TIMIA CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

NOVEMBER 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of TIMIA Capital Corp.

Opinion

We have audited the consolidated financial statements of TIMIA Capital Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at November 30, 2020 and 2019, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
March 11, 2021

TIMIA CAPITAL CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

		2020		2019
ASSETS				
Cash and cash equivalents	$	12,872,769	$	4,662,156
Accounts receivable		413,239		284,326
Current portion of loans receivable (Note 3)		894,540		3,831,488
Deposits and prepaid expenses		146,297		48,290
Total current assets		14,326,845		8,826,260
Non-current assets				
Loans receivable (Note 3)		26,352,757		17,316,024
Equity investments (Note 4)		965,100		965,100
Right-of-use asset (Note 5)		26,565		-
Forward contract receivable (Note 9)		252,500		-
TOTAL ASSETS	$	41,923,767	$	27,107,384
LIABILITIES				
Accounts payable and accrued liabilities (Notes 5, 12)	$	645,006	$	453,631
Share capital subscriptions received in advance		-		250,000
Current portion of convertible debentures (Note 6)		-		1,764,196
Current portion of debentures (Note 7)		54,903		101,284
Current portion of co-investment obligations (Note 8)		32,952		280,538
Revolving credit facilities (Note 10)		2,510,320		1,405,270
Total current liabilities		3,243,181		4,254,919
Non-current liabilities				
Convertible debentures (Note 6)		-		283,500
Debentures (Note 7)		4,079,497		5,975,646
Co-investment obligations (Note 8)		246,398		2,295,170
TOTAL LIABILITIES		7,569,076		12,809,235
EQUITY				
Share capital (Note 11)		5,807,175		4,977,427
Preferred shares (Note 11)		4,584,495		-
Share-based payment reserve (Note 11)		1,465,059		1,383,282
Equity component of convertible debentures (Note 6)		82,070		82,070
Accumulated other comprehensive loss		(37,974)		-
Deficit		(4,340,930)		(3,754,586)
Total TIMIA Capital Corp. shareholders' equity		7,559,895		2,688,193
Non-controlling interests (Note 13)		26,794,796		11,609,956
Total equity		34,354,691		14,298,149
TOTAL LIABILITIES AND EQUITY	$	41,923,767	$	27,107,384

Nature of operations (Note 1)
Subsequent events (Note 17)
Approved on behalf of the Board of Directors:

/s/ *"Howard Atkinson"*
Howard Atkinson, Director

/s/ *"David Demers"*
David Demers, Director

(The accompanying notes are an integral part of these consolidated financial statements)

TIMIA CAPITAL CORP.

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

		2020		2019
REVENUE				
Interest income	$	4,075,578	$	3,046,608
Income from transaction and other fees		301,132		241,655
Income from settlement of loans		1,711,306		-
TOTAL REVENUE		6,088,016		3,288,263
EXPENSES				
Accounting and legal		331,044		320,996
Administrative, management, and directors' fees (Note 12)		1,144,573		907,697
Expected credit (recovery) loss (Note 3)		(81,742)		75,699
IR, communications and regulatory fees		238,834		349,826
Interest expense (Note 12)		1,492,324		1,406,326
Marketing services and promotion		328,102		308,071
Office, travel, systems, and miscellaneous (Notes 5 and 12)		490,405		342,717
Share-based payments (Notes 11 and 12)		183,218		172,557
		4,126,758		3,883,889
OPERATING INCOME (LOSS)		1,961,258		(595,626)
Gain on forward contract (Note 9)		252,500		-
Fund structuring and financing (costs) recovery		9,665		(341,281)
Foreign exchange loss		(286,975)		(150,660)
NET INCOME (LOSS) BEFORE INCOME TAXES		1,936,448		(1,087,567)
Provision for income taxes (Note 14)		(35,268)		-
NET INCOME (LOSS)		1,901,180		(1,087,567)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment		(545,569)		-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		1,355,611		(1,087,567)
Net income (loss) attributable to:				
Shareholders of the Company		(586,344)		(1,543,880)
Non-Controlling Interests (Note 13)		2,487,524		456,313
		1,901,180		(1,087,567)
Comprehensive income (loss) attributable to:				
Shareholders of the Company		(624,318)		(1,543,880)
Non-Controlling Interests (Note 13)		1,979,929		456,313
	$	1,355,611	$	(1,087,567)
NET LOSS PER COMMON SHARE BASIC AND DILUTED	$	(0.01)	$	(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		41,528,131		37,836,480

(The accompanying notes are an integral part of these consolidated financial statements)

TIMIA CAPITAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

	2020	2019
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 1,901,180	$ (1,087,567)
Adjustments for:		
Share-based payments	183,218	172,557
Provision for income taxes	35,268	-
Interest expense	233,432	7,541
Interest accrued and interest accretion	315,172	177,224
Expected credit (recovery) loss	(81,742)	75,699
Amortization	58,444	-
Realized gain on investments	(1,849,502)	-
Unrealized gain on forward contract	(252,500)	-
Unrealized foreign exchange loss	422,676	77,674
	965,646	(576,872)
Changes in non-cash working capital items:		
Accounts receivable	(128,913)	(90,370)
Deposits and prepaid expenses	(348,991)	(10,399)
Share capital subscriptions received in advance	(250,000)	250,000
Accounts payable and accrued liabilities	80,017	94,420
Repayment of loans receivable	12,016,546	1,765,021
Advances of loans receivable	(16,756,814)	(13,355,921)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(4,422,509)	(333,221)
FINANCING ACTIVITIES		
Proceeds on issuance (redemption) of debentures, net	(2,332,079)	445,000
Proceeds on issuance of Limited Partnership units	21,447,709	12,950,000
Distributions paid through the Limited Partners	(8,242,798)	(1,796,357)
Proceeds on exercise of warrants	5,000	465,007
Proceeds on exercise of options	111,900	48,000
Proceeds from issuance of preferred shares, net	3,582,392	-
Payments to co-investors	(2,377,529)	(675,310)
Payments on lease, net	(55,579)	-
Proceeds from revolving credit facility, net	2,539,675	1,399,988
Repayment of revolving credit facility	(1,500,000)	-
CASH AND CASH EQUIVALENTS PROVIDED BY FINANCING ACTIVITIES	13,178,691	12,836,328
CHANGE IN CASH DURING THE YEAR	8,756,182	912,207
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(545,569)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,662,156	3,749,949
CASH AND CASH EQUIVALENT, END OF YEAR	12,872,769	4,662,156

The Company has not paid any income taxes and all interest paid has been disclosed above.

(The accompanying notes are an integral part of these consolidated financial statements)

TIMIA CAPITAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

	Common shares		Preferred shares							
	Issued	Amount	Issued	Amount	Share-based payment reserve	Equity component of convertible debentures	Deficit	Accumulated other comprehensive loss	Non-controlling interest	Total
As at December 1, 2018	36,065,462	$ 4,439,179	-	$ -	$ 1,214,258	$ 82,070	$ (2,210,706)	$ -	$ -	$ 3,524,801
TIMIA LP I subscriptions (Note 13)	-	-	-	-	-	-	-	-	11,153,643	11,153,643
Options exercised	495,000	73,241	-	-	(25,241)	-	-	-	-	48,000
Warrants exercised	3,214,334	465,007	-	-	-	-	-	-	-	465,007
Share-based payments	-	-	-	-	172,557	-	-	-	-	172,557
Warrants issued on debentures	-	-	-	-	21,708	-	-	-	-	21,708
Net income (loss) and comprehensive income (loss)	-	-	-	-	-	-	(1,543,880)	-	456,313	(1,087,567)
As at November 30, 2019	39,774,796	4,977,427	-	-	1,383,282	82,070	(3,754,586)	-	11,609,956	14,298,149
TIMIA LP I contributions net of distributions paid (Note 13)	-	-	-	-	-	-	-	-	(4,926,115)	(4,926,115)
TIMIA LP II contributions net of distributions paid (Note 13)	-	-	-	-	-	-	-	-	18,131,026	18,131,026
Common shares issued for conversion of debt (Note 11)	4,321,429	605,000	-	-	-		-	-	-	605,000
Preferred shares issued for conversion of debt (Note 11)	-	-	5,210,994	5,210,994	-	-	-	-	-	5,210,994
Preferred shares issuance cost (Note 11)	-	-	-	(626,499)	6,407	-	-	-	-	(620,092)
Options exercised	1,660,000	219,748	-	-	(107,848)	-	-	-	-	111,900
Warrants exercised	20,000	5,000	-	-	-	-	-	-	-	5,000
Share-based payments	-	-	-	-	183,218	-	-	-	-	183,218
Other comprehensive loss	-	-	-	-	-	-	-	(37,974)	(507,595)	(545,569)
Net income (loss) and comprehensive income (loss)	-	-	-	-	-	-	(586,344)	-	2,487,524	1,901,180
As at November 30, 2020	45,776,225	$ 5,807,175	5,210,994	$ 4,584,495	$ 1,465,059	$ 82,070	$ (4,340,930)	$ (37,974)	$ 26,794,796	$ 34,354,691

(The accompanying notes are an integral part of these consolidated financial statements)

1. NATURE OF OPERATIONS

TIMIA Capital Corp. ("TIMIA" or the "Company") was incorporated under the Business Corporations Act of British Columbia on October 26, 2007 under the name Angelwest Capital Corp. The Company changed its name to GreenAngel Energy Corp. on October 27, 2009 and then to TIMIA Capital Corp. on September 23, 2015 and is listed on the TSX Venture Exchange (the "TSX-V") trading under the symbol "TCA". The Company commenced trading on the OTCQB Venture Market ("OTCQB") under the symbol of TIMCF effective September 9, 2019. TIMIA Capital Corporation has developed a proprietary loan origination platform that services private market, high-yield loan opportunities, thereby earning recurring fees and a share of the profit. While focusing on the fast growing, global, business-to-business Software-as-a-Service (or Saas) segment, TIMIA's automated loan origination system is applicable to multiple technology sectors, it creates scalable and profitable growth for TIMIA's stakeholders. Other sources of revenue include income from the settlement of loans as well as transaction fees from due diligence and similar services. The Company's head office and principal place of business is 789 West Pender St. Suite 1530, Vancouver, British Columbia, Canada.

These consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2021.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

TIMIA prepares its audited consolidated financial statements ("financial statements") in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying TIMIA's accounting policies.

Basis of presentation

The consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments, which are measured at fair value. All amounts are expressed in Canadian dollars unless otherwise stated. Certain comparative figures in these consolidated financial statements have been reclassified in order to conform with current year presentation.

Basis of consolidation

The Company uses the criteria outlined in IFRS 10 in order to determine whether it has control of its Limited Partnerships. In applying the criteria outlined in IFRS 10, judgment is required in determining whether TIMIA controls TIMIA Capital I Limited Partnership ("LP I") and TIMIA Capital II Limited Partnership ("LP II"), together the "LP's". Making this judgment involves taking into consideration the concepts of power over LP I and LP II, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of the LP's so as the generate economic returns. Using these criteria, management has determined that TIMIA does control the LP's and as a result consolidates the accounts of LP I and LP II.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Entity	Country	Percentage Ownership of Parent (based on units as at November 30, 2020)
TIMIA Capital Corp.	Canada	-
TIMIA Capital General Partner Inc.	Canada	100%
TIMIA Capital II Limited Partnership	Canada	6.96%(2)
TIMIA Capital II General Partner Inc.	Canada	100%
TIMIA Capital Residual Partner Inc.	Canada	100%(1)
TIMIA Capital Holdings Limited Partnership	Canada	100%

Notes:
(1) TIMIA Capital Corp. holds its 12.3919% interest in TIMIA Capital I Limited Partnership through the wholly owned subsidiary TIMIA Capital Residual Partners Inc.
(2) TIMIA Capital Corp. holds 6.96% of TIMIA Capital II Limited Partnership which was incorporated on April 30, 2020.

All significant inter-company balances and transactions have been eliminated on consolidation.

Foreign currency translation

Functional and presentation currency

TIMIA determines its subsidiaries' functional currency by reviewing the currency of the primary economic environment in which each entity operations (the "functional currency"). The functional currency of LP II is the United States dollar. The functional currency of all other entities in the group, including the consolidated entity, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations.

Subsidiaries

The results and balances of LP II, a subsidiary that has a functional currency different from the presentation currency, is translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet and capital contributions are translated at the historical exchange rate at the time of contribution;
- Income and expenses for each statement of net income (loss) and comprehensive income (loss) are translated at average exchange rates, and
- All resulting exchange differences are recognized in other comprehensive income.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and 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. However, actual outcomes can differ from these estimates. Loans receivable are reviewed on a quarterly basis as to their collectability and an appropriate impairment charge is provided where considered necessary. The Company estimates a expected credit loss on a quarterly basis by reviewing the underlying loan portfolio. The allowance represents the Company's estimate of the expected credit losses inherent in the loan portfolio, net of the future income stream belonging to the holders of the co-investment agreements. In addition, the Company also completes a loan specific analysis to assess whether there are indications of impairment. The Company reviews a variety of factors such as maintenance of loan repayments in accordance with the contractual obligations, general economic conditions, the underlying stability of the Company to which the loan was granted and has periodic discussions with the management of each company. The Company then makes an assessment using this information on whether or not the loan is impaired.

Changes in these estimates and assessments may have a material impact on these consolidated financial statements. The information about other significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is:

- Fair value of equity investments not quoted in an active market;
- Variables used in estimating values of loans receivable;
- Variables used in determining expected credit losses;
- Measurement of equity and liability components of convertible debentures;
- Recognition of deferred tax assets; and
- Calculation of share-based payments expense.

The information about significant areas of judgement considered by management in preparing the consolidated financial statements are:

- Determination of control of entities, giving rise to the consolidation thereof;
- The classification of financial instruments;
- Indicators of impairment of financial instruments; and
- The valuation of financial assets and liabilities recorded on the statement of financial position which is derived from a variety of valuation techniques.

Derivative financial instruments

The Company may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Company does not account for these forward contracts using hedge accounting. As a result, these instruments are measured at fair value on initial recognition with changes in fair value recognized through profit and loss. The timing and amount of these forward foreign exchange contracts are estimated based on expected future cash outflows. The fair values of the currency forward contracts are based upon the difference between the forward exchange rate and the contract rate.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash is comprised of cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The amount of cash equivalents is $Nil (2019: $2,040,000).

Financial assets

From December 1, 2018, the Company has applied IFRS 9 and classifieds its financial assets in the following measurement categories:

- Fair value through profit or loss or “FVTPL”;
- Fair value through other comprehensive income or “FVOCI”; and
- Amortized cost.

Debt instruments

The classification and subsequent measurement of debt instruments depends on:

(i) The Company’s business model for managing assets; and
(ii) The cash flow characteristics of the asset.

Based on this factor the Company classifies its debt instruments in one of the following three measurement categories.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (‘SPPI’), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 3. Interest income from these financial assets is included in ‘Interest and similar income’ using the effective interest method.

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amounts of the respective financial assets or financial liabilities are adjusted to reflect the new estimates discounted using the effective interest rate. Any changes are recognized in the consolidated statement of net income (loss) and comprehensive income (loss).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus costs such as fees and commissions that are directly attributable to its acquisition or issue. Transaction costs are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognized for financial assets measured at amortized cost and for investments in debt instruments measured at FVOCI, as described the section entitled *Expected Credit Loss Measurement*, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

It has been determined by Company management that the objective of the Company is solely to collect contractual cash flows arising from the investments. Historic profits generated from the early extinguishment of the obligations by the borrower are not within the control of the Company and are considered to be incidental to the business model.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

SPPI: As the Company's business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, that is to say the asset fails the SPPI test, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Impairment

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Company recognizes a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of its loans. When this happens, the Company assesses whether or not the new terms are substantially different from the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Modification of loans (continued)

If the terms are substantially different, the Company derecognizes the original financial asset and recognizes a ‘new’ asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

(i) the Company transfers substantially all the risks and rewards of ownership, or
(ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into Co-investment agreements where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Company:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Loans receivable

The debt instruments held by the Company are loans receivable. Loans receivable consist of loans provided to North American technology companies in exchange for either a variable monthly payment schedule structured either as a percentage of applicable revenue, subject to minimum monthly payments or a fixed schedule of predetermined monthly payments. On initial recognition the Company evaluates the characteristics of each investment to determine if the loan passes the SPPI test, as described above. If the loan is determined to pass the SPPI test, it is carried at amortized cost.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Equity instruments

The Company measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal.

Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the consolidated statement of profit or loss.

The Company holds equity investments consisting of common shares and warrants held in non-public technology companies. At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the consolidated financial statements. Options and warrants of non-public companies are valued using option pricing models when there is sufficient and reliable observable market inputs.

Equity investments are initially recorded at cost at the time of acquisition. At each reporting period thereafter, the fair value of an investment may, depending on circumstances, be adjusted by taking into account the following circumstances:

- There has been a significant subsequent equity financing provided by outside investors at a valuation above or below the current fair value of the investee, in which case the fair value of the investment is adjusted to reflect the value at which the financing took place;
- Based on financial information received from the investee it is apparent to the Company that the investee is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward;
- The investee is placed into receivership or bankruptcy; or
- There have been significant corporate, political, operating or economic events affecting the investee that, in the Company's opinion, have a positive or negative impact on the investee's prospects and, therefore, its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be ultimately realized or realizable. Such events include, without limitation:
- receipt or denial of necessary approvals that allow or prevent the investee to proceed with its project(s);
- release by the investee of positive or negative technical results, which either proves or disproves its technical prospects; and
- management personnel changes at the investee level that the Company's management believes will have a very positive or negative impact on the investee's ability to achieve its objectives and build value for shareholders.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Equity instruments (continued)

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized. The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, the Company. Any fair value estimated by the application of these techniques may not ultimately be realized. Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the consolidated statement of comprehensive income and loss.

Financial liabilities

Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified and subsequently measured at amortized cost.

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, the difference between fair values at the date of modification is recognized through gain or loss on modification and the difference along with any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Convertible debentures

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value and the fair value of the liability component.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Debentures

The Company uses the relative fair value method when allocating the fair value of the share purchase warrants issued in conjunction with debentures. The Company measures the fair value of the debentures issued at the fair value of the consideration received. The Company measures the fair value of the warrants on the date of issuance as determined using the Black-Scholes Option Pricing Model.

Revenue recognition

Interest income on loans

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset. (i.e. amortized cost). When a financial asset that is carried at amortized cost subsequently becomes credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost, net of the expected credit loss provision. Such amounts are recorded in income when management is reasonably assured of collection. The impact of changes in the expected cash flows is recorded in interest income in the period of the change in estimate.

Income from settlement of loans
The difference between proceeds received to settle a loan receivable before its stated maturity date and its carrying value is recorded in income.

Income from transaction and other fees

Income from diligence fees, setup fees as well as other fees and penalties are recognized when a contract with a customer exists, performance obligations are met, transaction price is determinable and collectability is reasonably assured.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Income taxes (continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Basic and diluted earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted earnings (loss) per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payment transactions

The share option plan allows Company employees, directors and consultants to acquire shares of the Company. All options granted are measured at fair value and are recognized in expenses as share-based payments with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model ("Black-Scholes Model"), taking into account the terms and conditions upon which the options were granted. Share options granted to nonemployees or consultants are measured at the fair value of goods or services received. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Accounting standards and amendments issued and adopted

The following accounting standard has been adopted by the Company effective December 1, 2019:

IFRS 16, Leases ("IFRS 16") supersedes *IAS 17, Leases* ("IAS 17") and requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. On December 1, 2019, the Company adopted IFRS 16 on a modified retrospective basis and has chosen to not restate comparative information in accordance with the transitional provisions in IFRS 16. As a result, the comparative information continues to be presented in accordance with the Company's previous accounting policies.

The adoption of IFRS 16 had no transitional impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Accounting standards and amendments issued and adopted (continued)

There was no impact to retained earnings, right-of-use assets or lease liabilities on December 1, 2019 as a result of adopting IFRS 16. In applying IFRS 16, the Company used the following practical expedients, as permitted by the standard:

- Previous assessments were relied on to determine whether leases were onerous;
- Operating leases with a remaining lease term of less than 12 months at December 1, 2019 were treated as short-term leases under IFRS 16. This allows for lease payments to continue to be expensed over the term of the lease without recognition of right-of-use asset and a corresponding liability on the statement of financial position; and
- Payments associated with leases of low-value assets were recognized on a straight-line basis as an expense in the consolidated statement of net loss.

The Company also elected to not reassess whether a contract is or contains a lease as at December 1, 2019, as permitted by IFRS 16. From December 1, 2019, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use, with the exception of leases of low-value assets or leases with a term of 12 months or less, which are recognized on a straight-line basis as an expense. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to the consolidated statement of net income (loss) and comprehensive income (loss) over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. See Note 5. During the year ended November 30, 2020, the Company recognized $16,800 in rent expense for contracts exempted under the IFRS 16 provisions due to lease terms of less than 12 months.

3. LOANS RECEIVABLE

The Company makes loans to software companies who have a recurring revenue business model in Canada and the United States of America. All loans receivable are between two and six years in terms and all of the loans receivable in the Company's portfolio are secured by General Security Agreements.

		2020		2019
Opening balance	$	21,596,037	$	9,680,390
Advances on loans receivable		16,756,814		13,355,921
Interest revenue		3,871,649		2,984,496
Interest and principal payments		(4,020,700)		(2,582,075)
Settlement of investments		(10,167,044)		(1,765,021)
Foreign exchange		(422,676)		(77,674)
Closing balance		27,614,080		21,596,037
Less: current portion		(894,540)		(3,831,488)
Non-current portion		26,719,540		17,764,549
ECL (loan loss) provision, opening balance		(448,525)		(372,826)
Add: ECL released (provision) for outstanding loans (1)		81,742		(75,699)
ECL (loan loss) provision, closing balance	$	(366,783)	$	(448,525)
Loans receivable, non-current portion	$	26,719,540	$	17,764,549
ECL (loan loss) provision, closing balance		(366,783)		(448,525)
Loans receivable, net of ECL (loan loss), non-current portion	$	26,352,757	$	17,316,024

(Expressed in Canadian Dollars)

3. LOANS RECEIVABLE (continued)

(1) The expected credit loss for the year ending November 30, 2020 represents the net amount required to adjust to the ECL as calculated under IFRS 9.

Details of the expected credit loss model can be found in Note 15 under the heading *Expected Credit Loss Measurement*.

The expected credit loss provision for the period from December 1, 2019 to November 30, 2020 is calculated as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening amortized loan balance	$ 18,635,118	$ 2,960,919	$ -	$ 21,596,037
Advances on loans receivable	16,756,814	-	-	16,756,814
Interest revenue, net of interest and principal payments	(140,078)	(8,973)	-	(149,051)
Loans receivable moved to stage 1	2,148,799	(2,148,799)	-	-
Loans receivable moved to stage 2	-	-	-	-
Settlement of investments	(10,167,044)	-	-	(10,167,044)
Foreign exchange	(402,509)	(20,167)	-	(422,676)
Less: current portion	(849,999)	(44,541)	-	(894,540)
Closing balance, non-current portion	$ 25,981,101	$ 738,439	$ -	$ 26,719,540
Expected Credit Loss, opening balance	$ (102,479)	$ (346,046)	$ -	$ (448,525)
Add: ECL for outstanding loans	(123,367)	205,109	-	81,742
Expected Credit Loss, closing balance	$ (225,846)	$ (140,937)	$ -	$ (366,783)
Loans receivable, non-current portion	$ 25,981,101	$ 738,439	$ -	$ 26,719,540
ECL provision, closing balance	(225,846)	(140,937)	-	(366,783)
Loans receivable, net of ECL, non-current portion	$ 25,755,255	$ 597,502	$ -	$ 26,352,757

Loans receivable by type

The Company provides two main types of loan facilities.

- A **Short-Term Loan** is designed for borrowers that anticipate achieving a financing milestone in the relatively near future. Typically, two to three years in length, these facilities require the borrower to pay approximately two thirds of the interest monthly. The remainder of the interest is accrued over the term of the loan and is due and payable at the end of the term.

- A **Revenue Finance Loan** is a type of growth capital provided by TIMIA to a company in which the timing of loan payments are tied to the forecast revenue of the company. Any unamortized amounts are due and payable at the end of the term.

3. LOANS RECEIVABLE (continued)

Loans receivable by type (continued)

The following table presents a breakdown of the loan portfolio by type of loan.

	At November 30, 2020		At November 30, 2019	
	Number of Loans	Carrying Value	Number of Loans	Carrying Value
Short Term Loans	9	$ 16,687,300	4	$ 4,217,990
Revenue Finance Loans	11	10,559,997	14	16,929,522
Total	20	$ 27,247,297	18	$ 21,147,512

Loans receivable by geography

The Company advances loans in Canada and the United States of America. The following table presents a breakdown of the loan portfolio by geography, denominated in Canadian dollars.

	At November 30, 2020		At November 30, 2019	
	Number of Loans	Carrying Value	Number of Loans	Carrying Value
Canada	11	$ 9,070,997	11	$ 10,954,780
United States of America	9	18,176,300	7	10,192,732
Total	20	$ 27,247,297	18	$ 21,147,512

During the year ended November 30, 2020, the Company recognized $1,849,502 (2019: $Nil) gain on investments from successful exits of its loan portfolios.

4. EQUITY INVESTMENTS

As at November 30, 2020 and 2019, the Company held the following equity investments:

Investees	**Common Shares**	Cost	Fair Value
Moj.io Inc.	427,998	$ 43	$ 462,300
Lambda Solutions Inc.	185,000	46,538	77,700
CamDo Solutions Inc.	1,062,500	25,100	425,100
		$ 71,681	$ 965,100

(Expressed in Canadian Dollars)

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

In December 2019, the Company entered into a sublease agreement for office space in Vancouver for a monthly lease payment of $7,767 with a term from January 1, 2020 to April 28, 2021. There is no extension contemplated in the sublease agreements. Under IFRS 16, the Company recognizes lease liabilities measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates. The Company's weighted-average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 12%. The right-of-use asset of $85,009 recognized during the year was measured at an amount equal to the recognized lease liabilities and comprises of a real estate premise. The details of the right-of-use assets and lease liabilities recognized as at November 30, 2020 are as follows:

Right-of-use asset

		November 30, 2020
Beginning balance	$	-
Present value of lease payments		85,009
Amortization		(58,444)
Ending balance	$	26,565

Lease liability

		November 30, 2020
Beginning balance	$	-
Present value of lease payments		85,009
Accrued interest		6,667
Cash payment		(62,246)
Ending balance	$	29,430

6. CONVERTIBLE DEBENTURES

During the year ended November 30, 2015, the Company closed an offering of convertible debentures (the "Convertible Debentures") for gross proceeds of $1,767,500 (the "Principal"). The issue costs were $6,656 resulting in net proceeds of $1,760,844. The Convertible Debentures bear interest from the date of issuance at 8% per annum, payable monthly in arrears. The Convertible Debentures have a maturity date of five years from the date of issuance (the "Maturity Date"). The debenture holders may elect at any time to convert all, but not less than all, of their outstanding Principal amount prior to the Maturity Date into common shares of the Company at a conversion price of $0.14 per common share.

During the year ended November 30, 2016, the Company closed an additional offering of Convertible Debentures for gross proceeds of $283,500 bringing the total amount of Convertible Debentures raised to $2,051,000.

For accounting purposes, the Convertible Debentures are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 9% for Convertible Debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the Convertible Debentures and the fair value of the liability component.

The Convertible Debentures are not redeemable before the third anniversary from the issuance date. On or after the third anniversary of the issuance date, but prior to the Maturity Date, the Company may, at its option, redeem the Convertible Debentures, in whole or in part, at a price equal to the principal amount of the Convertible Debentures plus all accrued and unpaid interest up to but excluding the date of redemption.

The Company is not permitted to grant any liens on the Company or its assets as long as the Convertible Debentures are outstanding except with the permission of more than 67% of the Convertible Debentures holders.

(Expressed in Canadian Dollars)

6. CONVERTIBLE DEBENTURES (continued)

During the year ended November 30, 2020, the convertible debentures matured. On October 7, 2020, the principal amount of the matured debentures was $2,051,000 and was settled as follows:

- Cash repayment of $975,000;
- Convert $605,000 into common shares resulting in the issuance of 4,321,429 common shares (Note 11); and
- Extended the maturity of $471,000 of debentures in order to participate in the exchange option for the issuance of 8% preferred shares

As a result of the settlement, no gain or loss recognized on debt conversion.

The following table summarizes the outstanding balance and changes in the components of the convertible debentures during the years ended November 30, 2020 and 2019:

	2020	2019
Principal		
Beginning balance	$ 2,051,000	$ 2,051,000
Advanced during the year	-	-
Gross proceeds received	2,051,000	2,051,000
Issue costs	(6,656)	(6,656)
Equity component	(82,070)	(82,070)
Liability component initially recognized	1,962,274	1,962,274
Accumulated accretion expense	88,726	70,101
Unpaid interest	-	15,321
Cash payment of principal	(975,000)	-
Converted to common shares	(605,000)	-
Converted to preferred shares	(471,000)	-
Ending balance	-	2,047,696
Less: current portion	-	(1,764,196)
Non-current portion	-	283,500

7. DEBENTURES

During the year ended November 30, 2016, the Company closed an offering of debentures (the “Debentures”) for proceeds of $1,490,000. The Debentures are unsecured, pay interest at the rate of 8% per annum, paid monthly, and mature on March 31, 2021, with an option for early redemption by the Company after three years. The Company issued a total of 3,725,000 share purchase warrants in conjunction with the closing of the Debentures. Each warrant is exercisable at $0.20 for a five-year term. The Debentures, the warrants and any common shares issuable upon exercise thereof will be subject to a four-month hold period in accordance with applicable securities laws. The warrants were valued at $314,811 and have been recorded against the value of the Debentures and will be accreted over the expected life of the Debentures.

(Expressed in Canadian Dollars)

7. DEBENTURES (continued)

During the year ended November 30, 2017, the Company initiated a new series of Debenture offerings. The Debentures will pay 12% annual interest with quarterly payments and will be secured against the assets of the Company with a maturity date of June 15, 2022, with an option for early redemption by the Company after three years from the date of issuance. Investors who subscribe for more than $50,000 of the Debentures will be entitled to common share purchase warrants at a rate of 4,000 warrants per $10,000 of Debentures. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.25 and will have an expiry date of June 15, 2022.

On December 13, 2018, the Company closed a private placement of $1,320,000 of Series E debentures with warrants, of which $775,000 in debentures with 258,333 warrants were issued during the year ended November 30, 2018. This private placement which was priced at $100 per unit resulted in a total issuance of 13,200 debentures and 440,000 warrants. The debentures bear an interest rate of 12% per annum, payable quarterly in arrears, have a term of five years from November 30, 2018 and will be secured against the assets of the Company. The warrants are exercisable for five years from November 30, 2018, at a price of $0.30 per share. A total commission of $28,700 and 95,666 broker warrants, exercisable at $0.30 with a two-year term, were paid as part of this transaction.

During the year ended November 30, 2019, the Company closed $545,000 of Debentures bringing the total amount of Debentures issued to $6,460,200. During the year ended November 30, 2020, $119,920 (2019: $124,388) has been recognized as accretion expense in the line item Interest expense.

The Company has agreed not to allow any liens or charges to be registered against its assets as long as the Debentures are outstanding, except with the permission of more than 67% of the Debenture holders, except in certain limited circumstances and conditions.

As at November 30, 2020, $54,903 (2019: $101,284) of interest payable was outstanding and classified as current portion of debentures.

The following table summarizes the outstanding balance and changes in the amounts recognized in the components of the Debentures during the years ended November 30, 2020 and 2019:

	2020	2019
Principal		
Beginning balance	$ 5,975,646	$ 5,399,712
Advanced during the year	-	545,000
Cash repayments during the year	(1,302,790)	(87,910)
Converted to preferred shares (Note 11)	(788,494)	-
Reinvestment of interest	75,215	16,164
Gross proceeds received	3,959,577	5,872,966
Allocated to warrants	-	(21,708)
Liability component initially recognized	3,959,577	5,851,258
Accretion expense	119,920	124,388
Ending balance	$ 4,079,497	$ 5,975,646

(Expressed in Canadian Dollars)

8. CO-INVESTMENT OBLIGATIONS

The Company entered into co-investment agreements that provide non-dilutive capital in exchange for the ability for qualified investors to participate directly in the Company's portfolio of investments ("Co-investors"). Under this model, Co-investors enter into an agreement that entitles them to receive a fixed percentage of all cash flow derived from a specified portfolio of investments. The co-investment agreements will terminate upon the discharge of all of the obligations of the respective parties that make up the underlying loans receivable portfolio. The actual amounts paid and timing of payments under the co-investment agreements depend on the performance of the underlying loans receivable.

On November 23, 2017, the Company entered into a co-investment agreement that provided $250,000 of non-dilutive capital. The Company closed similar financings on January 18, 2018 for $350,000, on January 29, 2018 for $1,500,000, on June 13, 2018 for $1,000,000 on June 27, 2018 for $750,000 and on October 29, 2018 for $1,000,000. As of November 30, 2020, the Company has raised $4,850,000 using such arrangements.

On September 30, 2020, the Company repaid $785,141 in settlement of three outstanding co-investment agreements.

	2020	2019
Co-Investment Obligation		
Beginning balance	$ 2,575,708	$ 2,886,456
Payments, net accrued interest	(2,296,358)	(310,748)
Ending balance	279,350	2,575,708
Less: current portion	(32,952)	(280,538)
Non-current portion	$ 246,398	$ 2,295,170

9. FOREIGN CURRENCY FORWARD CONTRACT

On April 16, 2020, the Company entered into a forward contract to secure access to US funds for a fixed foreign exchange rate. The Company uses foreign currency forward contracts to manage risk related to variable foreign exchange rates. Under the forward contract, the Company agreed to sell US$2,500,000 for $3,493,750 on April 29, 2021. Based on fluctuation in the USD exchange rate since the date of issuance of the facility through to November 30, 2020, a derivative asset has been recorded of $252,500 to account for the net amount under the agreement and was recognized as a gain on forward contract in the consolidated statements of net income (loss) and comprehensive income (loss).

10. REVOLVING CREDIT FACILITIES

On November 22, 2019, the Company secured a revolving credit facility (the "Credit Facility") from a lender. The amount that was available to be drawn under the Credit Facility was $7,500,000 with a maturity of November 22, 2020 ("Maturity Date"), with an option to extend the Maturity Date by 3 months. The principal drawn on the Credit Facility will bear an interest rate equal to the greater of a) prime plus 5.7%, or b) 10.5%. The standby fee on the undrawn balance is equal to 1% of the undrawn principal amount of the facility is payable monthly. A minimum usage fee is due if at any time the principal amount outstanding under the facility falls below $2,000,000.

The Credit Facility contains both general and financial covenants which the Company is required to report on a regular basis and restrict the level of indebtedness as a ratio to current assets and require a minimum cash balance.

10. REVOLVING CREDIT FACILITIES (continued)

The Company immediately drew $1,465,363 and incurred cash transaction costs of $65,375 which are being amortized as interest accretion expense over the term of the facility. An additional $1,044,957 was advanced during the year bringing the total principal balance to $2,510,320 as at November 30, 2020. The balance outstanding under the Credit Facility is classified as amortized cost and accounted for using the effective interest rate method. The carrying value as at November 30, 2020 was $2,510,320 (2019: $1,405,270).

On May 6, 2020, TIMIA Capital II General Partner Inc. secured an additional revolving credit facility (the "Credit Facility") from a lender. The amount available to be drawn under the Credit Facility is $3,000,000 and will mature on November 6, 2021 (“Maturity Date”), with an option to extend the Maturity Date by 3 months. The principal drawn on the Credit Facility will bear an interest rate equal to 8%. An amount of $1,500,000 was drawn immediately. The balance outstanding under the Credit Facility is classified as amortized cost and accounted for using the effective interest rate method. The Credit Facility was repaid in full on July 14, 2020.

11. SHARE CAPITAL

(a) Authorized:

An unlimited number of common voting shares without par value.

(b) Issued:

<u>Year ended November 30, 2020:</u>

On December 20, 2019, the Company issued 250,000 common shares related to the exercise of 250,000 stock options for proceeds of $33,500. The fair value of the stock options of $29,549 has been reallocated to share capital from the share-based payment reserve.

In April 2020, the Company issued 1,410,000 common shares related to the exercise of 1,410,000 stock options for proceeds of $78,400. The fair value of the stock options of $78,299 has been reallocated to share capital from the share-based payment reserve.

On September 30, 2020, the Company issued 20,000 common shares related to the exercise of 20,000 warrants for proceeds of $5,000.

During the year ended November 30, 2020, a total of $605,000 convertible debentures were converted to 4,321,429 common shares at a conversion price of $0.14 per common share.

<u>Year ended November 30, 2019:</u>

During the year ended November 30, 2019, the Company issued 495,000 common shares related to the exercise of 495,000 stock options for proceeds of $48,000. The fair value of the stock options of $25,241 has been reallocated to share capital from the share-based payment reserve.

During the year ended November 30, 2019, the Company issued 3,214,334 common shares related to the exercise of 3,214,334 share purchase warrants with an exercise price of $0.14 and $0.20 per share.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

(c) Preferred shares:

Year ended November 30, 2020:

On November 27, 2020, the Company closed its non-cumulative Series A preferred shares ('the offering") at a price of $1 per preferred share. Under the offering, the Company issued 5,210,994 preferred shares for gross proceeds of $5,210,994, including the issuance of 1,259,494 preferred shares pursuant to the exchange option, whereby purchasers received preferred shares in exchange for outstanding non-convertible and convertible debentures of the Company held by them, at face value (Notes 6 and 7).

In connection with the offering, the Company paid cash commissions equal to 6% of the cash proceeds and 4% of the proceeds of the offering raised under the exchange option for a total of $626,499. In addition, the Company also issued 238,759 broker warrants as finders' fee value with fair value of $6,407. Each broker warrant is exercisable to acquire one common share of the Company at an exercise price of $0.25 for a period of 12 months from the closing of the offering.

The fair value of the broker warrants was determined using the Black-Scholes Option Pricing Model (stock price $0.21, expected life 12 months, volatility 57.26%, estimated annual dividend yield 8% and risk-free rate of 0.24%)

(d) Stock options:

The Company has adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 5,500,000 Common Shares, being a number equal to 15.95% of the outstanding issue as of the date of shareholder approval of the plan. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of TSX-V. Options granted may not exceed a term of five years from the grant date. The vesting period for all other options will be determined by the Board of Directors at the time of each grant.

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2018	4,705,000	$ 0.12
Issued	1,165,000	0.21
Exercised	(495,000)	0.10
Expired	(200,000)	0.15
Balance, November 30, 2019	5,175,000	0.14
Issued	1,255,000	0.18
Exercised	(1,660,000)	0.07
Expired	(695,000)	0.17
Balance, November 30, 2020	4,075,000	$ 0.18

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

(d) Stock options: (continued)

Additional information regarding stock options outstanding as at November 30, 2020 is as follows:

	Outstanding			Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$ 0.14	1,080,000	1.44	$ 0.14	1,080,000	$ 0.14
0.17	745,000	2.44	0.17	679,977	0.17
0.18	75,000	3.21	0.18	75,000	0.18
0.22	920,000	3.45	0.22	726,758	0.22
0.20	605,000	4.27	0.20	146,416	0.20
0.17	600,000	4.55	0.17	295,890	0.17
$ 0.17	50,000	4.56	0.17	7,306	0.17
	4,075,000	3.03	$ 0.18	3,011,347	$ 0.17

Option-pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the options re-priced and granted to officers, directors, consultants, and employees was calculated using the Black-Scholes option pricing model with following weighted average assumptions and resulting grant date fair value:

	2020	**2019**
Weighted average assumptions:		
Risk-free interest rate	0.39% - 0.59%	1.57% - 1.80%
Expected dividend yield	-	-
Expected option life (years)	5.00	5.00
Expected stock price volatility	101% - 104%	110% - 116%
Weighted average fair value at grant date	$0.17 - $0.20	$0.24
Expected forfeiture rate	-	-

(e) Warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2018	9,364,147	$ 0.19
Issued	181,667	0.30
Exercised	(3,214,334)	0.14
Balance, November 30, 2019	6,331,480	$ 0.22
Issued	238,759	0.25
Exercised	(20,000)	0.25
Balance, November 30, 2020	6,550,239	$ 0.22

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

(e) Warrants: (continued)

Additional information regarding warrants outstanding and exercisable as at November 30, 2020 is as follows:

Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$ 0.20	2,175,000	0.50	$ 0.20
0.20	625,000	0.64	0.20
0.20	925,000	1.00	0.20
0.20	875,000	1.25	0.20
0.25	120,080	1.25	0.25
0.20	22,500	1.32	0.20
0.25	44,800	1.50	0.25
0.25	288,600	1.75	0.25
0.20	62,500	2.00	0.20
0.25	260,000	2.00	0.25
0.25	307,800	2.25	0.25
0.25	165,200	2.50	0.25
0.30	258,333	3.00	0.30
0.30	181,667	3.25	0.30
$ 0.25	238,759	0.99	0.25
	6,550,239	1.16	$ 0.22

12. RELATED PARTY TRANSACTIONS AND EXECUTIVE COMPENSATION

The Company may have transactions in the normal course of business with individuals (as well as their family members or entities they control) who are related to the Company either as key management personnel or a member of the board of directors. Any such transactions are in the normal course of operations and are measured at market based on exchange amounts. The Company had the following related party transactions:

(a) Certain directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel invested in the Company's convertible debentures. As at November 30, 2020, there was $Nil (2019: $598,095) due to directors, officers, family members of directors and officers and a company controlled by a family member of a director.

(b) Debentures of $1,107,500 (2019: $1,382,500) are held by directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel. As at November 30, 2020, there was $1,123,010 (2019: $1,402,825) due to directors, officers, family members of directors and officers and a company controlled by a director.

(c) During the year ended November 30, 2020, $180,283 (2019: $182,873) of interest from both debentures and convertible debentures were accrued or paid to certain directors, officers, family

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND EXECUTIVE COMPENSATION (continued)

members of directors and officers and a company controlled by a director.

(d) Accounts payable of $24,053 (2019: $27,979) was due to directors and/or officers identified as key management personnel as at November 30, 2020.

(e) Rent expense of $16,800 (2019: $18,500) was accrued or paid during the year ended November 30, 2020 to a third party company controlled by the CFO.

(f) Investments by officers and directors, and their family members or companies controlled by them, for $5,731,418 (2019: $2,500,000) of Limited Partner contributions as at November 30, 2020.

The Company considers the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Credit Officer, and Directors as key management personnel. Key management compensation for the years ended November 30, 2020 and 2019 were as follows:

(a) Directors fees of $72,680 (2019: $57,527) were accrued or paid during the year ended November 30, 2020.

(b) Management compensation of $475,271 (2019: $483,677) were accrued or paid during the year ended November 30, 2020.

(c) Share-based payments of $122,164 (2019: $127,187) were recorded for directors and certain officers identified as key management personnel for the year ended November 30, 2020.

13. NON-CONTROLLING INTEREST ("NCI")

The investments in TIMIA Capital LP's by those other than TIMIA Capital Corp are presented in non-controlling interests in the statement of financial position. Details of the change in non-controlling interest for the year were as follows:

	TIMIA Capital I LP 87.79%	TIMIA Capital II LP 93.04%	Gross limited partners' interests
NCI Balance, February 28, 2019	$ -	$ -	$ -
Contributions by limited partners	12,950,000	-	12,950,000
Net income and comprehensive income	456,313	-	456,313
Distributions paid to limited partners	(1,796,357)	-	(1,796,357)
NCI Balance, November 30, 2019	11,609,956	-	11,609,956
Contributions by limited partners	3,070,000	18,377,709	21,447,709
Distributions paid to limited partners	(7,996,115)	(246,683)	(8,242,798)
Net income (loss) attributable to NCI	2,348,044	139,480	2,487,524
Other comprehensive income (loss) attributable to NCI	-	(507,595)	(507,595)
NCI Balance, November 30, 2020	$ 9,031,885	$ 17,762,911	$ 26,794,796

(Expressed in Canadian Dollars)

13. NON-CONTROLLING INTEREST ("NCI") (continued)

Summarized Financial information

Statements of financial position

		TIMIA Capital LP I		TIMIA Capital LP II
Total current assets	$	1,038,351	$	10,103,100
Total non-current assets		10,129,416		9,220,618
Total assets	**$**	**11,167,767**	**$**	**19,323,718**
Total liabilities	$	253,314	$	144,998
Partners' equity		10,914,453		19,648,057
Translation adjustment				(469,337)
Total liabilities & Partners' equity	**$**	**11,167,797**	**$**	**19,323,718**

Statements of net income and comprehensive net income

		TIMIA Capital LP I		TIMIA Capital LP II
Total income	$	3,954,587	$	335,547
Total expenses		572,563		171,196
Total net income and comprehensive income	**$**	**3,382,024**	**$**	**164,351**

TIMIA Capital LP I

On March 6, 2019, the Company completed a $10,500,000 ("Committed Capital") financing in launching its first Limited Partnership ("LP"). On inception, eight financing facility agreements from TIMIA's existing portfolio of loans receivable portfolio companies, representing $8,230,132 in assets were transferred at fair value into the LP. The monthly payments from the transferred loan portfolio will be distributed on a pro rata basis to LP unit holders, including TIMIA, going forward. Consideration for this transaction was $5,830,132 in cash and $2,400,000 in Class B partnership units. Class B partnership units are pari passu with the Class A units and are entitled to an enhanced distribution of an additional 20% of the income after the holders of the Class A units have earned an 8% return.

On September 18, 2019, the Company has received limited partner approval to expand its LP from a limit of $12,000,000 to a limit of $20,000,000. From July 2019 to January 2020 an additional $7,920,000 of Class A units were issued, bringing the LP's capital position to $18,420,000 out of a possible $20,000,000.

(Expressed in Canadian Dollars)

13. NON-CONTROLLING INTEREST ("NCI") (continued)

TIMIA is entitled to receive a management fee of 1.5% of Committed Capital for the first six years and 0.75% thereafter. In addition, LP I reimburses TIMIA for operating expenses incurred on its behalf.

TIMIA Capital LP II

On July 14, 2020, the Company completed a $9,211,224 (US$6,765,000) financing in launching its second Limited Partnership ("LP II"). Under the terms of the LP, the Company will invest and own not less than $500,000 of the LP units and act as LP II's manager. TIMIA may transfer certain existing credit agreements to the fund at fair value.

On October 2, 2020, an additional $1,377,585 (US$1,035,000) and $9,181,783 (US$6,985,000) on November 3, 2020 were completed bringing the LP II's capital position to $19,770,592 (US$14,785,000).

TIMIA is entitled to receive a management fee of 1.5% of Invested Capital and a performance fee based upon the profit of LP II for the life of the fund. In addition, LP II reimburses TIMIA for operating expenses incurred on its behalf.

14. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

		2020		2019
Combined Canadian statutory income tax rate		27.00%		27.00%
Income tax expense (recovery) at statutory rate	$	513,319	$	(293,643)
Income taxes attributable to non-controlling interests in partnerships		(671,631)		(123,643)
Non-deductible items and other		84,736		46,590
Change in future tax rate		-		(17,604)
Change in unrecognized deferred tax assets		108,844		387,861
Deferred tax expense (recovery)	$	35,268	$	-

Significant components of the Company's deferred tax assets (liabilities) are shown below:

		2020		2019
Non-capital loss carry forwards	$	1,080,000	$	918,000
Investments		(120,612)		(120,612)
Unrecognized deferred tax assets		(959,388)		(797,388)
Net deferred tax asset (liability)	$	-	$	-

The Company has approximately $4,000,000 of non-capital losses for tax purposes which may be used to reduce income taxes of future years and will expire from 2027 to 2040.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK

Financial instruments

The following table summarizes information regarding the carrying values and classification of the Company's financial instruments as of the years ended November 30, 2020 and 2019:

		2020		2019
Cash	$	12,872,769	$	4,662,156
Accounts receivable – Amortized cost		413,239		284,326
Loans receivable – Amortized cost		27,247,297		21,147,512
Equity investments – FVTPL		965,100		965,100
Forward contract receivable – FVTPL		252,500		-
Accounts payable – Amortized cost		300,967		305,665
Revolving credit facilities – Amortized cost		2,510,320		1,405,270
Convertible debentures – Amortized cost		-		2,047,696
Debentures – Amortized cost		4,134,400		6,076,930
Co-investment obligations – Amortized cost	$	279,350	$	2,575,708

The estimated fair values of cash and accounts payable approximate their respective carrying values due to their nature and short terms to maturity. Equity investments and forward contract receivable are carried at their fair value. Loans receivable, accounts receivable, convertible debentures, co-investment obligations, revolving credit facility and debentures are carried at amortized cost.

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of net assets and categorized into levels of the fair value hierarchy:

		Balance at November 30, 2020		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Cash	$	12,872,769	$	12,872,769	$	-	$	-
Forward contract receivable	$	252,500	$	-	$	252,500	$	-
Equity investments	$	965,100	$	-	$	965,100	$	-

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

The investment operations of the Company's business involve the purchase and sale of securities, and accordingly, a portion of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, a discussion of which is provided below.

There were no transfers from Level 1 to 2 or Level 2 to 1 during the years ended November 30, 2020 and 2019.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is dependent on obtaining regular financings in order to continue as a going concern. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 5 years
	$	$	$	$	$
Accounts payable	300,967	300,967	300,967	-	-
Revolving credit facilities	2,510,320	2,510,320	2,510,320	-	-
Debentures	4,134,400	4,134,400	54,903	2,889,595	1,189,902
Co-investment obligations	279,350	279,350	32,952	-	246,398
Total	7,225,037	7,225,037	2,899,142	2,889,595	1,436,300

Foreign exchange risk
The Company's foreign exchange risk is due to the Company's ten loan investments totaling US$14,050,000 which are currently valued at $18,176,300. In addition, the Company has entered into a forward contract which commits the Company to buy US$2,500,000 at a fixed exchange rate. Changes in the foreign exchange rate could impact the gain (loss) realized on this contract.

During the year, the Company also completed a close in a second Limited Partnership ("LP II") which has a functional currency of US dollars. Changes in US and Canadian dollar exchange rates will give rise to foreign currency translation adjustments that may have a material impact on the other comprehensive income recognized by the Company.

Interest rate risk
The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. A 10% change in the interest rate would not result in a material impact on the Company's operations.

Market risk
Market 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. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value

15. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

Market risk (continued)

at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which could have a significant unfavourable effect on the Company's financial position.

The Company manages market risk by having a portfolio of investments not singularly exposed to any one issuer; however, its investment activities are currently concentrated primarily in the technology and energy sectors. The Company also manages its market risk by reviewing commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and loan receivables. The Company limits exposure to credit risk by maintaining its cash with financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and loan receivable.

Credit risk measurement

In monitoring credit risk, the Company performs ongoing credit evaluations of its investees' financial condition. The evaluation considers delinquency trends, sales volumes and the investee's ability to maintain its financial condition.

In accordance with IFRS 9, which was adopted December 1, 2018, the Company calculates an expected credit loss as outlined below.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

15. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

Credit risk (continued)

Expected credit loss measurement (continued)

The following diagram summarizes the impairment requirements under IFRS 9:

The Company assigns each loan in the portfolio to a credit quality stage of Stage 1, Stage 2 or Stage 3. This credit quality staging is then used to calculate the lifetime ECL. The lifetime ECL is the maximum loss in default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each loan receivable. The Company periodically reviews the ECL model to determine if industry trends or macro-economic factors have changed, causing a need to adjust the ECL model. The expected credit loss recovery recorded in the statement of net income (loss) and comprehensive income (loss) this year is $81,742 and the expected credit loss accrued on the consolidated statement of financial position is $366,783 as at November 30, 2020.

Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative or qualitative criteria have been met:

- The investment is more than 30 days but less than 90 days in arrears on its contractual payment obligations;
- The Company’s management believes the cash resources available to the investment may not be sufficient to meet ongoing needs; or
- The investment has significantly underperformed with respect to revenue growth and expense control.

An investment is considered to be in stage 3 if:

- The investment is 90 days past due on contractual payments;
- The investment is in long term forbearance;
- The investment is insolvent; or
- The investment is in material breach of financial covenants.

Expected credit loss model

The Company determines the lifetime expected credit loss to be the maximum loss in a default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each loan receivable.

15. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

Credit risk (continued)

Expected credit loss model (continued)

The maximum default loss is a function of the relative exposure of the Company to a particular investment. The Company assesses this as a ratio of the enterprise value of the underlying entity to the amortized loan balance. Based on this ratio, the Company assigns the loan receivable to a maximum default loss band. Each band has a loss percentage based on historic experience.

The probability of default represents the likelihood that the borrower defaults on its financial obligation. As such it is dependent on the stage of the investment at the measurement date. An investment in stage 3 is in default by definition so the likelihood of default is 100%. Stage 1 and stage 2 credits are assigned default probabilities based on historic experience and an assessment of forward looking macro-economic trends. If Company management determines that a segment of the portfolio is facing macro-economic trends that differ from other investments in the portfolio, the probability of default will be adjusted accordingly for that segment.

The Company reviews the stage of each loan receivable and recalculates the ECL every reporting period. Changes to the ECL are recognized on the Statement of Income (Loss) and Comprehensive Income or Loss in the period of the change.

The Company periodically reviews the ECL model to determine if industry trends or macro-economic factors have changed, causing a need to adjust the ECL model. In March 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. COVID has increased the uncertainty as a result of the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of travel restrictions, business closures, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries to fight the virus. The Company actively monitors the impact of COVID-19 on its portfolio of investments and their ability to meet the financial obligations of their loans. The Company reviews the underlying financial results of the portfolio investments and has adjusted any changes to expected credit loss.

Credit risk exposure

The Company's credit risk exposure by ECL staging is included in a table in Note 3 Loans receivable.

16. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to identify and to invest in investments with strong cash-flow and long-term growth potential, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term. The Company is subject to certain restrictions on its assets as described in Notes 6, 7 and 10. The Company does not have any other externally imposed capital requirements to which it is subject. The capital of the Company comprises shareholders' equity, convertible debentures, private placements through a Limited Partnership fund, debentures and co-investment obligations.

16. MANAGEMENT OF CAPITAL (continued)

The Company manages and adjusts the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets.

The Company's investment policy is to invest in software companies that have strong revenue growth and gross margins. Management looks to invest in assets that will create routine monthly cash-flow, as well as periodic gains when the investments are sold or achieve an initial public offering.

If the Company does not receive sufficient cash flows from its activities, it may have to undertake a private placement to cover its cash outflows.

17. SUBSEQUENT EVENTS

On January 29, 2021, the Company has originated two investment facilities for growing software companies for an aggregate value of approximately $4,800,000.

One investment facility is in the amount of $3,200,000 (US$2,500,000) made to a United States-based software-as-a-service (SaaS) company and includes an initial disbursement of $1,400,000 (US$1,100,000), which has been advanced. The second investment facility of $1,600,000 (US$1,250,000) has been extended to a U.S.-based software company which is an existing client of Company that wanted to modify its existing facility. The initial disbursement of $960,000 (US$750,000) has been advanced and is in addition to retaining its existing fully disbursed facility of US$750,000. In both cases, additional disbursements will be made upon certain milestones being met over the term of the agreement. The source of non-dilutive capital for the two investment facilities is the Company's LP II.

Subsequent to year-end, the Company announced that its Board of Directors has approved the grant of 490,000 stock options to staff and officers which are exercisable into common shares of the Company at a price of $0.19 per common share. Of the 490,000 options, officers received 200,000 with the staff receiving the remainder. The options have a term of five years and will expire on January 18, 2026.

Subsequent to November 30, 2020, the Company successfully completed one Canadian investment exit for total proceeds of $1,582,186.

On February 24, 2021, the Company announced its intention to commence a normal course issuer bid to repurchase, for cancellation, up to 3,313,699 common shares of the Company.

On February 25, 20201, the Company repaid $1,853,207 of Series D debentures.

On March 1, 2021, the Company completed a closing for an additional $1,575,000 (USD $1,250,000) of Class A units in LP II. This third close brings the total capital invested to $20,204,100 (USD $16,035,000).

On March 9, 2021, the Company declared a $0.0211 dividend payable to preferred shareholders.