



Tier One Capital Limited Partnership

Unaudited Financial Statements

Three Months Ended March 31, 2017

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

Tier One Capital Limited Partnership hereby gives notice that the Limited Partnership's independent auditor has not performed a review of these Interim Financial Statements in accordance with standards established by Chartered Professional Accountants of Canada.

Tier One Capital Limited Partnership
STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at March 31, 2017 and December 31, 2016

	March 31, 2017	December 31, 2016
ASSETS		
Cash	\$ 199,987	\$ 498,991
Accrued interest and other receivables	883,154	850,688
Receivable on the sale of investments (note 9)	249,501	521,196
Investments	36,087,783	35,628,569
Total Assets	37,420,425	37,499,444
LIABILITIES		
Accounts payable and accrued liabilities	143,199	157,472
General partner priority profit allocation payable (note 7)		252,891
Deferred income on venture investments	215,618	276,423
Performance allocation payable (note 7)	-	460,000
Total Liabilities	358,817	1,146,786
EQUITY		
Limited partnership units	38,461,507	38,323,723
General partner interest (note 7)	2,208,176	2,117,204
Deficit	(3,855,357)	(4,088,269)
Total Equity	36,814,326	36,352,658
Total Liabilities & Equity	\$ 37,173,143	\$ 37,499,444

Approved by the Board of Directors of T1 General Partner Corp.



Robert Roy
 Director



John Richardson
 Director

The accompanying notes are an integral part of the financial statements.

Tier One Capital Limited Partnership
STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
For the three month periods ended March 31, 2017 and March 31, 2016

	2017	2016
INCOME		
Net gain on investments at fair value through profit and loss	\$ 1,277,962	\$ 1,388,732
	<u>1,277,962</u>	<u>1,388,732</u>
EXPENSES		
Management fees (note 7)	103,236	109,170
Legal fees	55,730	32,087
Transfer agent, registrar and administrative (note 7)	30,366	40,783
Audit fees	29,660	30,494
Directors' fees and expenses	10,393	10,866
Custodian fees (note 7)	2,847	2,400
Unitholder reporting costs	1,551	1,532
Interest expense and administration fee on credit facility (note 6 and 7)	-	36,138
	<u>233,783</u>	<u>263,470</u>
Net income before General Partner Priority Profit Allocation	\$ 1,044,179	\$ 1,125,262
General partner priority profit allocation (note 7)	247,282	263,450
Net and comprehensive income	<u>\$ 796,897</u>	<u>\$ 861,812</u>
Net income per unit attributable to limited partners per limited partnership unit	\$ 0.19	\$ 0.14
Net income per unit attributable to the general partner per limited partnership unit	\$ 0.02	\$ 0.09

The accompanying notes are an integral part of the financial statements.

Tier One Capital Limited Partnership

STATEMENTS OF CHANGES IN EQUITY (Unaudited)

For the three month periods ended March 31, 2017 and March 31, 2016

2017	Limited partners units	Limited partner (deficit)/retained earnings	General partner interest	Total
Total equity - balance beginning of period	\$ 38,323,723	\$ (4,088,269)	\$ 2,117,204	\$ 36,352,658
Net and comprehensive income for the period	-	796,897	-	796,897
Issuance of limited partnership units	137,784	-	-	137,784
Performance allocation	-	(90,972)	90,972	-
Distributions to limited partners	-	(473,013)	-	(473,013)
Total equity - balance end of period	\$ 38,461,507	\$ (3,855,357)	\$ 2,208,176	\$ 36,814,326

2016	Limited partners units	Limited partner (deficit)/retained earnings	General partner interest	Total
Total equity - balance beginning of period	\$ 37,884,788	\$ (2,477,784)	\$ 1,405,689	\$ 36,812,693
Net and comprehensive income for the period	-	861,812	-	861,812
Issuance of limited partnership units	95,404	-	-	95,404
Performance allocation	-	(337,886)	337,886	-
Distributions to limited partners	-	(464,418)	-	(464,418)
Total equity - balance end of period	\$ 37,980,192	\$ (2,418,276)	\$ 1,743,575	\$ 37,305,491

Tier One Capital Limited Partnership

STATEMENTS OF CASH FLOWS (Unaudited)

For the three month periods ended March 31, 2017 and March 31, 2016

	2017	2016
Cash flows from operating activities		
Net and comprehensive income	\$ 796,897	\$ 861,812
Adjustments for:		
Change in unrealized (appreciation) on investments	(189,324)	(501,661)
Realized (gains) on sale of investments	(257,150)	-
Non-cash interest and other income	-	(6,016)
Net change in non-cash balances related to operations	415,692	24,794
Proceeds from maturities of short-term investments	4,496,730	-
Proceeds from disposal of venture investments	2,379,180	583,308
Purchase of short-term investments	(6,995,800)	-
Purchase of venture investments	(150,000)	(225,000)
	<u>496,225</u>	<u>737,237</u>
Cash flows from financing activities		
Proceeds from credit facility	-	315,000
Repayment of credit facility	-	(450,000)
Distributions to limited partners, net of reinvestments **	(335,229)	(369,014)
Performance allocation distribution	(460,000)	-
	<u>(795,229)</u>	<u>(504,014)</u>
(Decrease) increase in cash during the period	(299,004)	233,223
Cash - Beginning of period	498,991	350,363
Cash - End of period	\$ 199,987	\$ 583,586
Supplemental Information *		
Interest Paid	\$ -	\$ 29,568
Interest Received	\$ 737,317	\$ 848,022

* classified as cash flows from operations

** excludes non-cash reinvestment of \$137,784 (2016: \$95,404)

The accompanying notes are an integral part of the financial statements.

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at March 31, 2017

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
PUBLIC COMPANY INVESTMENTS (0.05%)*				
31,000	Cymat Technologies Ltd., common shares		55,800	9,145
16,953	Findev Inc. Common Shares		69,731	9,324
Total public company investments			125,531	18,469
SHORT TERM INVESTMENTS (19.00%)*				
7,000,000	Bank of Nova Scotia, Bankers Acceptance, 0.76%	April 27, 2017	6,995,800	6,995,800
Total short term investments			6,995,800	6,995,800
Par value/ number of shares	Investee companies	Maturity date/ expiration date	Cost \$	Fair value \$
VENTURE INVESTMENTS (78.98%)*				
Financial Technology and eCommerce (9.08% of total venture investments)				
Carta Solution Holding Corporation				
107,936	Common shares purchase warrant	November 20, 2018	-	
FinanceIT Canada Inc.				
69,000	Common shares purchase warrant	April 19, 2017	-	
103,680	Common shares purchase warrant	April 21, 2018	-	
Mobify Research and Development Inc.				
1,000,000	Promissory note, 13.50%	April 1, 2018	1,000,000	
500,000	Promissory note, 13.50%	April 2, 2018	500,000	
225,000	Promissory note, 13.50%	December 22, 2018	225,000	
914,000	Promissory note, 13.50%	June 30, 2019	914,000	
243,364	Common shares purchase warrant	April 1, 2021	-	
31,814	Common shares purchase warrant	December 22, 2021	-	
Total Financial Technology and eCommerce			2,639,000	2,639,000
Media Technology (11.47% of total venture investments)				
Dejero Labs Inc.				
121,588	Common shares purchase warrant	April 15, 2019	-	
103,300	Common shares purchase warrant	October 14, 2020	-	
Electronic Systems Software Solutions Inc.				
1,512,429	Promissory note, 16.50%	November 30, 2018	1,512,429	
146,154	Common shares purchase warrant	June 30, 2021	-	
Findev Inc.				
51,785	Common shares purchase warrant	July 5, 2018	137,524	
GroupBy Inc.				
763,232	Common shares purchase warrant	June 15, 2020	-	
Hipplay Inc.				
1,048	Common shares		-	
2315257 Ontario Inc. (One Up Sports)				
1,760,000	Promissory Note, 14.50%	April 19, 2018	1,760,000	
4,484,368	Common shares purchase warrant	October 19, 2020	-	
Total Media Technology			3,409,953	3,333,931

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at March 31, 2017

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
Health Care and Health Care Information Technology (2.26% of total venture investments)				
ArcticAx Inc.				
259,979	Promissory note, 17.00%	May 31, 2017	259,979	
84,333	Common shares purchase warrant	March 26, 2019	-	
87,996	Common shares purchase warrant	January 26, 2019	-	
55,000	Common shares purchase warrant	March 26, 2019	-	
Health Care Services International Inc.				
246,120	Promissory note, 17.00%	January 22, 2019	246,120	
150,000	Promissory note, 17.00%	December 31, 2017	150,000	
1	Common shares purchase warrant	December 31, 2020	-	
Infonaut Inc.				
508	Common shares		-	
Skura Corp.				
31,350	Common shares, Class E		-	
Total Health Care Information Technology			656,099	656,099
Security Software and Services (28.28% of total venture investments)				
ERMS Corporation				
75,000	Promissory note, 20.00%	June 30, 2017	75,000	
2,824	Preferred shares		3,558,436	
264,464,964	Common shares		376,902	
Geminare Inc.				
3,603,604	Preferred shares		4,000,000	
3,599,560	Common shares, Class B		-	
75,313	Common shares, Class A		-	
Interset Software Inc.				
2,144,005	Preferred shares, Class A		2,189,904	
1,317,650	Preferred shares, Class A1		332,947	
60,795	Common shares		1,000,000	
NuData Security Inc.				
1,016,044	Promissory note, 14.00%	December 31, 2017	1,016,044	
72,338	Common shares Class B purchase warrant	December 31, 2019	-	
PitchPoint Solutions Inc.				
955,000	Promissory note, 13.50%	December 9, 2019	955,000	
1,166,667	Common shares purchase warrant	November 18, 2020	190,627	
277,677	Common shares purchase warrant	December 9, 2021	-	
155,007	Common shares purchase warrant	December 9, 2021	-	
Total Security Software and Services			13,694,860	8,223,884

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at March 31, 2017

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
Other Technology and Financial (48.91% of total venture investments)				
Garner Distributed Workflow Inc.				
183,552	Promissory note, 16.50%	December 8, 2018	183,552	
213,600	Common shares purchase warrant	July 8, 2021	-	
Iogen Biogas Investment Corporation				
478,392	Common shares		416,201	
Iogen Corporation				
2,677,988	Class A Common shares		3,349,210	
Indegene Skura Inc.				
2,300,000	Promissory note, 13.50%	April 27, 2019	2,300,000	
Intelligent Mechatronic System Inc.				
3,768,250	Promissory note, 15.00%	March 31, 2017	3,768,250	
1	Common shares purchase warrant	November 18, 2021	-	
Ridetones Inc.				
600,000	Promissory note, 15.00%	March 31, 2017	600,000	
530,000	Promissory note, 15.00%	March 31, 2017	530,000	
415,000	Promissory note, 15.00%	March 31, 2017	415,000	
800,000	Promissory note, 15.00%	March 31, 2017	800,000	
1,205,000	Promissory note, 15.00%	June 30, 2017	1,205,000	
1	Common shares purchase warrant	November 18, 2021	-	
Roadhouse Holdings Inc.				
126,000	Promissory note, 24.00%	August 31, 2017	126,000	
1,800,000	Promissory note, 14.50%	May 11, 2019	1,800,000	
291,986	Common shares purchase warrant	May 11, 2020	-	
Shareholderco (7182171 Canada Inc.)				
5,843,131	Non-Voting common shares		-	
5,843,131	Special voting shares		3	
Spinco (4515218 Canada Inc.)				
1,000,000	Series A exchangeable preferred shares		1,522,797	
1,463,195	Series B exchangeable preferred shares		977,471	
3,379,936	Series C exchangeable preferred shares		790,305	
5,843,131	Special voting shares		5	
Trakopolis IoT Corp. (Can Telematics Inc.)				
634,600	Promissory note, 11.00%	April 28, 2019	634,600	
242,029	Common shares purchase warrant	October 28, 2019	-	
Total Other Technology and Financial			19,418,394	14,220,600
Total venture investments (78.98%)*			39,818,306	29,073,514
Total investments (98.03%)*			46,939,637	36,087,783
Other net assets (1.97%)*				726,543
Total equity (100.00%)*				36,814,326

* Percentages shown relate to investments at fair value to total equity.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

1. STATUS AND OPERATIONS

Tier One Capital Limited Partnership (the “Limited Partnership”) is a limited partnership formed under the laws of the Province of Ontario. The Limited Partnership became a limited partnership effective on February 21, 2014, the date of filing of its declaration of Limited Partnership. The general partner of the Limited Partnership is T1 General Partner LP (the “General Partner”), a limited partnership formed under the laws of the Province of Ontario. The general partner of the General Partner is T1 General Partner Corp., a corporation incorporated under the laws of Ontario. T1 General Partner Corp. is a wholly-owned subsidiary of 1209762 Ontario Inc. John Richardson, the Chief Executive Officer of T1 General Partner Corp., indirectly controls 1209762 Ontario Inc. The interests of the limited partners of the Limited Partnership are represented by limited partnership units (the “Units”).

The Limited Partnership is focused on funding rapidly growing private Canadian companies by providing them with the capital needed to execute their growth strategies and acquisition plans. It is primarily focused on companies with recurring revenue streams in the technology, healthcare and financial services industries. The Limited Partnership focuses its investments on companies in the expansion phase of development in mid to late stages. The Limited Partnership is not subject to any investment restrictions regarding any particular sector, industry or stage of development.

The Units are listed and traded on the Canadian Securities Exchange under the symbol “TLP.UN.”

The principal address of the Limited Partnership, the General Partner and the general partner of the General Partner is 15 Toronto Street, Suite 400, Toronto, Ontario, M5C 2E3.

These financials statements were authorized for issue by the General Partner on May 25, 2017.

2. BASIS OF PRESENTATION

These financial statements of the Limited Partnership have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss. The accounting policies followed in these financial statements are consistent with those applied in the Limited Partnership’s audited financial statements for the year ended December 31, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Limited Partnership are as follows:

Financial instruments

The Limited Partnership recognizes financial instruments at fair value upon initial recognition plus transaction costs in the case of financial instruments measured at amortized cost.

Regular way purchases and sales of financial assets are recognized at their trade date. The Limited Partnership’s investments in financial assets have been designated at fair value through profit and loss (FVTPL) and are measured at fair value.

Short-term liquid debt investments are valued at amortized cost which approximates fair value.

Publicly traded investments are valued based on quoted bid prices.

Investments in securities not having quoted market values are recorded at estimated fair value determined on a going concern basis, or if appropriate, assuming an orderly disposition over a reasonable period of time. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined using an appropriate valuation methodology after considering the history and nature of the business, operating results and financial conditions, the general economic and market conditions, capital market and

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

transaction market conditions, independent valuations of businesses, contractual rights relating to the investment, public market comparable transactions and other pertinent considerations.

For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique such as the Black-Scholes model is used; if no such market inputs are available, other appropriate methodologies are used.

Cash and receivables represent loans and receivables and are measured at amortized cost, which approximates fair value due to their short-term nature.

Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost, which approximates fair value due to their short term nature.

Credit facility is measured at amortized cost, which approximates fair value.

Units of the Limited Partnership and the General Partner interest are non-redeemable, do not carry any fixed dividends and have been classified as equity.

Broker warrants issued to dealers on the issuance of new Units have been classified as equity.

Investments in subsidiaries, associates and joint ventures

Subsidiaries are all entities over which the Limited Partnership has control. The Limited Partnership controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Limited Partnership has determined that it is an investment entity and as such, it accounts for subsidiaries at fair value through profit and loss with the exception of any subsidiaries which provide services related to the Limited Partnership's investment activities, which are consolidated. Associates and joint ventures are investments over which the Limited Partner has significant influence or joint control, which have been designated at fair value through profit or loss.

Income recognition, transaction costs and expenses

Interest income is recorded on an accrual basis based on the coupon rate of interest and is reported as interest for distribution purposes on the Statement of Comprehensive Income.

Gains and losses on investments includes realized gains (losses), changes in unrealized appreciation (depreciation) and interest and are recorded as Net gain on investments at fair value through profit and loss in the Statements of Comprehensive Income.

Transaction fees on investments, if incurred, are expensed in the Statements of Comprehensive Income. Transaction fees are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers.

Deferred income on venture investments

Fees received by the Limited Partnership on the initiation of venture investments are deferred and amortized over the term of the investment. The amortization of the deferred balance is included in Net gain on investments at fair value through profit and loss in the Statements of Comprehensive Income.

Net income (loss) per Unit

The Net income (loss) per unit attributable to limited partners per limited partnership unit is determined by subtracting the portion of net income allocated to the General Partner for the performance allocation from the net income (loss) for the period divided by the weighted average number of limited partnership units outstanding during the period. As there are no General

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

Partner units, the Net income (loss) per unit attributable to the General Partner per limited partnership unit is determined by dividing the Performance allocation by the weighted average number of limited partnership units outstanding during the period to give a measurement of the General Partner's return for the period.

Income taxes

These financial statements represent the assets and liabilities of the Limited Partnership and do not include the other assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not the Limited Partnership. Accordingly, no provisions for income taxes have been recorded in the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management's estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Significant estimates include the fair value of venture investments. The valuation of venture investments impacts the management fees, the distributions to the General Partner under the General Partner Priority Profit Allocation and the Performance Allocation to the General Partner within equity (note 7). While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates and these differences could be significant.

The process of valuing venture investments is inevitably based on inherent uncertainties and the resulting values will differ, perhaps materially, from the amounts ultimately realized. Also, because these venture investments have been valued on a going concern basis, the values may differ materially from those realized on forced sale or liquidation. Refer to note 8 for more information on the inputs and assumptions used in this valuation.

The Limited Partnership may recognize a Performance Allocation amount which includes an unrealized component that may become distributable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at the date of the financial statements.

Investment entity status

The Limited Partnership has adopted the amendments made to IFRS 10 *Consolidated financial statements* and IFRS 12 *Disclosure of interests in other entities* for investment entities. A significant judgment made in preparing the Limited Partnership's financial statements relate to the determination that the Limited Partnership is an investment entity, including that its objective is to invest in eligible Canadian venture investments solely for the purpose of generating investment income and capital appreciation and that fair value is the primary measurement attribute to measure and evaluate the performance of substantially all of its investments. This also includes management's judgment that investment related activities with its subsidiaries do not represent a substantial business activity or source of income.

General Partner allocations

The Limited Partnership presents the General Partner Priority Profit Allocation (the "Priority Profit Allocation") as described in note 7 of the financial statements, in the Statement of Comprehensive Income. The Limited Partnership has determined that the Performance Allocation, described in note 7, represents an equity allocation to the General Partner rather than compensation for services provided and is presented in the Statement of Changes in Equity.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

5. NET ASSETS ATTRIBUTABLE TO PARTNERS

Authorized and issued Units of the Limited Partnership:

Issued	Number of Units March 31, 2017	Number of Units December 31, 2016
Limited Partner Units		
Balance forward from prior period	3,784,101	3,715,400
Issued on the Distribution Reinvestment Plan	24,688	68,701
Balance at end of period	3,808,789	3,784,101

The weighted average number of Units outstanding during the three month period ended March 31, 2107 was 3,799,737 (March 31, 2016: 3,720,601).

John Richardson, the Chief Executive Officer of the general partner of the General Partner of the Limited Partnership, owns or controls, directly and indirectly through BEST Capital Administration Inc., 488,387 Units or approximately 12.82% of the total Units issued and outstanding as at March 31, 2017 (December 31, 2016: 476,767 Units, 12.60%).

General Partner Performance Allocation

Included in the General Partner interest amount are the Performance Allocation amounts which are attributed to the General Partner based on the terms of the Limited Partnership Agreement but have not been paid nor authorized for distribution to the General Partner.

Distribution Reinvestment Plan

The Limited Partnership has implemented a distribution reinvestment plan (the “DRIP”). Unitholders that participate in the plan can chose to have their cash distributions reinvested in new Units of the Limited Partnership. The price for the new Units is determined by the General Partner and is equal to 96% of the volume weighted average trading price of Units on the Canadian Securities Exchange for the twenty trading days immediately preceding the relevant distribution date. Fractional Units are not distributed.

Capital risk management

Units issued and outstanding are considered to be the capital of the Limited Partnership. The Units are not redeemable. The Units are entitled to distributions, if any, at the discretion of the General Partner. The Limited Partnership’s objective is to invest the Limited Partnership’s capital in order to provide a return to the partners in accordance with the objective and strategy of the Limited Partnership. The Limited Partnership is not subject to any externally imposed capital requirements.

6. CREDIT FACILITY

The Limited Partnership is able to borrow up to 50.00% of the Limited Partnership’s net asset value. The Limited Partnership had established a credit facility with B.E.S.T. Leveraged Tier One Capital LP (the “Lender”), a limited partnership formed in accordance with the Limited Partnership Act (Ontario). The terms of the credit facility were detailed in the Credit Facility Agreement dated June 12, 2015. Each advance was subject to interest at the rate of 7.50% per annum, accrued daily and payable monthly in arrears. The Limited Partnership also paid an administration fee of up to 4.50% of the amount advanced and an advance fee of \$2,500 at the time of each advance. The maturity date of each advance was no later than 24 months from the date of the advance. The purpose of the credit facility was to provide additional capital to the Limited Partnership, together with the capital provided by its limited partners, to permit the Limited Partnership to continue to undertake its investment activities. Advances under the credit facility were secured by a fixed security interest on all of the Limited Partnership’s assets as set out in a General Security Agreement. The credit facility was terminated on June 30, 2016.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

7. OPERATING ARRANGEMENTS AND RELATED PARTIES

Management Fees

The General Partner, which provides key personnel to the Limited Partnership, will be entitled to receive an annual management fee (the “LP Management Fee”) equal to 0.995%, plus applicable taxes, of the total assets of the Limited Partnership. The LP Management Fee will be calculated and paid monthly in arrears based on the total assets of the Limited Partnership as at the end of the applicable month.

General Partner Priority Profit Allocation

The General Partner may share in the profits of the Limited Partnership by receiving, among other things, a priority share of the net income of the Limited Partnership (the “Priority Profit Allocation”). Distributions may be made to the General Partner (the “Priority Profit Distribution”) in respect of its established or potential future Priority Profit Allocation, calculated as of the last day of each calendar quarter, equal to one quarter of 2.68% of the total assets of the Limited Partnership as at the last day of each calendar quarter. The allocation is included in the Statements of Comprehensive Income.

Performance Allocation

The General Partner may be entitled to an additional share of the net income of the Limited Partnership if certain conditions are satisfied (the “Performance Allocation”).

The Performance Allocation shall be an amount equal to the aggregate of: (a) 100% of the realized gains and income earned on investments in portfolio companies in excess of a 12% annual average rate of return on such investments up to and including a 15% annual average rate of return on such investments; and (b) 20% of the realized gains and income earned on such investments in excess of the 15% annual average rate of return earned on such investments.

In order for the Performance Allocation to be allocable to the General Partner, the following conditions (the “Performance Allocation Conditions”) must be satisfied: (a) the total net realized and unrealized gains and income from the Limited Partnership from its portfolio of investments since January 1, 1997 must have generated a return greater than the annualized average rate of return on five year Guaranteed Investment Certificates offered by a Schedule 1 Canadian chartered bank plus 2%; (b) the compounded annual rate of return (including realized and unrealized gains and income) from the particular eligible investment since its acquisition must equal or exceed 12% per annum; and (c) the Limited Partnership must have recouped an amount equal to all capital or principal invested in the particular investment.

Allocation of Income to the General Partner

To the extent that the net income of the Limited Partnership is insufficient in any year or period to fully allocate an amount equal to the General Partner Priority Profit Allocation and the Performance Allocation for the year or period to the General Partner, the differential will be carried forward and factored into the allocation of the net income of the Limited Partnership in subsequent years or periods, including in the year or period in which the termination of the General Partner occurs. The General Partner Priority Profit Allocation and the Performance Allocation must be approved by the independent directors of the Board of Directors of the general partner of the General Partner. Under the Limited Partnership Agreement there is no mandatory distribution of these amounts, but rather there is discretion as to whether these amounts can be paid out of the Limited Partnership, depending on whether it is in the best interest of the Limited Partnership.

Custodian Fees

The Limited Partnership and the General Partner have retained CIBC Mellon Global Security Services Company to provide custody services to the Limited Partnership. The fees paid to CIBC Mellon Global Security Services Company are included in Custodian fees.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

Transfer agent, registrar and administration fees

The Limited Partnership pays all direct costs and expenses incurred in the operation of the Limited Partnership, including: transfer agent and registrar fees, insurance, legal, audit, director fees, valuation and marketing expenses. The Limited Partnership and the General Partner have retained TMX Equity Financial Trust to provide transfer agent and registrar services.

Related Parties

During the three month period ended March 31, 2017, the Limited Partnership incurred management fees of \$103,236 (March 31, 2016: \$109,170). Included in accounts payable and accrued liabilities as at March 31, 2017 are accrued Management fees owing to the General Partner of \$35,734 (December 31, 2016: \$35,750).

The Limited Partnership incurred a Priority Profit Allocation to the General Partner during the three month period ended March 31, 2017 of \$247,282 (March 31, 2016: \$263,450) which is included in the Statements of Comprehensive Income. At March 31, 2017, the Limited Partnership had an unpaid amount of Priority Profit Allocation to the General Partner of \$247,282 (December 31, 2016: \$252,891).

The Limited Partnership allocated a Performance Allocation amount to the General Partner during the three month period ended March 31, 2016 of \$90,972 (March 31, 2016: \$337,886). At March 31, 2017, the Limited Partnership had an allocated but not approved for distribution Performance Allocation amount of \$2,208,176 (December 31, 2016: \$2,117,204) included in General Partner interest in the Statement of Changes in Equity. As at March 31, 2017, the Limited Partnership had a Performance Allocation declared for distribution of \$Nil (December 31, 2016: \$460,000).

During the three month period ended March 31, 2017, the Limited Partnership incurred interest and administration fees of \$Nil (March 31, 2016: \$36,138) for the credit facility provided by B.E.S.T. Leveraged Tier One Capital LP (the "Lender"). The credit facility was terminated on June 30, 2016. The general partner of the Lender was B.E.S.T. Funds Inc. which is a corporation wholly owned by John Richardson. As at March 31, 2017, \$Nil (December 31, 2016: \$Nil) of interest payable to the Lender was included in accounts payable and accrued liabilities. No amount was paid to the General Partner or B.E.S.T. Funds Inc. for the provision or administration of the credit facility.

8. FINANCIAL INSTRUMENTS

The Limited Partnership's investment objectives are to provide a return on investment for Limited Partners and provide regular cash distributions.

The Limited Partnership's financial instruments consist primarily of marketable securities and venture investments. Venture investments in private companies consist of debt instruments, convertible debt, preferred shares, common shares or equity equivalents. These investments in private companies are typically illiquid. The Limited Partnership seeks to reduce the risks typically associated with such investments by diversifying the investment portfolio, by investing in eligible companies that are in differing stages of development in a variety of high growth potential industries, by using a disciplined investment decision process and by working with investee companies through, among other things, providing business advice and other services, aiding in the recruitment process, and helping in the process of raising additional capital.

The Limited Partnership's activities expose it to a variety of financial risks: market risk (comprising currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The General Partner seeks to minimize potential adverse effects of these risks on the Limited Partnership's performance by employing professional experience, daily monitoring of the Limited Partnership's positions and market events, by diversifying the investment portfolio within the constraints of the investment objectives and by structuring investments to provide the Limited Partnership with the maximum protection in the event of problems with the issuer of the security. The investment portfolio is primarily comprised of small and medium-sized private Canadian companies, many of which are at an early stage of development. Investments of this type, by their nature, involve a longer investment time horizon than that which is typical for other types of investments. There is no assurance that the portfolio companies will be successful in developing and bringing their products to market in commercially viable quantities at reasonable costs and consequently, there is no assurance that the Limited Partnership's holdings in these portfolio companies will achieve desired returns.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

Sensitivity analyses are provided for information purposes only. In practice, the actual results may differ from the sensitivity analysis and the differences may be material.

Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Limited Partnership's functional and presentation currency. The Limited Partnership is exposed to the risk that the fair value of securities denominated in other currencies will fluctuate due to changes in the exchange rates.

The Limited Partnership has financial instruments denominated in a currency other than the Canadian dollar, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of other price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Limited Partnership does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements.

While the Limited Partnership has direct exposure to foreign exchange rate changes on the price of non-Canadian dollar denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Limited Partnership invests, even if those companies' securities are denominated in Canadian dollars. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Limited Partnership's net assets.

The table below summarizes the Limited Partnership's financial instruments denominated in a currency other than the Canadian dollar.

March 31, 2017

Asset	USD	Reasonable possible shift	Movement in value
Accounts Receivable	\$19,382	+/- 5%	\$969/(\$969)

December 31, 2016

Asset	USD	Reasonable possible shift	Movement in value
Accounts Receivable	\$20,821	+/- 5%	\$1,041/(\$1,041)

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as promissory notes and debentures. The Limited Partnership is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The table below summarizes the Limited Partnership's exposure to interest rate risks. It includes the Limited Partnership's financial assets and liabilities, categorized by the earlier of contractual re-pricing or maturity dates.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

March 31, 2017	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	\$16,124,625	\$10,908,146	\$9,055,012	\$36,087,783
Cash			\$199,987	\$199,987
Other financial assets			\$1,132,655	\$1,132,655
Financial liabilities			\$390,481	\$390,481

December 31, 2016	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	\$12,289,878	\$14,062,006	\$9,276,685	\$35,628,569
Cash			\$498,991	\$498,991
Other financial assets	\$269,829		\$1,102,055	\$1,371,884
Financial liabilities			\$870,363	\$870,363

Refer to tables below which present significant unobservable inputs used in the fair value measurements of investments classified as Level 3 for the impact of interest rate increases or decreases on the change in valuation of these investments.

The interest bearing securities with a maturity of less than one year are comprised of short-term investments in the amount of \$6,995,800 (December 31, 2016: \$4,496,730) and debt securities of private companies in the amount of \$9,128,825 (December 31, 2016: \$7,793,148) which mature in less than one year.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The General Partner moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Limited Partnership's equity instruments are susceptible to other price risk arising from uncertainties about future prices of the instruments.

As at March 31, 2017, if equity prices on the TSX Venture Exchange had increased or decreased by 5%, all other variables held constant, the net assets of the Limited Partnership attributed to public portfolio companies would have increased or decreased, respectively, by approximately \$923 or approximately 0.003% of total net assets (December 31, 2016: \$977 or 0.003%).

The Limited Partnership's venture investments (unlisted) are susceptible to other price risk arising from uncertainties about future values of the investment securities. The General Partner and the Advisor provide the Limited Partnership with investment advice and its portfolio companies with business advice to limit and manage market risk.

As at March 31, 2017, if the value of the Limited Partnership's equity venture investments had increased or decreased by 5%, all other variables held constant, the total equity of the Limited Partnership attributed to venture investments would have increased or decreased respectively by approximately \$451,827 or approximately 1.23% of total equity (December 31, 2016: \$462,858 or 1.27%).

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

The Limited Partnership's equity venture investments on fair value basis were concentrated in the following sectors:

Industry	March 31, 2017		December 31, 2016	
	% of total equity venture investments	# of companies	% of total equity venture investments	# of companies
Financial Technology and eCommerce	-	-	-	-
Media Technology	0.68%	1	0.85%	1
Health Care and Health Care Information Technology	-	-	4.67%	1
Security Software and Services	68.37%	4	64.27%	3
Other Technology and Financial	30.95%	4	30.21%	4

Credit Risk and Concentration Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Limited Partnership. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of the debt investments as presented below and the accrued interest and other receivables represents the maximum credit risk exposure as at March 31, 2017 and December 31, 2016.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trades will fail if the other party fails to meet its obligations. All transactions in private issuers are settled/paid for upon delivery using a third party agent such as a law firm as an intermediary. The risk of default is considered minimal as delivery of the securities sold is only made once the agent or legal counsel acting as the intermediary has received payment.

The Limited Partnership's financial assets exposed to credit risk were concentrated in the following asset categories:

March 31, 2017			
Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	\$199,987
Short-term Investments	Banker's Acceptance	Bank of Nova Scotia	\$6,995,800
Debt Securities	Secured by General Security Agreement	ArticAX Inc., Trakopolis IoT Corp., Electronic Systems Software Solutions Inc., Garner Distributed Workflow Inc., Health Care Services International Inc., Intelligent Mechatronic Systems Inc., NuData Security Inc., Mobify Research and Development Inc., PitchPoint Solutions Inc., Ridetones Inc., Indegene Skura Inc., 2315257 Ontario Inc., ERMS Corporation, Roadhouse Holdings Inc.	\$20,036,971
Total cash and debt securities			\$27,232,758

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

December 31, 2016			
Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	\$498,991
Short-term Investments	Banker's Acceptance	Royal Bank of Canada, Canadian Imperial Bank of Commerce	\$4,496,730
Debt Securities	Secured by General Security Agreement	ArticAX Inc., Can Telematics Inc., Dejero Labs Inc., Electronic Systems Software Solutions Inc., Garner Distributed Workflow Inc., Health Care Services International Inc., Intelligent Mechatronic Systems Inc., NuData Security Inc., Mobify Research and Development Inc., PitchPoint Solutions Inc., Ridetones Inc., Indegene Skura Inc., 2315257 Ontario Inc., ERMS Corporation, Roadhouse Holdings Inc.	\$17,358,424
Total cash and debt securities			\$22,354,145

The Fund holds a significant portion of its investment portfolio in private debt instruments, which can be considered high yield debt instruments. These instruments are not rated by any of the market bond rating services and are subject to valuation risk. The credit risk is mitigated by obtaining a general security agreement on the assets of the issuing portfolio company.

Credit risk arising on short-term debt instruments is partially mitigated by investing primarily in rated instruments of R1 for commercial paper instruments. The R1 ratings is a credit rating scale developed by Dominion Bond Rating Services (DBRS) which provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R1 rating signifies that, according to DBRS, the issuer has substantial capacity for the payment of short-term financial obligations as they come due.

Investments in the debt securities in the venture portfolio are non-investment grade and therefore subject to higher credit risk. Credit risk on debt securities in the venture portfolio is assessed by reviewing the financial position and cash flows of the venture portfolio company. The Limited Partnership mitigates the credit risk on debt securities in the venture portfolio by seeking companies with sufficient assets available as collateral and current and expected cash flows to support the payment of interest and repayment of the debt security.

Other than outlined above, there were no significant concentrations of credit risk to counterparties as at March 31, 2017 or December 31, 2016.

The business of the Limited Partnership is to make investments in small and medium-sized eligible businesses in order to generate interest and dividend income and long-term capital appreciation. In order to achieve this objective the Limited Partnership invests in several broad industry sectors: i) financial technology and eCommerce, ii) media technology, iii) healthcare and health care information technology, iv) security software and services, and v) other technology and financial. The General Partner and Advisor seek out eligible investments which will meet the investment objectives of the Limited Partnership while maintaining risk at acceptable levels. The Limited Partnership attempts to limit the risk to any one venture investment by limiting the amount invested in any one company or any one industry.

The Limited Partnership's venture investments exposed to credit risk were concentrated in the following sectors:

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

Industry	March 31, 2017		December 31, 2016	
	% of total investments	# of companies	% of total investments	# of companies
Financial Technology and eCommerce	9.08%	1	7.41%	1
Media Technology	11.26%	2	15.31%	3
Health Care and Health Care Information Technology	2.26%	2	1.46%	2
Security Software and Services	7.04%	3	5.74%	3
Other Technology and Financial	39.29%	5	31.42%	5
Total Venture Debt Investments	68.93%	13	61.34%	14

Liquidity Risk

Liquidity risk is the risk that the Limited Partnership may not be able to settle or meet its obligations on time or at a reasonable price. Liquidity risk is considered to be low. The Limited Partnership maintains adequate cash balances to meet short term requirements. In addition, the Limited Partnership is not exposed to daily cash redemptions of the Units.

All the financial liabilities of the Limited Partnership as at March 31, 2017 and December 31, 2016 fall due within twelve months.

Fair value measurement

The Limited Partnership classifies its investments within a fair value hierarchy, based on the inputs used in their fair value measurement. The hierarchy of inputs is summarized as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable for the asset or liability.

In determining the value of assets for which there does not exist a published market, the General Partner will be guided, where appropriate, by the following criteria:

- Investments are valued at fair value (the highest price available in an open and unrestricted market between fully informed and prudent parties, acting at arm's length, under no compulsion to transact, expressed in terms of cash).
- The fair value of investments is determined on the basis of expected realizable value of the investments on a going concern basis or if they were disposed of in an orderly disposition over a reasonable period of time, as appropriate.
- Where the investment is progressing satisfactorily in relation to the Limited Partnership's expectations, a reasonable multiple of sustainable earnings, cash flow, revenue or discounted cash flow (as considered appropriate) with a cross-reference to, and an assessment of, tangible asset value may be used. Such valuation multiples are developed through reference to comparable public entities discounted to reflect the inherent differences between private and public holdings such as size, performance and lack of marketability. Consideration will be given to the planned timing of an initial public offering of the investee company.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

- New investments are valued at fair value giving consideration to whether there is a substantial arm's length transaction which establishes a different value or there is a significant change from the General Partner's expectations.
- If there is a significant arm's length enforceable offer or transaction with respect to an investment, values used in such offer or transaction may be used in the valuation of the investment. In such circumstances, consideration will be given to whether new or existing investors participated in the offer or transaction and the current level of market interest in the investment. Similarly, if there is a valuation prepared by a qualified independent party, such valuation will be considered to provide a valid indication of the estimated fair market value of an investment.
- Debt instruments, other than short-term liquid debt instruments will be valued at fair value (with accrued interest and discounts earned included in interest receivable) and giving consideration to whether the instrument is in arrears or whether a write-down or other provision is considered prudent due to the unlikelihood of full realization on the investment. Where there is a decline in the carrying value of a debt instrument, the instrument and related accrued interest will be written down.
- Short-term liquid debt instruments (having a term to maturity of 365 days or less) are valued at amortized cost which approximates fair value with accrued interest earned included in interest receivable.

The following tables indicate the fair value hierarchy of the inputs used in valuing the Limited Partnership's investments.

March 31, 2017

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	\$6,995,800	\$20,036,971	\$27,032,771
Equities	\$18,469	-	\$9,036,543	\$9,055,012
Total	\$18,469	\$6,995,800	\$29,073,514	\$36,087,783

December 31, 2016

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	\$4,496,730	\$21,855,154	\$26,351,884
Equities	\$19,530	-	\$9,257,155	\$9,276,685
Total	\$19,530	\$4,496,730	\$31,112,309	\$35,628,569

The carrying value of all other financial instruments of the Limited Partnership, which include cash, receivable on the sale of investments, accrued interest and other receivables, accounts payable and accrued liabilities, General Partner Priority Profit Allocation payable and Performance Allocation payable approximates their fair value. During the three month period ended March 31, 2017 and the year ended December 31, 2016 there were no investments transferred between Level 1, Level 2, or Level 3. The Limited Partnership's policy is to recognize transfers into and out of the fair value hierarchy as of the date of the event or change in circumstances giving rise to the transfer.

Level 3	March 31, 2017	December 31, 2016
Balance - beginning of period	\$31,112,309	\$37,805,357
Purchases	\$150,000	\$9,841,367
Sales, maturities and repayments	(\$2,636,330)	(\$16,049,963)
Realized Gains	\$257,150	\$421,787
Change in Unrealized Gains (Losses)	\$190,385	(\$906,239)
Balance - end of period	\$29,073,514	\$31,112,309
Change in Unrealized Gains (Losses) during the period attributed to investments held at end of the period	\$47,528	(\$109,815)

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

The equity investments are valued with reference to the last round of equity financing, comparable public companies, transactions involving similar companies and reference to third party valuations among other things. If the equity investment includes a put right the investment may be valued by applying a discount for the expected time to exercise the Limited Partnership's put right to realize on this investment.

The Limited Partnership considers the following factors to identify "comparable companies": the same or similar industries, business models, size in terms of revenues and market capitalization, geographic location, market focus and financial structure. The General Partner will also consult with management of the investee companies to help identify comparable companies which are often direct competitors to the investee company.

Comparable multiples such as enterprise value to revenue multiple is applied to the trailing twelve months actual revenues of the investee company to determine the enterprise value of the investee company. An additional discount may be applied to the enterprise value to take into consideration that the investee company is a private company and therefore its securities are illiquid. Once the enterprise value of the investee company is determined the net debt is removed (total debt less cash) and the remaining equity value is allocated to the capital of the investee company in order of ranking (e.g., preferred shares, common shares).

The fixed term securities are valued at fair value. Adjustments to fair value are made in cases where the operating results and financial condition of the investee company suggest that the Limited Partnership may not be able to realize the full amount of the investment. The Limited Partnership reviews the investee company's compliance with financial covenants, ability to make interest and principal payments, changes in the market interest rates for similar investments, operating performance relative to budget, the need for further financing and the availability of collateral to secure the debt among other factors in determining the fair value of the investment.

The following tables present significant unobservable inputs used in the fair value measurements of investments classified as Level 3:

March 31, 2017

Debt Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-
Performing debt	\$17,289,974	Discounted cash flow	Discount rate	11.00% - 20.00%	14.53%	1.00%	\$2,569,221/(\$1,981,445)
Non-performing debt	\$2,746,997	Estimated realizable value	Impairment provision	-	25%	50%	\$939,003/(\$1,373,499)

Equity Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-
Common Shares and Preferred Shares	\$5,425,123	Comparable Multiples	Enterprise value/revenue multiple	2.01 – 7.10	5.50	20%	\$1,085,025/(\$1,085,025)
Common Shares and Common Share Purchase Warrants	\$3,549,918	Transaction Value	Transaction Value	-	-	25%	\$887,480/(\$887,480)
Common Share Purchase Warrants	\$61,502	Black Scholes	Volatility	120%	120%	20%	\$14,538/(\$16,664)

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

December 31, 2016

Debt Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Performing debt	\$21,279,154	Discounted cash flow	Discount rate	11.00% - 24.00%	15.20%	1.00%	\$3,413,315/(\$2,619,618)
Non-performing debt	\$576,000	Estimated realizable value	Impairment provision	-	70.00%	20%	\$115,200/(\$115,200)

Equity Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Common Shares and Preferred Shares	\$5,425,123	Comparable Multiples	Enterprise value/revenue multiple	1.90 – 6.50	5.29	20%	\$1,085,025/(\$1,085,025)
Common Shares and Common Share Purchase Warrants	\$3,753,807	Transaction Value	Transaction Value	-	-	10%	\$375,381/(\$375,381)
Common Share Purchase Warrants	\$78,225	Black Scholes	Volatility	120%	120%	20%	\$16,629/(\$19,385)

In practice, the actual results may differ from the sensitivity analysis above and the differences could be material.

9. RECEIVABLE ON SALE OF INVESTMENTS

Included in the receivable on sale of investments is a portion of the proceeds from the sale of venture investments which are being held in escrow in accordance with escrow agreements between the purchasers and the investors of the venture companies. The escrow agreements were established to protect the purchasers of the venture companies against unforeseen claims at the time of the purchase. The proceeds held in escrow will be received based on the escrow agreements release provisions and any legitimate claims against these funds. As at March 31, 2017, the Limited Partnership had recorded a receivable of \$230,119 (December 31, 2016: \$500,375) for proceeds held in escrow based on its best estimate of the timing and amount of the cash flows that the Limited Partnership expects to ultimately recover. In addition, the Limited Partnership has included in the receivable on the sale of investments an amount of \$19,382 (December 31, 2016: \$20,821) for a revenue share agreement from the purchaser of the assets of one of the Limited Partnership's venture investments. The estimates of amounts to be received from the funds held in the escrow and from the revenue share agreement are based on inherent uncertainties and the resulting values may differ from the amounts ultimately realized.

10. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

Information about the Limited Partnership's interests in unconsolidated subsidiaries, associates and structured entities are as follows:

March 31, 2017

Investment	Principal Place of Business	Country of Incorporation	Nature of Limited Partnership's Interests	Number of Units	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Preferred Shares	2,824		
			Common Shares	264,464,964	71.30	71.30
Geminare Inc.	Ontario	Canada	Preferred Shares	3,603,604		
			Common Shares	3,674,873	22.12	22.12

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

December 31, 2016

Investment	Principal Place of Business	Country of Incorporation	Nature of Limited Partnership's Interests	Number of Units	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Preferred Shares	2,824		
			Common Shares	264,464,964	71.30	71.30
Geminare Inc.	Ontario	Canada	Preferred Shares	3,603,604		
			Common Shares	3,674,873	22.12	22.12

Each of the unconsolidated entities presented as at March 31, 2017 and December 31, 2016 has outstanding debt instruments which could impact the entities ability to pay dividends to the Limited Partnership on the listed equity interest. These debt instruments may be held by the Limited Partnership or other parties.

11. FUTURE ACCOUNTING CHANGES

IFRS 9, Financial instruments

The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, changes in the entities own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Limited Partnership is in the process of assessing the impact of IFRS 9.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, was issued by IASB in May 2014 and will replace IAS 18, Revenue and IAS 11 construction contracts. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Limited Partnership is in the process of evaluating the impact of IFRS 15 on the Limited Partnership's financial statements.

12. CHANGE IN ACCOUNTING POLICY

These financial statements include adjustments to the comparative financial statements related to the Priority Profit Allocation on a comparable basis year over year. The Limited Partnership has changed its presentation of the Priority Profit Allocation from an allocation and distribution in the Statement of Changes in Equity to an expense reported in the Statement of Comprehensive Income.

Statement of Comprehensive Income

The Statement of Comprehensive Income for the period ended March 31, 2016 was revised to include the General Partner Priority Profit Allocation of \$263,450 and adjust the net and comprehensive income to \$861,812 from \$1,125,262. The total expenses increased from \$263,470 to \$526,920 for the three month period ended March 31, 2016.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2017

Statement of Changes in Equity

The Statement of Changes in Equity for the period ended March 31, 2016 was revised to remove the General Partner Priority Profit Allocation (\$263,450) and the General Partner Priority Profit declaration of distribution (\$263,917).

Statement of Cash Flows

The Statement of Cash Flows for the three month period ended March 31, 2016 was revised to present the General Partner Priority Profit Allocation of \$263,450 as an operating item included in Net and comprehensive income under Cash flows from operating activities. The amount of Net change in non-cash balances related to operations was decreased to \$24,794 from \$25,261 to reflect the change for the General Partner Priority Profit Allocation payable accrued. As a result, the amount of the General Partner Priority Profit Allocation under Cash flows from financing activities was removed. The cash distributions for the period ended March 31, 2016 to Limited Partners and to the General Partner for the Priority Profit Allocation remain unchanged at \$369,014 and \$263,917, respectively.

Income per Unit

The Statement of Comprehensive Income for the period ended March 31, 2016 was revised to include the Net income per unit attributable to limited partners per limited partnership unit and the Net income per unit attributable to the general partner per limited partnership unit.

13. SUBSEQUENT EVENTS

The Limited Partnership made a distribution of \$0.125 per Unit on April 28, 2017 to Unitholders of record on April 18, 2017. Following the April 28, 2017 distribution, the Limited Partnership issued 24,048 Units to participants in the Distribution Reinvestment Plan.

Subsequent to March 31, 2017, the Limited Partnership adjusted the value of one of its portfolio investments to recognize the decline in the value of the investment. The adjustment resulted in the decrease in the value of the investment by \$880,000 and the write-down of accrued interest in the amount of \$200,331.