Financial Statements of

PENDER GROWTH FUND INC.

And Independent Auditors' Report thereon

Year ended December 31, 2020

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of **Pender Growth Fund Inc.** are the responsibility of management. They have been prepared in accordance with International Financial Reporting Standards. PenderFund Capital Management Ltd. (the "Manager") has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

The Board of Directors is responsible for ensuring the Manager fulfils its responsibility. The Audit Committee meets with the Manager and the external auditors to review both the financial statements and the findings of the audit prior to the submission of the financial statements to the Board of Directors. The external auditors have unrestricted access to the Audit Committee. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

These financial statements have been approved by the Board of Directors and have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the shareholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

"David Barr"

David Barr
President, CEO
PenderFund Capital Management Ltd.

"Gina Jones"

Gina Jones
Chief Financial Officer
PenderFund Capital Management Ltd.

April 7, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pender Growth Fund Inc.

Opinion

We have audited the financial statements of Pender Growth Fund Inc. (the "Company""), which comprise:

- the statements of financial position as at December 31, 2020 and December 31, 2019
- the statements of comprehensive income for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

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Other Information

The Manager is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Duane Tup Chong.

Vancouver, Canada
April 7, 2021

PENDER GROWTH FUND INC.

Statements of Financial Position

December 31, 2020 and 2019

	Notes	2020	2019
Assets			
Cash		$ 1,789,278	$ 8,199,875
Receivable for investments sold		729,274	-
Divestment proceeds receivable		667,631	-
Interest receivable		52,022	491,123
Prepaid expenses		4,243	4,546
Other receivable		53	73
Investments		45,186,746	25,345,146
		$ 48,429,247	$ 34,040,763
Liabilities			
Due to related parties	4	$ 1,058,873	$ 105,753
Accounts payable and accrued liabilities		116,184	100,815
Payable for investments purchased		-	1,178
		1,175,057	207,746
Shareholders' equity			
Class C Common shares:			
Contributed capital	7	18,715,287	19,769,587
Retained earnings		28,538,903	14,063,430
Total Shareholders' Equity		$ 47,254,190	$ 33,833,017
Number of shares outstanding	7	7,740,129	8,083,329
Total shareholders' equity per share		$ 6.11	$ 4.19

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

Approved on behalf of the Board of Directors:

"David Barr" Director *"Kelly Edmison"* Director

PENDER GROWTH FUND INC.

Statements of Comprehensive Income

Years ended December 31, 2020 and 2019

	Notes	2020	2019
Revenue:			
Dividend income		$ 1,593,315	$ 7,098
Interest income		204,282	627,733
Securities lending income	5	796	110
Foreign exchange gain (loss)		(50,541)	(7,586)
Changes in fair value of investments:			
Net realized gain (loss)		6,950,223	591,257
Net change in unrealized appreciation (depreciation)		8,096,531	1,923,769
Total revenue		16,794,606	3,142,381
Expenses:			
Performance fees	4	1,211,315	-
Management fees	4	821,648	633,499
Administration expenses		218,116	180,365
Transaction costs		192,641	22,985
Audit and professional fees		66,039	94,790
Directors' fees		52,262	38,541
Legal fees		29,461	55,648
Custody and recordkeeping fees		29,020	53,672
Withholding taxes (recovery)	6	1,460	-
Total expenses		2,621,962	1,079,500
Less: fees waived /expenses absorbed by the Manager		(302,829)	-
Net income (loss)		$ 14,475,473	$ 2,062,881
Net income (loss), per share:			
Class C shares		$ 1.84	$ 0.31
Weighted average number of non-redeemable Class C shares outstanding		7,887,267	6,571,489

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

PENDER GROWTH FUND INC.
Statements of Changes in Equity

Years ended December 31, 2020 and 2019

Class C Shares	Notes		2020		2019
Balance, beginning of year		$	33,833,017	$	17,205,308
Net income (loss)			14,475,473		2,062,881
Capital transactions	7(c)		(1,054,300)		14,564,828
Balance, end of year		$	47,254,190	$	33,833,017

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

PENDER GROWTH FUND INC.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

		2020		2019
Cash provided by (used in):				
Operating:				
Net income (loss)	$	14,475,473	$	2,062,881
Adjustments for:				
Dividend income		(1,593,315)		(7,098)
Interest income		(204,282)		(627,733)
Foreign exchange (gain) loss		50,541		7,586
Net realized (gain) loss on sales of investments		(6,950,223)		(591,257)
Net change in unrealized (appreciation) depreciation on investments		(8,096,531)		(1,923,769)
(Increase) decrease in divestment proceeds receivable		(667,631)		68,260
(Increase) decrease in prepaid expenses		303		(2,021)
(Increase) decrease in other receivable		20		(73)
Increase (decrease) in due to related parties		953,120		(345,549)
Increase (decrease) in accounts payable and accrued liabilities		15,369		24,097
		(2,017,156)		(1,334,676)
Proceeds on disposal of investments		23,480,499		3,463,750
Purchase of investments		(29,005,797)		(8,647,802)
Dividend received		1,593,315		7,098
Interest received		643,383		136,610
Net cash provided by (used in) operating activities		(5,305,756)		(6,375,020)
Financing:				
Proceeds from issuance of shares		-		15,330,058
Repurchase of shares		(1,054,300)		(765,230)
Net cash provided by (used in) financing activities		(1,054,300)		14,564,828
Net increase (decrease) in cash during the year		(6,360,056)		8,189,808
Cash, beginning of year		8,199,875		17,653
Increase (decrease) due to exchange rate fluctuations on cash		(50,541)		(7,586)
Cash, end of year	$	1,789,278	$	8,199,875

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

PENDER GROWTH FUND INC.

Schedule of Investment Portfolio

Year ended December 31, 2020

	Interest rate/ Exercise price	Maturity/ expiry date	Issue currency	Face value/ number of shares/units	Cost	Fair value
Publicly listed companies: (61.0%)						
Common shares: (59.0%)						
AgJunction Inc.				665,500	$ 89,479	$ 372,680
BBTV Holdings Inc.				131,700	2,107,200	1,868,823
Dye & Durham Limited				38,000	560,370	1,919,760
GreenSpace Brands Inc.				64,968,648	3,590,857	4,872,648
Inscape Corporation, Class B				6,886,981	4,498,638	6,473,762
MAV Beauty Brands Inc.				250,500	511,587	1,227,450
ProntoForms Corporation				2,743,333	1,304,884	2,715,900
Quorum Information Technologies Inc.				1,683,100	1,461,268	1,767,255
Redline Communications Group Inc.				396,153	680,643	178,269
Sangoma Technologies Corporation				620,207	832,904	2,201,735
Spartan Delta Corp.				650,200	1,300,400	1,937,596
TIMIA Capital Corp.				661,000	127,516	132,200
Vigil Health Solutions Inc.				1,471,500	507,493	441,450
Wishpond Technologies Ltd.				864,265	602,626	1,780,386
					18,175,865	27,889,914
Warrants: (0.0%)						
Else Nutrition Holdings Inc.	3.25	10/06/2022	CAD	11,607	-	13,580
GreenSpace Brands Inc.	0.08	12/23/2022	CAD	42,140,328	-	-
Newtopia Inc.	1.00	05/03/2022	CAD	178,571	-	-
Siyata Mobile Inc.	49.70	12/23/2022	USD	6,896	-	-
					-	13,580
Convertible debenture: (2.0%)						
Siyata Mobile Inc.	12.00%	12/23/2021	CAD	1,000,000	950,000	950,000
					19,125,865	28,853,494
Private unlisted companies: (34.6%)						
Common shares:						
3760073 Canada Corporation (Formerly Navarik Corp.)				1,149,425	183,444	
Copperleaf Technologies Inc.				140,596	407,728	
one45 Software Inc.				575,000	575,000	
Preferred shares:						
Checkfront, Inc., Series A-2				38,973	999,993	
Copperleaf Technologies Inc., Series 1, Class A, Convertible				117,163	339,773	
DWSI Holdings Inc., Class A (Formerly D-Wave Systems Inc.)				224,144	1,200,000	
Tantalus Systems Corp., Class B, Convertible				984,722	253,450	
Tantalus Systems Corp., Class D, Convertible				136,552	253,430	
Warrants:						
BuildDirect.com Technologies Inc.	0.78	12/31/2030	USD	483,871	-	
Convertible debentures:						
BuildDirect.com Technologies Inc.	8.00%	12/31/2023	USD	1,500,000	1,909,350	
Clarius Mobile Health Corp.	8.00%	12/31/2023	CAD	1,000,000	1,000,000	
					7,122,168	16,333,252
Less: transaction costs included in cost of investments					(37,007)	-
Total investments (95.6%)					$ 26,211,026	$ 45,186,746
Cash (3.8%)						1,789,278
Other assets less liabilities (0.6%)						278,166
Total Shareholders' Equity (100.0%)						**$ 47,254,190**

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

1. Incorporation and nature of operations:

Pender Growth Fund Inc. (the "Company") was incorporated under the laws of British Columbia on March 7, 1994.

The Company has been managed by PenderFund Capital Management Ltd. (the "Manager") since 2003. The investment objective of the Company is to achieve long-term capital growth from investment in opportunities identified by the Manager.

The Company's registered office is located at 1830 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

2. Basis of preparation:

(a) Statement of compliance:

The annual financial statements of the Company are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IAS") Board.

The Company qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*.

These financial statements were authorized for issue by the Company's Board of Directors on April 7, 2021.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, the Company's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

Total shareholders' equity which is calculated using IFRS for financial reporting purposes may be different from the monthly reported net asset value per share ("Reported NAV").

The Company may hold financial instruments that are not quoted in an active market, including derivatives. The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

2. Basis of preparation (continued):

(d) Use of estimates and judgment (continued):

On January 31, 2020, the Company announced a $2.0 million reduction in carrying value of one of the Company's private portfolio companies which had accepted a term sheet for a significant equity financing at a lower level than its prior equity financings. This represented a reduction in Reported NAV of approximately $0.24 per share. On February 28, 2020, the Company further reduced the carrying value of the private portfolio company by $1.9 million to reflect the expected economics of an alternate financing proposal that was ultimately accepted but the portfolio company. This represented a further reduction in Reported NAV of approximately $0.23 per share. While the determination to recognize the reduction in carrying value of the private portfolio company was made based on information available in January and February 2020, the reduction has been recognized in the Company's financial statements effective as of December 31, 2019, as the determination was made before the Company's financial statements were authorized for issue. This results in total shareholders' equity being significantly lower than Reported NAV published as at December 31, 2019. For purposes of determining Reported NAV, the two reductions in carrying value were recognized effective January 31, 2020 and February 28, 2020, respectively.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(*i*) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount is presented in the Statements of Financial Position only when the Company has a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and/or interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is both to hold assets to collect contractual cash flows and to potentially sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and/or interest on the principal amount outstanding.

All financial assets not classified as and measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Company may irrevocably elect to measure financial assets, that otherwise meet the requirements to be measured at amortized cost or at FVOCI, at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets are not reclassified subsequent to their initial recognition. Should the Company change its business model for managing financial assets, all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

The Company has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at FVTPL, such as derivatives liabilities. The Company may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

(ii) Fair value through profit or loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statements of Comprehensive Income in the period in which they occur. The Company's investments in securities are classified as FVTPL.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Fair value through profit or loss (continued):

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) is based on quoted market prices at the close of trading on the reporting date. The Company uses the last traded market price for both financial assets and financial liabilities. In circumstances where there is no closing price, the average of the closing bid and the closing ask price on the valuation date is used. The Company's policy is to recognize transfers into and out of the fair value hierarchy levels described in note 10(a) as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other methods commonly used by market participants and which make the maximum use of observable inputs. Where the value of a financial asset or liability is not readily available or where the Manager is of the opinion that the value available is inaccurate or unreliable, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, measurement is at amortized cost using the effective interest method, less any impairment losses. The Company classifies cash, receivable for investments sold, Divestment proceeds receivable, subscriptions receivable, dividends receivable, interest receivable, other receivables, accounts payable and accrued liabilities, payable for investments purchased, management and administration fees payable, performance fees payable, redemptions payable to holders of redeemable shares, distributions payable to holders of redeemable shares and balances due to related parties as amortized costs.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(b) Investments in associates and subsidiaries:

The Company meets the criteria required to be considered an "investment entity" under IFRS 10, *Consolidated Financial Statements* and, as such, in the cases where the Company has control or significant influence over a Company in its investment portfolio, the Company values such investments as financial assets at FVTPL.

3. Significant accounting policies (continued):

(c) Shares:

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an issued financial instrument is considered a compound financial instrument, it is bifurcated into liability and equity components based on the respective value of each component.

The common shares, which are classified as equity, are measured at the residual shareholders' equity value. Distributions to holders of non-redeemable shares are recognized in the Statements of Changes in Equity.

(d) Per share amounts:

Total shareholders' equity per share is calculated based on the number of shares outstanding at the end of the period. Net income (loss) per share is calculated by dividing the net income (loss) by weighted average number of shares outstanding during the period.

(e) Securities lending transactions:

The Company enters into securities lending transactions which involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date.

Securities lending transactions are administered by Canadian Imperial Bank of Commerce and The Bank of New York Mellon (collectively, the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income as Securities lending income and recognized when earned.

Note 5 summarizes the details of securities loaned and collateral received and presents a reconciliation of the gross amount generated from securities lending to the securities lending income earned by the Company.

(f) Foreign exchange:

These financial statements of the Company are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the Statements of Comprehensive Income.

3. Significant accounting policies (continued):

(g) Income recognition:

Interest income shown on the Statements of Comprehensive Income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(h) Income taxes:

Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statements of Comprehensive Income as certain items of income or expense are never taxable or deductible or are taxable or deductible in a different period than the reporting period. The current tax liability is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences or for carry forward of unused tax losses, to the extent that it is probable that the deductions or tax losses can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates and legislation that have been enacted or substantively enacted at the reporting date. Where applicable, current and deferred taxes relating to items recognized directly in equity are also recognized in equity.

4. Related party transactions:

(a) Management and performance fees:

In accordance with the Third Amended and Restated Management Agreement dated May 1, 2017 (“Management Agreement”), the Manager provides management services in connection with all aspects of the identification, investment, development, active monitoring and ultimate divestment of all investments of the Company. This Management Agreement is in effect until April 30, 2023 and shall be renewed automatically at that date for a further term of four years, unless a vote of shareholders determines otherwise.

In exchange for these management services, the Company pays a management fee. Effective May 2019, the management fee is equal to 2.50% of the first $15,000,000 of the value of Net Assets and 1.75% of the value of Net Assets above $15,000,000. Prior to May 2019 the management fee was 2.50% of the Company’s total shareholders’ equity per annum on total shareholders’ equity of up to $50,000,000 and 2.00% of the Company’s total shareholders’ equity in excess of $50,000,000 per annum. The management fee is calculated and paid monthly.

4. Related party transactions (continued):

(a) Management and performance fees (continued):

The Manager is entitled to a performance fee plus applicable taxes in certain circumstances, based on achieving certain performance criteria set out in the Management Agreement. The performance fee is calculated as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a high water mark, being the year-end total shareholders' equity per share for the most recent preceding year in which a performance fee was earned. The December 31, 2016 total shareholders' equity per share was the initial high water mark. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the high water mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares.

For the year ended December 31, 2020, the Company incurred management fees of $821,648 (2019 - $633,499) and performance fees of $1,211,315 (2019 - nil). The Manager agreed to waive $302,829 (2019 - nil) of the performance fee it earned, reducing the net performance fee to $908,486. As at December 31, 2020, the Company had an amount payable to the Manager of $1,058,873 (December 31, 2019 - $105,753) in respect of management fees, performance fees and reimbursement of operating expenses paid on behalf of the Company.

(b) Share holdings:

As at December 31, 2020, the Manager, directors and officers of the Company directly or indirectly held 9.1% (December 31, 2019 – 7.8%) of the Company's Class C Shares.

The aggregate investment by the Company's directors and officers in all investee companies did not exceed 1.0% of the issued and outstanding shares of any investee company.

5. Securities lending transactions:

As at December 31, 2020, the value of securities loaned is $19,955 (December 31, 2019 – $1,728,977) and collateral received in respect of securities lending is $20,965 (December 31, 2019 – $1,815,438).

Collateral received in respect of securities lending may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments, governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short-term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency.

A reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the Company for the years ended December 31, 2020 and 2019 is presented in the following table.

Years ended		Gross Income		Withholding taxes		Agent fees		Securities lending income
December 31, 2020	$	1,462	$	-	$	(666)	$	796
December 31, 2019	$	183	$	-	$	(73)	$	110

5. Securities lending transactions (continued):

The agent fees were paid to the Securities Lending Agent (see Note 3(e)) by the Company and represented 40% of the gross securities lending income net of withholding taxes through to March 31, 2020, and 35% of the gross securities lending income net of withholding taxes thereafter.

6. Withholding tax expense:

Certain dividend income received by the Company is subject to withholding tax imposed in the country of origin. During the year, withholding tax rates were between 0% and 35% (2019 – nil).

7. Share capital:

(a) Authorized share capital:

On July 24, 2019, the shareholders approved a resolution deleting the Class B and Class R shares, altering the rights and restrictions of Class C shares to remove references therein to Class R shares, and creating a new class of preferred shares.

As at December 31, 2020, the authorized capital of the Company consists of:

(*i*) An unlimited number of Class C Participating Common Shares ("Class C Shares"); and

(*ii*) An unlimited number of Preferred Shares ("Preferred Shares").

Class B Shares:

Class B Shares were non-redeemable but were convertible into one Class R Share and one Class C Share at any time at the option of the holder.

Class B shares were compound financial instruments which were bifurcated into liability and equity components based on the respective fair value of each component. The fair value of the liability component on initial recognition was $4.16 per share, with the remaining equity component having shareholders' equity attributed in the same manner as Class C Shares.

All Class B Shares were converted during the year ended December 31, 2016, after which there were no Class B Shares outstanding. On July 24, 2019 the shareholders approved a resolution deleting the Class B Shares.

Class C Shares:

Class C Shares are not redeemable or convertible. Class C Shares are listed on the TSX Venture Exchange ("TSXV") under the ticker symbol "PTF".

Each Class C Share is entitled to one vote in any vote on shareholder matters and is entitled to dividends at the discretion of the Board of Directors.

7. Share capital (continued):

(a) Authorized share capital (continued):

Class R Shares:

Class R Shares were redeemable on an annual basis, with a maximum redemption price of $4.16. Class R Shares were also convertible into Class C Shares.

Class R Shares were compound financial instruments. Accordingly, outstanding Class R Shares, if any, were bifurcated into liability and equity components based on the respective fair value of each component. The full value of the Class R Share was attributed to the liability component with no value attributable to the equity component.

All Class R Shares were redeemed during the year ended December 31, 2016, after which there were no Class R Shares outstanding. On July 24, 2019 the shareholders approved a resolution deleting the Class R Shares.

Preferred Shares:

The Preferred Shares were created on July 24, 2019. As at December 31, 2020 and 2019, no Preferred Shares have been issued. The special rights and restrictions of the Preferred Shares empower the Board to fix the number of shares in each series of each class of Preferred Shares and to fix the preferences, special rights and restrictions, privileges, conditions and limitations attaching to the shares of that series, before the issuance of shares of any particular series. The Board has the power to fix, among other things, the number of shares constituting any series, the voting powers, designation, preferences and relative participation, optional or other special rights and dividend rate, terms of redemption (including sinking fund provisions), redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The issuance of Preferred Shares could affect the rights of the holders of Class C shares.

(b) Issued and fully paid shares:

During the years ended December 31, 2020 and 2019, the Company has issued and fully paid Class C shares outstanding as follows:

Years ended	Balance, beginning of year	Shares issued	Shares repurchased	Balance, end of year
December 31, 2020				
Class C	8,083,329	-	(343,200)	7,740,129
December 31, 2019				
Class C	4,152,545	3,930,784	-	8,083,329

On February 10, 2020, the Company launched a Normal Course Issuer Bid ("NCIB") through the facilities of the TSXV. On the launch date, the Company had 8,083,329 Shares outstanding, of which 7,430,877 Shares represented the Company's public float. The Company was entitled to purchase up to a maximum of 743,087 Shares, representing 10% of the Company's public float, over the one-year period that the NCIB was in place. During the year ended December 31, 2020, the Company bought back 343,200 shares for a total price of $1,054,300 under its NCIB.

7. Share capital (continued):

(c) Equity capital:

The changes in shareholders' equity for the years ended December 31, 2020 and 2019 are as follows:

	Share capital	Retained earnings (deficit)	Total
Balance, January 1, 2020	$ 19,769,587	$ 14,063,430	$ 33,833,017
Net income (loss)	-	14,475,473	14,475,473
Capital transaction	(1,054,300)	-	(1,054,300)
Balance, December 31, 2020	$ 18,715,287	$ 28,538,903	$ 47,254,190

	Share capital	Retained earnings (deficit)	Total
Balance, January 1, 2019	$ 5,204,759	$ 12,000,549	$ 17,205,308
Net income (loss)	-	2,062,881	2,062,881
Capital transaction	14,564,828	-	14,564,828
Balance, December 31, 2019	$ 19,769,587	$ 14,063,430	$ 33,833,017

8. Capital management:

The Company's Class C Shares represent the capital of the Company. The Company is not subject to any external or internally imposed restrictions on its capital.

The investment objective of the Company is to achieve long-term capital growth from investments in public and private companies.

The Company's objective in managing capital is to ensure it has the ability to continue to make new investments and to make follow-on investments in companies that it has previously invested in, to have sufficient cash for operations and to continue to operate as a going concern.

9. Financial risk management:

The Company may be exposed to various financial risks in the normal course of business, associated with its investment objectives and strategies, financial instruments and the markets in which it invests. These risks include credit risk, liquidity risk, and market risk, which consists of currency risk, interest rate risk and other price risk.

9. Financial risk management (continued):

The Company maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies. The Company's investment objective is to achieve long-term capital growth by investing in public and private companies. The Company's exposure to financial risk is concentrated in its investment holdings. The Schedule of Investment Portfolio groups securities by asset type. The Manager manages the potential impact of these financial risks on the Company's performance by employing and overseeing professional and experienced portfolio advisors who regularly monitor the Company's positions and market events and diversify investment portfolios within the constraints of the investment guidelines.

In 2020, the COVID-19 global health pandemic resulted in significant volatility and turmoil in World markets. While the negative economic impact of measures to contain the virus have been mitigated to an extent by fiscal and monetary stimulus, by measures taken to reopen world economies, and by the development of vaccines, the situation had an impact on many entities and the markets for the securities that they issue and the impact may continue. Investment results will depend to a large extent on future developments and new information that may emerge regarding COVID-19 and the pandemic, factors which are beyond the Company's control.

The Company will continue to support its Portfolio Companies, to monitor the impact that COVID-19 has on them and to reflect the consequences as appropriate in its accounting and reporting.

(a) Credit risk:

Credit risk represents the risk associated with the inability of a counterparty to fulfill its financial obligations. The Company limits its exposure to credit risk for its excess cash, when applicable, by investing in high quality short-term investments, typically term or other deposits with a large Canadian bank.

The Company is also exposed to credit risk through its investment in loans, convertible and other notes and preferred shares of its investee companies. The Company manages this credit risk through careful selection and monitoring of its investee companies. Receivables relating to the Company's investments are also subject to credit risk and are managed through active review of the portfolio of private unlisted investments.

The Company's maximum exposure to credit risk as at December 31, 2020 is $8,125,864 (December 31, 2019 - $3,802,456).

(b) Liquidity risk:

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company invests in equity securities and other financial instruments. A portion of the Company's equity holdings are in private unlisted investments for which no active markets exist. Accordingly, timely disposition may not be possible and the realized price may be significantly different from the carrying value.

The Company's policy is to maintain sufficient cash to meet normal operating requirements. It is also the Company's policy that the Manager monitors the Company's liquidity position and that the board of directors reviews it on a quarterly basis.

9. Financial risk management (continued):

(b) Liquidity risk (continued):

The following table summarizes the Company's financial liabilities as at December 31, 2020 and 2019 based on undiscounted contractual cash flows and are all due within one year:

	2020	2019
Due to related parties	$ 1,058,873	$ 105,753
Accounts payable and accrued liabilities	116,184	100,815
Payable for investments purchased	-	1,178
	$ 1,175,057	$ 207,746

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Company's income or the fair value of their holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk is the risk that fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's investment portfolio contains private debt instruments. As the majority of these debt investments are convertible, the valuation of these private debt instruments is based on the enterprise value of the underlying Company and generally does not change with changes in market interest rates. The interest rates of these instruments are fixed, hence changes in market interest rates will not impact cash flows of the Company. Accordingly, the Manager does not consider there to be significant interest rate risk on the Company's private debt investments.

(ii) Currency risk:

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company primarily invests in Canadian securities. Accordingly, the Company is not subject to significant currency risk.

(iii) Other price risk:

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from the aforementioned risks), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. The Manager moderates other price risk through careful selection of investments and through diversification of the investment portfolio.

As at December 31, 2020, if the fair value of the Company's publicly listed investments had increased or decreased by 10% with all other factors remaining constant, the Company's shareholders' equity would have increased or decreased by approximately $2,682,000 (December 31, 2019 - $164,000). Price sensitivity was determined based on portfolio-weighted beta. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company uses widely recognized valuation models for determining the fair value of common and relatively simple financial instruments, such as debt securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward foreign currency contacts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for these types of instruments the Manager considers: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

10. Fair value of financial instruments (continued):

(b) Fair value hierarchy – financial instruments measured at fair value:

The table below presents the fair value of financial instruments as at December 31, 2020 and 2019 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position.

	2020	2019
Level 1:		
Publicly listed companies	$ 27,903,494	$ 7,499,203
Level 2:		
Publicly listed companies	-	-
Level 3:		
Publicly listed companies	950,000	950,000
Private unlisted companies	16,333,252	16,895,943
Total Level 3	17,283,252	17,845,943
	$ 45,186,746	$ 25,345,146

During the years ended December 31, 2020 and 2019, Newtopia Inc. was transferred from level 3 to level 1 of the fair value hierarchy upon becoming publicly traded.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorized within Level 3 for the years ended December 31, 2020 and 2019:

	2020	2019
Opening balance	$ 17,845,943	$ 15,966,266
Amounts paid on purchase of investments	3,909,343	1,947,501
Sales and settlements of investments	(3,626,682)	-
Transfer from Level 3 to Level 1	(250,000)	-
Total gain (loss) recognized in comprehensive income	(595,352)	(67,824)
Ending balance	$ 17,283,252	$ 17,845,943

Included in the net change in unrealized appreciation (depreciation) in fair value of investments on the Company's Statements of Comprehensive Income for the year ended December 31, 2020 is a change in unrealized depreciation of $364,306 (2019 – unrealized depreciation $67,824) related to Level 3 investments.

10. Fair value of financial instruments (continued):

(c) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at December 31, 2020 and 2019 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

2020

Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	$ 7,861,067	Investment cost/ enterprise value	Enterprise value	$ 7,861,067	The estimated fair value would increase if enterprise value increased
Unlisted private investments	$ 9,422,185	Market approach using comparable traded revenue multiples	Revenue multiple	1.9	The estimated fair value would increase if the revenue multiples were higher

2019

Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	$ 4,338,026	Investment cost/ enterprise value	Enterprise value	$ 4,338,026	The estimated fair value would increase if enterprise value increased
Unlisted private investments	$13,507,917	Market approach using comparable traded revenue multiples	Revenue multiple	2.0	The estimated fair value would increase if the revenue multiples were higher

10. Fair value of financial instruments (continued):

(c) Significant unobservable inputs used in measuring fair value (continued):

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Represents the amount that market participants would pay when purchasing the investee company. The Manager determines this value based on comparable arm's length transactions in shares of the respective company.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its revenue and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and the specific investee company.

(d) Effects of unobservable input on fair value measurement:

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to alternative reasonably possible assumptions would have the following effects on shareholders' equity at December 31, 2020 and 2019:

	2020	2019
Favourable	$ 5,167,864	$ 4,283,049
Unfavourable	(4,103,980)	(8,604,650)

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private investments have been calculated by recalibrating the model values using unobservable inputs based on ranges of possible estimates. The recalibrated model considers:

- The impact of a 10% increase or decrease in enterprise value.
- A change in the revenue multiple to alternative reasonably possible assumptions of 1.0 and 3.0, respectively.

(e) Financial instruments not measured at fair value:

The carrying value of the Company's financial instruments, other than investments, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Income taxes:

The Company has not provided for income taxes in the Statements of Comprehensive Income as its effective tax rate is nil. This differs from the provision otherwise obtained by applying the statutory tax rates for the following reasons:

	2020	2019
Combined federal and provincial statutory income tax rate	27.00%	27.00%
Income tax expense (recovery) calculated at statutory tax rate	$ 3,908,378	$ 556,978
Adjustments resulting from:		
Non-taxable dividend income	(427,567)	(1,917)
Non-taxable portion of realized (gains) losses	(938,280)	(79,820)
Non-taxable portion of unrealized (appreciation) depreciation	(2,172,417)	(519,418)
Utilization of capital losses and other items	(370,114)	44,177
Income tax expense (recovery)	$ -	$ -

The Company has not recorded the benefit of deferred tax assets resulting from deductible temporary differences or unused tax loss carry forwards as it is not probable that such deductions or tax losses will be utilized in future years.

As at the end of 2020 tax year-end, the Company has $5,903,051 accumulated capital losses (2019 - $5,903,051) and non-capital losses of approximately $12,363,944 (2019 - $13,684,986).

Capital losses are available to be carried forward indefinitely. Non-capital losses may be carried forward up to 20 years. The Company's non-capital losses expire as follows:

2026	$ 245,257
2027	3,059,028
2029	1,748,428
2030	1,728,090
2031	1,138,041
2032	912,449
2033	634,364
2034	607,498
2035	532,573
2037	427,593
2038	749,122
2039	581,501
	$ 12,363,944

12. Involvement with subsidiaries and associates:

The table below describes subsidiaries and associates in which the Company holds an interest, but which it does not consolidate or account for by the equity method.

Entity	Nature and purpose	Interest held by the Company
Inscape Corporation	Industrial	Investment in common shares
one45 Software Inc.	Software and services	Investment in common shares

The table below sets out interests held by the Company in unconsolidated subsidiaries and associates. The maximum exposure to loss is the carrying amount of the financial assets held.

December 31, 2020 and 2019					
Name of Entity	Relationship	Principal place of business	Country of incorporation	Ownership interest	Voting rights
Inscape Corporation	Associate	Canada	Canada	48% (2019 – nil)	48% (2019 - nil)
one45 Software Inc.	Subsidiary	Canada	Canada	81% (2019 - 81%)	81% (2019 - 81%)

As at December 31, 2019 the Company's interest in BasicGov Systems, Inc., prior to its divestment in January 2020, was an ownership interest of 79% and voting rights of 46%

Furthermore, none of the subsidiaries described in the table above are subject to any restrictions.

13. Subsequent events:

From January 1, 2021 through to the expiry of its NCIB on February 9, 2021, the Company did not repurchase its own Class C Shares, bringing the total purchased under the NCIB to 343,200 shares in the one-year period that it was in place.

Following the expiry of its NCIB on February 9, 2021, the Company launched a new NCIB on the TSXV. Upon launch, the Company had 7,739,121 shares issued, of which 7,008,669 Shares represented its public float. The Company is entitled to purchase up to a maximum of 700,866 Shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue until February 11, 2022, unless terminated earlier in accordance with its terms.

On April 6, 2021, the Company entered into a definitive agreement (the "Arrangement Agreement") for the acquisition of all of the issued and outstanding shares of Working Opportunities Fund (EVCC) Ltd. ("WOF") under of a plan of arrangement, subject to certain terms and conditions (the "Proposed Transaction").

The Company has invested in Portfolio Companies alongside WOF from time-to-time over the years and in fact, the WOF portfolio includes an investment in Copperleaf, one of our existing Portfolio Companies.

The Proposed Transaction, if it closes, would also present WOF shareholders with liquidity options, while allowing the Company to provide ongoing support to the WOF portfolio companies. This would allow them to continue to execute on their strategic plans without the disruption of a change in direct ownership. The Company's aim would be to support their development and growth toward potential exits when and where possible.

13. Subsequent events (continued):

WOF has two types of Class A shares: Venture Series and Commercialization Series. Under the Proposed Transaction, the Company would acquire all Commercialization Series shares in exchange for a cash payment equal to the greater of 50% of the NAV per Commercialization Series share on the day before the closing of the Proposed Transaction, and 75% of the BuildDirect.com Technologies Inc. ("BuildDirect") subscription receipt financing price, if that financing is completed by the Proposed Transaction closing date, and Venture Series shareholders would sell their shares for a cash payment equal to 43.5% of the NAV per Venture Series share on the day prior to the date of the Arrangement Agreement (subject to a +/– 5% adjustment based upon the per share NAV of the Venture Series portfolio as at the end of the business day immediately prior to the closing of the Proposed Transaction) or could elect to continue to hold their Venture Series shares and maintain their pro rata participating position in the Venture Series portfolio. It is anticipated that the WOF will distribute any excess cash, if any, to the WOF shareholders as a dividend just prior to closing.

Shareholders who elect to sell their Venture Series shares to the Company ("Exiting Shareholders") have a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains on carrying values at the effective date from divestment activity in the Venture Series portfolio before May 18, 2022, specifically, (a) if a divestment completes on or before November 18, 2021, Exiting Shareholders will receive their pro rata portion of 60% of the net gain; (b) if a divestment completes on or before February 18, 2022, Exiting Shareholders will receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment is entered into on or before February 18, 2022 and such divestment is subsequently completed by May 18, 2022, Exiting Shareholders will receive their pro rata entitlement of 20% of to the net gain.

The Company and WOF are both managed by the Manager. Given the actual and perceived conflict, in addition to requiring approval of the Proposed Transaction by the WOF IRC, the special committee of the WOF board of directors engaged an independent qualified person to provide a fairness opinion that the Proposed Transaction is fair from a financial point of view to WOF’s shareholders.

Pursuant to the terms of the Arrangement Agreement, the Proposed Transaction is subject to a number of conditions to closing, including approval of the Supreme Court of British Columbia, regulators, and shareholders, among others. There can be no assurance that the Proposed Transaction will be completed on the basis proposed or at all. In view of the nature of and conditions to closing the Proposed Transaction, as well as the uncertainty inherent in the process of valuing venture investments for which no public market exists and other uncertainties described in Note 10, there is no guarantee that, if the transaction closes, the purchase price paid by the Company will reflect the value of the investment in WOF nor that it will be able to realize the value of its investment in WOF or that WOF will be able to realize the value of its portfolio of investments. The determination of the fair value of its investment in WOF and WOF’s underlying portfolio of investments is and will continue to be subject to the Manager’s significant accounting judgements and estimates. These estimates may differ from the actual value and/or the value realized. These differences could be material to the fair value of the Company, WOF and its venture investment portfolio.