FAX Capital Corp.

Condensed Interim Financial Statements
March 31, 2022
(Presented in Canadian Dollars)
(Unaudited)

Contents

FAX Capital Corp.

Condensed interim statements of financial position

As at March 31, 2022 and December 31, 2021

(Unaudited)

(In Canadian Dollars)

	March 31 2022	December 31 2021
	$	$
Assets		
Cash and cash equivalents	**54,754,350**	76,086,935
Accounts and other receivables (Note 3)	**1,379,305**	408,109
Prepaid expenses	**141,635**	34,049
Notes receivable (Note 17)	**15,900,000**	-
Investments, at fair value (Note 4)	**147,971,061**	151,374,156
Capital assets (Note 5)	**11,977**	11,318
Deferred income tax asset	**565,579**	-
	220,723,907	227,914,567
Liabilities		
Accounts payable and accrued liabilities (Note 6)	**4,677,172**	4,646,239
Due to broker	**26,952**	-
Income taxes payable	**-**	256,505
Deferred income tax liability	**-**	792,748
	4,704,124	5,695,492
Shareholders' equity		
Share capital (Note 8)	**183,953,190**	184,685,839
Contributed surplus	**5,549,930**	5,422,847
Retained earnings	**26,516,663**	32,110,389
	216,019,783	222,219,075
	220,723,907	227,914,567

Approved on Behalf of the Board:

Signed: "Blair Driscoll", Director

Signed: "Paul Gibbons", Director

(See accompanying notes to the condensed interim financial statements.)

FAX Capital Corp.

Condensed interim statements of comprehensive income (loss)

For the three month periods ended March 31, 2022 and 2021

(Unaudited)

(In Canadian Dollars)

	Three month period ended March 31	
	2022	2021
	$	$
Revenues		
Realized (loss) gain on sale of investments	**(784,859)**	15,502,896
Net change in unrealized loss on investments (Note 4)	**(5,290,504)**	(885,886)
Dividends	**270,412**	214,993
Interest	**141,395**	271,552
Capital commitment fees	**-**	700,000
	(5,663,556)	15,803,555
Expenses		
Compensation (Note 12)	**765,958**	591,405
Office, general and administration (Note 12)	**298,683**	238,594
Professional fees	**143,902**	160,527
Director fees (Note 12)	**52,500**	52,500
Brokerage fees and commissions	**24,050**	12,432
Depreciation	**4,139**	3,816
Share-based compensation (Note 10)	**(94,007)**	661,408
Reimbursement of expenses (Note 12)	**-**	(93,112)
	1,195,225	1,627,570
(Loss) income before income taxes	**(6,858,781)**	14,175,985
Provision for income taxes (Note 7)	**(1,258,561)**	1,785,098
Net (loss) income and comprehensive (loss) income	**(5,600,220)**	12,390,887
(Loss) earnings per share (Note 11)		
Basic	**(0.13)**	0.29
Diluted	**(0.13)**	0.29

(See accompanying notes to the condensed interim financial statements.)

FAX Capital Corp.
Condensed interim statements of changes in equity
For the three month periods ended March 31, 2022 and 2021

(Unaudited)
(In Canadian Dollars)

	Share Capital					
	Subordinate Voting Shares (Note 8)	Multiple Voting Shares (Note 8)	Founder Warrants	Contributed Surplus	Retained Earnings	Total Shareholders' Equity
	$	$	$	$	$	$
Balance at January 1, 2021	61,616,141	123,050,811	4,888,632	171,180	17,192,611	206,919,375
Repurchase and cancellation of shares (Note 9)	(84,889)	-	-	-	5,317	(79,572)
Share based compensation (Note 10 (b))	-	-	-	83,731	-	83,731
Refundable dividend taxes	-	-	-	-	(82,412)	(82,412)
Net income	-	-	-	-	12,390,887	12,390,887
Balance at March 31, 2021	61,531,252	123,050,811	4,888,632	254,911	29,506,403	219,232,009
Balance at January 1, 2022	**61,635,028**	**123,050,811**	**-**	**5,422,847**	**32,110,389**	**222,219,075**
Repurchase and cancellation of shares (Note 9)	**(732,649)**	**-**	**-**	**-**	**6,494**	**(726,155)**
Share based compensation (Note 10 (b))	**-**	**-**	**-**	**127,083**	**-**	**127,083**
Net loss	**-**	**-**	**-**	**-**	**(5,600,220)**	**(5,600,220)**
Balance at March 31, 2022	**60,902,379**	**123,050,811**	**-**	**5,549,930**	**26,516,663**	**216,019,783**

(See accompanying notes to the condensed interim financial statements.)

FAX Capital Corp.

Condensed interim statements of cash flows

For the three month periods ended March 31, 2022 and 2021

(Unaudited)

(In Canadian Dollars)

	Three month period ended March 31	
	2022	2021
	$	$
Operating activities		
Net (loss) income	**(5,600,220)**	12,390,887
Adjustments for non-cash items:		
Realized loss (gain) on sale of investments	**784,859**	(15,502,896)
Net change in unrealized loss on investments	**5,290,504**	885,886
Share-based compensation	**127,083**	83,731
Depreciation of capital assets	**4,139**	3,816
Refundable dividend taxes	**(99,766)**	(82,412)
Provision for income taxes	**(1,258,561)**	1,785,098
Purchase of investments	**(5,387,409)**	(37,460,360)
Proceeds from sale of investments	**2,715,141**	31,581,200
Changes in non-cash working capital:		
Accounts and other receivables	**(971,196)**	(263,314)
Prepaid expenses	**(107,586)**	(92,849)
Accounts payable and accrued liabilities	**30,933**	(195,413)
Increase (decrease) in due to broker	**26,952**	(606,366)
Income taxes payable	**(256,505)**	(168,242)
	(4,701,632)	(7,641,234)
Investing activity		
Purchase of capital assets	**(4,798)**	-
	(4,798)	-
Financing activities		
Notes receivable	**(15,900,000)**	-
Subordinate Voting Shares purchased for cancellation	**(726,155)**	(79,572)
	(16,626,155)	(79,572)
Net change in cash and cash equivalents	**(21,332,585)**	(7,720,806)
Cash and cash equivalents, beginning of period	**76,086,935**	109,800,255
Cash and cash equivalents, end of period	**54,754,350**	102,079,449
Cash and cash equivalents is comprised of		
Cash	**54,754,350**	12,079,449
Cash equivalents	**-**	90,000,000
	54,754,350	102,079,449
Supplemental Cash Flow Information		
Interest paid	**-**	-
Income taxes paid	**356,274**	250,654

(See accompanying notes to the condensed interim financial statements.)

FAX Capital Corp.

Condensed interim schedule of investment portfolio

As at March 31, 2022

(Unaudited)

(In Canadian Dollars)

Description	Number of securities	Cost	Fair value
		$	$
Public company investments			
Information Services Corporation	1,074,967	16,316,862	26,712,930
Hamilton Thorne Ltd.	17,649,200	21,853,371	33,709,972
Points.com Inc.	1,032,155	20,065,507	23,708,600
Quisitive Technology Solutions Inc.	21,000,000	27,000,004	20,580,000
BioSyent Inc.	2,121,100	15,348,129	19,280,799
Tecsys Inc.	331,000	13,022,921	10,578,760
		113,606,794	134,571,061
Private company investments			
2794677 Ontario Corp. (i)		12,883,819	13,400,000
		126,490,613	147,971,061

(i) The Company's investment in Carson, Dunlop & Associates Ltd. Is held in its majority owned subsidiary 2794677 Ontario Corp.

(See accompanying notes to the condensed interim financial statements.)

1. Nature of Business

FAX Capital Corp. (the "Company") was incorporated in Ontario in 1923, until it was continued federally under the laws of Canada in 1978. The Company is an investment holding company.

The Company's Subordinate Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol FXC. The Company's Multiple Voting Shares are not listed on any exchange.

The Company is domiciled in the Province of Ontario, and its registered office address is 2 Bloor Street East, Suite 701, Toronto, Ontario, M4W 1A8.

2. Significant Accounting Policies

Statement of Compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Specifically, these statements have been prepared in accordance with International Accounting Standards 34 ("IAS 34"), Interim Financial Reporting.

The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2021. The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2021.

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

Basis of Presentation

These financial statements have been prepared using the historical cost convention except for certain financial instruments which are measured at fair value.

Functional and Presentation Currency

The Company's functional and presentation currency is the Canadian dollar.

Segmented Information

The Company has one operating and geographic segment, which is that of an investment holding company. All of the Company's operations, assets, and revenues belong to this segment.

2. Significant Accounting Policies (continued)

Critical Accounting Judgments, Estimates, and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates, and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, the Company is required to make significant judgements about its business model for managing its financial instruments, and whether or not the business of the Company is to manage the financial assets with the objective of realizing cash flows through the sale of the assets for the purpose of classifying certain financial instruments at fair value through profit or loss ("FVTPL").

Valuation of investments

Investments are measured at fair value in accordance with IFRS 13, *Fair Value Measurement*. Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed and/or principally traded, provided the close price is within the bid-ask spread.

Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers are valued at fair value using management's best estimates. Several valuation methodologies may be considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows and industry valuation benchmarks. Unrealized gains and losses on investments are recognized in the Statements of Comprehensive Income.

Income Taxes

Income taxes relating to uncertain tax positions are recognized based on the expected value of the tax settlement with the related tax authority. Judgment is required to determine the amount of tax provision relating to these uncertain tax positions.

2. Significant Accounting Policies (continued)

Critical Accounting Judgments, Estimates, and Assumptions (continued)

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

Interest in Other Entity

The Company qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*, accordingly it does not consolidate its subsidiary 2794677 Ontario Corp. As at March 31, 2022, the Company held 95.9% of the equity interest of 2794677 Ontario Corp. and 100% of the voting rights. This subsidiary entity holds the Company's investment in Carson, Dunlop & Associates Ltd. ("Carson Dunlop").

3. Accounts and Other Receivables

Accounts and other receivables consist of the following:

	March 31 2022	December 31 2021
	$	$
Dividends	**270,412**	260,262
Interest	**55,602**	46,141
Accounts receivable - Carson Dunlop (Notes 12 (c) and 17)	**951,216**	-
Accounts receivable - other	**369**	-
Due from Fax Investments Inc. (Note 12 (b))	**100,525**	100,525
Due from 2794677 Ontario Corp.	**1,181**	1,181
	1,379,305	408,109

4. Investments

The Company's investments are financial instruments and have been classified at FVTPL with gains and losses recorded in net income. Investment transactions are recorded on a trade date basis.

Fair value measurements of the investments are classified based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

4. Investments (continued)

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table includes the disaggregation of unrealized gain on investments for the three month periods ended March 31, 2022 and 2021:

	March 31 2022	March 31 2021
	$	$
Unrealized gain (loss) on investments - beginning of period	**26,770,952**	23,323,512
Unrealized gain (loss) on investments - end of period	**21,480,448**	22,437,626
Net change in unrealized gain (loss) on investments	**(5,290,504)**	(885,886)

Investments consisted of the following as at March 31, 2022:

Financial assets measured at fair value	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
	$	$	$	$	$
Public company investments	113,606,794	134,571,061	-	-	134,571,061
Private company investments	12,883,819	-	-	13,400,000	13,400,000
	126,490,613	134,571,061	-	13,400,000	147,971,061

Transfers between the three levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. During the quarter ended March 31, 2022, the four month hold period and the twelve month hold period for certain common shares purchased under private placements on November 10, 2021 and March 22, 2021, respectively, ended. These common shares, with a carrying amount of $1,633,334 and $15,680,000 at March 31, 2022, were transferred from Level 2 to Level 1 of the fair value hierarchy upon expiry of the four and twelve month hold periods, respectively. There were no other transfers between Level 1, 2 and 3 during the period ended March 31, 2022.

The fair value of the Company's private company investment cannot be derived from an active market and accordingly, was determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of this investment.

The Company's investment in Carson Dunlop is held in its 95.9% owned subsidiary, 2794677 Ontario Corp. Carson Dunlop is a leading provider of proprietary technology-enabled education services and software for home inspectors across Canada and the United States, as well as a leading provider of home inspections services in the Greater Toronto Area.

4. Investments (continued)

The Company, through its subsidiary 2794677 Ontario Corp., completed the acquisition of an approximate 78% controlling interest in Carson Dunlop on March 23, 2021. The Company invested $11,750,000, plus a working capital adjustment of $1,633,819, for approximately 78% of Carson Dunlop, representing a total enterprise value of $15 million. To fund the acquisition, 2794677 Ontario Corp. issued 12,883,819 new Class A common shares to the Company for proceeds of $12,883,819 and the Company provided 2794677 Ontario Corp. with an inter-company loan of $500,000. On June 28, 2021, 2794677 Ontario Corp. issued to the Chief Executive Officer of 2794677 Ontario Corp. and his spouse collectively 555,556 new non-voting Class B common shares for proceeds of $500,000. This resulted in the Company's ownership interest in 2794677 Ontario Corp. decreasing from 100% to 95.9%. In July 2021, these funds were used by 2794677 Ontario Corp. to repay the $500,000 inter-company loan to the Company.

In conjunction with the acquisition of Carson Dunlop by 2794677 Ontario Corp., 2794677 Ontario Corp. and the other shareholders of Carson Dunlop entered into a Shareholders' Agreement to record their agreement as to the manner in which Carson Dunlop's affairs will be conducted. The Shareholders' Agreement also granted to each shareholder certain rights and obligations with respect to their ownership, directly and indirectly, of the common shares of Carson Dunlop, including customary liquidity rights.

At March 31, 2022, the Company estimated the fair value of its investment in Carson Dunlop using a discounted cash flow analysis for Carson Dunlop's three business units based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 25.0% and a 9x earnings before interest, taxes, depreciation and amortization exit multiple ("Exit multiple"). At March 31, 2022 free cash flow forecasts were based on estimates derived from financial information for Carson Dunlop's three business units prepared in the first quarter of 2022 by the Company's management.

At March 31, 2022, the fair value of the Company's investment in 2794677 Ontario Corp. was $13,400,000, comprised of its investment of $12,883,819, and a market adjustment of $516,181. The valuation also considered the payment of a $1,700,000 dividend by Carson Dunlop in April 2021, of which $1,331,667 was ultimately paid to the Company.

The reconciliations of private company investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

	March 31 2022	December 31 2021
	$	$
Beginning balance	**13,400,000**	-
Purchase of 12,883,819 Class A common shares of 2794677 Ontario Corp.	**-**	12,883,819
Change in unrealized gain (loss)	**-**	516,181
Ending balance	**13,400,000**	13,400,000

4. Investments (continued)

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at March 31, 2022 is shown below:

Investment	Fair value of level 3 investment	Valuation technique	Significant unobservable inputs used in the internal valuation model	Sensitivity used (1)	Effect on fair value	
	$				$	$
Carson Dunlop (held in 2794677 Ontario Corp.)	13,400,000	Discounted cash flow	Free cash flow forecasts	+10%/-10%	1,217,835	(1,217,835)
			Exit multiple	+10%/-10%	1,009,322	(1,009,322)
			After-tax discount rate	+10%/-10%	(864,404)	952,878

(1) The sensitivity analysis refers to a percentage added or deducted from the input and the effect this has on the fair value while all other variables are held constant.

5. Capital Assets

The following is a continuity schedule of computer equipment:

	March 31 2022	December 31 2021
	$	$
Cost		
Balance - beginning of period	**45,793**	45,793
Additions	**4,798**	-
Balance - end of period	**50,591**	45,793
Accumulated Amortization		
Balance - beginning of period	**34,475**	19,211
Depreciation	**4,139**	15,264
Balance - end of period	**38,614**	34,475
Carrying Value	**11,977**	11,318

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	March 31 2022	December 31 2021
	$	$
Accounts payable	**105,109**	29,351
Accrued liabilities	**1,169,310**	278,475
Short-term employee compensation payable	**247,614**	962,185
Share-based compensation payable (Note 10 (c) & (d))	**3,155,139**	3,376,228
	4,677,172	4,646,239

7. Income Taxes

The income tax expense is represented as follows:

	Three month period ended March 31	
	2022	2021
	$	$
Current income taxes	**99,766**	125,968
Deferred income taxes	**(1,358,327)**	1,659,130
Provision for income taxes	**(1,258,561)**	1,785,098

8. Share Capital

(a) Authorized

(i) An unlimited number of Multiple Voting Shares, which entitle the holder to 10 votes per Multiple Voting Share on all matters upon which shareholders are entitled to vote. Fax Investments Inc. ("Fax Investments") owns all of the issued and outstanding Multiple Voting Shares and as at December 31, 2021, the Multiple Voting Shares held by Fax Investments represent approximately 94.5% of the voting rights attached to all of the Company's outstanding voting securities;

(ii) An unlimited number of Subordinate Voting Shares, which entitle the holder one vote per Subordinate Voting Share on all matters upon which shareholders are entitled to vote;

(iii) The Multiple Voting Shares and the Subordinate Voting Shares rank *pari passu*, as to the right to receive dividends and to receive the remaining property and assets of the Company on the liquidation, dissolution or winding-up of the Company, whether voluntarily or involuntarily, or any other distribution of assets of the Company among its shareholders for the purposes of winding up its affairs; and

(iv) On December 17, 2018, the Company entered into a coattail agreement with Computershare Trust Company of Canada, acting as trustee on behalf of the holders of Subordinate Voting Shares, and Fax Investments (the "Coattail Agreement") to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares. The Coattail Agreement contains provisions designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

8. Share Capital (continued)

(b) Issued and Outstanding

	Three month period ended March 31, 2022		Year ended December 31, 2021	
	Number	**Amount**	Number	Amount
		$		$
Issued - Multiple voting shares				
Balance - beginning of period	**26,971,411**	**123,050,811**	26,971,411	123,050,811
Balance - end of period	**26,971,411**	**123,050,811**	26,971,411	123,050,811
Issued - Subordinate voting shares				
Balance - beginning of period	**15,798,682**	**61,635,028**	15,866,136	61,616,141
Issued on exercise of Founder Warrants	**-**	**-**	275,700	1,327,272
Normal Course Issuer Bid Repurchases	**(192,154)**	**(732,649)**	(343,154)	(1,308,385)
Balance - end of period	**15,606,528**	**60,902,379**	15,798,682	61,635,028
Total		**183,953,190**		184,685,839

9. Normal Course Issuer Bid

The Company's current Normal Course Issuer Bid (the "NCIB") commenced on June 8, 2021 and is effective until the earlier of June 7, 2022 and the date on which the Company has purchased the maximum number of Subordinate Voting Shares permitted under the NCIB. Pursuant to the NCIB, the Company may purchase up to 1,488,480 of its Subordinate Voting Shares, representing 10% of the public float. The price that the Company will pay for any such Subordinate Voting Shares will be the market price of such shares on the TSX, or such alternative Canadian trading systems, at the time of acquisition. All Subordinate Voting Shares acquired under the NCIB are cancelled.

In connection with its NCIB, the Company has entered into an Automatic Securities Repurchase Plan which provides standard instructions regarding how the Company's Subordinate Voting Shares are to be purchased under the NCIB during certain pre-determined trading blackout periods, subject to pre-established parameters. Outside of these pre-determined trading blackout periods, purchases under the Company's NCIB will be completed based upon management's discretion and in accordance with the TSX rules.

In the three month period ended March 31, 2022, there were 192,154 Subordinate Voting Shares (2021 - 22,264) purchased at a cost of $726,155 (2021 - $79,572) under the Company's NCIB. The discount paid to purchase the shares below their stated value was allocated to Retained earnings.

10. Long-term Incentive Plan

The Company has adopted a long-term incentive plan (the "Plan") to assist in attracting, retaining and motivating directors and employees of the Company. The Plan is designed to: (i) encourage share ownership; (ii) align eligible participants' interests in the performance of the Company; (iii) encourage the retention of key employees within the Company; and (iv) attract highly qualified employees by remaining competitive in terms of total compensation arrangements. The Governance, Compensation and Nominating Committee (the "Committee") of the Company's Board of Directors (the "Board") administers the Plan.

The maximum aggregate number of Subordinate Voting Shares that may be issuable pursuant to awards granted under the Plan to insiders of the Company shall not exceed 10% of the issued and outstanding Subordinate Voting Shares of the Company. No more than 5% of the issued Subordinate Voting Shares of the Company may be granted to any one participant, and no more than 2% of the issued Subordinate Voting Shares of the Company may be granted to any one employee conducting "Investor Relations Activities" in any twelve-month period. The awards are non-transferable and non-assignable.

The specific awards that may be granted under the Plan are as follows:

a) Options

Options to purchase Subordinate Voting Shares may be granted to eligible persons at an exercise price which shall in no event be lower than the Market Price on the grant date. The Market Price means the volume-weighted average trading price of the Subordinate Voting Shares for the ten trading days immediately preceding such date as reported on the stock exchange on which the Subordinate Voting Shares are listed for trading or quoted. Options are subject to time vesting conditions set out at the grant date. Options vest and become exercisable in approximately equal tranches of 25% of the total award on the first anniversary of the grant date and each of the next four anniversaries of the grant date and are exercisable no later than 10 years after the grant date.

The Company did not grant any options during the three month periods ended March 31, 2022 and 2021. The Company currently does not have any options outstanding.

b) Restricted Share Units

Restricted Share Units ("RSUs") may be granted as either Discretionary Restricted Share Units ("Discretionary RSUs") or as Elective Restricted Share Units ("Elective RSUs"). Discretionary RSUs may be granted to eligible persons at such time as determined by the Board pursuant to recommendations of the Committee. In addition, the Board may, on fixed dates and upon certain conditions determined by the Board, permit an eligible employee to elect to defer receipt of all or a portion of his or her annual incentive bonus payable by the Company and receive in lieu thereof an award of RSUs, being the Elective RSUs. The value of each RSU is based on the share price of the Company's Subordinate Voting Shares. Discretionary RSUs will vest and be settled no later than December 31 of the calendar year which is no earlier than three years and no later than five years after the calendar year in which the Discretionary RSU was granted. Elective RSUs will vest immediately and be settled no later than December 31 of the calendar year which is three years after the calendar year in which the Elective RSU was granted. Discretionary RSUs are share settled in Subordinate Voting Shares and Elective RSUs are cash settled. The Committee will determine whether and to what extent dividend equivalents will be credited to a participant's account with respect to awards of RSUs.

10. Long-term Incentive Plan (continued)

b) Restricted Share Units (continued)

During the three month period ended March 31, 2022, the Company did not grant any Discretionary RSUs (2021 - 132,719). The Company recorded a share-based compensation expense of $127,083 related to its outstanding Discretionary RSUs (2021 - $83,731). As at March 31, 2022, the Company had 428,884 Discretionary RSUs outstanding (2021 - 356,549) and no Elective RSUs outstanding (2021 - nil).

c) Deferred Share Units

Deferred Share Units ("DSUs") may be granted as either Discretionary Deferred Share Units ("Discretionary DSUs") or as Elective Deferred Share Units ("Elective DSUs"). Discretionary DSUs may be granted to eligible persons at such time as determined by the Board pursuant to recommendations of the Committee. In addition, the Board may permit an eligible participant to elect to defer receipt of all or a portion of his or her annual board retainer payable by the Company and receive in lieu thereof an award of DSUs, being the Elective DSUs. The value of each DSU is based on the share price of the Company's Subordinate Voting Shares. Discretionary DSUs vest based on the period determined by the Committee at the time the award is granted. Elective DSUs vest immediately at the time the award is granted. DSUs are settled after the time a participant ceases to be a director or employee of the Company for any reason and by December 31 of the first calendar year that commences after such time. DSUs are cash settled. The Committee will determine whether and to what extent dividend equivalents will be credited to a participant's account with respect to awards of DSUs.

During the three month period ended March 31, 2022, the Company granted 7,264 Elective DSUs (2021 - 6,546). The Company recorded a share-based compensation expense of $9,987 related to its outstanding Elective DSUs (2021 - $37,410). The liability related to the Company's Elective DSUs was $205,196 at March 31, 2022 (2021 - $125,968). As at March 31, 2022, the Company had 56,684 Elective DSUs outstanding (2021 - 31,492) and no Discretionary DSUs outstanding (2021 - nil).

d) Performance Share Units

Performance Share Units ("PSUs") may be granted to eligible persons at such time as determined by the Board pursuant to recommendations of the Committee. PSUs are subject to performance and time vesting conditions. The performance criteria that shall be used to determine the vesting of the PSUs may include criteria based upon the achievement of Company-wide, divisional or individual goals, or as may otherwise be determined by the Board. The value of each PSU is based on the share price of the Company's Subordinate Voting Shares. PSUs will vest and be settled no later than December 31 of the calendar year which is three years after the calendar year in which the PSU was granted. The Committee will determine whether and to what extent dividend equivalents will be credited to a participant's account with respect to awards of PSUs. PSUs are cash settled.

During the three month period ended March 31, 2022, the Company did not grant any PSUs (2021 - 205,714). The Company recorded a share-based compensation expense of ($231,077) related to its outstanding PSUs (2021 - $540,268). The liability related to the Company's PSUs was $2,949,943 at March 31, 2022 (2021 - $1,461,122). As at March 31, 2022, the Company had 568,470 PSUs outstanding (2021 - 568,470).

11. Earnings per share

Basic and diluted earnings per common share are calculated as follows:

	Three month period ended March 31	
	2022	2021
Net (loss) income available to common shareholders	**$ (5,600,220)**	$ 12,390,887
Weighted average number of common shares outstanding		
- basic	**42,674,832**	42,824,518
- diluted	**43,103,716**	43,123,556
(Loss) earnings per common share		
Basic	**$ (0.13)**	$ 0.29
Diluted	**$ (0.13)**	$ 0.29

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares for the purpose of diluted earnings per share.

	Three month period ended March 31	
	2022	2021
Founder Warrants	-	15,559,500

The Company's Multiple Voting Shares and its Subordinate Voting Shares are both classes of common shares of the Company. The Company's Founder Warrants expired on November 22, 2021, in accordance with their terms, and were delisted from the TSX.

12. Related Party Transactions

The following transactions have occurred with related parties in the normal course of operations.

a) The Company and Federated Capital Corp. ("Federated Capital"), the parent company of Fax Investments, entered into an agreement (the "Administrative Services Agreement") on November 21, 2019 whereby the Company is provided access to certain office space and supplies, computers, communication equipment and administrative personnel provided by Federated Capital. As consideration for such services (including the use of office space), the Company has agreed to pay Federated Capital a fee equal to the costs and expenses of Federated Capital in providing such services and office space, plus 5%. For the three month period ended March 31, 2022, Federated Capital charged the Company expenses under the Administrative Services Agreement of $50,428 (2021 - $34,349). On May 26, 2021, the Company granted the Chief Executive Officer ("CEO") $300,000 of RSUs in lieu of the Company paying the CEO short-term cash compensation. Prior to this, Federated Capital paid the compensation related expenses of the CEO and did not allocate these costs to the Company. In addition, Federated Capital pays the compensation related expenses of an Executive Vice-President of the Company and does not allocate these costs to the Company.

12. Related Party Transactions (continued)

b) Fax Investments has agreed to pay at the end of each fiscal year of the Company, certain specified operating expenses of the Company exceeding 2.85% of the Company's average month-end book value for such fiscal year until December 31, 2024. The Company's specified operating expenses were below this threshold in the three month period ended March 31, 2022. Accordingly, no receivable was recorded from Fax Investments for the reimbursement of excess operating expenses in the three month period ended March 31, 2022. The Company has a receivable of $100,525 from Fax Investments for the reimbursement of excess operating expenses in respect of the year ended December 31, 2021.

c) On March 30, 2022, the Company advanced $15,900,000 to Carson Dunlop to fund its acquisitions of National Property Inspections, Inc. ("NPI") and Carson, Dunlop, Weldon & Associates Ltd. ("CDW") which both closed on April 4, 2022. Subsequent to the close of these transactions, $15,400,000 of the cash the Company advanced to Carson Dunlop was converted into additional common shares of Carson Dunlop.

At March 31, 2022, the Company had incurred $951,216 of transaction expenses related to Carson Dunlop's acquisitions of NPI and CDW. Carson Dunlop has agreed to reimburse the Company for these expenses. As such, the Company has recorded a $951,216 receivable from Carson Dunlop in its financial statements as at March 31, 2022.

Key Management Personnel

Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company considers its executive officers and its directors to be its key management personnel. Prior to the grant of the RSUs to the CEO on May 26, 2021, Federated Capital paid the CEO's annual salary of $200,000 and did not allocate this cost to the Company. In addition, Federated Capital pays an Executive Vice President's annual base salary of $100,000 and does not allocate this cost to the Company (refer to Note 12 (a)).

Compensation related expenses for key management personnel for the three month period ended March 31, 2022 was ($152,730) (2021 - $351,384).

These expenditures were allocated as follows in the financial statements:

	Three month period ended March 31	
	2022	2021
	$	$
Compensation (Refer to Note 12 (a))	**101,014**	91,324
Director fees	**52,500**	52,500
Share-based compensation	**(306,244)**	207,560
	(152,730)	351,384

13. Management of Capital

The Company includes the following in its managed capital:

	March 31 2022	December 31 2021
	$	$
Multiple Voting Shares	**123,050,811**	123,050,811
Subordinate Voting Shares	**60,902,379**	61,635,028
Contributed surplus	**5,549,930**	5,422,847
Retained earnings	**26,516,663**	32,110,389
	216,019,783	222,219,075

The Company is not subject to externally imposed capital requirements.

14. Financial Instruments

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. The Company's maximum exposure to credit risk was $17,279,305 as of March 31, 2022 (March 31, 2021 - $1,689,679), being the $15,900,000 note receivable from Carson Dunlop to fund its acquisition of NPI and CDW, the value of its dividend receivable of $270,412 (March 31, 2021 - $214,993), interest receivable of $55,602 (March 31, 2021 - $1,036,803), accounts receivable of $951,585 (March 31, 2021 - $343,590) and receivables from related parties of $101,706 (March 31, 2021 - $94,293). Subsequent to the close of Carson Dunlop's acquisitions of NPI and CDW on April 4, 2022, $15,400,000 of the Company's outstanding note receivable was converted into additional common shares of Carson Dunlop.

Management believes these receivables are a low credit risk. There have been no changes to the Company's methods for managing credit risk during the year.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company did not generate cash flows from its principal operations and relied on its cash balance to pay its liabilities. Management ensures it maintains sufficient cash on hand for continued operations.

There have been no changes to management's methods for managing liquidity risk since December 31, 2021. The Company has working capital of $52,071,166 as of March 31, 2022 (March 31, 2021 - $99,887,038) and in management's judgment, the Company has sufficient working capital to continue to fund its operations and to pay its liabilities for the next fiscal year. If required, the Company has the ability to sell a portion of its public company investments to supplement the liquidity requirements.

14. Financial Instruments (continued)

Market Risk

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in equity prices, foreign exchange rates or interest rates.

Equity Price Risk

Equity price risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. All securities present a risk of loss of capital. Any equity and derivative instrument that the Company may hold is susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to equity price risk arises from its investment in publicly and privately traded securities. As at March 31, 2022, for publicly traded securities, had the prices on the respective stock exchanges for those securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately $13,457,106 (December 31, 2021 - $13,797,416) or approximately 6.1% (December 31, 2021 - 6.1%) of total assets. In practice, the actual results may differ. Management is unable to meaningfully quantify any correlation of the price of its privately owned investment to changes in a benchmark index.

There has been no change in the Company's long-term investment strategy, despite the COVID-19 pandemic.

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in the rates of exchange on foreign currency would impact the Company's future cash flows. The Company has minimal exposure to foreign exchange fluctuations as it only has an immaterial amount of cash held in a United States ("US") dollar bank account. The Company has no other assets or liabilities denominated in US dollars. There have been no changes in the Company's foreign currency risk management strategies for the year.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents. The fair value of the Company's cash and cash equivalents affected by changes of interest rates is minimal. There have been no changes to managements' strategies to mitigate interest rate risk for the year.

15. COVID-19

COVID-19 was declared a pandemic by the World Health Organization in early 2020. At that time, the Company implemented its business continuity plan, which included moving all employees to work from home. To date, the Company's ability to meet its investments objectives has otherwise not been materially impacted. While some regions of the world have started to roll back the emergency measures they enacted to combat the spread of COVID-19, the overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by governments, businesses and individuals, which could vary by country and result in differing outcomes. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company, or its portfolio investments, in future periods.

16. Approval of Financial Statements

The financial statements were approved by the Board of Directors and authorized for issue on May 5, 2022.

17. Subsequent Events

a) Acquisition of NPI and CDW

On April 4, 2022, Carson Dunlop acquired NPI and CDW in two separate transactions for a total enterprise value of $18.6 million. The transactions were funded through Carson Dunlop's existing cash balance, the issuance of Carson Dunlop shares and $15.9 million in cash from the Company. Following the subscription for additional Carson Dunlop common shares, the Company has a 78.1% indirect ownership interest in Carson Dunlop through its subsidiary, 2794677 Ontario Corp.

Carson Dunlop has agreed to reimburse the Company for the third-party transaction and due diligence expenses it incurred on Carson Dunlop's behalf in completing these two transactions. As such, $951,216 is recorded as a receivable from Carson Dunlop in the Company's financial statements as at March 31, 2022.

b) Going Private Transaction

On May 2, 2022, the Company announced that it had entered into a definitive arrangement agreement (the "Arrangement Agreement") with Federated Capital and Fax Investments (together with Federated Capital, the "Purchaser"), pursuant to which the Purchaser has agreed to acquire, indirectly through an acquisition company, all of the Company's outstanding Subordinated Voting Shares not currently owned by the Purchaser or Blair Driscoll, the Company's Chief Executive Officer (together, the "Continuing Shareholders"), by way of a court-approved plan of arrangement under the Canada Business Corporations Act (the "Transaction"). As at May 2, 2022, the Continuing Shareholders own or control, directly or indirectly, an aggregate of 609,247 Subordinate Voting Shares, representing 3.92% of the Company's issued and outstanding Subordinate Voting Shares and the Purchaser owns 26,971,411 of the Company's outstanding Multiple Voting Shares, representing 100% of the Company's issued and outstanding Multiple Voting Shares.

17. Subsequent Events (continued)

b) Going Private Transaction (continued)

In accordance with the terms of the Arrangement Agreement, the holders of the Subordinated Voting Shares will receive cash consideration of $5.18 per Subordinate Voting Share, representing a premium of approximately 53.7% to the closing price on the TSX of $3.37 per Subordinate Voting Share on April 29, 2022, the last trading day prior to the announcement of the Transaction, and a premium of approximately 47.7% to the 20-day volume weighted average trading price per Subordinate Voting Share on the TSX of $3.51 as at that date.

The Transaction is to be completed by way of a plan of arrangement under the *Canada Business Corporations Act* and will constitute a "business combination" for purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Transaction is subject to approval at the Shareholders' Meeting to be held in June 2022 by: (i) at least two-thirds of the votes cast by shareholders (voting together as a single class, with each holder of Subordinate Voting Shares being entitled to one vote per share and each holder of the Multiple Voting Shares being entitled to ten votes per share); and (ii) a simple majority of the votes cast by holders of Subordinate Voting Shares (excluding the Subordinate Voting Shares held by the Continuing Shareholders and any other shares required to be excluded pursuant to MI 61-101). In addition, completion of the Transaction is subject to other customary conditions, including receipt of court approval and approval from the TSX. The Transaction is not subject to a financing condition.

Further information regarding the Transaction, the Arrangement Agreement and the Shareholders' Meeting, including a copy of Scotia Capital Inc.'s formal valuation and fairness opinion, will be included in the management information circular expected to be mailed to holders of Subordinate Voting Shares of record in early June 2022. A copy of the Arrangement Agreement is currently available on SEDAR and the proxy materials in respect of the Shareholders' Meeting will be available on SEDAR at www.sedar.com in due course.