



Tier One Capital Limited Partnership

Unaudited Financial Statements

Three Months Ended March 31, 2019

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, 2019 and December 31, 2018

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Cash	\$ 5,365,666	\$ 1,042,225
Restricted cash	260,310	361,673
Accrued interest and other receivables	121,957	101,608
Receivable on the sale of investments (note 9)	680,807	1,540,149
Investments	17,931,544	22,563,177
Total Assets	24,360,284	25,608,832
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	168,397	829,599
General partner priority profit allocation payable (note 6)	181,908	197,899
Total Liabilities	350,305	1,027,498
EQUITY		
Limited partnership units	39,514,842	39,351,686
General partner interest (note 6)	1,460,905	1,448,328
Deficit	(16,965,768)	(16,218,680)
Total Equity	24,009,979	24,581,334
Total Liabilities & Equity	\$ 24,360,284	\$ 25,608,832

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



Robert Roy
 Director



John Richardson
 Director

Tier One Capital Limited Partnership**STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)****For the three-month periods ended March 31, 2019 and March 31, 2018**

	2019	2018
INCOME (LOSS)		
Net gain (loss) on investments at fair value through profit and loss	\$ 104,226	\$ (657,592)
	<u>104,226</u>	<u>(657,592)</u>
EXPENSES		
Management fees (note 6)	69,156	97,099
Professional and legal fees	30,528	12,706
Audit fees expense	29,862	29,988
Transfer agent, registrar and administrative (note 6)	19,337	23,466
Directors' fees and expenses	5,172	8,942
Custodian fees (note 6)	2,687	3,042
Unitholder reporting costs	1,283	2,537
	<u>158,025</u>	<u>177,780</u>
Net loss before general partner priority profit allocation	\$ (53,799)	\$ (835,372)
General partner priority profit allocation (note 6)	181,909	259,796
Net and comprehensive loss	<u>\$ (235,708)</u>	<u>\$ (1,095,168)</u>
Net loss per unit	\$ (0.06)	\$ (0.28)
Net loss per unit attributable to limited partners per limited partnership unit	\$ (0.06)	\$ (0.31)
Net income per unit attributable to the general partner per limited partnership unit	\$ 0.00	\$ 0.03

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, 2019 and March 31, 2018

2019	Limited partners units	Limited partners (deficit)/retained earnings	General partner interest	Total
Total equity - balance beginning of period	\$ 39,351,686	\$ (16,218,680)	\$ 1,448,328	\$ 24,581,334
Net and comprehensive loss for the period	-	(235,708)	-	(235,708)
Issuance of limited partnership units	163,156	-	-	163,156
Performance allocation (note 6)	-	(12,577)	12,577	-
Distributions to limited partners	-	(498,803)	-	(498,803)
Total equity - balance end of period	\$ 39,514,842	\$ (16,965,768)	\$ 1,460,905	\$ 24,009,979

2018	Limited partners units	Limited partners (deficit)/retained earnings	General partner interest	Total
Total equity - balance beginning of period	\$ 38,800,370	\$ (7,659,294)	\$ 2,356,826	\$ 33,497,902
Net and comprehensive loss for the period	-	(1,095,168)	-	(1,095,168)
Issuance of limited partnership units	137,906	-	-	137,906
Performance allocation (note 6)	-	(102,777)	102,777	-
Distributions to limited partners	-	(484,563)	-	(484,563)
Total equity - balance end of period	\$ 38,938,276	\$ (9,341,802)	\$ 2,459,603	\$ 32,056,077

Tier One Capital Limited Partnership

STATEMENTS OF CASH FLOWS (UNAUDITED)

For the three-month periods ended March 31, 2019 and March 31, 2018

	2019	2018
Cash flows from operating activities		
Net and comprehensive loss	\$ (235,708)	\$ (1,095,168)
Adjustments for:		
Net change in unrealized (appreciation) depreciation on investments	(2,792,922)	2,074,744
Net realized loss on sale of investments	2,881,809	147,102
Non-cash interest and other loss	-	75,420
Net change in non-cash balances related to operations	(698,222)	(1,391,505)
Decrease in restricted cash	101,363	-
Proceeds from maturities of short-term investments	7,986,720	31,963,660
Proceeds from disposal of venture investments	1,739,696	3,284,902
Purchase of short-term investments	(3,994,040)	(32,960,160)
Purchase of venture investments	(329,608)	(300,504)
	<u>4,659,088</u>	<u>1,798,491</u>
Cash flows from financing activities		
Distributions to limited partners, net of reinvestments **	(335,647)	(346,657)
	<u>(335,647)</u>	<u>(346,657)</u>
Increase in cash during the period	4,323,441	1,451,834
Cash - Beginning of period	1,042,225	1,182,475
Cash - End of period	\$ <u>5,365,666</u>	\$ <u>2,634,309</u>
Supplemental Information *		
Interest Received	\$ 197,428	\$ 162,224

* classified as cash flows from operations

** excludes non-cash reinvestment of \$163,156 (2018: \$137,906)

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, 2019

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
PUBLIC COMPANY INVESTMENTS (1.79%)*				
31,000	Cymat Technologies Ltd., Common shares		55,800	6,820
16,953	Findev Inc. Common shares		69,731	8,222
382,999	Founders Advantage Capital Corp. Common shares, Class A		729,675	413,639
Total public company investments			855,206	428,681
Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
VENTURE INVESTMENTS (72.90%)*				
Financial Technology and eCommerce (1.28% of total venture investments)				
FinanceIT Canada Inc.				
172,680	Common shares		223,600	
Mobify Research and Development Inc.				
243,364	Common shares purchase warrant	April 1, 2021	-	
31,814	Common shares purchase warrant	December 22, 2021	-	
Total Financial Technology and ecommerce			223,600	223,600
Media Technology (5.53% of total venture investments)				
Dejero Labs Inc.				
52,748	Common shares		50,397	
103,300	Common shares purchase warrant	October 14, 2020	-	
Electronic Systems Software Solutions Inc.				
1,328,408	Promissory note, 16.50%	January 25, 2019	1,328,408	
146,154	Common shares purchase warrant	June 30, 2021	-	
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, 24.00%	April 19, 2018	1,760,000	
4,484,368	Common shares purchase warrant	October 19, 2020	-	
Total Media Technology			3,138,805	968,546

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
As at March 31, 2019

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
Health Care and Health Care Information Technology (2.64% of total venture investments)				
ArcticAx Inc.				
40,000	Convertible Promissory note, 10.00%	January 20, 2019	40,000	
26,667	Convertible Promissory note, 10.00%	January 20, 2019	26,667	
19,794	Convertible Promissory note, 10.00%	January 20, 2019	19,794	
51,867	Convertible Promissory note, 10.00%	January 20, 2019	51,867	
51,262	Convertible Promissory note, 10.00%	April 20, 2019	51,262	
50,107	Convertible Promissory note, 10.00%	April 20, 2019	50,107	
179,663	Common shares		179	
139,333	Common shares purchase warrant	March 23, 2021	-	
Health Care Services International Inc.				
1	Common shares purchase warrant	December 31, 2020	-	
Infonaut Inc.				
508	Common shares		-	
Whut Inc.				
31,350	Common shares, Class E		-	
Total Health Care Information Technology			239,876	462,479
Security Software and Services (9.20% of total venture investments)				
ERMS Corporation				
264,464,964	Common shares		1,111,338	
Geminare Inc.				
3,603,604	Preferred shares		4,000,000	
3,599,560	Common shares, Class B		-	
75,313	Common shares, Class A		-	
PitchPoint Solutions Inc.				
277,677	Common shares		-	
1,166,667	Common shares purchase warrant	November 18, 2020	190,627	
155,007	Common shares purchase warrant	December 9, 2021	-	
Total Security Software and Services			5,301,965	1,609,860

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
As at March 31, 2019

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
Other Technology and Financial (39.33% of total venture investments)				
	Garner Distributed Workflow Inc.			
213,600	Common shares purchase warrant	July 8, 2021	-	
	Iogen Biogas Investment Corporation			
478,392	Common shares		275,075	
	Iogen Corporation			
2,677,988	Class A Common shares		3,349,210	
	MAC Financial Recovery (Canada) Inc.			
567,005	Promissory note, 11.50%	April 10, 2020	567,005	
	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	
	Think Protection Inc.			
1,000,000	Promissory note, 12.00%	October 19, 2021	1,000,000	
3,354,732	Common shares purchase warrant	October 19, 2028	-	
	Trak Global Inc.			
5,082,113	Class A Common shares		4,600,282	
143,977	Class B Common shares		130,326	
48,008	Class C Common shares		43,457	
	Trakopolis IoT Corp. (Can Telematics Inc.)			
242,029	Common shares purchase warrant	October 28, 2019	-	
Total Other Technology and Financial			13,255,936	6,884,399
Energy (27.71% of total venture investments)				
	Accel Energy Canada Limited			
1,250,000	Gross Overriding Royalty Agreement	December 31, 2018	1,250,000	
2,500,000	Gross Overriding Royalty Agreement	January 25, 2019	2,500,000	
	Greenfire Hangingstone Operating Corp.			
1,100,000	Debenture, 15.00%	February 1, 2021	1,100,000	
	Greenfire Oil & Gas Ltd.			
1,833,333	Common Shares	February 1, 2021	-	
4,400,000	Common shares purchase warrant	July 31, 2022	-	
Total Resources			4,850,000	4,850,000
Limited Partnerships (14.31% of total venture investments)				
	Multiplier Capital II LP			
800,000	Limited partnership interest		1,022,252	
	PA Direct Credit Opportunities Fund II (Offshore) LP			
1,644,332	Limited partnership interest		1,524,140	
Total Limited Partnership Interest			2,546,392	2,503,979
Total venture investments (72.90%)*			29,556,574	17,502,863
Transaction costs			-	
Total investments (74.68%)*			30,411,780	17,931,544
Other net assets (25.32%)*				6,078,435
Total equity (100.00%)*				24,009,979

* 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, 2019

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’s investment objective is to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio investments held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership.

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 181 Bay Street, Suite 810, Toronto, Ontario, M5J 2T3.

These financial statements were authorized for issue by the General Partner on May 17, 2019.

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, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification

Financial assets at Fair Value Through Profit or Loss

The Limited Partnership classifies its investments, including derivatives, based on both the Limited Partnership’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss (FVTPL). An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Limited Partnership is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Limited Partnership has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (FVOCI). The contractual cash flows of the Limited Partnership’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

collecting contractual cash flows and for sale. The contractual cash flows of the Limited Partnership investments in underlying funds are not solely payments of principal and interest, and these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Limited Partnership's business model's objective. Consequently, all investments, including derivatives and short-term investments with a maturity of up to one year from the date of acquisition, are measured at FVTPL. The Limited Partnership requires the investment manager and the Board of Directors to evaluate the information about the financial assets on a fair value basis together with other related financial information.

Other financial assets and liabilities

All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates their fair value. There were no changes in the measurement attributes for these financial instruments.

Recognition, derecognition and measurement

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. After initial recognition, financial assets are measured at fair value with unrealized gains or losses presented in the statements of comprehensive loss within net (loss) gain on investments at fair value through profit or loss in the period in which they arise.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Limited Partnership has transferred substantially all risks and rewards of ownership.

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

Publicly traded investments are valued based on close price that is between the bid and ask price.

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

Investments in limited partnership interests which represent fund of fund investments are valued using the net asset values of the underlying funds provided by the portfolio managers of the limited partnerships on a quarterly basis and adjusted for capital calls, distributions and valuation changes during the intervening periods. If necessary, the General Partner makes adjustments to these net asset values to obtain the best estimate of the fair value.

Investments in Gross Overriding Royalty Agreements ("GORR") are valued at fair value through profit or loss. Fair value is determined by reviewing the value of the expected royalty collections from the underlying producing resource properties associated with each royalty agreement.

Derivatives, including warrants are measured at fair value through profit or loss. 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 are classified at amortized cost, which approximates fair value due to their short-term nature.

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

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

Limited Partnership Units and General Partner Interest

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.

Income recognition, transaction costs and expenses

Gains and losses on investments include realized gains (losses), changes in unrealized appreciation (depreciation), interest income, other income and foreign exchange gains (losses) and are recorded as Net (loss) gain on investments at fair value through profit and loss in the Statements of Comprehensive Loss. Interest income is recorded on an accrual basis based on the coupon rate of interest.

Transaction fees on investments, if incurred, are expensed in the Statements of Comprehensive Loss. 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.

Interest in unconsolidated subsidiaries, associates, joint ventures and structured entities

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 measured and classified as investments at fair value through profit or loss.

Information about the Limited Partnership's interest in unconsolidated subsidiaries and associates are as follows:

March 31, 2019

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

December 31, 2018

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

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Limited Partnership has determined that the underlying funds, presented below, in which the Limited Partnership invests are unconsolidated structured entities. In making this determination, the Limited Partnership evaluated the fact that decision making about underlying funds' activity is generally not governed by voting or similar rights held by the Limited Partnership and other investors in any underlying funds.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

March 31, 2019

Structured Entities	Fair Value of Limited Partnership's Investment in Underlying Fund	Net Assets of the Limited Partnership%	Ownership of Underlying Fund %
Multiplier Capital II LP	\$1,036,400	4.32%	1.78%
PA Direct Credit Opportunities Fund II (Offshore) L.P.	\$1,467,579	6.11%	0.66%
Total	\$2,503,979	10.43%	

December 31, 2018

Structured Entities	Fair Value of Limited Partnership's Investment in Underlying Fund	Net Assets of the Limited Partnership%	Ownership of Underlying Fund %
Multiplier Capital II LP	\$1,058,468	4.31%	1.78%
PA Direct Credit Opportunities Fund II (Offshore) L.P.	\$1,258,824	5.12%	0.66%
Total	\$2,317,292	9.43%	

Each of the unconsolidated entities presented as at March 31, 2019 and December 31, 2018 has outstanding debt instruments which could impact the entities ability to pay dividends on the equity interest to the Limited Partnership. These debt instruments may be held by the Limited Partnership or other parties.

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 (loss) on investments at fair value through profit and loss in the Statements of Comprehensive Loss.

Net income (loss) per Unit

The Net 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 and comprehensive income (loss) for the period divided by the weighted average number of limited partnership units outstanding during the period. As there are no General Partner units, the Net (loss) income 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.

Functional Currency and Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period-end exchange rates. Purchase and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions. The Canadian dollar is the Limited Partnership's functional and presentation currency as it is the primary economic environment in which the Limited Partnership operates.

Foreign exchange gains or losses relating to investments are presented within net gain (loss) on investments at fair value through profit and loss in the statement of comprehensive loss.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

Contingencies

The Limited Partnership may be subject to litigation and administrative proceedings arising in the ordinary course of its business. The Limited Partnership has determined that there are no such matters as at March 31, 2019 and December 31, 2018 that are probable of resulting in a material loss for which a loss contingency is recognized.

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 and limited partnership investments. The valuation of venture investments and limited partnership 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 6). 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 and limited partnership 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 and limited partnership 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 7 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 been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) The Limited Partnership has obtained funds for the purpose of providing investors with professional investment management services;
- (b) The Limited Partnership's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income;
- (c) The investments are measured and evaluated on a fair value basis.

As a result, the Limited Partnership measures its investments in other entities at fair value.

General Partner allocations

The Limited Partnership presents the General Partner Priority Profit Allocation (the "Priority Profit Allocation") as described in note 6 of the financial statements, in the Statements of Comprehensive Loss. The Limited Partnership has determined that the Performance Allocation, described in note 6, represents an equity allocation to the General Partner rather than compensation for services provided and is presented in the Statements of Changes in Equity.

Business model assessment under IFRS 9 and application of the fair value option

The objective of the Limited Partnership is to achieve long-term capital appreciation and its investment portfolio is managed on a fair value basis. The Limited Partnership has assessed the business model, the manner in which the investment portfolio is managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Limited Partnership's investment portfolio.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

5. NET ASSETS ATTRIBUTABLE TO PARTNERS

Authorized and issued Units of the Limited Partnership:

Issued	Number of Units For the period ended March 31, 2019	Number of Units For the year December 31, 2018
Limited Partner Units		
Balance forward from prior period	3,990,435	3,876,514
Issued on the Distribution Reinvestment Plan	35,312	113,921
Balance at end of period	4,025,747	3,990,435

The weighted average number of Units outstanding during the six-month period ended March 31, 2019 was 4,013,584 (March 31, 2018: 3,893,268).

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., 593,991 Units or approximately 14.75% of the total Units issued and outstanding as at March 31, 2019 (December 31, 2018: 578,558 Units, 14.50%).

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 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 choose 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. OPERATING ARRANGEMENTS AND RELATED PARTIES

Management Fees

The General Partner, which provides key personnel to the Limited Partnership, is 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%, plus applicable taxes, 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 Loss.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

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 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 Trust Company to provide custody services to the Limited Partnership. The fees paid to CIBC Mellon Trust Company are included in Custodian fees.

Transfer agent, registrar and administrative 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, administration fees and marketing expenses. The Limited Partnership and the General Partner have retained TSX Trust Company to provide transfer agent and registrar services.

Related Parties

During the three-month period ended March 31, 2019, the Limited Partnership incurred management fees of \$69,156 (March 31, 2018: \$97,099). Included in accounts payable and accrued liabilities as at March 31, 2019 are accrued Management fees owing to the General Partner of \$23,264 (December 31, 2018: \$24,758).

The Limited Partnership incurred a Priority Profit Allocation to the General Partner during the three-month period ended March 31, 2019 of \$181,909 (March 31, 2018: \$259,796) which is included in the Statements of Comprehensive Loss. At March 31, 2019, the Limited Partnership had an unpaid amount of Priority Profit Allocation to the General Partner of \$181,908 (December 31, 2018: \$197,899).

The Limited Partnership allocated a Performance Allocation amount to the General Partner during the three-month period ended March 31, 2019 of \$12,577 (March 31, 2018: \$102,777). At December 31, 2018, the Limited Partnership had an allocated but

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

not approved for distribution Performance Allocation amount of \$1,460,905 (December 31, 2018: \$1,448,328) included in General Partner interest in the Statements of Financial Position.

7. 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, venture investments, limited partnership interests and royalty agreements.

Venture investments in private companies consist of debt instruments, convertible debt, gross overriding royalty agreements, 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 investments in limited partnerships consist of interests in underlying limited partnerships which may in turn invest in limited partnerships or private company investments. Each of the limited partnership investments was made in a currency other than the Canadian dollar. The Limited Partnership seeks to reduce the risks of the limited partnership investments by sourcing limited partnerships which offer investment managers with a successful track record of portfolio management, regular distributions of capital and income, diversified underlying portfolio investments, structures which focus on downside protection, high expected returns and ability to generate attractive investment opportunities.

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 Limited Partnership's venture 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.

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. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Foreign exchange exposure relating to non-monetary assets and liabilities is considered 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.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

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, 2019

Asset	Value of US\$ denominated Instrument in CDNS	Reasonable possible shift	Movement in value in CDNS
Cash	\$595,757	+/- 5%	\$29,788/(\$29,788)
Investments in Limited Partnership Interests	\$2,503,979	+/- 5%	\$125,199/(\$125,199)

As at March 31, 2019, the Limited Partnership had two investments denominated in US dollars.

December 31, 2018

Asset	Value of US\$ denominated Instrument in CDNS	Reasonable possible shift	Movement in value in CDNS
Cash	\$187,022	+/- 5%	\$9,351/(\$9,351)
Investments in Limited Partnership Interests	\$2,317,291	+/- 5%	\$115,865/(\$115,865)

As at December 31, 2018, the Limited Partnership had two investments denominated in US dollars.

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.

March 31, 2019

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	\$4,653,901	\$2,667,005	\$10,610,638	\$17,931,544
Cash			\$5,365,666	\$5,365,666
Restricted cash			\$260,310	\$260,310
Other financial assets			\$802,764	\$802,764
Financial liabilities			\$350,305	\$350,305

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

December 31, 2018

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	\$8,545,212	\$2,815,642	\$11,202,323	\$22,563,177
Cash			\$1,042,225	\$1,042,225
Restricted cash			\$361,673	\$361,673
Other financial assets			\$1,641,757	\$1,641,757
Financial liabilities			\$1,027,498	\$1,027,498

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 \$Nil (December 31, 2018: \$3,992,680) and debt securities of private companies in the amount of \$4,653,901 (December 31, 2018: \$4,552,532) which mature in less than one year.

The Limited Partnership may have indirect exposure to interest rate risk as a result of its investment in the underlying limited partnership interests.

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, 2019, 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 \$21,434 or approximately 0.089% of total equity (December 31, 2018: \$24,733 or 0.097%).

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, 2019, 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 \$509,098 or approximately 2.12% of total equity (December 31, 2018: \$419,518 or 1.71%).

As at March 31, 2019, if the value of the Limited Partnership's investment in limited partnership interests had increased or decreased by 5%, all other variables held constant, the total equity of the Limited Partnership attributed to limited partnership investments would have increased or decreased respectively by approximately \$125,199 or approximately 0.52% of total equity (December 31, 2018: \$115,865 or 0.47%).

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

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

Industry	March 31, 2019		December 31, 2018	
	% of total equity venture investments	# of companies	% of total equity venture investments	# of companies
Financial Technology and eCommerce	2.91%	1	2.66%	1
Media Technology	3.96%	2	3.50%	2
Health Care and Health Care Information Technology	2.90%	1	2.66%	1
Security Software and Services	20.97%	3	26.83%	3
Other Technology and Financial	69.26%	4	64.35%	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, 2019 and December 31, 2018.

Cash consists of highly liquid temporary deposits with a Canadian bank.

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 acting 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, 2019			
Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	\$5,365,666
Restricted Cash		Held in trust at law firm	\$260,310
Receivable on sale of investments		Interset Software Inc., Receiver for Intelligent Mechatronic Systems Inc.	\$680,807
Royalty Agreement	Gross Overriding Royalty Agreement	Accel Energy Canada Limited	\$3,750,000
Debt Securities	Secured by General Security Agreement	ArcticAX Inc., Electronic Systems Software Solutions Inc., MAC Financial Recovery (Canada) Inc., Greenfire Hangingstone Operating Corp., Think Protection Inc.	\$3,570,906
Total cash, receivable and debt securities			\$13,627,689

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

December 31, 2018			
Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	\$1,042,225
Restricted Cash		Held in trust at law firm	\$361,673
Short-term Investments	Banker's Acceptance	Bank of Nova Scotia	\$3,992,680
Receivable on sale of investments		ERMS Corporation, Receiver for Intelligent Mechatronic Systems Inc.	\$1,540,149
Royalty Agreement	Gross Overriding Royalty Agreement	Accel Energy Canada Limited	\$3,750,000
Debt Securities	Secured by General Security Agreement	ArcticAX Inc., Electronic Systems Software Solutions Inc., MAC Financial Recovery (Canada) Inc., Greenfire Hangingstone Operating Corp., Think Protection Inc.	\$3,618,174
Total cash, receivable and debt securities			\$14,304,901

The Limited Partnership holds cash with a Canadian chartered bank. The custodian of the Limited Partnership's cash, CIBC Mellon Trust, has a rating of A+ by the Standard & Poor's. The Limited Partner holds a Banker's Acceptance issued by Bank of Nova Scotia which has a credit rating of A+ by Standard & Poor's.

The Limited Partnership 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. The Limited Partnership mitigates the credit risk of royalty agreements by seeking royalty agreements that have sufficient underlying resources properties available as collateral and to support royalty payments.

The Limited Partnership may have indirect exposure to credit and concentration risk as a result of its investment in the underlying limited partnership interests.

Other than outlined above, there were no significant concentrations of credit risk to counterparties as at March 31, 2019 or December 31, 2018.

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, v) other technology and financial, and iv) resources. The General Partner seeks 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.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

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

Industry	March 31, 2019		December 31, 2018	
	% of total venture investments	# of companies	% of total venture investments	# of companies
Media Technology	3.79%	1	3.67%	1
Health Care and Health Care Technology	1.37%	1	0.77%	1
Energy	27.71%	2	26.83%	2
Other Technology and Financial	8.95%	2	9.49%	2
Total Venture Debt Investments	41.82%	6	40.76%	6

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. 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, 2019 and December 31, 2018 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 is no 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.
- 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.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

- 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.
- Investments in limited partnership interests which represent fund of fund investments are valued using the available net asset values of the underlying funds provided by the portfolio managers of the limited partnerships on a quarterly basis adjusted for valuation changes made during the intervening periods, capital calls and distributions. The Limited Partnership reviews the details of the reported information obtained from the limited partnerships and considers the liquidity of the limited partnership interest and its underlying investments, the value date of the net asset value provided, any restrictions on redemption or transfers of the limited partnership interest and the basis of accounting applied by the limited partnership.
- Investments in Gross Overriding Royalty Agreements ("GORRs") are valued at fair value. Fair value is determined by reviewing the value of the expected royalty collections from the underlying producing resource properties associated with each royalty agreement. Adjustments to fair value are made in cases where the operating results of the underlying resource property or the value of the underlying resources property suggest that the Limited partnership may not be able realize the full amount of the royalty agreement.

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

March 31, 2019	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	-	\$7,320,906	\$7,320,906
Equities and limited partnership interests	\$428,681	-	\$10,181,957	\$10,610,638
Total	\$428,681	-	\$17,502,863	\$17,931,544

December 31, 2018	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	\$3,992,680	\$7,368,174	\$11,360,854
Equities and limited partnership interests	\$494,665	-	\$10,707,658	\$11,202,323
Total	\$494,665	\$3,992,680	\$18,075,832	\$22,563,177

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 and General Partner Priority Profit Allocation payable approximates their fair value. During the three-month period ended March 31, 2019 and the year ended December 31, 2018 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.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

Level 3	March 31, 2019	December 31, 2018
Balance - beginning of period	\$18,075,832	\$19,923,458
Purchases	\$329,608	\$15,932,537
Sales, maturities and repayments	(\$879,674)	(\$12,611,177)
Realized Losses	(\$2,881,809)	(\$2,833,220)
Change in Unrealized Losses	\$2,858,906	(\$2,335,766)
Balance – end of period	\$17,502,863	\$18,075,832
Change in Unrealized Losses during the period attributed to investments held at end of the period	(\$32,883)	(\$582,490)

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.

Gross overriding royalty agreements are valued at fair value. Adjustments to fair value are made in cases where the operating results of the underlying resource property or the value of the underlying resources property suggest that the Limited partnership may not be able realize the full amount of the royalty agreement.

The investment in limited partnership interests are classified as Level 3 investments due to restrictions associated with the limited partnership interest investments and a lack of secondary market trading in such funds.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

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

March 31, 2019

Debt Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Performing debt	\$2,906,702	Discounted cash flow	Discount rate	10.00% – 15.00%	12.87%	1.00%	\$482,775/(\$373,401)
Impaired	\$664,204	Estimated realizable value	Impairment Provision	50%	50%	25%	\$332,102/(\$332,102)
Gross Overriding Royalty Agreement	\$3,750,000	Estimated realizable value	Discounted value of production	-	-	25%	(\$937,500)

Equity and Limited Partnership Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Limited Partnership Interests	\$2,503,979	Third Party Valuations	Net Asset Value of Limited Partnership	-	-	5%	\$125,199/(\$125,199)
			Liquidity Discount	5% - 10%	5.00%	7.50%	(\$187,798)
Common Shares and Preferred Shares	\$1,000,000	Comparable Multiples	Enterprise value/revenue multiple	9 - 10	9.7	20%	\$200,000/(\$200,000)
Common Shares and Common Share Purchase Warrants	\$6,677,523	Transaction Value	Transaction Value	-	-	10%	\$667,752/(\$667,752)
Common Share Purchase Warrants	\$455	Black Scholes	Volatility	72%	72%	20%	\$1,442/(\$429)

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

December 31, 2018

Debt Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Performing debt	\$2,953,970	Discounted cash flow	Discount rate	10.00% – 15.00%	12.90%	1.00%	\$568,970/(\$433,543)
Impaired	\$664,204	Estimated realizable value	Impairment Provision	50%	50%	25%	\$332,102/(\$332,102)
Gross Overriding Royalty Agreement	\$3,750,000	Estimated realizable value	Discounted value of production	-	-	25%	(\$937,500)

Equity and Limited Partnership Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Limited Partnership Interests	\$2,317,291	Third Party Valuations	Net Asset Value of Limited Partnership	-	-	5%	\$115,864/(\$115,864)
			Liquidity Discount	5% - 10%	5.00%	7.50%	(\$173,797)
Common Shares and Preferred Shares	\$1,000,000	Comparable Multiples	Enterprise value/revenue multiple	9 - 10	9.7	20%	\$200,000/(\$200,000)
Common Shares and Common Share Purchase Warrants	\$7,389,138	Transaction Value	Transaction Value	-	-	10%	\$738,914/(\$738,914)
Common Share Purchase Warrants	\$1,229	Black Scholes	Volatility	72%	72%	20%	\$2,669/(\$1,101)

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

8. COMMITMENTS TO INVEST IN LIMITED PARTNERSHIPS

The Limited Partnership has made investments in limited partnership entities. There is additional capital that the Limited Partnership has committed to provide as at March 31, 2019 and December 31, 2018 in the tables below:

March 31, 2019

Limited Partnership Investment	Total Committed Capital	Total Invested	Remaining Capital Commitment	Remaining Capital Commitment (in CDN\$)
Multiplier Capital II, LP	US\$2,000,000	US\$800,000	US\$1,200,000	\$1,603,635
PA Direct Credit Opportunities Fund II (Offshore) LP	US\$2,000,000	US\$1,145,863	US\$854,137	\$1,141,437

December 31, 2018

Limited Partnership Investment	Total Committed Capital	Total Invested	Remaining Capital Commitment	Remaining Capital Commitment (in CDN\$)
Multiplier Capital II, LP	US\$2,000,000	US\$800,000	US\$1,200,000	\$1,633,800
PA Direct Credit Opportunities Fund II (Offshore) LP	US\$2,000,000	US\$963,038	US\$1,036,962	\$1,411,824

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

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Unaudited)

As at March 31, 2019

legitimate claims against these funds. As at March 31, 2019, the Limited Partnership had recorded a receivable of \$45,439 (December 31, 2018: \$649,906) 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.

On December 14, 2018, the Limited Partnership disposed of its investment in Intelligent Mechatronic Systems Inc. and Ridetones Inc (the "Company"). The Company was put into receivership during the year and put through a sales process. A portion of the consideration received will be returned by the Receiver and other creditors of the Company. At March 31, 2019 the Limited Partnership had a receivable in the amount of \$634,688 for proceeds related to the sale of the assets of the Company (December 31, 2018: \$890,243).

10. SUBSEQUENT EVENT

The Limited Partnership made a distribution of \$0.125 per Unit on April 30, 2019 to Unitholders of record on April 18, 2019. Following the April 30, 2019 distribution, the Limited Partnership issued 41,189 Units to participants in the Distribution Reinvestment Plan.