FAX Capital Corp.

Condensed Interim Financial Statements
March 31, 2021
(Presented in Canadian Dollars)
(Unaudited)

Contents

FAX Capital Corp.

Condensed interim statements of financial position

As at March 31, 2021 and December 31, 2020

(Unaudited)

(In Canadian Dollars)

	March 31 2021	December 31 2020
	$	$
Assets		
Cash and cash equivalents	**102,079,449**	109,800,255
Accounts and other receivables (Note 3)	**1,689,679**	1,426,365
Prepaid expenses	**126,084**	33,235
Investments, at fair value (Note 4)	**119,322,205**	98,826,035
Capital assets (Note 5)	**22,766**	26,582
	223,240,183	210,112,472
Liabilities		
Accounts payable and accrued liabilities (Note 6)	**2,092,067**	2,287,480
Due to broker	**-**	606,366
Income taxes payable	**207,645**	250,651
Deferred income tax liability	**1,708,462**	48,600
	4,008,174	3,193,097
Shareholders' equity		
Share capital (Note 8)	**184,582,063**	184,666,952
Founder Warrants (Note 10)	**4,888,632**	4,888,632
Contributed surplus	**254,911**	171,180
Retained earnings	**29,506,403**	17,192,611
	219,232,009	206,919,375
	223,240,183	210,112,472

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, 2021 and 2020

(Unaudited)

(In Canadian Dollars)

	Three month period ended March 31	
	2021	2020
	$	$
Revenues		
Realized gain on sale of investments	**15,502,896**	-
Net change in unrealized loss on investments (Note 4)	**(885,886)**	(9,078,052)
Interest	**271,552**	918,799
Dividends	**214,993**	52,695
Other income	**700,000**	-
	15,803,555	(8,106,558)
Expenses		
Compensation (Note 13)	**591,405**	519,564
Share-based compensation (Note 11)	**661,408**	-
Office, general and administration (Note 13)	**238,594**	197,929
Professional fees	**160,527**	161,996
Director fees (Note 13)	**52,500**	68,333
Brokerage fees and commissions	**12,432**	125,768
Depreciation	**3,816**	3,431
Reimbursement of expenses (Note 13)	**(93,112)**	-
	1,627,570	1,077,021
Income (loss) before income taxes	**14,175,985**	(9,183,579)
Provision for income taxes (Note 7)	**1,785,098**	-
Net income (loss) and comprehensive income (loss)	**12,390,887**	(9,183,579)
Earnings (loss) per share (Note 12)		
Basic	**0.29**	(0.21)
Diluted	**0.29**	(0.21)

(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, 2021 and 2020

(Unaudited)

(In Canadian Dollars)

	Share Capital					
	Subordinate Voting Shares (Note 8)	Multiple Voting Shares (Note 8)	Founder Warrants (Note 10)	Contributed Surplus	Retained Earnings (Deficit)	Total Shareholders' Equity
	$	$	$	$	$	$
Balance at January 1, 2020	61,230,274	122,726,486	4,800,044	-	(1,981,840)	186,774,964
Exercise of Founder Warrants	2,404	-	(154)	-	-	2,250
Net loss	-	-	-	-	(9,183,579)	(9,183,579)
Balance at March 31, 2020	61,232,678	122,726,486	4,799,890	-	(11,165,419)	177,593,635
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 11 (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**

(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, 2021 and 2020

(Unaudited)
(In Canadian Dollars)

	Three month period ended March 31	
	2021	2020
	$	$
Operating activities		
Net income (loss)	**12,390,887**	(9,183,579)
Adjustments for non-cash items:		
Realized gain on sale of investments	**(15,502,896)**	-
Net change in unrealized loss on investments	**885,886**	9,078,052
Share-based compensation	**83,731**	-
Depreciation of capital assets	**3,816**	3,431
Refundable dividend taxes	**(82,412)**	-
Provision for income taxes	**1,785,098**	-
Purchase of investments	**(37,460,360)**	(35,335,351)
Proceeds from sale of investments	**31,581,200**	-
Changes in non-cash working capital:		
Accounts and other receivables	**(263,314)**	82,704
Prepaid expenses	**(92,849)**	30,369
Accounts payable and accrued liabilities	**(195,413)**	(1,131,623)
(Decrease) increase in due to broker	**(606,366)**	3,794,040
Income taxes payable	**(168,242)**	-
	(7,641,234)	(32,661,957)
Investing activities		
Purchase of capital assets	**-**	(20,934)
	-	(20,934)
Financing activities		
Proceeds from exercise of Founder Warrants	**-**	2,250
Subordinate Voting Shares purchased for cancellation	**(79,572)**	-
	(79,572)	2,250
Net change in cash and cash equivalents	**(7,720,806)**	(32,680,641)
Cash and cash equivalents, beginning of period	**109,800,255**	187,991,712
Cash and cash equivalents, end of period	**102,079,449**	155,311,071
Cash and cash equivalents is comprised of		
Cash	**12,079,449**	155,311,071
Cash equivalents	**90,000,000**	-
	102,079,449	155,311,071
Supplemental Cash Flow Information		
Interest paid	**-**	-
Income taxes paid, net of refunds	**250,654**	-

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

FAX Capital Corp.

Condensed interim schedule of investment portfolio

As at March 31, 2021

(Unaudited)

(In Canadian Dollars)

Description	Number of securities	Cost	Fair value
		$	$
Public company investments			
Points International Ltd.	1,032,155	20,065,507	19,610,945
Quisitive Technology Solutions Inc. (i)	16,000,000	20,000,000	22,926,452
Hamilton Thorne Ltd.	15,899,600	18,535,262	27,824,300
Information Services Corporation	1,074,967	16,316,862	26,433,439
Other (ii)		8,583,129	9,143,250
		83,500,760	105,938,386
Private company investments			
2794677 Ontario Corp. (iii)		13,383,819	13,383,819
		96,884,579	119,322,205

(i) The 16,000,000 common shares were purchased under a private placement arrangement and are subject to a 12 month hold period from the transaction close date of March 22, 2021.

(ii) Other includes common shares of a Canadian public company in which the Company is in the process of accumulating its targeted position.

(iii) The Company's investment in Carson Dunlop & Associates Ltd. is held in its wholly-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.

On November 21, 2019, the Company's Subordinate Voting Shares and the Founder Warrants were listed on the Toronto Stock Exchange ("TSX") under the symbols FXC and FXC.WT, respectively, pursuant to the TSX's Sandbox initiative for the listing of new issuers.

The Company is domiciled in the Province of Ontario, and its registered office address is 2 Bloor Street East, Suite 701, PO Box 76, 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, 2020. 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, 2020.

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. During the initial period after an investment has been made, cost may represent the most reasonable estimate of fair value. 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.

Founder Warrants

The Company used the Black-Scholes model to calculate the value of Founder Warrants issued as part of the Company's public offering on November 21, 2019 (the "Offering"). The Black-Scholes model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. Proceeds from the Offering, net of issuance costs, were allocated between Subordinate Voting Shares and Founder Warrants issued according to their relative fair value.

Interest in Other Entity

The Company does not consolidate its subsidiary 2794677 Ontario Corp. As at March 31, 2021, this subsidiary entity was wholly-owned by the Company and held the Company's investment in Carson Dunlop & Associated Ltd. ("Carson Dunlop").

3. Accounts and Other Receivables

Accounts and other receivables consist of the following:

	March 31 2021	December 31 2020
	$	$
Interest	**1,036,803**	870,957
Dividends	**214,993**	211,818
Accounts receivable (Note 13 (c))	**343,590**	343,590
Due from Fax Investments Inc. (Note 13 (b))	**93,112**	-
Due from 2794677 Ontario Corp.	**1,181**	-
	1,689,679	1,426,365

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

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 (loss) on investments for the three month periods ended March 31, 2021 and 2020:

	March 31 2021	March 31 2020
	$	$
Unrealized gain (loss) on investments - beginning of period	**23,323,512**	-
Unrealized gain (loss) on investments - end of period	**22,437,626**	(9,078,052)
Net change in unrealized gain (loss) on investments	**(885,886)**	(9,078,052)

Investments consisted of the following as at March 31, 2021:

Financial assets measured at fair value	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
	$	$	$	$	$
Equities	96,384,579	83,011,934	22,926,452	13,383,819	119,322,205

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. There were no transfers between Level 1 and any other level during the period.

5. Capital Assets

The following is a continuity schedule of computer equipment:

	March 31 2021	December 31 2020
	$	$
Cost		
Balance - beginning of period	**45,793**	20,889
Additions	**-**	24,904
Balance - end of period	**45,793**	45,793
Accumulated Amortization		
Balance - beginning of period	**19,211**	4,993
Depreciation	**3,816**	14,218
Balance - end of period	**23,027**	19,211
Carrying value	**22,766**	26,582

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	March 31 2021	December 31 2020
	$	$
Accounts payable	**115,930**	220,008
Accrued liabilities	**151,172**	158,153
Short-term employee compensation payable	**237,875**	899,907
Share-based compensation payable (Note 11 (c) & (d))	**1,587,090**	1,009,412
	2,092,067	2,287,480

7. Income Taxes

The income tax expense is represented as follows:

	March 31 2021	March 31 2020
	$	$
Current income taxes	**125,968**	-
Deferred income taxes	**1,659,130**	-
Provision for income taxes	**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 March 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 entitle 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.

(b) Issued and outstanding

	Three month period ended March 31, 2021		Year ended December 31, 2020	
	Number	**Amount**	Number	Amount
		$		$
Issued - Multiple voting shares				
Balance - beginning of period	**26,971,411**	**123,050,811**	26,971,411	122,726,486
Income tax benefit of share issuance costs	**-**	**-**	-	324,325
Balance - end of period	**26,971,411**	**123,050,811**	26,971,411	123,050,811
Issued - Subordinate voting shares				
Balance - beginning of period	**15,866,136**	**61,616,141**	16,059,171	61,230,274
Issued on exercise of Founder Warrants	**-**	**-**	500	2,404
Normal Course Issuer Bid repurchases	**(22,264)**	**(84,889)**	(193,535)	(737,915)
Income tax benefit of share issuance costs	**-**	**-**	-	1,121,378
Balance - end of period	**15,843,872**	**61,531,252**	15,866,136	61,616,141
Total		**184,582,063**		184,666,952

9. Normal Course Issuer Bid

The Company commenced a Normal Course Issuer Bid (the "NCIB") on June 8, 2020 which is effective until the earlier of June 7, 2021 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 1,519,037 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 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 period from the commencement of the NCIB on June 8, 2020 to March 31, 2021, there were 215,799 Subordinate Voting Shares (2020 – nil) purchased at a cost of $714,051. The discount paid to purchase the shares below the stated value was allocated to Retained earnings.

10. Founder Warrants

A summary of the status of the Company's Founder Warrants and changes during the year is as follows:

	Three month period ended March 31, 2021		Year ended December 31, 2020	
	Number	**Amount**	Number	Amount
		$		$
Founder Warrants				
Balance - beginning of period	**15,559,500**	**4,888,632**	15,560,000	4,800,044
Exercised during the year	**-**	**-**	(500)	(154)
Income tax benefit of share issuance costs	**-**	**-**	-	88,742
Balance - end of period	**15,559,500**	**4,888,632**	15,559,500	4,888,632

Each Founder Warrant entitles the holder to purchase one Subordinate Voting Share at a price of $4.50 per share until November 21, 2021.

The fair value of the Founder Warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.57%
Expected life	2 years
Expected volatility	20%
Share price	$4.17
Exercise price	$4.50

11. 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 high 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, 2021 and 2020. 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.

11. Long-term Incentive Plan (continued)

(b) Restricted Share Units (continued)

During the three month period ended March 31, 2021, the Company issued 132,719 Discretionary RSUs (2020 – nil). The Company recorded a share-based compensation expense of $83,730 related to its outstanding Discretionary RSUs (2020 - $nil). As at March 31, 2021, the Company had 356,549 Discretionary RSUs outstanding (2020 – nil) and no Elective RSUs outstanding (2020 – 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, 2021, the Company issued 6,546 Elective DSUs (2020 – nil). The Company recorded a share-based compensation expense of $37,410 related to its outstanding Elective DSUs (2020 - $nil). The liability related to the Company's Elective DSUs was $125,968 at March 31, 2021 (2020 - $nil). As at March 31, 2021, the Company had 31,492 Elective DSUs outstanding (2020 – nil) and no Discretionary DSUs outstanding (2020 – 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, 2021, the Company issued 205,714 PSUs (2020 – nil). The Company recorded a share-based compensation expense of $540,268 related to its outstanding PSUs (2020 - $nil). The liability related to the Company's PSUs was $1,461,122 at March 31, 2021 (2020 - $nil). As at March 31, 2021, the Company had 568,470 PSUs outstanding (2020 – nil).

12. Earnings (loss) per share

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

	March 31 2021	March 31 2020
Net income (loss) available to common shareholders	**$ 12,390,887**	$ (9,183,579)
Weighted average number of common shares outstanding		
- basic	**42,824,518**	43,031,071
- diluted	**43,123,556**	43,031,071
Earnings (loss) per common share		
Basic	**$ 0.29**	$ (0.21)
Diluted	**$ 0.29**	$ (0.21)

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.

	March 31 2021	March 31 2020
Founder Warrants	**15,559,500**	15,559,500

The Company's Multiple Voting Shares and its Subordinate Voting Shares are both classes of common shares of the Company.

13. 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, 2021, Federated Capital charged the Company expenses under the Administrative Services Agreement of $34,349 (2020 - $34,349). For the three month periods ended March 31, 2021 and 2020, Federated Capital paid all compensation related expenses of the Chief Executive Officer and did not allocate these costs to the Company.

13. 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 above this threshold in the three month period ended March 31, 2021. Accordingly, the Company has recorded a receivable of $93,112 from Fax Investments for the reimbursement of excess operating expenses in the three month period ended March 31, 2021 (2020 - $nil).

(c) On March 23, 2021, the Company's subsidiary, 2794677 Ontario Corp., completed the acquisition of an approximate 78 per cent controlling interest in Carson Dunlop for cash consideration of $11,750,000 plus a working capital adjustment of $1,633,819. The acquisition was funded by the Company acquiring common shares of 2794677 Ontario Corp. for $13,383,819.

Carson Dunlop has agreed to reimburse the Company for its third-party transaction and due diligence expenses subsequent to the close of the transaction, of which $343,590 was recorded as a receivable in the Company's financial statements as at March 31, 2021 (December 31, 2020 - $343,590).

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. For the three month periods ended March 31, 2021 and 2020, Federated Capital paid all compensation related expenses of the Chief Executive Officer and did not allocate these costs to the Company.

Compensation related expenses for key management personnel for the three month period ended March 31, 2021 was $351,384 (2020 - $146,972).

These expenditures were allocated as follows in the financial statements:

	March 31 2021	March 31 2020
	$	$
Compensation (Refer to Note 13 (a))	**91,324**	78,639
Director fees	**52,500**	68,333
Share-based compensation	**207,560**	-
	351,384	146,972

14. Management of Capital

The Company includes the following in its managed capital:

	March 31 2021	December 31 2020
	$	$
Multiple Voting Shares	**123,050,811**	123,050,811
Subordinate Voting Shares	**61,531,252**	61,616,141
Founder Warrants	**4,888,632**	4,888,632
Contributed surplus	**254,911**	171,180
Retained earnings	**29,506,403**	17,192,611
	219,232,009	206,919,375

The Company is not subject to externally imposed capital requirements.

15. 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 $1,689,679 as of March 31, 2021 (March 31, 2020 - $545,157), being the value of its interest receivable, dividend receivable, accounts receivable and receivables from related parties. Management believes these receivables are a low credit risk. As of March 31, 2020, the Company's exposure to credit risk consisted of its interest receivable, dividend receivable and a receivable from a related party. There have been no changes to the Company's methods for managing credit risk during the period ended March 31, 2021.

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, 2020. The Company has working capital of $99,887,038 as of March 31, 2021 (March 31, 2020 - $151,302,937) 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.

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.

15. Financial Instruments (continued)

Market Risk (continued)

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 stock 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 traded securities. As at March 31, 2021, 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 $10,593,839 (December 31, 2020 - $9,882,604) or approximately 4.7% (December 31, 2020 - 4.7%) of total assets. In practice, the actual results may differ.

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.

16. Commitment to Invest in Quisitive Technology Solutions Inc.

On March 8, 2021, the Company entered into a subscription agreement with Quisitive Technology Solutions Inc. ("Quisitive") to purchase, on a non-brokered private placement basis, 16,000,000 common shares of Quisitive from treasury at a price of $1.25 per common share for an aggregate subscription amount of $20,000,000. The private placement closed on March 22, 2021.

In addition, the subscription agreement specified that for an eight-week period following the closing date of the private placement, Quisitive committed to provide the Company with an opportunity to invest, and the Company committed to invest an additional $5 million provided that Quisitive completed a subsequent financing with a minimum offering size of at least $10 million and offered at a price of $1.50 per share or less during such period.

16. Commitment to Invest in Quisitive Technology Solutions Inc. (continued)

On April 8, 2021, in accordance with the commitment made in the subscription agreement, the Company completed the purchase of 3,333,333 subscription receipts of Quisitive on a private placement basis for consideration of $5.0 million. The Company received a capital commitment fee payment from Quisitive equal to 3.5% of the aggregate subscription amount.

17. COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has 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.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. 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.

18. Approval of Financial Statements

The financial statements were approved by the Board and authorized for issue on May 6, 2021.