	0.50	0.30	134,320
May	0.70	0.40	668,340
April	0.80	0.40	1,513,490
March	0.50	0.40	408,130
February	0.50	0.30	308,910
January	0.40	0.20	259,300

Notes:

(1) Effective June 1, 2012, the Company's common shares began trading on the TSXV on a post-consolidation basis of one (1) post-consolidation common share for every ten (10) existing shares. For comparative purposes, all share prices and trading volume information presented in the table above reflect the share consolidation as if it had occurred prior to all periods presented above. For greater clarity, the share prices and trading volume information do not reflect the subsequent Consolidation, effective June 17, 2013.

Prior Sales

The following table provides details regarding all Common Shares or securities convertible into Common Shares, including the Special Warrants, that have been issued by the Corporation during the 12-month period preceding the date hereof:

Date	Number of Common Shares or securities convertible into Common Shares(1)	Issue Price Per Security
May 30, 2012	71,776,261(2)	$0.30
June 8, 2012	29,159,331(2)	$0.30
October 3, 2012	57,047,798(3)	$0.35
October 4, 2012	57,491,286(4)	$0.35
November 19, 2012	38,382,125(5)	$0.35
November 19, 2012	1,428,571(6)	$0.35
December 18, 2012	2,795,413(7)	$0.35

Notes:

(1) Number of Common Shares or securities convertible into Common Shares on a pre-Consolidation basis.
(2) Represents Common Shares issued in connection with a non-brokered private placement.
(3) Represents Special Warrants issued in connection with the First Tranche. These Special Warrants were exercised into Units on February 4, 2013.
(4) Represents Special Warrants issued in connection with the First Tranche. These Special Warrants were exercised into Units on February 5, 2013.
(5) Represents Special Warrants issued in connection with the Second Tranche. These Special Warrants were exercised into Units on March 11, 2013.
(6) Represents Special Warrants issued as consideration for common shares in the capital of WG Limited valued at $500,000 pursuant to a securities exchange agreement with a WG Limited shareholder. These Special Warrants were exercised into Units on March 11, 2013.
(7) Represents Common Shares issued in connection with the Ethoca Share Exchange.

As at the date hereof, there are 27,317,713 Common Shares issued and outstanding.

ESCROWED SECURITIES

To the knowledge of the Company, none of the outstanding Common Shares are held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth the name, province or state, and country of residence of each of the Company's directors and executive officers, and their respective positions or offices held with the Company and their principal occupation during the last five years.

Name and Municipality of Residence	**Position with Company**	**Principal Occupation During Five Preceding Years**	**Director Since[4]**
Michael Wekerle[3] Toronto, Ontario, Canada	Executive Chairman and Director	Executive Chairman of Difference Capital Inc. from April 2012 to present; Vice-Chairman, Institutional Trading at Griffiths McBurney Canada Corp., the general partner of GMP Securities L.P., an investment dealer, until August 2011. Mr. Wekerle was a co-founder of Griffiths McBurney & Partners (a predecessor of GMP Securities L.P.) where he co-founded the firm's sales and trading operations and served from 1995 until August 2011.	October 3, 2012
Paul Sparkes[3] Toronto, Ontario, Canada	Executive Vice-Chairman and Director	Executive Vice-Chairman of Difference Capital Inc. from April 2012 to present; Executive Vice President, Corporate Affairs of CTVglobemedia from June 2001 to April 2011.	May 30, 2012

Neil Johnson[3] Toronto, Ontario, Canada	Chief Executive Officer	Chief Executive Officer of Difference Capital Inc. from June 2012 to present; Managing Director, Investment Banking at Canaccord Genuity Inc. from January 2010 until May 2012; Managing Director, Head of Investment Banking (Europe) at Canaccord Genuity Inc. from 1999 until January 2010.	N/A
Henry Kneis[3] Toronto, Ontario, Canada	Chief Operating Officer and Chief Financial Officer	Chief Operating Officer, Chief Financial Officer and Managing Partner of Difference Capital Inc. from April 2012 to present; Chief Executive Officer and Chief Investment Officer of Abria Alternative Investments Inc., a fund of hedge funds investment manager, from July 1999 to March 2012.	N/A
Jeffrey Kehoe Toronto, Ontario, Canada	General Counsel and Secretary	General Counsel of Difference Capital Inc. from March 2013 to present; Director and Vice President, Enforcement at the Investment Industry Regulatory Organization of Canada from December 1999 to February 2013; Department of Justice Crown Counsel from 1996 to 2000; Clerk to the Chief Justice of Ontario, Crown Attorney from 1992 to 1996.	N/A
Wesley Hall[1,2] Toronto, Ontario, Canada	Non-Executive Chairman and Director	Chief Executive Officer of Kingsdale Shareholder Services Inc. since 2003.	June 30, 2010
Riyaz Lalani[1,2] Toronto, Ontario, Canada	Director	Chief Executive Officer of Bayfield Strategy, Inc.; Chief Operating Officer of Kingsdale Shareholder Services Inc. from February 2010 to February 2013; Senior Research Analyst, Acqua Capital Management Company from December 2000 until February 2010.	June 30, 2010
John Albright[1,2,3] Toronto, Ontario, Canada	Director	Managing Partner of Relay Ventures since May 2010; Managing Partner of JLA Ventures since 1996; Managing Partner of BlackBerry Partners Fund from May 2008 until 2011.	June 1, 2012

Jim Shaw	Director	Served in a number of different leadership roles at Shaw Communications Inc., including Senior Vice President of Operations, Chief Operating Officer, President, and Chief Executive Officer, from 1987 until 2010.	June 13, 2013
Ivan Fecan	Director	Served as President and Chief Executive Officer of Baton Broadcasting and its successor CTVglobemedia from 1996 to 2011 and Chief Executive Officer of the CTV Television Network from 1998 to 2011; Currently acts as Chairman and consultant for Thunderbird.	June 17, 2013

Notes:

[1] Member of the Corporate Governance, Compensation and Nominating Committee
[2] Member of the Audit Committee
[3] Member of the Investment Committee
[4] Each director will hold his office as director until the next annual meeting or until his successor is duly elected, unless his office is vacated earlier.

Biographies of Directors and Executive Officers

Michael Wekerle – Executive Chairman and Director

Mr. Wekerle was a co-founder and partner of Griffiths McBurney & Partners' sales and trading operations in 1995. He served as Vice Chairman of Institutional Trading at GMP Securities L.P. until August 2011 where he was widely considered a leading investment advisor in Canada. During his time, he helped establish the firm's hedge fund and institutional trading desk and developed a reputation for assisting clients in profiting from large-scale transactions. Prior to his tenure at GMP, Mr. Wekerle was head of institutional trading at First Marathon Securities Ltd.

Paul Sparkes – Executive Vice-Chairman and Director

Mr. Sparkes has over 20 years of experience in the public and private sectors. For ten years he was a leader in the broadcast and media industry where he most recently served as Executive Vice President of Corporate Affairs at CTVglobemedia, which was one of Canada's largest private media companies. Mr. Sparkes also held senior positions in the public service, including with the government of Canada as Director of Operations in the Prime Minister's Office and with the Government of Newfoundland and Labrador as a senior aide to the Premier. Mr. Sparkes serves on a number of boards including the Liquor Control Board of Ontario and the National Arts Center Foundation, and he is the Chair and founding member of the Smiling Land Foundation. Mr. Sparkes holds a B.A. in Political Science from Memorial University in Newfoundland.

Neil Johnson – Chief Executive Officer

Mr. Johnson has 20 years of experience in both the Canadian and United Kingdom capital markets with Canaccord Genuity Inc. During his decade long tenure in the United Kingdom, where he headed the Investment Banking group, Canaccord Genuity Inc. became one of the largest international banks in London, raising in excess of $6.0 billion in over 100 transactions for North American companies interlisted on the London Stock Exchange and Alternative Investment Market. In both 2007 and 2008, he was named #3 on the Top 50 Most Important People in the growth company sector in the UK by Growth Company Investor. Formerly a technology analyst, Mr. Johnson was Global Head of Technology at Canaccord from 2005 to 2010 and, during his tenure, Canaccord lead the largest number of technology IPOs in Canada. Mr. Johnson holds a B.A. and HBA from the University of Western Ontario and holds the Certified Financial Analyst (CFA) designation.

Henry Kneis – Chief Operating Officer and Chief Financial Officer

Mr. Kneis has over 25 years of experience specializing in hedge fund investment management, structured product development, equity derivatives and proprietary arbitrage trading. He was the founder, Chief Executive Officer and Chief Investment Officer of Abria Financial Group ("**Abria**"), where he managed three portfolios of hedge funds. Abria was the inaugural winner of the 2004 Canadian Investment Awards "Best Fund of Hedge Funds". Prior to founding Abria, Mr. Kneis was the Chief Executive Officer of Maple Securities Ltd. ("**Maple Securities**"), a privately held, $100 million investment dealer and Toronto Stock Exchange member. Mr. Kneis managed proprietary trading portfolios for Maple Securities and its affiliates with aggregate balance sheet assets of $3.0 billion. Mr. Kneis is Chief Investment Officer of the Company's Manager, Difference Capital Management Inc. Mr. Kneis holds a B.A.Sc in Engineering Science from the University of Toronto and an MBA from the Schulich School of Business at York University.

Jeffrey Kehoe – General Counsel and Secretary

Mr. Kehoe has over a decade of experience as Director and Vice President, Enforcement at the Investment Industry Regulatory Organization of Canada ("**IIROC**"). Prior to his time with IIROC, Mr. Kehoe served as Clerk to the Chief Justice of Ontario, Crown Attorney, and Department of Justice Crown Counsel. Mr. Kehoe earned his LLB degree from the University of Windsor, a JD from the University of Detroit Mercy, an LLM specializing in securities law from Osgoode Hall Law School, a CRCP from Wharton University of Pennsylvania, and has received securities regulation training from Harvard. In 2012, he received the Queens Diamond Jubilee Medal for contributions to Canada and was a member of the Appointment Committee for Justice of the Peace in Ontario.

Wesley Hall – Chairman and Director

Mr. Hall has over 15 years of experience in corporate governance and shareholder communications. He founded Kingsdale Shareholder Services Inc. ("**Kingsdale**") in 2003 and Kingsdale Communications Inc. in 2009 to provide clients with a best-in-class mechanism for communicating with shareholders and managing internal relations communications. Prior to forming Kingsdale, he was Vice President, National Sales for Georgeson Shareholder Communications Canada, Inc. and, prior thereto, a Senior Manager for a major Canadian transfer agent. Mr. Hall also brings forth his experience and expertise as Assistant Corporate Secretary at CanWest Global Communications Corp. Mr. Hall is a founding board member of the Canadian Society of Corporate Secretaries (the "**CSCS**") and was the CSCS's longest-serving President. He is currently a director of Caldera Geothermal Inc. and was previously a director of Metallic Ventures Gold Inc. until its acquisition by International Minerals Corporation, and the Exempt Market Dealers Association of Canada. Mr. Hall was a recipient of the 2009 Ernst & Young Entrepreneur of the Year award in Ontario. In 2011, he successfully completed the Directors Education Program offered by the Institute of Corporate Directors in partnership with the Rotman School of Management, University of Toronto.

Riyaz Lalani – Director

Mr. Lalani is the Chief Executive Officer of Bayfield Strategy, Inc., a public relations strategy and consulting firm. From February 2010 to February 2013, Mr. Lalani oversaw the execution of Kingsdale's client engagements and managed Kingsdale's internal operations as its Chief Operating Officer. At Kingsdale, he led client services teams to complete high profile client engagements, including hostile bids, complex merger-and-acquisition transactions and proxy contests. Prior to joining Kingsdale, Mr. Lalani worked for an international asset manager for almost 10 years in New York and Toronto. He filled a variety of analytical, business development and operational roles at the firm, eventually heading up the overall research and operational function. Teamed with the chief investment officer, he helped originate, negotiate and structure billions of dollars of direct and secondary market equity investments into small, mid and large cap public companies in North America, Asia, Europe and the Middle East. Mr. Lalani's prior experience includes roles with two Canadian bank-owned investment dealers. He is a past director of URSA Major Minerals Inc. and Royal Standard Minerals Inc.

John Albright – Director

Mr. Albright is Co-Founder and Managing Partner of Relay Ventures, an early stage venture fund exclusively focused on mobile software. During his tenure in the venture capital business, he has raised in excess of $500 million and has assisted entrepreneurial companies in achieving significant growth. Mr. Albright currently serves as a director of QuickPlay Media Inc., Nexage, Inc., Aepona, Fuse Powered Inc., Padopolis, Inc., Digby, Achievers Corp., ClearFit, NetShelter Technology Media and Blue Ant Media. In addition, he serves as a director of the Canadian Venture Capital and Private Equity Association. He previously served on the board of FUN Technologies Inc. (IPO in 2003, acquired by Liberty Media Corporation in 2006), Q9 Networks Inc. (IPO in 2004, acquired by Abry Partners in 2008), Descartes (IPO in 1997), Triple G Systems Group, Inc. (IPO in 2001, acquired by General Electric Company in 2003), Bioscrypt Inc. (IPO in 2002, acquired by L1 Identity Solutions, Inc. in 2008) and Sirit Inc. (IPO in 1998, acquired by Federal Signal Corporation in 2010). Mr. Albright is a Chartered Financial Analyst and received his Bachelor of Business Administration degree from the Schulich School of Business at York University.

Jim Shaw – Director

Mr. Shaw has been an active participant within the North American cable television industry for over 26 years. He joined Shaw Communications Inc. ("**Shaw Communications**") in 1987, moving through a succession of leadership positions in the company, including Senior Vice President of Operations, Chief Operating Officer, President, and Chief Executive Officer. From 1998 to 2010, under his leadership as Chief Executive Officer, the share price of Shaw Communications increased at the rate of 11% per year and Shaw Communications became a leader in the North American cable industry.

Ivan Fecan – Director

Mr. Fecan is a Canadian media executive and philanthropist. Mr. Fecan was President and Chief Executive Officer of Baton Broadcasting and its successor CTVglobemedia ("**CTV**") from 1996 to 2011, and Chief Executive Officer of the CTV Television Network from 1998 to 2011. Before joining CTV, he served in a number of broadcast executive and programming roles in Canada and the United States. Currently, Mr. Fecan acts as Chairman and consultant for Vancouver-based producer Thunderbird.

As at the date hereof, the Company's directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 8,256,429 Common Shares on a fully diluted basis, representing approximately 29% of the outstanding Common Shares on a fully diluted basis.

THE MANAGER OF THE COMPANY

The head office of Difference Capital Management Inc. (the "**Manager**") is located at 130 King St. West, Suite 2950, Toronto, Ontario, M5X 1C7.

The directors and officers of the Manager are Henry Kneis (Chief Executive Officer and Director) and Paul Sparkes (President). The Manager is registered with the Ontario Securities Commission as an exempt market dealer, portfolio manager and investment fund manager.

The Management Agreement

Pursuant to a management agreement dated January 18, 2013 with effect as of May 29, 2012 (the "**Management Agreement**"), the Manager has the exclusive authority to manage the undertaking, business and affairs of the Company and to make all decisions regarding the business of the Company. As such, the Manager shall work to develop and implement communications, marketing and distribution strategies of the Company, and is responsible for providing or arranging for administrative services required by the Company including, without limitation: authorizing the payment of all expenses; preparing financial statements, income tax returns and other reports and continuous disclosure materials; ensuring that the Company complies with regulatory requirements; preparing the reports of the Company to securityholders and the Canadian securities regulatory authorities; determining the amount of distributions to be paid by the Company; and retaining and negotiating contractual agreements with third party providers of services, including advisors, registrars, transfer agents, auditors and printers.

The Manager also provides investment management and investment advisory services to the Company, which include making all investment decisions (with the exception of investment decisions made by the Investment Committee or the Board, as applicable, pursuant to its mandate as described in "Description of the Business – Investment Committee"). The Manager, on behalf of the Company, may engage a portfolio manager to manage any investment assets of the Company in accordance with the investment policy, as described above. Additionally, the Manager may provide two (2) nominees to serve as directors of the Corporation.

The Manager, and any agent to whom the Manager has delegated any of its duties, is required to exercise its powers and discharge the duties of its office honestly and in good faith and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the assets held by the Company if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will incur liability in cases of wilful misconduct, bad faith, gross negligence or disregard of its duties or standard of care, diligence and skill.

The Management Agreement will continue for an initial term expiring June 30, 2015, subject to automatic renewal for additional one year terms. Either the Manager or the Company may terminate the Management Agreement, provided that the terminating party has given the other party 180 days' prior written notice of its intention to do so. If during any fiscal year of the Company the Net Asset Value decreases by 50% or more from the Net Asset Value on December 31st of the previous fiscal year, then the Company may convene a special meeting of the shareholders to seek approval by way of special resolution to terminate the Management Agreement. Either the Manager or the Company may terminate the Management Agreement if the other party is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, such breach or default is not cured within 30 days' notice of such breach or default to the defaulting party. The Company may terminate the Management Agreement immediately in the event of the commission by the Manager of any fraudulent act or if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

Other than payment of the fees payable to the Manager and the reimbursement of the Manager's expenses pursuant to the Management Agreement up to and including the date of termination of the Management Agreement, no additional payments will be required to be made by the Company to the Manager as a result of any termination related to a termination by special resolution, material breach by the Manager or any fraudulent acts, bankruptcy or insolvency of the Manager, as described above. If, however, the Management Agreement is terminated for any other reason, including upon a Change of Control (as such term is defined in the Management Agreement), then the Company shall pay to the Manager on the termination date an amount equal to 5% of the Net Asset Value of the Company on such date, and continue to pay to the Manager Performance Fees (as defined below) for a period of two years from the date of termination. The payment of the termination fee to the Manager shall be in addition to any accrued compensation and reimbursement of expenses to which the Manager is then entitled.

As compensation for its management services, the Company will pay the Manager an annual management fee (the "**Management Fee**") in the amount equal to 2% of the NAV calculated and payable monthly as of the last business day of each month. In addition to the Management Fee, the Manager will be entitled to receive, for each fiscal year of the Company, a performance fee (the "**Performance Fee**") equal to 20% of any increase in the NAV from the start of the fiscal year in question to the end of that fiscal year (the "**Performance Year**") less the two-year Government of Canada bond rate (the "**Hurdle Rate**"), with the Hurdle Rate subject to a maximum of 5%. The Performance Fees are calculated and accrued monthly but will be paid to the Manager only after the year end.

Under the Management Agreement, any fees earned by the Manager from acting as a director of an investee company shall be remitted to the Company. Beginning January 1, 2013, 40% of any advisory or consultancy fees net of direct expenses earned by the Manager from investee companies are remitted to the Company.

The management services of the Manager are not exclusive and nothing in the Management Agreement prevents the Manager or any of its affiliates from providing similar management services to other clients, including investment funds (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities.

In connection with the Reorganization, it is anticipated that the Management Agreement will be amended as described above in the "Description of the Business – Reorganization" section.

Conflicts of Interest

The Chief Executive Officer and director of the Manager is the Chief Financial Officer and Chief Operating Officer of the Company, and the President of the Manager is the Executive Vice Chairman and a director of the Company.

The services of the Manager are currently exclusive to the Company; however, the Manager may in the future act as manager or investment manager of other companies or funds which invest primarily in the same securities or which employ the same investment strategies and which could be considered competitors of the Company. In addition, the directors and officers of the Manager may be directors, officers, shareholders or security holders of one or more issuers from which the Company may acquire securities.

From time to time, directors and officers of the Company may serve as directors, officers, and members of management of other public companies, including companies in which the Company has investments, and may also be shareholders of such companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, or member of management of such other companies, or their interests as a shareholder of such other companies, and as a director or officer of the Company.

The Company's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunities and requiring disclosures by directors and officers of conflicts of interest, and in the case of directors, requiring them to abstain from voting on matters in respect of which they have a conflict of interest. The Company relies upon each director and officer to comply with such laws in respect of conflicts of interest and fiduciary duties.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was within the 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

(a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days (any of such orders, an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

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

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

The Company is not aware of any material legal or administrative proceedings to which the Company is or was a party to, or that any of the Company's property is or was the subject of, during the Company's financial year ended December 31, 2012. Further, the Company is not aware of any such material legal or administrative proceedings being contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management Agreement

By virtue of their being officers and directors of the Manager, Henry Kneis and Paul Sparkes have an interest in the Management Agreement with Difference Capital Management Inc. See under the heading "Management Agreement" for details concerning the Manager's services, the term of the agreement and the compensation paid to the Manager.

AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") requires the Company to disclose annually in its AIF certain information concerning the constitution of the Company's audit committee (the "**Audit Committee**") and its relationship with the Company's independent auditor, as set forth below.

Audit Committee Charter

The text of the Audit Committee's charter is attached as Schedule "A" to this AIF.

Composition of the Audit Committee

As of the date of this AIF, the Audit Committee is comprised of three Board members – John Albright, Wesley Hall and Riyaz Lalani. Each of the committee members is considered to be "independent" and "financially literate", for the purposes of NI 52-110. Financial literacy includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues similar to those expected to arise in the context of the Company.

Relevant Education and Experience

The education and experience of each member of the Company's Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is summarized below:

John Albright

Mr. Albright is Co-Founder and Managing Partner of Relay Ventures. Mr. Albright currently serves as a director of QuickPlay Media Inc., Nexage, Inc., Aepona, Fuse Powered Inc., Padopolis, Inc., Digby, Achievers Corp., ClearFit, NetShelter Technology Media and Blue Ant Media. In addition, he serves as a director of the Canadian Venture Capital and Private Equity Association. Mr. Albright is a Chartered Financial Analyst and received his Bachelor of Business Administration degree from the Schulich School of Business at York University.

Wesley Hall

Mr. Hall founded Kingsdale in 2003 and Kingsdale Communications Inc. in 2009. Mr. Hall is a founding board member of the CSCS and was the CSCS's longest-serving President. He is currently a director of Caldera Geothermal Inc. In 2011, he successfully completed the Directors Education Program offered by the Institute of Corporate Directors in partnership with the Rotman School of Management, University of Toronto.

Riyaz Lalani

Mr. Lalani is the Chief Executive Officer of Bayfield Strategy, Inc. He is a past Chief Operating Officer of Kingsdale Shareholder Services Inc. and a past Senior Research Analyst for Acqua Capital Management Company, as well as a past director of URSA Major Minerals Inc. and Royal Standard Minerals Inc. Mr. Lalani holds a Bachelor of Environmental Studies degree from the University of Waterloo.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has any recommendation of the Audit Committee respecting the appointment and/or compensation of the Company's external auditors not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on exemptions in relation to "*De Minimus Non-Audit Services*" or any exemption provided by Part 8 of NI 52-110.

External Auditors Service Fees

(a) *Audit Fees* – The Company's external auditors are expected to invoice the Company $95,000 for the financial year ended December 31, 2012 and did invoice $32,335 for the financial year ended December 31, 2011 in audit fees.

(b) *Tax Fees* – The Company's external auditors billed the Company $6,500 for the financial year ended December 31, 2012 and $5,995 for the financial year ended December 31, 2011. The Company was charged $5,000 for the financial year ended December 31, 2009, for services related to tax compliance, tax advice and tax planning. The services related to the year ended December 31, 2009 were provided and billed in 2011.

(c) *Quarterly Review Fees* – The Company's external auditors billed the Company $22,300 in the financial year ended December 31, 2012, and nil in the financial year ended December 31, 2011, to review the quarterly interim unaudited financial statements for 2011 and 2012.

(d) *All Other Fees* – The Company's external auditors billed the Company nil for the financial year ended December 31, 2012 and $9,260 for the financial year ended December 31, 2011, for services other than those reported above.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada ("**Computershare**"), at its offices at 100 University Avenue, Toronto, Ontario M5J 2Y1. Computershare also acts as registrar and transfer agent in respect of the Warrants.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following contracts which the Company entered into during its most recently completed financial year, or after December 31, 2012 but which are still in effect, could be considered material to the Company:

Management Agreement with the Manager

The Manager was retained as the manager of the Company pursuant to the Management Agreement dated January 18, 2013 with effect as of May 29, 2012. The details of the Management Agreement are discussed above under the heading "The Management Agreement". A copy of the Management Agreement is available electronically at www.sedar.com.

INTEREST OF EXPERTS

The following are the names of the persons and companies who have prepared or certified a statement, report or valuation described, included or referred to in a filing made under National Instrument 51-102 by the Company or relating to the Company's most recently completed financial year:

The Company's auditors, Ernst & Young LLP, prepared the auditor's report on the Company's annual consolidated financial statements for the financial years ended December 31, 2012, December 31, 2011 and December 31, 2010. Ernst & Young LLP was first appointed the auditors of the Company in August 2008. Ernst and Young LLP is independent in accordance with the auditor's rules of professional conduct in Ontario.

RISK FACTORS

The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. The Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Common Shares should not constitute a major portion of an investor's portfolio.

An investment in the Company's securities is subject to certain risks, including those set out below and under the heading "Note Regarding Forward-Looking Information" elsewhere in this AIF, and should be carefully considered by an investor before making any investment decision. Additional risks not currently known to the Company, or that the Company currently believes to be immaterial, may also affect the Company's business and negatively impact upon an investment in its securities.

Investment Risk

There is no assurance that the Company will achieve its investment objective. An investment may not earn any positive return and may result in the loss or some or all of the capital invested.

Reliance on Management and the Manager

The Company is dependent upon the efforts, skill and business contacts of key members of management and the Manager for, among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the continued success of the Company will depend upon the continued service of these individuals, who are not obligated to remain employed with the Company or the Manager, as applicable. The loss of the services of any of these individuals could have a material adverse effect on the revenues, net income and cash flows of the Company, and could harm its ability to maintain or grow its existing assets and raise additional funds in the future.

General Economic and Market Conditions

The success of the Company's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Company's investments. Unexpected volatility or illiquidity could impair the Company's profitability or result in losses.

Borrowing and Other Leverage

The Company may use financial leverage by borrowing funds against its assets. The use of leverage may result in capital losses or a decrease in dividends by the Company which would have an adverse effect on shareholders. There can be no assurance that the borrowing strategy employed by the Company will enhance returns or help the Company achieve its investment objective, and to the extent that the interest payable on, and other expenses of, the borrowings exceed the incremental returns to the Company on the additional securities purchased for the Company's portfolio thereby, the strategy may reduce returns on the Common Shares, as compared to a situation where no financial leverage was used by the Company.

In addition, a reduction in the assets of the Company does not change the amount that must be paid on account of amounts drawn pursuant to the borrowings. Since any required payment of such amounts decreases dollar for dollar the NAV, and the NAV per Common Share will decrease to a proportionately greater extent, as compared to a situation where the Company did not utilize the borrowings.

In addition, the borrowings may impose additional restrictions on the Company including, without limitation, limits on hedging and restrictions on certain types of investments.

For these reasons, there can be no assurance that the borrowing strategy employed by the Company will enhance returns, and it may, in fact, reduce returns.

Cash Flow/Revenue

The Company generates its revenue and cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Company's control. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to it, or if the value of its investments decline, resulting in capital losses upon disposition.

Private Issuers and Illiquid Securities

The Company may invest in securities of private issuers. Investments in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. These limitations may impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of the Company's private company investments or that the Company will otherwise be able to realize a return on such investments.

The value attributed to securities of private issuers will initially be the cost thereof, and thereafter subject to fair value adjustment, and therefore may not reflect the amount for which they can actually be sold. Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within a short period of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed for the investments.

The Company may also invest in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

The Company may also make direct investments in publicly-traded securities that have low trading volumes. Accordingly, it may be difficult for the Company to make trades in these securities without adversely affecting the price of such securities.

Possible Volatility of Stock Price

The market price of the Common Shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its consolidated results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Common Shares.

Foreign Currency Exposure

Certain of the investments in the Company's portfolio, at any time, may consist of securities denominated in U.S. dollars, Australian dollars or other foreign currencies and, accordingly, the NAV will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies, as applicable, relative to the Canadian dollar. The Company does not currently take any steps to hedge against currency fluctuations, although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by the Company to address such currency fluctuations will eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations.

Concentration of Investments

Other than as disclosed in this AIF, there are no restrictions on the proportion of the Company's funds and no limit on the amount of funds that may be allocated to any particular investment, industry or sector. The Company may participate in a limited number of investments and, as a consequence, its financial results may be substantially adversely affected by the unfavourable performance of a single investment or sector. Completion of one or more investments may result in a highly concentrated investment by the Company in a particular company, business, industry or sector.

Additional Financing Requirements

The Company anticipates ongoing requirements for funds to support its investment strategy and may seek to obtain additional funds for these purposes through public or private equity or debt financing. There are no assurances that additional funding will be available to the Company, if at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased interest expense or restrictions on the Company's operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on its ability to grow its investment portfolio.

No Guaranteed Return

There is no guarantee that an investment in the securities of the Company will earn any positive return in the short term or long term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully.

Management of the Growth of the Company

Significant growth in the business of the Company, as a result of acquisitions or otherwise, could place a strain on its managerial, operational and financial resources and information systems. Future operating results will depend on the ability of senior management to manage rapidly-changing business conditions and to implement and improve the Company's technical, administrative and financial controls and reporting systems. No assurance can be given that the Company will succeed in these efforts. The failure to effectively manage and improve these systems could increase its costs, which could have a material adverse effect on the Company.

Dependence on New Products

The Company may make investments in issuers that conduct significant research and development to develop new products and technologies, enhance existing products and technologies and achieve market acceptance for such products and technologies. However, there can be no assurance that development-stage products and technologies will be successfully completed or, if developed, will achieve significant customer and/or market acceptance. If an issuer in which the Company invests is unable to successfully define, develop and introduce competitive new products and technologies, and enhance existing products and technologies, future results of that issuer would be adversely affected and the value of the Company's investment in that issuer could decline.

Intellectual Property

The industry in which the Company currently primarily invests has many participants that own, or claim to own, proprietary intellectual property. Some of the issuers that the Company invests in may become subject to claims from third parties claiming that the issuers have infringed on intellectual property rights. Determination of the rights to intellectual property is very complex, and costly litigation may be required to establish if an issuer has violated the intellectual property rights of others. As a result of such claims, some of the Company's investments could be subject to losses arising from issuers being subject to product injunctions, awards for damages and third party litigation costs, requirements to license intellectual property, legal expenses, diversion of managements' time and attention, and other costs.

Foreign Market Exposure

The Company's portfolio may, at any time, include securities of issuers established in jurisdictions outside Canada and the U.S. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, any of which could have an adverse impact on the value of such securities.

New and Emerging Markets

Some of the markets in which the Company may invest are new and emerging. The Company's success may be significantly affected by the outcome of the development of these new markets.

Changes in Legislation

There can be no assurance that certain laws applicable to the Company, including income tax laws and government incentive programs, will not be changed in a manner which adversely affects the distributions received or to be made by the Company.

Tax Matters

The Company has accrued capital and non-capital losses that may be carried forward to reduce income taxes in future years. If not used, the Company's non-capital losses expire between 2014 and 2031. The availability of these income tax loss carry forwards as deductions against taxable income of the Company is dependent upon a number of factors including, but not limited to, Canadian federal income tax rules and regulations governing the application of income tax losses and the availability of the income tax loss carry forwards at the time such taxable income arises. There can be no assurance that Canadian federal income tax laws regarding the treatment of income tax loss carry forwards, or the administrative and/or assessment practices of the Canada Revenue Agency in respect thereof, will not be changed in a manner that has a material adverse effect on the Company's shareholders.

Trading Price of Common Shares Relative to Net Asset Value

The Company is neither a mutual fund nor an investment fund, and due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of its

Common Shares, at any time, may vary significantly from its Net Asset Value per Common Share. This risk is separate and distinct from the risk that the market price of the Common Shares may decrease.

Fluctuations in NAV and Valuation of the Company's Portfolio

The NAV will vary according to, among other things, interest rates and the value of the securities in the Company's portfolio and dividends paid on the Common Shares. Fluctuations in the market values of the securities in the Company's portfolio may occur for a number of reasons beyond the control of the Manager, and may be both volatile and rapid with potentially large variations over a short period of time. Independent pricing information regarding certain of the Company's securities and other investments may not be readily available at all times. Valuation determinations will be made in good faith by the Company.

The Company may have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Company to any such investment differs from the actual value, the NAV per Common Share may be understated or overstated, as the case may be. The Company does not intend to adjust the NAV of the Common Shares retroactively except in extraordinary circumstances and where the difference is deemed by the Manager to be material.

Available Opportunities and Competition for Investments

The success of the Company's operations will depend upon, among other things: (i) the availability of appropriate investment opportunities; (ii) its ability to identify, select, acquire, grow and exit those investments; and (iii) its ability to generate funds for future investments. The Company can expect to encounter competition from other entities having investment objectives similar to its own, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, may be better capitalized, have more personnel, have a longer operating history and have different return targets than the Company. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to the Company or that such investments can be made within a reasonable period of time. There can be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

Conflicts of Interest

Some of the Company's existing directors or officers are also directors and officers of other companies and have other business interests which may prove to be of interest to the Company. It is possible, therefore, that a conflict may arise between their duties as directors or officers of the Company and their duties as directors or officers of such other companies.

The Company's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunities and requiring disclosures by directors and officers of conflicts of interest and, in the case of directors, requiring them to abstain from voting on matters in respect of which they have a conflict of interest. The Company relies upon each director and officer to comply with such laws in respect of conflicts of interest and fiduciary duties.

Due Diligence

The due diligence process that the Company undertakes in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company relies on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the Company will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Expenses Ultimately Borne by the Shareholders

Fees and expenses borne by the Company will directly or indirectly impact the NAV of the Common Shares.

Non-controlling Interests

The Company's investments include, in many instances, debt instruments and equity securities of companies that it does not control. These instruments and securities may be acquired in the secondary market or through purchases of securities from the issuer. Any such investment is subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree, or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of the Company's respective investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

Trading Costs

The Company may engage in a high rate of trading activity in its liquid securities portfolio resulting in correspondingly high costs being borne by the Company. This may adversely affect the price of the Common Shares.

Interest Rate Hedging

Interest rate hedges will be used by the Company only to the extent that the Manager considers appropriate. The use of interest rate hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of interest rate hedges could result in losses greater than if the hedging had not been used.

Hedge Risks

Although hedging reduces risk, it does not eliminate it entirely. Losses can still result in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) anticipated transactions which are altered or aborted; (ii) the inability to hedge off risk, due to difficulty of borrowing the offsetting security; (iii) a cease trade order being issued in respect of the underlying security; and (iv) lack of liquidity during market panics. To protect the Company's capital against the occurrence of such events, the Manager will attempt to maintain a diversified portfolio.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular dated May 9, 2013 for its annual and special meeting of the shareholders held on June 13, 2013. Furthermore, additional financial information is provided in the Company's financial statements and management discussion and analysis for its financial year ended December 31, 2012 and for the three-month period ended March 31, 2013.

SCHEDULE "A"

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

It is noted that Difference Capital Financial Inc. (the "**Corporation**") entered into a management agreement with Difference Capital Management Inc. ("**DCM**") dated January 18, 2013 with effect as of May 29, 2012 (the "**Management Agreement**") which provides, subject to the terms and conditions contained therein, that DCM has the exclusive authority to manage the undertaking, business and affairs of the Corporation and to make all decisions regarding the business of the Company.

I. ROLE OF THE COMMITTEE

The audit committee (the "**Committee**") is appointed by the board of directors of the Corporation (the "**Board**") to assist the Board to promote and improve the credibility and objectivity of financial reports.

The Committee shall oversee the accounting and financial reporting processes of the Corporation and review and recommend for approval by the Board the financial statements, management's discussion and analysis ("**MD&A**"), annual information form ("**AIF**") and interim earnings press releases.

The Committee will manage the relationship between the Corporation and the external auditors by overseeing the work of the external auditors and by making recommendations to the Board on the engagement, remuneration and termination of the external auditors based on its evaluation of performance.

The Committee shall pre-approve all non-audit services the external auditors propose to provide to the Corporation.

The Committee shall facilitate and maintain open communications among DCM, the external auditors, and the Board.

The Committee shall be responsible for the discharge of such other duties as may be prescribed by regulatory authorities or delegated by the Board.

II. MEMBERSHIP

The Committee shall be comprised of three or more directors all of whom shall be independent as determined by the Board in conformity with the laws, regulations and listing requirements to which the Corporation is subject. An independent Committee member is one who has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, as determined by the Board, reasonably interfere with the exercise of a member's independent judgment. The Chair of the Committee shall be appointed by the Board. A quorum shall consist of two directors.

All members of the Committee shall in the judgment of the Board be "financially literate". "Financially literate" shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

III. MEETINGS

The Committee shall meet at least four times per year and at such other times as any member of the Committee deems necessary to fulfill its responsibilities. The Corporation's external auditors will normally be required to attend all meetings. At each regular meeting, the Committee shall meet separately with DCM and the external auditors to discuss any matters the committee or any of these parties believe should be discussed privately.

IV. REPORTING TO THE BOARD

The Committee shall report on the results of each meeting of the Committee at the next meeting of the Board. All minutes, supporting schedules and data received and reviewed by the Committee are to be available for examination by any member of the Board upon request to the secretary of the Committee.

V. AUTHORITY

The Committee shall have direct access to all books, records, facilities and personnel of the Corporation, including to the external auditor as it determines this to be advisable. All employees of DCM and the Corporation are to cooperate as requested by Committee members.

The Committee shall have the authority to retain persons having special expertise in legal, accounting or other matters as it determines to be necessary to assist it in discharging its responsibilities. The Committee shall have the authority to set and pay the compensation of any advisors it engages.

The Board may authorize the Committee to investigate any activity of the Corporation.

VI. RESPONSIBILITIES

In the discharge of its role, the Committee will have the responsibility to:

(a) recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and the compensation of the external auditors;

(b) confirm the external auditors are participants in good standing with the Canadian Public Accountability Board;

(c) confirm the direct reporting and accountability of the auditors to the Committee and through the Committee to the Board as representatives of the Corporation's shareholders;

(d) pre-approve any non-audit services to be provided by the external auditors and generally assess the independence of the external auditors having reference to the independence standards of the Canadian Institute of Chartered Accountants, whereby the pre-approval requirement may be satisfied if:

    (i) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more that 5% of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the services were provided;

    (ii) the services were not recognized by the Corporation at the time of the engagement to be non-audit services; and

(iii) the services were promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom the Committee may delegate authority to grant such approvals;

(e) verify the rotation of the lead audit partner and/or the audit partner responsible for reviewing the audit as required by law;

(f) review and approve the Corporation's hiring policies regarding employees or persons previously employed by the present or former external auditors;

(g) review the scope of the external auditors' audit plan and the procedures to be utilized with the external auditors and with DCM.

(h) review with DCM and with the external auditors all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of DCM that may be material to financial reporting;

(i) question DCM regarding significant variances between comparative reporting periods;

(j) review with DCM and the external auditors and recommend to the Board the audited annual financial statements and the quarterly financial statements of the Corporation;

(k) question DCM and the external auditors regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(l) review any restrictions imposed by DCM in performing the external audit or significant accounting issues on which there was a disagreement with DCM;

(m) review the post-audit or management letter, containing the recommendations of the external auditors, and DCM's response and subsequent follow up to any identified weakness;

(n) review and recommend for the approval by the Board the AIF, MD&A, news releases and any financial guidance and all public disclosure documents containing audited or unaudited financial information before release;

(o) review the audit plan issued by the external auditors and subsequent follow up to any identified weakness;

(p) review with DCM significant financial risk exposures, the steps taken to monitor and control such exposures and approve any related policies;

(q) review with DCM the status of any material pending or threatened litigation;

(r) inquire of DCM as to the Corporation's disclosure controls and procedures and as to the existence of any significant deficiencies in the design or operation of internal controls and any fraud that involves employees who have a significant role in the Corporation's internal controls; and

(s) review the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith and receive reports from DCM, legal counsel and other third parties as determined by the committee on such matters, as well as major legislative risks.

VII. ALLOCATION OF RESPONSIBILITIES

DCM is responsible for operating the business of the Corporation and for its internal controls and the financial reporting process. The external auditors are responsible for performing an independent audit of the Corporation's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The external auditors shall report and be accountable to the Committee and through the Committee to the Board as representatives of the Corporation's shareholders. The Committee's responsibility is to monitor and oversee these processes on behalf of the Board. The Committee is not charged with the duty to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and in accordance with generally accepted accounting principles.

The existence of the Committee and the delegation to it of certain powers and duties by the Board does not relieve individual members of the Board from the responsibility of satisfying themselves that the affairs of the Corporation are being properly conducted.

VIII. COMPLAINTS

Concerns or complaints submitted to DCM received by an employee of the Corporation, including but not restricted to concerns and complaints which relate to accounting, internal accounting controls or audit matters, shall be referred to the Chair of the Committee. The Committee shall deal with all such internal complaints relating to such matters.

No reprisal, retaliation or disciplinary action shall be taken against employees for reporting, in good faith, such concerns. The Chair of the Committee shall, if requested by the complainant, keep the identity of the complainant in confidence to the extent appropriate or permitted by law.

IX. ANNUAL REVIEW

The audit committee shall review the adequacy of this Charter on an annual basis and recommend any changes to the Board.