

MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER PRIVATE INVESTMENTS INC.

Year ended December 31, 2022

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated April 10, 2023 presents a review of the financial results for Pender Private Investments Inc., (the "Company" or "PPI"), formerly Working Opportunity Fund (EVCC) Ltd. ("WOF"), for the year ended December 31, 2022 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected the Company's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2022 (the "Annual Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The Company's issued shares include the Legacy Shares (which were formerly designated as Balance Shares (series 2)) and Commercialization Shares (series 2) ("Commercialization Shares"), each referred to as a "Series" and collectively referred to as "Class A shares". The Legacy Shares participate in a separate venture portfolio from that of the Commercialization Shares.

On March 1, 2019, PenderFund Capital Management Ltd. (the "Manager") became the Company's manager. All information for periods prior to March 1, 2019 included in this document is as reported by the Company's former manager, GrowthWorks Capital Ltd. (the "Initial Manager").

The MD&A has been prepared by the Manager and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about the Company is available on the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements about the Company, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects and possible future Company action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Company and economic factors, among other things. Forward-looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company and the companies in which it invests (each a "Portfolio Company"); the future impact on markets and the economy of measures taken by central banks to control inflation and general market expectations for an earnings recession; the future impact of geopolitical events, global health pandemics and other crises; concentration of the investment portfolio; future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions; future orderly realization of value of and/or transactions involving its existing Portfolio Companies (including public listing or third-party acquisitions of such Portfolio Companies) or potential future transactions; achieving returns for

shareholders; outcomes following the WOF Transaction and the Divestment Objective; the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of the Company's investments and its expectations regarding the performance of certain sectors.

Forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied in any forward-looking statements. While the Manager considers its expectations, assumptions and projections to be reasonable based on information currently available to it, no assurance can be given that its beliefs and assumptions will prove to be correct. Any number of important factors could contribute to these differences, including but not limited to: the risks related to the technology sector including early-stage companies, and the high proportion of companies from this sector in the portfolio; the ability to dispose of investments in public or private Portfolio Companies rapidly or at favourable prices; the risk inherent in small companies, startups, resource companies and companies in emerging sectors; the risks inherent in a concentrated portfolio, particularly when the portfolio is materially concentrated in one or few holdings; the risk inherent in large holdings relative to the size of the market for those holdings; the lack of an active trading market for the Company's Class A shares; general economic, political and public market factors in North America and internationally; interest and foreign exchange rates; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; and the impact of inflation, increased interest rates, bank failures, measures taken by central banks, geopolitical events, global pandemics and other catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements, whether as a result of new information or future events, or otherwise, prior to the release of the next MD&A.

Reporting Regime

The Company was incorporated under the Company Act (British Columbia) on November 5, 1991, by filing a memorandum and articles of incorporation with the B.C. Registrar of Companies and began offering common shares to the public on January 8, 1992. The Company was registered as an employee venture capital corporation ("EVCC") under the B.C. Employee Investment Act and as such, purchasers of its shares were eligible to receive both federal and British Columbia tax credits relating to their share purchases.

Effective May 28, 2021 (the "Effective Date"), Pender Growth Fund Inc. ("PTF") acquired 100% of the Company's issued and outstanding Commercialization Series shares and over 97% of the Venture Series shares from shareholders of the Company (the "WOF Transaction") under a plan of arrangement pursuant to the definitive agreement (the "Arrangement Agreement") announced on April 7, 2021. In conjunction with the WOF Transaction, the Company changed its name to Pender Private Investments Inc., resigned as an EVCC, made an election to be a public corporation under the Income Tax Act, and transitioned from the Canadian securities regulatory regime for investment companies to the Canadian securities regulatory regime for reporting issuers which are not investment companies. Therefore, the Company's financial statements are reported in accordance with National Instrument 51-102 Continuous Disclosure Obligations and the Company is required to file annual and interim MD&A reports. Under International Financial Reporting Standards ("IFRS"), the Company continues to be treated as an investment entity for accounting purposes. Please also refer to the "Business Strategy", "Recent Developments" and "Risk Factors" sections of this MD&A.

Business Strategy

The Company has a divestment objective (the “Divestment Objective”) with respect to its investments in Portfolio Companies, and seeks an orderly realization of value to achieve returns for the holders of Legacy Shares and Commercialization Shares, as the case may be, through the divestment of investments. This objective is set out in the amended and restated management agreement that the Company entered into with the Manager (the “Management Agreement”), on the Effective Date of the WOF Transaction that is described in the “Reporting Regime” and “Recent Developments” sections of this MD&A. Prior to the Effective Date of the WOF Transaction, the Company’s investment objective for all Series of Class A shares was to achieve long-term capital appreciation for shareholders. The Company and the Manager may enter into additional management agreements to govern any new investment by the Company.

As a formerly registered EVCC under the British Columbia Employee Investment Act, the Company was required to make certain venture investments in companies that met eligibility requirements. Eligibility requirements were focused on company size, measured by asset value and number of employees, and company location. The primary venture investment strategy for the Venture Series, while it was making new investments, was to diversify its venture portfolio by stage of development and by business sector, with major groupings being in information technologies, life sciences and clean technologies. The Series’ venture investments were structured with the intention of allowing the Series to participate in an appreciation in value of the investee business, as equity or debt instruments or a combination of both, and the Company typically took active minority positions that were frequently larger than the positions that mutual funds would ordinarily take. The focus was on entrepreneurial companies believed to have high growth potential capable of supporting the Company’s investment objectives. The Company applied a “true” venture capital investing strategy, having a diversified portfolio of businesses in different sectors and stages of development, implementing a disciplined investment strategy with the goal of adding value to those Portfolio Companies by actively managing them through participation on boards of directors as well as assisting in recruiting key personnel, securing additional financing and formulating long-term strategic plans, for example.

The Commercialization Series assembled a venture portfolio consisting primarily of companies with research and/or development activities in their operations. To help enhance potential return expectations on investments in companies with research and/or development activities, venture investments of the Commercialization Series were generally structured with the intention of making them capable of generating both income (such as interest, royalties or dividends) and capital appreciation (such as conversion rights and warrants to purchase shares in the companies to whom loans were made).

The Company continues to work closely with certain private Portfolio Companies with the aim of helping them develop and maintain their intrinsic value.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement those IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. These are not recognized under IFRS, nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader’s ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at December 31, 2022 and 2021 is presented in the following table:

Net Assets	December 31, 2022		December 31, 2021	
Assets	\$	55,065,083	\$	192,381,033
LESS: Liabilities		8,362,467		36,238,467
EQUALS Net Assets	\$	46,702,616	\$	156,142,566

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at December 31, 2022 and 2021 is presented in the following table:

Net Assets per Share	Legacy Shares (firmly Balanced Shares (series 2))		Commercialization Shares (series 2)	
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
Assets	\$ 54,712,747	\$ 191,846,530	\$ 352,336	\$ 534,503
LESS: Liabilities	8,340,507	36,190,022	21,960	48,445
EQUALS Net Assets	\$ 46,372,240	\$ 155,656,508	\$ 330,376	\$ 486,058
DIVIDED BY Number of Shares Outstanding	6,579,039	7,131,477	1,002,555	1,002,555
EQUALS Net Assets per Share	\$ 7.05	\$ 21.83	\$ 0.33	\$ 0.48

The Company reports net asset value ("NAV") per share quarterly. Prior to the Effective Date of the WOF Transaction described in the "Recent Developments" section of this MD&A, the Company reported NAV weekly. Total shareholders' equity calculated using IFRS for financial reporting purposes may have been different from the NAV per share published periodically by the Company prior to the Effective Date. This weekly "Pricing NAV" included the unamortized balance of upfront sales commissions paid by the Company, as the price for purchasing, redeeming or switching shares of the Company, as and if applicable. In the MD&A and financial statements, we use "NAV" to refer to the applicable metric, either the quarterly NAV or the Pricing NAV, that was reported during the applicable period and/or at the applicable period end being presented.

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") a non-IFRS measure, to represent the total amount of operating expenses, including management fees net of fees waived by the Manager, sales taxes and interest but excluding performance fees, corporate taxes, commission and other portfolio transaction costs (together, the "MER Costs") that is borne by the Class A shareholders. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER"), a non-IFRS measure, to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") borne by the Class A shareholders. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

Risk Factors

An investment in the Company is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

Global Events

The economic uncertainties around persistent inflation pressure, bank failures, geopolitical events and lingering COVID-19 pandemic have the potential to slow growth in the global economy. Future developments in these challenging areas could impact the Company's results and financial conditions and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

The collapse of Silicon Valley Bank and Signature Bank led to an overall financial market decline especially in the banking sector as of the date of the annual report. The Company does not have any direct exposure to the banks and is monitoring its portfolio value given the overall market selloff.

Investments

The Company's portfolio is materially concentrated in the shares of one publicly listed Portfolio Company, Copperleaf Technologies Inc. ("Copperleaf"). As at December 31, 2022 the Company held 6,657,541 shares of Copperleaf with a value of \$38,214,285 which is 81.8% of the Company's total shareholders' equity of \$46,702,616 (December 31, 2021 – 7,406,124 shares with a value of \$176,636,057, which was 113.1% of the Company's total shareholders' equity of \$156,142,566).

As at December 30, 2022, the closing price of Copperleaf was \$5.74 per share, down \$18.11 per share from its December 31, 2021 price of \$23.85 per share. This decrease in price materially reduced the Company's unrealized gain on the holding as compared to December 31, 2021. The Company's Legacy shareholders' equity decreased by \$14.78 per share in the year ended December 31, 2022, from \$21.83 per share at December 31, 2021 to \$7.05 per share at year end. During the year ended December 31, 2022, the Company sold 748,583 shares of Copperleaf. In early April 2023, shares of Copperleaf were trading below their December 31, 2022 closing price of \$5.74 per share. There can be no assurance that the Company will be able to realize the value of this investment.

Historically, the Company's investment focus was on information technologies, life sciences and clean technology companies, including companies in the development stage. The prospects for success of emerging technology companies are critically dependent on numerous factors that may be difficult to evaluate, especially when they have limited operating histories. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of the capital invested by the Company in a Portfolio Company. The technology companies in which the Company is invested will typically require additional capital, which the Company's Divestment Objective does not enable it to provide and which may not be available from other sources.

Private companies, by their nature, will generally lack liquidity and involve a longer-than-usual investment time horizon. As at December 31, 2022, private companies comprised 21.0% of the Company's investment portfolio. It may be relatively difficult for the Company to dispose of its investment in a private company rapidly and at favourable prices in the event of weak M&A markets, adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. Losses are typically realized before gains, and the Company may be required to dispose of private Portfolio Companies before any returns are realized.

Despite the number of sources of private capital, financing for early-stage technology companies remains limited and is subject to pricing and terms that are based on the performance of the investee company, among other factors, and what is available may be on terms unfavourable to existing shareholders of these companies.

As at December 31, 2022, investments in public companies comprised approximately 79.0% of the Company's investment portfolio. Public company securities prices are influenced by particular companies' performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook may generally be good for many companies and the value of their stocks may rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk. Where the size of the Company's holding of a particular security is large relative to the market, an orderly realization of value may be relatively difficult for the Company to achieve. Consequently, the sale of such investments may be subject to delay and may only be possible at substantial discounts.

For smaller companies, start-ups, resource companies and companies in emerging sectors, both the risks and potential rewards of investment may be greater than those of larger, more established companies. Likewise, the share prices of such companies may be more volatile than those of larger, more established companies. Further, the products and services offered by technology companies, for example, may become obsolete as science and technology advance.

Other risks include the high proportion of technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio.

There can be no assurance that the Company will be able to complete divestments of individual Portfolio Companies generally and/or complete an orderly realization of value, at current values or otherwise, therefore there can be no assurance that any further Divestment Redemptions of Legacy Shares, as defined in the special rights and restrictions attached to the Legacy Shares, will occur.

Refer to the "Recent Developments" section of this MD&A for details on the WOF Transaction and shares of the Company following closing.

Recent Developments

Investments

The fourth quarter of 2022 continued to be volatile for public equity markets. The quarter saw a rally in equity markets' risk assets after ending the third quarter near the lows of the year. Elevated inflation and central bank actions to raise interest rates continued to be in focus. The rapid pace of interest rate increases caused concerns regarding the outlook for economic growth and the risks of a recession. In the US, the S&P 500 index (in Canadian dollars) finished the quarter up 5.4%, bringing year-to-date returns to -12.4% as at December 31, 2022. The S&P/TSX Composite Index fared better, bouncing back with a positive 6.0% return in the fourth quarter and closing 2022 down -5.7%. Technology companies led the recovery in the fourth quarter, with the S&P/TSX Capped Information Technology Index advancing 11.3%, but still finishing down -35.3% in 2022.

Canadian venture capital ("VC") investment activity¹ during the third quarter of 2022 saw \$896 million invested across 144 deals, as activity continued to normalize from the rapid pace of 2021. In terms of deal count, third quarter activity slowed for the fifth consecutive quarter-over-quarter decline, with the dollar

¹ Canadian Venture Capital & Private Equity Association: Q3 2022 Canadian Venture Capital Market Overview

value invested and number of investments declining by 40% and 24% respectively in the third quarter. US data showed a similar trend with a decline in private market activity levels as companies adjusted to the evolving macroeconomic environment and public market slowdown. Exit activity also slowed as of the third quarter of 2022 with no IPOs recorded.

During 2022, we continued to work closely with certain private Portfolio Companies with the aim of helping them develop and maintain their intrinsic value, while they seek an orderly realization of that value. Where necessary, we also supported them in optimizing their business in connection with the changing market environment as well as the challenges and opportunities brought on by global events.

The WOF Transaction

Effective May 28, 2021, the Company completed the WOF Transaction under a plan of arrangement, which resulted in 100% of the Company's Commercialization Series shares and 97% of its Venture Series shares being acquired from the Company's shareholders by PTF, a public company listed on the TSXV under the symbol PTF. Currently, PTF holds 98% of the Company as a result of transactions subsequent to May 28, 2021. Please refer to related disclosures regarding the WOF Transaction in the "Reporting Regime" and "Business Strategy" sections of this MD&A as well as the documents relating to the WOF Transaction available on SEDAR.

The Company and PTF are both managed by the Manager. To address this inherent conflict of interest, the WOF Transaction was subject to the approval of the Company's IRC and the special committee of the WOF board of directors engaged an independent financial advisor who provided a fairness opinion that the WOF Transaction was fair from a financial point of view to Company shareholders.

As part of the WOF Transaction, the Company distributed the excess cash of each Series to its shareholders as a dividend just prior to closing. PTF acquired all of the remaining outstanding Commercialization Series shares, being Commercialization Shares (series 2), in exchange for a cash payment equal to \$508,096, which represented 75% of the BuildDirect.com Technologies Inc. subscription receipt financing price. Further, PTF purchased 97% of the Company's Venture Series shares, for a total cash purchase price of \$25,316,232, 50% was paid on closing with the remaining 50% paid on November 25, 2021.

The rights of the Commercialization Shares (series 2) remained unchanged.

Further, the Balanced Shares (series 2) were renamed "Legacy Shares" and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares. Approximately 3% of Venture Series Shareholders opted to continue to hold their Legacy Shares and maintain their pro-rata participating position in the Legacy portfolio.

The rights and restrictions attached to the Legacy Share under the WOF Transaction provide, among other things, that the holders of the shares are entitled to the pro-rata redemption of their shares, upon Portfolio Company divestments, with 4% - 5% being held in reserve to fund annual shareholder redemption requests. This annual limited redemption right entitles them to request redemption of their Legacy Shares at 40% of the net asset value per Legacy Share during the 60-day period following publication of the audited financial statements, with the redemption requests processed on a pro-rata basis.

PTF does not have this annual redemption right in respect of the Legacy Shares that it holds. In certain circumstances, PTF will have the right to trigger the redemption by the Company of some or all of its Legacy Shares at a redemption price equal to 50% of the net asset value per Legacy Share at the immediately

preceding December 31st.

Those Venture Series shareholders that sold their shares (the "Exiting Shareholder") were issued shares from a new class designated as "Exit Venture Shares" without par value, with no maximum number and with special rights and restrictions attached to them. The Exiting Shareholders received a cash payment equal to 43.5% of the net asset value per Venture Series share on the day prior to the date of the Arrangement Agreement, adjusted based upon the per share NAV of the Venture Series portfolio as at the end of the business day immediately prior to May 28, 2021: the price for each Balanced Share (series 1) was \$1.7977 and for each Balanced Share (series 2) was \$1.5157.

The Exiting Shareholders had a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the Effective Date, from divestment activity in the Venture Series portfolio before May 18, 2022. Specifically, (a) if a divestment completed on or before November 18, 2021, Exiting Shareholders would receive their pro-rata portion of 60% of the net gain; (b) if a divestment completed on or before February 18, 2022, Exiting Shareholders would 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 was entered into on or before February 18, 2022 and such divestment subsequently completed by May 18, 2022, Exiting Shareholders would receive their pro-rata entitlement of 20% of the net gain.

The rights of the Legacy Shares and the Commercialization Shares (series 2) are as described in the Company's Notice of Articles filed on SEDAR. For further information about historical share rights and restrictions of the Company prior to the WOF Transaction, please refer to the previously filed continuous disclosure documents for WOF available on SEDAR.

Please see the "Shareholder Activity" section of this MD&A for details of the events that took place in 2021 and 2022 in accordance with the terms of the plan of arrangement for the WOF Transaction.

Outlook

Geopolitical uncertainty, persistent inflation and rising interest rates have all contributed to a slower economic growth outlook as we enter 2023. Investors have continued to focus on these macro variables and the growing concern that a recession is needed to cool inflation and slow aggregate demand. These factors have created volatility and compressed multiples in equities, with the expectation that the slowing macro environment will lead to an earnings recession. We will continue to monitor these global events and assess their impacts on the Company and our Portfolio Companies over time.

For VC activity, we expect a continuation of deteriorating market conditions, particularly at the later and growth stages, as tougher market conditions make it more difficult for companies to grow and seek exit opportunities.

We have evaluated the potential impact of current global events on each of our Portfolio Companies. As part of our analysis, we also evaluate each private Portfolio Company under various fundamental scenarios. We will remain diligent as more information continues to become available and as these companies continue to respond to the challenges and opportunities in the current market.

We are steadfast investors and continue to work closely with certain private Portfolio Companies with the aim of helping them develop and maintain their intrinsic value, while seeking an orderly realization of that value to achieve returns for our shareholders.

PORTFOLIO OF INVESTMENTS

During the year ended December 31, 2022, in keeping with our Divestment Objective, there were no new investments in Portfolio Companies.

Significant trends and events for the Company's Portfolio Companies in the year ended December 31, 2022 are described in this section.

Significant Equity Investments

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that it is a significant equity investee in Copperleaf, considering its direct holdings. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the comparative financial years.

Copperleaf Technologies Inc.

Copperleaf provides decision analytics to companies managing critical infrastructure. The company's enterprise software solutions leverage operational and financial data to help its clients make strategic investment decisions about how best to sustain and expend this infrastructure to deliver the highest business value. Copperleaf is based in Vancouver and its solutions are distributed and supported by regional staff and partners worldwide.

In the fourth quarter of 2021, Copperleaf completed an IPO with its common shares trading on the TSX under the symbol "CPLF". In the fourth quarter of 2022, the company announced its operating results for the third quarter of 2022, reporting 19% revenue growth for the trailing twelve-month period, led by 27% growth in annual recurring revenue. Its pipeline of new business remains strong, although the sales cycle has slowed due to the uncertain macro environment and increased conservatism from its customers. Despite some slowing, the company continues to grow and maintains a strong balance sheet, and we believe the shares are undervalued. Copperleaf's solution is being used to manage an estimated \$2.6 trillion of infrastructure across multiple industry sectors, including energy, water, transportation, and government, in more than 24 countries.

As at December 31, 2022, the Company held 9.4% of Copperleaf's issued and outstanding shares.

Copperleaf Technologies Inc.

(expressed in thousands of Canadian dollars)

Selected Financial Information	December 31, 2022	December 31, 2021
Total Assets	\$ 185,693	\$ 206,043
Total Liabilities	52,666	51,025
Total Shareholders' Equity	133,027	155,018
	Year ended December 31, 2022	Year ended December 31, 2021
Revenue	\$ 73,385	\$ 69,283
Gross profit	54,840	54,913
Net loss and comprehensive loss for the period	(28,202)	(6,524)

Please also refer to the “Risk Factors” and “Overall Performance” sections of this MD&A.

Other Investments

D-Wave Quantum Inc.

D-Wave Quantum Inc. (“D-Wave”) is a leader in quantum computing systems, software, and services - developing and delivering quantum computing systems, software and services worldwide, and the only provider building both annealing and gate-model quantum computers.

We are pleased to see certain private technology companies from within our portfolio having the opportunity to go public. On August 8, 2022, D-Wave announced the completion of its listing on the New York Stock Exchange following a business combination with DPCM Capital, Inc. and D-Wave Systems Inc., as a publicly traded special purpose acquisition company (“SPAC”) named D-Wave Quantum Inc. under the symbol QBTS.

The Company’s shares of D-Wave were subject to a lock-up period that ended on February 5, 2023 following which the Company sold all of its D-Wave holdings.

General Fusion Inc.

General Fusion Inc. (“General Fusion”) is a research and development stage company with the goal of developing a practical path to commercial fusion power, providing a powerful complement to renewables and a pathway to a zero-emission grid. General Fusion continues to work towards the deployment of its power-plant scale fusion demonstration plant to be built at a campus of the UK Atomic Energy Authority in England. This initiative is intended to demonstrate fusion in a power-plant-relevant environment, confirming the performance and economics of the company’s technology, leading to the subsequent design of a commercial fusion pilot plant. During the fourth quarter of 2022, the company announced progress in meeting milestones related to plasma energy confinement times, plasma temperatures, and compression system performance, all of which support its work towards developing its demonstration plant.

Portfolio Turnover

The Company’s portfolio turnover was Nil during the year ended December 31, 2022 (December 31, 2021 - Nil). The portfolio turnover rate is calculated based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company’s investments in that period. In general, lower turnover rates may result in lower trading costs and may reduce realized capital gains and losses.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

After recording a substantial gain on the Company’s holdings of Copperleaf for the year ended December 31, 2021, the decline in its trading price during 2022 resulted in a reversal of a large part of that gain.

Copperleaf became publicly listed during 2021, and its December 31, 2021 closing price of \$23.85 per share resulted in a substantial unrealized gain in the Company’s 2021 financial statements. Those unrealized gains were the major factor in the Company’s 2021 increase in shareholders’ equity, which went from \$61.3 million at the beginning of 2021 to \$156.1 million at December 31, 2021.

During 2022, Copperleaf’s trading price declined by \$18.11 per share, from the prior year’s \$23.85 down to

\$5.74 per share at December 30, 2022. This decrease resulted in a reversal of a large part of the unrealized appreciation that had been recorded in 2021, and was the principal factor in the \$109,439,950 (70.1%) decrease in the Company's total shareholders' equity during 2022, which went from \$156,142,566 at December 31, 2021 to \$46,702,616 at December 31, 2022.

During the year ended December 31, 2022, Net Assets per Share for Legacy Shares decreased to \$7.05 per share, from \$21.83 as at December 31, 2021, while Net Assets per Share for Commercialization Shares (series 2) decreased to \$0.33 per share, from \$0.48 as at December 31, 2021.

There were no discontinued operations during the years ended December 31, 2022 and 2021.

Please refer to the "Financial Performance" and "Financial Condition" sections of this MD&A for additional details and to the "Past Performance" section of this MD&A for the performance of Class A Shares.

QUARTERLY PERFORMANCE

During the fourth quarter of 2022, the Company had a net loss of \$7 million, primarily as a result of net realized and unrealized portfolio losses. These losses were primarily attributable to the change in market prices of the Company's holdings of BuildDirect.com Technologies inc., Copperleaf and D-Wave.

Quarterly investment performance was reflected in the Net Assets per Share for the Legacy and Commercialization shares as shown in the tables in the Quarterly Investment Performance section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition as at December 31, 2022 compared to December 31, 2021. This section should be read together with the Annual Audited Financial Statements.

	Supplemental Data			
	2022	2021	2020	2019
Venture Series – Balanced Shares (series 1) & Legacy Shares Net Assets (\$000s)	46,372	155,657	59,923	62,829
Balanced Shares (series 1) Shares Outstanding	-	-	4,013,041	4,013,041
Legacy Shares Outstanding	6,579,039	7,131,477	12,421,473	12,421,473
Exit Venture Shares Outstanding	-	166,946	-	-
Balanced Shares (series 1) Net Assets per Share (\$)	-	-	4.14	4.33
Legacy Shares Net Assets per Share (\$)	7.05	21.83	3.49	3.66
Balanced Shares (series 1) Total increase (decrease) from operations per Share (\$)	-	(0.01)	(0.19)	(1.44)
Legacy Shares Total increase (decrease) from operations per Share (\$)	(15.10)	11.85	(0.17)	(1.42)

	Supplemental Data			
	2022	2021	2020	2019
Commercialization Shares (series 2) Net Assets (\$000s)	330	486	1,379	9,371
Commercialization Shares (series 2) Shares Outstanding	1,002,555	1,002,555	1,002,555	1,423,581
Commercialization Shares (series 2) Net Assets per Share (\$)	0.33	0.48	1.38	6.58
Commercialization Shares (series 2) Total increase (decrease) from operations per Share (\$)	(0.15)	(0.26)	0.45	(2.34)

Financial Performance

	2022	2021	2020	2019
Net realized gain (loss)	\$ 1,315,972	\$ 48,447,681	\$ (1,995,677)	\$ (74,439)
Net change in unrealized (depreciation) appreciation of investments	(132,585,874)	152,529,706	1,490,054	(23,861,496)
Change in conditional incentive participation dividend	-	-	174,599	21,463
Foreign exchange loss	(64,934)	(90,636)	-	-
Interest - venture investments	-	-	23,745	111,866
Interest - bonds, deposits and other investments	34,365	1,258	47,968	207,966
Total revenue	(131,300,471)	200,888,009	(259,311)	(23,594,640)
Management and administration fees net of management fee waivers	583,491	959,806	1,037,066	1,889,075
Other expenses	20,741	1,072,693	1,132,716	1,516,621
Total operating expenses net of management fee waivers	604,232	2,032,499	2,169,782	3,405,696
Total operating (loss) income	(131,904,703)	198,855,510	(2,429,093)	(27,000,336)
Other items:				
Legacy performance fee adjustment	(26,059,327)	37,285,112	-	-
Net (loss) income before income tax (recovery) expense	(105,845,376)	161,570,398	(2,429,093)	(27,000,336)
Income tax (recovery) expense:				
Current	(368,851)	368,851	-	-
Deferred	(623,937)	623,937	-	-
Net (loss) income	\$ (104,852,588)	\$ 160,577,610	\$ (2,429,093)	\$ (27,000,336)
Management expense ratio	0.81%	2.25%	3.37%	3.49%
Trading expense ratio	0.00%	0.00%	0.00%	0.00%

Financial performance for the year ended December 31, 2022

Highlights of the factors contributing to the Company's investment performance in the year ended December 31, 2022, are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the year ended December 31, 2022, the net realized gain on investments were \$1,315,972 (December 31, 2021 – gain \$48,447,681), which primarily related to the sale of Copperleaf shares and BuildDirect.com Technologies Inc.

(b) Net change in unrealized appreciation (depreciation) of investments

The net change in unrealized appreciation and/or depreciation of investments is the result of changes in the value of Portfolio Companies held throughout the period and is also adjusted upon the sale of Portfolio Companies when the unrealized appreciation or depreciation becomes recategorized as a realized gain or loss. Net unrealized appreciation and depreciation is generally not comparable between periods because the investments that give rise to these gains and losses generally change each period.

During the year ended December 31, 2022, the net change in unrealized appreciation (depreciation) of investments reflected a loss of \$132,585,874 (December 31, 2021 – gain of \$152,529,706), primarily attributable to the fact that the trading price of the Company's most material holding, Copperleaf, decreased from \$23.85 at December 31, 2021 to \$5.74 per share at December 30, 2022.

The Canadian dollar depreciated against the US dollar in the year ended December 31, 2022, resulting in

an unrealized appreciation on the conversion for financial reporting purposes of the carrying value of US dollar-denominated investments and divestment proceeds receivable to Canadian dollars.

(c) Interest income

As reported in the financial statements, interest from bonds, deposits and other investments was \$34,365 during the year ended December 31, 2022. This increase from the \$1,258 amount recorded for the year ended December 31, 2021 was due to the increase of interest rates.

(d) Management fees

The Company pays the Manager a management fee, which is calculated as a percentage of Net Assets. Prior to the Effective Date of the WOF Transaction, the management fee was 1.5% and the Company paid all of its operating expenses directly. The new management fee agreement that came into effect on the May 28, 2021 Effective Date of the WOF Transaction revised the management fee to an all-in rate of 2.5%, with the Manager paying the operating expenses of the Company, except for director fees and transaction expenses, including the Company's WOF Transaction expenses up to \$50,000 relating to the Legacy Shares transaction expenses. It should be noted that the management fee is not retroactively adjusted for changes or adjustments, if any, to Net Assets that are made under IFRS for reporting purposes. The Manager, may, at its discretion, reduce or waive management or administration fees and reimburse the Company for any expenses.

For the year ended December 31, 2022, management fee expense was \$2,136,070 which was \$298,834 less than the expense of \$2,434,904 in the year ended December 31, 2021. This decrease reflected the relatively lower level of Net Assets in 2022 as compared to 2021. The Manager waived \$1,552,579 (December 31, 2021 - \$1,475,098) of its management fees in the year, reducing the net management fee expense of the Company to \$583,491, which was \$376,315 less than the net management fee expense incurred by the company in the year ended December 31, 2021.

(e) Performance fees and other expenses

The Management Agreement provides that the Manager is entitled to a performance fee equal to 20% of the net divestment proceeds in excess of Effective Date NAV of the Legacy Shares, after net divestment proceeds equal to the Effective Date NAV have been disbursed to Legacy Shareholders.

Net divestment proceeds equal to the Effective Date NAV were disbursed to Legacy Shareholders during 2021, so performance fees are being accrued. However, they are not payable until a divestment occurs, at which time the performance fee accrual will be recalculated based on the final Net Divestment Proceeds and paid to the Manager.

In the year ended December 31, 2022, the Company recorded a net reversal of previously accrued performance fees of \$26,059,327 (December 31, 2021 – accrued performance fees of \$37,285,112), due to the reversal of part of the unrealized appreciation of Copperleaf, partially offset by a crystallized performance fee of \$1,071,019 (December 31, 2021 - \$2,146,262) that was paid in the year and by a crystallized performance fee of \$136,343 (December 31, 2021 - \$Nil) as yet unpaid. The crystallized performance fees were earned on the full and/or partial divestments of Portfolio Companies and receipt of escrow proceeds.

(f) Other expenses

Other expenses during the period were \$20,741 related to directors' fees, compared to other operating expenses of \$1,072,693 for the prior year. The 2022 decrease in other operating expenses incurred by the Company is due to the restructuring of the management fee during 2021 that is described in section (d) "Management fees" above.

(g) Current income tax expense

During the year ended December 31, 2022 the Company recorded current income tax recovery of \$368,851 (December 31, 2021 – income tax expense of \$368,851) due to the current year loss being carried back to offset prior year taxable income.

(h) Deferred income tax recovery

For 2022, the Company has recorded a deferred income tax recovery of \$623,937 (December 31, 2021 - \$623,937), a reversal of the prior year deferred income tax expense.

(i) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. The MER for the year ended December 31, 2022 was 0.81%, which was 1.44% lower than the 2.25% MER for the year ended December 31, 2021. This decrease in MER was due to a number of factors, including the May 2021 management fee agreement revision, the fact that 2021 expenses included costs related to the WOF Transaction and the fact that the Manager waived a greater proportion of the management fees during 2022 than it did in 2021.

Performance fees and/or their reversal are not included in MER Costs. During the year ended December 31, 2022, the performance fee reversal was (34.79)% (December 31, 2021 - 41.14%) of average Net Assets.

(j) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the limited number of transactions resulted in a TER of Nil for the year ended December 31, 2022 (December 31, 2021 - Nil).

Financial Highlights

<i>Legacy Shares (formerly Balanced Series 2)</i>				
<i>Net Assets per share ⁽¹⁾</i>				
	2022	2021	2020	2019
Net Assets per share, beginning of year ⁽²⁾	\$21.83	\$3.49	\$3.66	\$5.07
Increase (decrease) from operations:				
Total revenue	\$0.00	-	-	-
Total expenses and amortization [excluding distributions]	\$3.82	(\$2.95)	(\$0.11)	(\$0.17)
Realized gains (losses) for the year	\$0.22	\$3.61	\$0.04	\$0.00
Unrealized gains (losses) for the year	(\$19.14)	\$11.19	(\$0.10)	(\$1.25)
Total increase (decrease) from operations ⁽²⁾	(\$15.10)	\$11.85	(\$0.17)	(\$1.42)
Distributions:				
From net investment income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital ⁽⁷⁾	-	-	-	-
Total annual distributions	-	-	-	-
Net Assets per share at end of year ⁽¹⁾⁽²⁾	\$7.05	\$21.83	\$3.49	\$3.66

<i>Ratios and Supplemental Data</i>				
Total NAV (000's) ⁽¹⁾⁽³⁾	\$46,372	\$155,657	\$41,219	\$62,221
Number of shares outstanding (000's) ⁽³⁾	6,579	7,131	12,421	12,421
Operating management expense ratio ⁽⁴⁾	0.79%	1.73%	3.08%	3.31%
Amortization of share issue commissions and fees	0.00%	0.00%	0.00%	0.04%
Financing fees	-	-	-	-
Management fee waivers	2.07%	1.76%	-	-
Total MER before waivers or absorptions	2.86%	3.49%	3.08%	3.35%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁶⁾	0.00%	0.00%	0.00%	0.00%
NAV per share at end of year ⁽¹⁾	\$7.05	\$21.83	\$3.32	\$5.01

05 Commercialization Shares				
<i>Net Assets per share ⁽¹⁾</i>				
	2022	2021	2020	2019
Net Assets per share, beginning of year ⁽²⁾	\$0.48	\$1.38	\$6.58	\$9.11
Increase (decrease) from operations:				
Total revenue	-	-	\$0.06	\$0.17
Total expenses and amortization [excluding distributions]	(\$0.01)	(\$0.25)	(\$0.23)	(\$0.34)
Realized losses for the year	(\$0.24)	(\$0.58)	(\$2.49)	(\$0.04)
Unrealized gains (losses) for the year	\$0.10	\$0.57	\$3.11	(\$2.14)
Total increase (decrease) from operations ⁽²⁾	(\$0.15)	(\$0.26)	\$0.45	(\$2.35)
Distributions:				
From net investment income (excluding dividends)	-	-	-	-
From dividends	-	(\$0.63)	-	-
From capital gains	-	-	-	-
Return of capital ⁽⁷⁾	-	-	(\$5.49)	-
Total annual distributions	-	(\$0.63)	(\$5.49)	-
Net Assets per share at end of year ⁽¹⁾⁽²⁾	\$0.33	\$0.48	\$1.38	\$6.58

Ratios and Supplemental Data				
Total NAV (000's) ⁽¹⁾⁽³⁾	\$330	\$486	\$1,266	\$12,082
Number of shares outstanding (000's) ⁽³⁾	1,003	1,003	1,003	1,424
Operating management expense ratio ⁽⁸⁾	3.74%	34.29%	4.70%	3.86%
Amortization of share issue commissions and fees	0.00%	0.62%	0.82%	0.72%
Earned IPA	0.00%	0.00%	0.00%	0.00%
Conditional IPA	0.00%	0.00%	(3.35)%	(0.16)%
Management fee waivers	1.83%	0.62%	0.00%	0.00%
Total MER before waivers or absorptions	5.57%	35.53%	2.17%	4.42%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁶⁾	0.00%	0.00%	0.00%	0.00%
NAV per share at end of year ⁽¹⁾	\$0.33	\$0.48	\$1.26	\$8.49

Notes:

(1) This information is derived from the unaudited interim and/or audited annual financial statements. Total shareholders' equity, which is calculated using IFRS for financial reporting purposes, may be different from the net asset value per share reported from time to time or, for prior periods, from the weekly pricing net asset value. Commencing upon the May 28, 2021 Effective Date of the WOF Transaction, net asset value is calculated each month-end and reported quarterly. It is also calculated from time to time as required under the terms of the WOF Transaction. Prior to that, the Company used a weekly calculation of pricing NAV ("Pricing NAV") that included the unamortized balance of up-front sales commissions paid by the Company as the price for purchasing, redeeming or switching shares of the Company as and if applicable. In this MD&A, we use "NAV" to refer to the applicable metric in effect, the net asset value or the Pricing NAV, during the applicable period and/or at the applicable period end being presented. A reconciliation of Shareholders' Equity to NAV is included in the notes to the financial statements for the applicable periods. As at December 31, 2019 an adjustment was made to Net Assets for financial reporting purposes and to this table. Refer to the "Recent Developments" section in the MD&A for the year ended December 31, 2019, available on SEDAR, for further details.

(2) Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the sum of the beginning of period net assets and the increase (decrease) from operations shown above will not equal the end of period net assets.

(3) This information is provided as at December 31 of the year shown.

(4) Under the Management Agreement that took effect May 28, 2021, the Company pays the Manager a fee of 1/12th of 2.50% of NAV for all series of shares of the Company at each month end. The Company pays director fees and transaction expenses, including the Company's WOF Transaction expenses up to \$50,000 relating to the Legacy Shares, and the Manager pays the Company's operating expenses. Under the Original Management Agreement that took effect on March 1, 2019 the Company paid the Manager a fee of 1.50% of Pricing NAV and the Company paid its own operating expenses. Venture Series operating management expense ratio ("MER") means the total MER for the Series before taking into account amortization of share issue commissions, where applicable. Total MER is based on total expenses (excluding distributions, commissions, performance fees and/or their reversal and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of Net Assets during the applicable period.

(5) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of Net Assets during the applicable period.

(6) A Series' portfolio turnover rate indicates how actively the Series' portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Series buying and selling all of the securities in its portfolio once in the course of the period. While the portfolio turnover rate is not necessarily related to performance, in general, lower turnover rates result in lower trading costs and may reduce realized capital gains and losses. This rate is a blended rate of the turnover of the venture and non-venture investments, where applicable. Due to the nature of non-venture investments, in particular the bond and deposits portfolio, the turnover associated with these investments may be significantly higher than the turnover of the venture investments.

(7) As set out in the "Dividend Policy" section of the MD&A reports for the periods indicated, the Series paid a dividend in conjunction with the closing of the WOF Transaction in 2021. The Commercialization Series paid two dividends during the year 2020. The dividend policies in effect prior to the Effective Date of the WOF Transaction are as described in the December 31, 2020 annual audited financial statements. Refer to "Distributions of Dividend Payments" section in the Commercialization Series MRFP for the year ended December 31, 2020, on SEDAR, for further details.

(8) Commercialization Series operating management expense ratio ("MER") means the total MER for the Series before taking into account amortization of share issue commissions and fees, Earned IPA dividends and Conditional IPA dividends with respect to the Initial Manager. The Manager is not entitled to IPA dividends. Earned IPA dividends reflects the Initial Manager's participating interest in gains and income realized on successful exits from the Company's venture investments. Conditional IPA dividends were not amounts actually paid or payable; rather, they were an estimate of the IPA dividends that would be payable if the Company's entire venture portfolio was disposed of at the period end and this line reflects the change in the estimate from the previous period. Under the rights attached to the IPA Shares, certain amounts were to be accrued as at the date of termination of the Initial Manager as the contracted manager of the Company in certain circumstances which accrued amounts were only to be paid on the sale of the relevant portfolio investment. As at December 31, 2020 the Series has accrued a Contingent IPA dividend, in connection with the Initial Manager ceasing to be the Company's manager, of \$322,849 (December 31, 2019: \$497,448). On March 5, 2021, the Company settled the amount owing to the Initial Manager with total consideration comprising cash in the amount of \$322,849 and certain securities in the portfolio as well as other non-monetary consideration and redeemed and cancelled the IPA Shares. Total MER is based on total expenses excluding distributions, commissions, performance fees and/or their reversal and other portfolio transaction costs (together, the "MER Costs") that is borne by the Class A shareholders for the stated period. The MER is expressed as an annualized percentage of Net Assets as applicable during the period.

Financial Condition

	December 31 2022	December 31 2021
Assets		
Cash	\$ 3,701,497	\$ 4,355,991
Accounts receivable	4,763	-
Income taxes receivable	546,626	-
Divestment proceeds receivable	747,012	1,036,356
Venture investments	50,065,185	186,988,686
Total assets	55,065,083	192,381,033
Liabilities		
Other accounts payable and accrued liabilities	5,186	157,495
Due to related parties	8,184,486	34,966,619
Share redemptions payable	106,643	53,183
Dividends payable	66,152	68,382
Current income taxes payable	-	368,851
Deferred income tax liability	-	623,937
Total liabilities	8,362,467	36,238,467
Shareholders' equity	\$ 46,702,616	\$ 156,142,566

(a) Venture investments

As at December 31, 2022, the Company's Venture investments of \$50,065,185 were comprised of publicly listed Portfolio Companies valued at \$39,529,128 and private, unlisted Portfolio Companies valued at \$10,536,057. Total venture investments decreased by \$136,923,501, from \$186,988,686 at December 31, 2021 to \$50,065,185 at December 31, 2022, due primarily to the decrease in traded value of the shares of Copperleaf. Please refer to the "Recent Developments" section of this MD&A as well as the "Portfolio of Investments" section for a discussion of certain Portfolio Companies and significant factors that affected them in the year ended December 31, 2022.

(b) Cash

Cash balances are monitored by the Manager. The \$3,701,497 cash balance as at December 31, 2022 was \$654,494 less than the \$4,355,991 balance at December 31, 2021. This decrease in cash was primarily due to a pro-rata redemption of Legacy Shares in accordance with their special rights and restrictions and the payment of expenses, partially offset by Portfolio Company divestments and the receipt of escrow proceeds. The Company is required to hold 4%-5% of Net Divestment Proceeds in a "Legacy Reserve" to fund annual shareholder redemption requests. As at December 31, 2022, \$3,119,153 of the cash balance is restricted in relation to the Legacy Reserve.

(c) Accounts receivable

As at December 31, 2022, the Company had an accounts receivable balance of \$4,673 (December 31, 2021 – Nil), which relates to withholding taxes paid on the behalf of clients and refundable withholding tax amounts. The withholding taxes paid on the behalf of clients are recorded as a 'fee' attached to the account going forward, which the Company would seek to collect upon a liquidity event.

(d) Divestment proceeds receivable

As at December 31, 2022, the divestment proceeds receivable balance of \$747,012 (December 31, 2021 - \$1,036,356) represents receivables from private Portfolio Companies divested in the prior year. The \$289,344 decrease in the balance is as a result of receipt of escrow proceeds partially offset by the increase in carrying value of US dollar-denominated divestment proceeds receivable. The Canadian dollar depreciated against the US dollar in the year ended December 31, 2022, resulting in an increase in US dollar-denominated divestment proceeds receivable on the conversion of carrying values for financial reporting purposes.

(e) Income taxes receivable

The Company has accrued current income taxes receivable of \$546,626 (December 31, 2021 - \$Nil), of which \$435,013 relates to its estimate of the income tax recovery arising from the carry back of 2022 tax losses to the 2021 tax year. The remaining \$111,613 relates to a notice of objection filed for the 2021 tax year due to the Company's eligibility for the general rate reduction subsequent to the WOF Transaction described in the "Reporting Regime" section of this MD&A.

(f) Due to related parties

As at December 31, 2022, the Company had a net balance due to related parties of \$8,184,486 (December 31, 2021 - \$34,966,619), all of which is due to the Manager, comprising \$7,872,162 (December 31, 2021 - \$35,138,850) in respect of accrued uncrystallized performance fees payable, \$136,343 (December 31, 2021 - \$Nil) of accrued crystallized performance fees payable, in addition to \$175,981 due to the Manager (December 31, 2021 \$172,231 due from the Manager) in respect of management fees. During the year ended December 31, 2022, the balance decreased by \$26,782,133 from the December 31, 2021 balance of \$34,966,619, mainly due to the reversal of the performance fee accrual for the period. Please refer to the detailed information about performance fees and their recognition, in particular relating to the partial reversal of unrealized gains on Copperleaf, in the "Financial performance in the year ended December 31, 2022" section of this MD&A.

(g) Accounts payable and accrued expenses

The Company has an accounts payable and accrued expenses balance of \$5,186 at December 31, 2022

(December 31, 2021 - \$157,495) for directors' fees.

(h) Dividends payable

The Company has dividends payable of \$66,152 as at December 31, 2022 (December 31, 2021 - \$68,382) for previously declared dividend payments uncollected by shareholders.

(i) Share redemption payable

The Company has share redemptions payable of \$106,643 as at December 31, 2022 (December 31, 2021 - \$53,183) for redemption payments uncollected by shareholders.

(j) Income tax

The Company has accrued current income taxes payable of \$Nil (December 31, 2021 - \$368,851), and deferred income tax liability of \$Nil (December 31, 2021 - \$623,937) relating to its estimate of taxable income.

(k) Shareholders' equity

Shareholders' equity was \$46,702,616 at December 31, 2022 (December 31, 2021 - \$156,142,566). This balance represents the equity in the Company owned by the holders of the 6,579,039 Legacy Shares (formerly Balanced Shares (series 2)) outstanding as at December 31, 2022 (December 31, 2021 - 7,131,477) and 1,002,555 Commercialization Shares (series 2) outstanding as at December 31, 2022 (December 31, 2021 - 1,002,555). The Exit Venture Shares were redeemed automatically effective May 20, 2022, for no consideration. Please refer to the "Recent Developments" section of this MD&A for more information.

Cash Flows

For the year ended December 31, 2022, the Company's cash balance decreased by \$654,494, primarily due to the redemption of Legacy Shares and the payment of expenses, partially offset by Portfolio Company divestments and the receipt of escrow proceeds.

Shareholder Activity

Effective May 28, 2021, the Company completed the WOF Transaction, under which 100% of the Commercialization Series shares and 97% of the Venture Series shares were acquired from shareholders by PTF. As a result, the Company had Commercialization Series shares, Legacy shares and Exit Venture Shares outstanding.

The rights attached to the Legacy Share provide, among other things, for the pro-rata redemption of shares upon Net Divestment Proceeds being generated, with 4% - 5% being held in reserve by the Company to fund the Legacy shareholders' annual limited redemption right. The annual limited redemption right provides that, upon request, the Company will redeem Legacy Shares pro-rata, at 40% of their year-end net asset during the 60-day period following publication of the audited financial statements.

Please see the detailed description of the WOF Transaction in the "Recent Developments – WOF Transaction" section of this MD&A.

In 2021, PPI's divestments of Portfolio Companies triggered a requirement for the Company to redeem Legacy Shares on a pro-rata basis. On October 13, 2021, the Company redeemed approximately 58.49% of the Legacy Shares at a price of \$6.4705 per share, for a total value of \$65,026,367. The rights of the Exit Venture Shares provided for an additional cash payment in certain circumstances and as a result of this redemption, the Exiting Shareholders became entitled to receive an additional cash payment of \$1.2661 per share, or total value of \$21,136,513, and this was paid by PTF in October 2021.

Because there was no letter of intent, term sheet or binding agreement for a divestment entered into after November 18, 2021 and before February 18, 2022, which was the final period during which an additional exit payment could have been triggered, the right to any additional cash payment ceased and the Exit Venture Shares were redeemed automatically effective May 20, 2022 for no consideration.

The first designated retraction period for redemption of Legacy Shares was for the period from April 8, 2022 to June 6, 2022. In total, 54,368 Class A Legacy shares were redeemed under the annual limited redemption right, at 40% of the NAV per Legacy Share in effect on December 31, 2021, for total redemption proceeds of \$474,652.

In 2022, the Company's divestment of Portfolio Companies and the receipt of escrow proceeds triggered another redemption of Legacy Shares. Accordingly, on August 19, 2022, the Company redeemed approximately 7.04% of the outstanding Legacy Shares on a pro-rata basis at a redemption price of approximately \$8.2573 per share, with a total value of \$4,112,710. After the pro-rata redemption 6,579,039 Legacy Shares were outstanding.

The Legacy Reserve amount was \$3,119,153 as at December 31, 2022 (December 31 - \$3,422,441).

The next designated retraction period for Legacy Shares will be for the period from April 11, 2023 to June 10, 2023 and the applicable retraction price will be \$2.82 per share.

SUMMARY OF QUARTERLY RESULTS

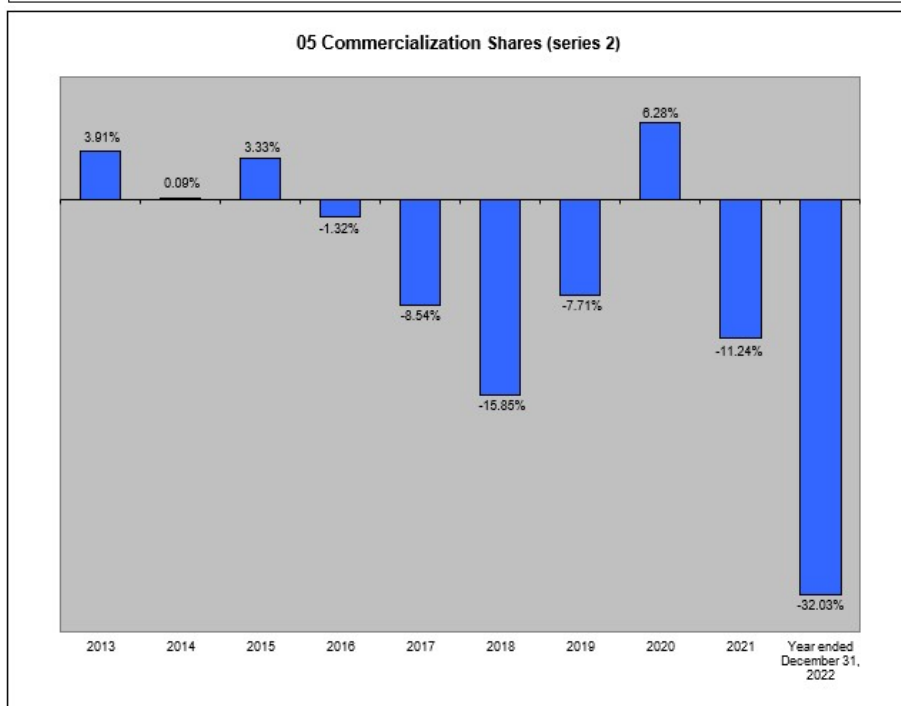
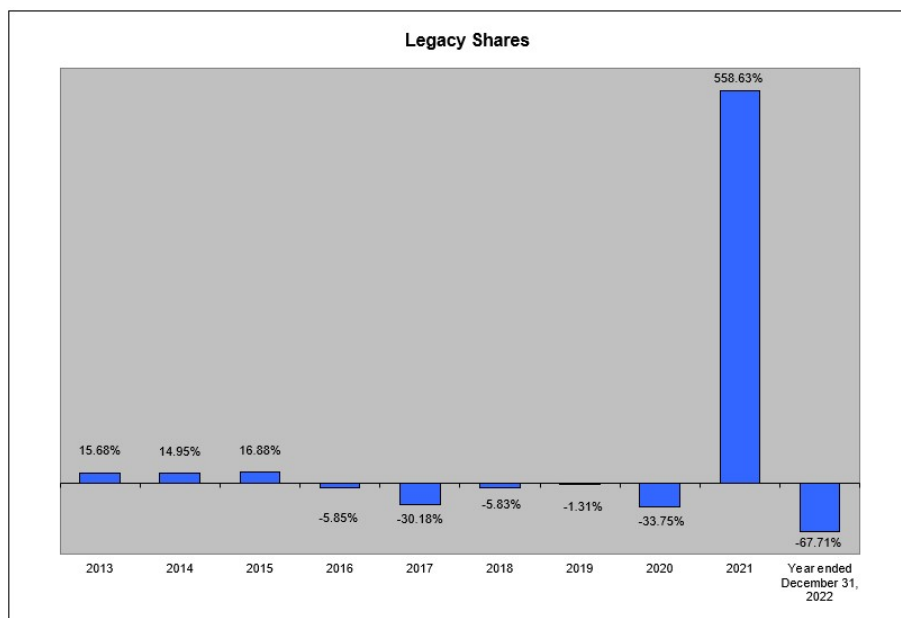
The tables below show information about the Company's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, interest income and operating expenses. A comparison of the information presented from quarter-to-quarter does not necessarily indicate any meaningful pattern or correlation.

	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Net realized (loss) gain	\$ (3,647,524)	\$ 4,012,876	\$ 950,620	\$ -
Net change in unrealized depreciation	(4,767,959)	(757,766)	(69,877,686)	(57,182,463)
Foreign exchange (loss) gain	(142,253)	56,549	36,261	(15,491)
Interest income	16,704	13,838	3,719	104
Total revenue	(8,541,032)	3,325,497	(68,887,086)	(57,197,850)
Management fees (net of waivers)	91,679	144,974	149,045	197,793
Other expenses	5,185	5,186	5,186	5,184
Total operating expenses net of management fee waivers	96,864	150,160	154,231	202,977
Net operating (loss) income	(8,637,896)	3,175,337	(69,041,317)	(57,400,827)
Other items:				
Performance fee adjustment (expense)	1,500,255	(455,797)	13,739,928	11,274,941
Net (loss) income before income taxes	(7,137,641)	2,719,540	(55,301,389)	(46,125,886)
Income tax recovery (expense) :				
Current	546,626	(111,613)	(66,162)	-
Deferred	-	-	-	623,937
Net (loss) income	\$ (6,591,015)	\$ 2,607,927	\$ (55,367,551)	\$ (45,501,949)
Net Assets per Share (beginning of period)				
Balanced Shares (series 1)	\$ -	\$ -	\$ -	\$ -
Legacy Shares (frmly Balanced Shares series 2)	\$ 8.06	\$ 7.70	\$ 15.46	\$ 21.83
Exit Venture Shares	\$ -	\$ -	\$ -	\$ -
Commercialization Shares (series 2)	\$ 0.28	\$ 0.27	\$ 0.38	\$ 0.48
Net Assets per Share (end of period)				
Balanced Shares (series 1)	\$ -	\$ -	\$ -	\$ -
Legacy Shares (frmly Balanced Shares series 2)	\$ 7.05	\$ 8.06	\$ 7.70	\$ 15.46
Exit Venture Shares	\$ -	\$ -	\$ -	\$ -
Commercialization Shares (series 2)	\$ 0.33	\$ 0.28	\$ 0.27	\$ 0.38

	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Net realized gain (loss)	\$ 42,671,381	\$ 9,919,356	\$ -	\$ (4,143,055)
Net change in unrealized appreciation	22,906,889	103,558,174	19,204,911	6,859,732
Foreign exchange loss	(90,636)	-	-	-
Interest income	-	9	494	754
Total revenue	65,487,634	113,477,539	19,205,405	2,717,431
Management fees (net of waivers)	(180,882)	609,115	295,963	235,610
Other expenses	9,779	(10,740)	790,841	282,813
Total operating expenses net of management fee waivers	(171,103)	598,375	1,086,804	518,423
Net operating income	65,658,737	112,879,164	18,118,601	2,199,008
Other items:				
Performance fee expense	(12,920,479)	(24,364,633)	-	-
Net income before income taxes	52,738,258	88,514,531	18,118,601	2,199,008
Income tax expense:				
Current	(368,851)	-	-	-
Deferred	(623,937)	-	-	-
Net income	\$ 51,745,470	\$ 88,514,531	\$ 18,118,601	2,199,008
Net Assets per Share (beginning of period)				
Balanced Shares (series 1)	\$ -	\$ -	\$ 4.27	\$ 4.14
Legacy Shares (frmly Balanced Shares series 2)	\$ 9.84	\$ 4.68	\$ 3.63	\$ 3.49
Exit Venture Shares	\$ -	\$ -	\$ -	\$ -
Commercialization Shares (series 2)	\$ 0.29	\$ 0.49	\$ 1.32	\$ 1.38
Net Assets per Share (end of period)				
Balanced Shares (series 1)	\$ -	\$ -	\$ -	\$ 4.27
Legacy Shares (frmly Balanced Shares series 2)	\$ 21.83	\$ 9.84	\$ 4.68	\$ 3.63
Exit Venture Shares	\$ -	\$ -	\$ -	\$ -
Commercialization Shares (series 2)	\$ 0.48	\$ 0.29	\$ 0.49	\$ 1.32

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows performance for the year ended December 31, 2022 and for each of the previous years ended December 31. The bar charts show, in percentage terms, how much an investment made at the beginning of the period would have grown or decreased by the end of the period based on shareholders' equity. The past performance of the Company does not necessarily indicate how it will perform in the future.



SUMMARY OF INVESTMENT PORTFOLIO

The Company's largest Portfolio Company holdings as at December 31, 2022 are presented below. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
CopperLeaf Technologies Inc.	81.8
Private unlisted companies*	22.6
D-Wave Quantum Inc.	2.2
Natera Inc.	0.5
BuildDirect.com Technologies Inc.	0.1
	107.2

* The value of these companies is disclosed on an aggregate basis due to the nature of private unlisted companies. Refer to the Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES

1150818 B.C. Ltd.
 Bootup Labs (VCC) Inc.
 General Fusion Inc.
 Highline, Canada AcceleratorCo Inc.
 Methylation Sciences Inc.

PREFERRED SHARES (VARIOUS SERIES)

4300092 Canada Inc.
 Cooledge Lighting Inc.
 Envysion Holdings L.P.
 General Fusion Inc.
 Highline, Canada AcceleratorCo Inc.
 Methylation Sciences Inc.
 Switch Materials Inc.

WARRANTS

ArborGen Inc.

DIVIDENDS AND DISTRIBUTIONS

Holders of Legacy Shares will be entitled to receive 95%-96% of the Net Divestment Proceeds (as defined in the Legacy Share rights and restrictions) from the former Venture Series portfolio, with 4%-5% being held in reserve to fund annual shareholder redemption requests.

Net Divestment Proceeds are being distributed by way of pro-rata redemptions of Legacy Shares at NAV per Legacy Share. Because total Net Divestment Proceeds equal to the Effective Date NAV of the Legacy Shares were disbursed to Legacy Shareholders during 2021, 80% of any additional Net Divestment Proceeds are distributable to the holders of Legacy Shares with the remaining 20% of the proceeds payable to the Manager as a performance fee.

Prior to the 2021 WOF Transaction Effective Date, the Company declared a dividend to distribute all available cash to shareholders, less a reserve to cover remaining commitments attributable to that series. In this way, shareholders received full value for the pre-WOF Transaction cash assets in the portfolio. These dividends were in addition to the adjusted purchase price per share under the WOF Transaction and were \$0.0055 per Balanced Share (series 1), \$0.0047 per Balanced Share (series 2) and \$0.6286 per Commercialization Series share.

Please refer to the “Shareholder Activity” section of this MD&A for more information about redemptions in 2021 and 2022. Please also refer to the continuous disclosure documents of WOF available on SEDAR for information about the dividend policy history of the Company prior to the WOF Transaction.

OUTSTANDING SHARE DATA

As at December 31, 2022, the Company had 6,579,039 Legacy Shares and 1,002,555 Commercialization Shares (series 2) outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at December 31, 2022, directors and officers of the Company held, directly or indirectly, less than 1% (December 31, 2021 – less than 1%) of the Company’s Shares. Additionally, as at December 31, 2022, the Manager and directors and officers of PTF indirectly hold an interest in the Company through their direct and/or indirect investment in 10% of PTF’s Class C Shares. The aggregate investment by the Company’s directors and officers in all Portfolio Companies did not exceed 1.0% of the any Portfolio Company’s issued and outstanding shares.

PTF, a company managed by the Manager, acquired 100% of the Company’s issued and outstanding Commercialization Series shares and 98% of the Venture Series shares under the WOF Transaction. Please refer to the “Business Strategy” and “Recent Developments – WOF Transaction” sections of this MD&A for more information.

In accordance with the plan of arrangement for the WOF Transaction, Shareholders who did not hold their Legacy Shares in an eligible account by June 10, 2022 had their Legacy Shares redeemed in exchange for the applicable cash consideration, as described in the “Recent Developments” section of this MD&A, and PTF acquired those shares from the Legacy Shareholders.

Under the original management agreement (the “Original Management Agreement”) between the Company and the Manager, the Company paid an annual management fee of 1.50% of the Pricing NAV of all series

of shares of the Company and the Company paid operating expenses set out in an annual budget approved by the Board and any expenditure by the Company that was more than \$10,000 and not included in the annual budget was required to be approved by the Board.

As described in the “Management Fees” section of this MD&A, under the Management Agreement, the Company pays management fees and, in certain circumstances, performance fees to the Manager for management and portfolio advisory services.

The annual management fee payable is 2.50% of NAV for all series of shares of the Company, the Company pays director fees and transaction expenses and the Manager pays the Company’s operating expenses.

The management fee is calculated and accrued monthly, but it is paid only when there is a divestment and in the case of the Legacy Shares, when there is a distribution by way of redemption of Legacy Shares. For the year ended December 31, 2022, the Company accrued management fees of \$2,136,070 (December 31, 2021 - \$2,434,904). The Manager has agreed to waive \$1,552,579 (December 31, 2021 - \$1,475,098) of the management fee, reducing the net management fee expense to \$583,491 (December 31, 2021 - \$959,806).

Because Net Divestment Proceeds equal to the Effective Date NAV of the Legacy Shares were disbursed to Legacy Shareholders in 2021, 80% of any additional Net Divestment Proceeds are distributable to the holders of Legacy Shares, with the remaining 20% of the proceeds payable to the Manager as a performance fee. Performance fees are accrued but not payable until a divestment occurs, at which time the related performance fee is recalculated based on the final Net Divestment Proceeds.

During 2021 and 2022, crystallized performance fees in the amount of \$2,146,262 and \$1,071,019, respectively, were paid to the Manager, in conjunction with October 2021 and August 2022 redemptions described in the “Shareholder Activity” section of this MD&A.

During the year ended December 31, 2022, due to a negative change in the unrealized appreciation of Copperleaf, the Company recorded a net reversal of \$26,059,327 of the performance fees accrued in 2021 (December 31, 2021 – performance fee expense of \$37,285,112).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022, the Company’s liquidity position, cash of \$3,701,497, represented 7.9% of the value of its Net Assets. The December 31, 2022 cash balance included a Legacy Reserve in the amount of \$3,119,153, held to fund annual redemption requests of Legacy shareholders (other than PTF) in accordance with the Legacy Series share rights. In accordance with special rights and restrictions attached to the Legacy Shares the Company completed a pro-rata redemption on August 19, 2022, as further described in the “Recent Developments” section of this MD&A. The Company redeemed approximately 7.04% of the outstanding Legacy Shares on a pro-rata basis at a redemption price of approximately \$8.2573 per share, with a total value of \$4,112,710.

The Company’s primary source of liquidity at present is the sale of investments. As at December 31, 2022, the Company has limited available liquidity because a significant percentage of net cash proceeds generated by the sale of an investment is required to be used to redeem Legacy Shares, as described in the “Recent Developments” section of this MD&A. No capital is expected to become available from the issuance of shares as the Company is not in distribution.

Despite our focus on developing and closing out exit opportunities, as the venture investments are generally

minority positions in private companies, and with the compounding effect of global events described the “Recent Developments” section of this MD&A, the timing and ability to effect exits is largely beyond the control of the Company and difficult to predict. There can be no assurance that the Company will be able to complete divestments of individual portfolio companies generally and/or complete an orderly realization of value (at current values or otherwise).

The primary factors that draw on the Company’s available capital are its liabilities and operating expenses. Operating expenses include management fees and, in certain circumstances, performance fees, director fees and transaction expenses. The management fee is calculated and accrued monthly and is paid only when there is a divestment and, in the case of the Legacy Shares, when there is a distribution by way of redemption in accordance with the special rights and restrictions attached to the Legacy Shares.

In certain cases, as described in the “Transactions Between Related Parties” section of this MD&A, the Manager earns a performance fee. During the year ended December 31, 2022, the Company recorded a net reversal of previously accrued performance fees of \$26,059,327 (December 31, 2021 – accrued performance fees of \$37,285,112) due to a negative change in the unrealized appreciation of Copperleaf, partially offset by a crystallized performance fee of \$1,071,019 (December 31, 2021 - \$2,146,262) and unpaid crystallized fee of \$136,343 (December 31, 2021 - \$Nil).

The Company manages liquidity by regularly measuring and estimating cash available and cash required, with the goal of ensuring sufficient liquid assets are on hand to fund the Company’s expenses while working toward exit opportunities for its remaining investments.

COMMITMENTS AND CONTINGENCIES

The Company may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

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.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares issued by its private Portfolio Companies. Details of these holdings are set forth in the “Summary of Investment Portfolio” section of this MD&A.

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a

material adjustment within the next reporting period is included in the Notes to the Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments that are publicly traded, such as debt and equity 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 contracts. 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 may be 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 instruments for which there is no public market available, the Manager considers: the history and nature of the business; operating results and financial conditions; general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable company 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 change in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and/or other developments since acquisition.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the year ended December 31, 2022.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.



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