Unaudited Condensed Interim Financial Statements of

PENDER GROWTH FUND INC.

Three months ended March 31, 2021

PENDER GROWTH FUND INC.

Condensed Interim Statements of Financial Position (Unaudited)

	Notes		March 31, 2021		December 31, 2020
Assets					
Cash		$	5,555,727	$	1,789,278
Divestment proceeds receivable			837,780		667,631
Interest receivable			110,664		52,075
Receivable for investments sold			61,703		729,274
Prepaid expenses			18,015		4,243
Investments			41,723,180		45,186,746
			48,307,069		48,429,247
Liabilities					
Due to related parties	4		1,037,725		1,058,873
Accounts payable and accrued liabilities			346,625		116,184
Share repurchase payable			141,700		-
			1,526,050		1,175,057
Shareholders' equity					
Class C Common shares:					
Contributed capital	7		18,104,716		18,715,287
Retained earnings			28,676,303		28,538,903
Total Shareholders' equity		$	46,781,019	$	47,254,190
Number of shares outstanding	7		7,628,429		7,740,129
Total shareholders' equity per share		$	6.13	$	6.11

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.

Condensed Interim Statements of Comprehensive Income (Unaudited)

	Notes	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue:			
Dividend income		$ -	$ 26,842
Interest income		87,485	65,466
Securities lending income	5	8,041	19
Foreign exchange gain (loss)		-	1,236
Changes in fair value of investments:			
Net realized gain (loss)		2,589,981	595,295
Net change in unrealized appreciation (depreciation)		(1,909,226)	(1,300,561)
Total revenue		776,281	(611,703)
Expenses:			
Management fees	4	261,235	188,914
Transaction costs		255,376	28,136
Administration expenses		63,117	66,965
Audit and professional fees		28,679	27,708
Directors' fees		15,722	10,433
Legal fees		9,339	6,699
Custody and recordkeeping fees		5,413	13,084
Total expenses		638,881	341,939
Net income (loss)		$ 137,400	$ (953,642)
Net income (loss), per share:			
Class C shares		$ 0.02	$ (0.12)
Weighted average number of non-redeemable Class C shares outstanding		7,691,029	8,054,729

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Changes in Equity (Unaudited)

Class C shares	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
Balance, beginning of period		$ 47,254,190	$ 33,833,017
Net income (loss)		137,400	(953,642)
Capital transactions	7(c)	(610,571)	(288,781)
Balance, end of period		$ 46,781,019	$ 32,590,594

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Cash Flows (Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash provided by (used in):		
Operating:		
Net income (loss)	$ 137,400	$ (953,642)
Adjustments for:		
Dividend income	-	(26,842)
Interest income and securities lending income	(95,526)	(65,466)
Foreign exchange (gain) loss	-	(1,236)
Net realized (gain) loss on sales of investments	(2,589,981)	(595,295)
Net change in unrealized (appreciation) depreciation on investments	1,909,226	1,300,561
(Increase) decrease in divestment proceeds receivable	(170,149)	(667,631)
(Increase) decrease in prepaid expenses	(13,772)	(2,455)
(Increase) decrease in other receivable	-	71
Increase (decrease) in due to related parties	(21,148)	(5,428)
Increase (decrease) in accounts payable and accrued liabilities	230,441	3,323
	(613,509)	(1,014,040)
Proceeds on disposal of investments	4,811,892	4,059,879
Purchase of investments	-	(6,906,335)
Dividend received	-	26,842
Interest received	36,937	547,334
Net cash used in operating activities	4,235,320	(3,286,320)
Financing:		
Repurchase of shares	(468,871)	(288,781)
Net cash used in financing activities	(468,871)	(288,781)
Net increase (decrease) in cash during the period	3,766,449	(3,575,101)
Cash, beginning of period	1,789,278	8,199,875
Increase (decrease) due to exchange rate fluctuations on cash	-	1,236
Cash, end of period	$ 5,555,727	$ 4,626,010

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

PENDER GROWTH FUND INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited)

As at March 31, 2021

	Interest rate/ exercise price	Maturity/ expiry date	Issue Currency	Face value/ Number of shares / units	Cost	Fair value
Publicly listed companies: (59.2%)						
Common shares: (57.0%)						
BBTV Holdings Inc.				131,700	2,107,200	1,317,000
GreenSpace Brands Inc.				64,968,648	3,590,857	5,359,913
Inscape Corporation, Class B				6,886,981	4,498,638	5,509,585
MAV Beauty Brands Inc.				250,500	511,587	1,390,275
ProntoForms Corporation				2,743,333	1,304,884	3,154,833
Quorum Information Technologies Inc.				1,683,100	1,461,268	1,969,227
Redline Communications Group Inc.				396,153	680,643	217,884
Sangoma Technologies Corporation				519,007	696,998	2,143,499
Spartan Delta Corp.				594,400	1,188,800	2,347,880
Tantalus Systems Holding Inc.				980,931	506,880	1,961,862
Vigil Health Solutions Inc.				1,471,500	507,493	603,315
Wishpond Technologies Ltd.				362,965	253,084	631,559
					17,308,332	26,606,832
Warrants: (0.2%)						
Else Nutrition Holdings Inc.	3.25	10/06/2022	CAD	11,607	-	6,268
GreenSpace Brands Inc.	0.08	12/23/2022	CAD	42,140,328	-	105,351
Newtopia Inc.	1.00	05/03/2022	CAD	178,571	-	-
Siyata Mobile Inc.	49.70	12/23/2022	USD	6,896	-	-
					-	111,619
Convertible debentures: (2.0%)						
Siyata Mobile Inc.	12.00%	12/23/2021	CAD	1,000,000	950,000	950,000
					18,258,332	27,668,451
Private unlisted companies: (30.0%)						
Common shares:						
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	
D-Wave Systems Inc.				224,144	1,200,000	
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.	10.00%	12/31/2023	CAD	1,000,000	1,000,000	
					6,431,844	14,054,729
Less: Transaction costs included in cost of investments					(33,490)	
Total investments (89.2%)					$ 24,656,686	$ 41,723,180
Cash (11.9%)						5,555,727
Other assets less liabilities (-1.1%)						(497,888)
Total Shareholders' equity (100.0%)						$ 46,781,019

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. These condensed interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These financial statements should be read in conjunction with the audited annual financial statements.

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 May 27, 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 calculated under 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.

3. Significant accounting policies:

These financial statements follow the same accounting policies and methods of application as applied in the December 31, 2020 annual audited financial statements.

4. Related party transactions:

(a) Management and performance fees:

In accordance with the Third Amended and Restated Management Agreement dated May 1, 2017 as amended March 7, 2019 (the "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 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.

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. A performance fee was earned in the year ended December 31, 2020 resetting the high water mark to $6.22. 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 three months ended March 31, 2021, the Company incurred management fees of $261,235 (2020 - $188,914). As at March 31, 2021, the Company had an amount payable to the Manager of $1,037,725 (December 31, 2020 - $1,058,873) in respect of management fees, performance fees and reimbursement of operating expenses paid on behalf of the Company.

(b) Share holdings**:**

As at March 31, 2021, the Manager, directors and officers of the Company directly or indirectly held 9.2% (December 31, 2020 – 9.1%) of the Company'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 issued and outstanding shares of any Portfolio Company.

5. Securities lending transactions:

As at March 31, 2021, the value of securities loaned is $11,192 (December 31, 2020 – $19,955) and collateral received in respect of securities lending is $11,839 (December 31, 2020 – $20,965).

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 periods ended March 31, 2021 and 2020 is presented in the following table.

Periods ended		Gross Income		Withholding taxes		Agent fees		Securities lending income
March 31, 2021	$	13,401	$	-	$	(5,360)	$	8,041
March 31, 2020	$	31	$	-	$	(12)	$	19

The agent fees were paid to the Securities Lending Agent 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 period, withholding tax rates were between 0% and 35% (2020 – between 0% and 35%).

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 March 31, 2021, 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”).

7. Share capital (continued):

(a) Authorized share capital (continued):

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.

Preferred Shares:

The Preferred Shares were created on July 24, 2019. As at March 31, 2021 and December 31, 2020, 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.

7. Share capital (continued):

(b) Issued and fully paid shares:

During the three months ended March 31, 2021 and 2020, the Company has issued and fully paid Class C shares outstanding as follows:

	Balance, Beginning of period	Shares issued	Shares repurchased	Balance, end of period
March 31, 2021				
Class C	7,740,129	-	(111,700)	7,628,429
March 31, 2020				
Class C	8,083,329	-	(93,100)	7,990,229

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.

Following the expiry of its NCIB on February 10, 2021, the Company launched a new NCIB on the TSXV. Upon this 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.

During the three months ended March 31, 2021, the Company bought back 111,700 shares for a total price of $610,571 under its NCIB (March 31, 2020 - $288,781).

(c) Equity capital:

The changes in shareholders' equity for the three months ended March 31, 2021 and 2020 are as follows:

	Share capital	Retained earnings (deficit)	Total
Balance, January 1, 2021	$ 18,715,287	$ 28,538,903	$ 47,254,190
Net income (loss)	-	137,400	137,400
Capital transaction	(610,571)	-	(610,571)
Balance, March 31, 2021	$ 18,104,716	$ 28,676,303	$ 46,781,019

7. Share capital (continued):

(c) Equity capital (continued):

	Share capital	Retained earnings (deficit)	Total
Balance, January 1, 2020	$ 19,769,587	$ 14,063,430	$ 33,833,017
Net income (loss)	-	(953,642)	(953,642)
Capital transaction	(288,781)	-	(288,781)
Balance, March 31, 2020	$ 19,480,806	$ 13,109,788	$ 32,590,594

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.

The Company's investment objective is to achieve long-term capital growth by investing in public and private companies. The Company maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies. The Schedule of Investment Portfolio groups these investment holdings by asset type s. The Company's exposure to financial risk is concentrated in its investment holdings.. 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 the investment portfolio 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, measures taken to reopen world economies and the development and rollout 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.

9. Financial risk management (continued):

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 related to 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 March 31, 2021 is $6,123,260 (December 31, 2020 - $8,125,864).

(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.

The following table summarizes the Company's financial liabilities as at March 31, 2021 and December 31, 2020,which are all due within one year, based on undiscounted contractual cash flows:

	March 31, 2021	December 31, 2020
Due to related parties	$ 1,037,725	$ 1,058,873
Accounts payable and accrued liabilities	346,625	116,184
Share repurchase payable	141,700	-
	$ 1,526,050	$ 1,175,057

9. Financial risk management (continued):

(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 its 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 may contain private debt instruments, the majority of which may be 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, so 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 invests primarily 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 manages other price risk through careful selection of investments and through diversification of the investment portfolio.

As at March 31, 2021, 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 $2,577,000 (December 31, 2020 - $2,682,000). 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 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 March 31, 2021 and December 31, 2020 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.

	March 31, 2021	December 31, 2020
Level 1:		
Publicly listed companies	$ 26,718,451	$ 27,903,494
Level 2:		
Publicly listed companies	-	-
Level 3:		
Publicly listed companies	950,000	950,000
Private unlisted companies	14,054,729	16,333,252
Total Level 3	15,004,729	17,283,252
	$ 41,723,180	$ 45,186,746

During the three months ended March 31, 2021, Tantalus Systems Holding Inc. was transferred from level 3 to level 1 of the fair value hierarchy upon becoming publicly traded. (In 2020, 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 three months ended March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Opening balance	$ 17,283,252	$ 17,845,943
Amounts paid on purchase of investments	-	3,909,343
Sales and settlements of investments	(170,149)	(3,626,682)
Transfer from Level 3 to Level 1	(2,207,096)	(250,000)
Total gain (loss) recognized in comprehensive income	98,722	(595,352)
Ending balance	$ 15,004,729	$ 17,283,252

Included in the net change in unrealized appreciation (depreciation) in fair value of investments on the Company's Condensed Interim Statements of Comprehensive Income for the three months ended March 31, 2021 is a change in unrealized appreciation of $112,017 (December 31, 2020 – unrealized depreciation $364,306 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 March 31, 2021 and December 31, 2020 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

March 31, 2021

Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	$ 5,582,544	Investment cost/ enterprise value	Enterprise value	$ 5,582,544	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	1.8	The estimated fair value would increase if the revenue multiples were higher

December 31, 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

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 arm's length transactions in shares of entities comparable to the respective company.

comparable

(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 March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Favourable	$ 5,018,170	$ 5,167,864
Unfavourable	(3,807,824)	(4,103,980)

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 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 March 31, 2021, the Company has $5,903,051 accumulated capital losses (2020 - $5,903,051) and non-capital losses of approximately $11,395,194 (2020 - $12,363,944).

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:

2027	$ 2,335,535
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
	$ 11,395,194

12. Involvement with subsidiaries and associates:

The table below describes subsidiaries and associates in which the Company holds an interest and that 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.

March 31, 2021 and December 31, 2020					
Name of Entity	Relationship	Principal place of business	Country of incorporation	Ownership interest	Voting rights
Inscape Corporation	Associate	Canada	Canada	48% (2020 – 48%)	48% (2020 – 48%)
one45 Software Inc.	Subsidiary	Canada	Canada	81% (2020 - 81%)	81% (2020 - 81%)

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

13. Subsequent events:

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 Proposed Transaction has been approved by the Supreme Court of British Columbia, regulators, and shareholders and remains subject to customary conditions to closing but is anticipated to close on or before June 15, 2021.

13. Subsequent events (continued):

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 the Company's existing Portfolio Companies.

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 who provided a fairness opinion that the Proposed Transaction is fair from a financial point of view to WOF's shareholders.

The Proposed Transaction presented WOF shareholders with liquidity options while allowing the Company to provide ongoing support to the WOF portfolio companies. This allows them to continue to execute on their strategic plans without the disruption of a change in direct ownership. The Company's aim is to support their development and growth toward potential exits when and where possible.

WOF has two types of Class A shares: Venture Series and Commercialization Series. Under the Proposed Transaction, the Company will acquire all Commercialization Series shares in exchange for a cash payment equal to 75% of the price of the recently closed BuildDirect.com Technologies Inc. ("BuildDirect") subscription receipt financing in conjunction with a going public transaction. Venture Series shareholders that took the default option will 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). The remaining 3% of the Venture Series shareholders elected to continue to hold their Venture Series shares and maintain their pro rata participating position in the Venture Series portfolio. WOF will distribute any excess cash to the WOF shareholders as a dividend just prior to closing.

Shareholders who took the default cash option and sold 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 is closed on or before November 18, 2021, Exiting Shareholders will receive their pro rata portion of 60% of the net gain; (b) if a divestment is closed 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 closed by May 18, 2022, Exiting Shareholders will receive their pro rata entitlement of 20% of to the net gain.

In view of the nature of and conditions to complete 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 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.