Lorne Park Capital Partners Inc.

Consolidated Financial Statements

December 31, 2021

Consolidated Financial Statements

February 24, 2022

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Lorne Park Capital Partners Inc. have been prepared by the Company's management in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

MNP LLP, appointed as the Company's auditors by the directors, has audited these consolidated financial statements for the years ended December 31, 2021 and 2020 and their report follows.

(signed)

'Robert Sewell', CFA, CPA, CMA, CFP

President and Chief Executive Officer

Oakville, Ontario

(signed)

'Carlo Pannella, CPA, CA'

Chief Financial Officer

Oakville, Ontario

Independent Auditor's Report

To the Shareholders of Lorne Park Capital Partners Inc.:

Opinion

We have audited the consolidated financial statements of Lorne Park Capital Partners Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's 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 audits 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. The other information comprises Management's Discussion and Analysis.

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 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. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this information, we conclude that there is 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, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 auditor's report is Robert James Ripley.

MNP LLP

Toronto, Ontario
February 24, 2022

Chartered Professional Accountants
Licensed Public Accountants

Lorne Park Capital Partners Inc.

Consolidated Statements of Financial Position ($ Canadian)

As at December 31, 2021 and 2020

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	**$ 3,076,187**	$ 1,957,648
Short-term investments (Note 3)	**1,444,334**	1,386,387
Accounts receivable	**4,897,373**	2,049,749
Other current assets	**85,652**	69,293
	9,503,546	5,463,077
Property and equipment (Note 4)	**156,712**	51,915
Right-of-use assets (Note 5)	**660,133**	83,295
Intangible assets (Note 9)	**20,008,978**	17,298,357
Deferred tax assets (Note 16)	**72,855**	-
Goodwill (Note 10)	**1,684,761**	1,684,761
Total assets	**$ 32,086,985**	$ 24,581,405
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 12 and 17)	**$ 5,247,196**	$ 2,015,689
Lease obligations (Note 13)	**136,438**	104,558
Earn out payable on intangible assets (Note 6)	**598,340**	-
Debentures payable (Note 11)	**2,055,000**	-
	8,036,974	2,120,247
Long term liabilities		
Debentures payable (Note 11)	**4,153,063**	6,170,493
Earn out payable on intangible assets (Note 6)	**-**	177,563
Lease obligations (Note 13)	**545,075**	-
Deferred tax liabilities (Note 16)	**-**	341,386
Total liabilities	**12,735,112**	8,809,689
Shareholders' Equity		
Share capital (Note 14)	**12,000,566**	11,887,532
Reserve for options and warrants (Note 14)	**1,090,590**	928,709
Accumulated deficit	**(3,930,466)**	(5,365,397)
Total shareholders' equity attributable to the Company's shareholders	**9,160,690**	7,450,844
Non-controlling interest (Note 8)	**10,191,183**	8,320,872
Total shareholders' equity	**19,351,873**	15,771,716
Total liabilities and shareholders' equity	**$ 32,086,985**	$ 24,581,405

Signed on the Company's behalf by:

R. Sewell

(signed) "Robert Sewell", Director

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

Lorne Park Capital Partners Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) ($ Canadian)

For the Years Ended December 31, 2021 and 2020

	December 31, 2021	December 31, 2020
Revenue (Note 2(vi))		
Management and administration fees	**$ 25,150,764**	$ 18,722,036
Operating Expenses		
Salaries and benefits	**15,709,191**	13,653,181
Professional fees	**461,545**	291,419
Investment research fees	**309,476**	256,108
Direct fund costs	**1,433,511**	988,326
Rent and facility	**123,365**	156,808
Marketing and client retention (Notes 6 and 12)	**1,411,071**	168,996
Depreciation and amortization	**2,213,989**	1,514,753
Other administrative costs	**404,796**	362,181
	22,066,944	17,391,772
Other Expense (Income)		
Public company expenses	**95,002**	75,285
Financing costs (Note 15)	**585,288**	569,564
Interest income (Note 15)	**(2,946)**	(14,730)
Share-based compensation (Note 14(iv))	**180,462**	245,268
	22,924,750	18,267,159
Net income before income taxes	**2,226,014**	454,877
Income tax expense (Note 16)	**994,562**	344,788
Net income and comprehensive income	**$ 1,231,452**	$ 110,089
Net income (loss) and comprehensive income (loss) attributable to:		
Company's shareholders	**$ 2,211,141**	$ 638,925
Non-controlling interest	**(979,689)**	(528,836)
	$ 1,231,452	$ 110,089
Weighted-average number of common shares (Note 14(vi))		
Basic	**51,764,789**	51,277,304
Diluted	**53,439,348**	52,393,759
Income per common share (Note 14(vi))		
Basic	**$ 0.043**	$ 0.012
Diluted	**$ 0.041**	$ 0.012

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

Lorne Park Capital Partners Inc.

Consolidated Statements of Cash Flows ($ Canadian)

For the Years Ended December 31, 2021 and 2020

	December 31, 2021	December 31, 2020
Cash provided by (used in)		
Operating activities		
Net income	**$ 1,231,452**	$ 110,089
Changes not involving cash		
Attributed debenture interest expense (Note 11)	**29,056**	26,657
Accreted interest on earn out payment (Note 6)	**14,196**	13,178
Change in earn out resulting from change in accounting estimates (Note 6)	**406,581**	-
Amortization of debenture issue costs (Note 11)	**8,514**	7,996
Accreted interest on lease obligations (Note 13)	**30,175**	17,400
Amortization of intangible assets (Note 9)	**2,039,379**	1,283,241
Depreciation of property and equipment (Note 4)	**25,769**	20,463
Depreciation of right-of-use assets (Note 5)	**148,841**	211,049
Share-based compensation (Note 14(iv))	**180,462**	245,268
	4,114,425	1,935,341
Net interest expense (Note 15)	**500,402**	489,602
Net change in accounts receivable	**(2,847,624)**	(103,497)
Net change in accounts payable and accrued liabilities	**3,231,487**	(118,949)
Net change in deferred tax liabilities (Note 16)	**(341,386)**	341,386
Net change in deferred tax assets (Note 16)	**(72,855)**	-
Net change in other current assets	**(16,359)**	(3,394)
Net cash generated by operating activities	**4,568,090**	2,540,489
Financing activities		
Interest paid (Notes 11 and 15)	**(503,328)**	(504,033)
Proceeds on exercise of warrants (Notes 14(iii) and (v))	**-**	355,990
Payment of lease obligations (Note 13)	**(178,899)**	(247,535)
Payment of dividends (Note 14(vii))	**(776,210)**	-
Proceeds on exercise of options (Notes 14(iii) and (iv))	**30,000**	-
Proceeds on issuance of shares from treasury on account of ESSP (Notes 14(iii) and (iv))	**64,453**	-
Net cash used in financing activities	**(1,363,984)**	(395,578)
Investing activities		
Investment in partnerships (Note 8)	**(1,900,000)**	(3,500,000)
Decrease (increase) in short-term investments (Note 3)	**(57,947)**	986,029
Payment on acquisition of book of business (Note 6)	**-**	(18,250)
Interest income (Note 15)	**2,946**	14,730
Payment on acquisition of entity (Note 7)	**-**	(13,125)
Acquisition of property and equipment (Note 4)	**(131,192)**	(5,526)
Proceeds on sale of property and equipment (Note 4)	**626**	-
Net cash used in investing activities	**(2,085,567)**	(2,536,142)
Net increase (decrease) in cash and cash equivalents	**1,118,539**	(391,231)
Cash and cash equivalents, beginning of year	**1,957,648**	2,348,879
Cash and cash equivalents, end of year	**$ 3,076,187**	$ 1,957,648

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

Lorne Park Capital Partners Inc.

Consolidated Statements of Changes in Equity ($ Canadian)

For the Years Ended December 31, 2021 and 2020

	Number of Common Shares	Share Capital	Reserve for Options and Warrants	Accumulated Deficit	Equity Attributable to Company's Shareholders	Non-Controlling Interest	Total Shareholders' Equity
Balance, December 31, 2019	50,995,001	$ 11,449,902	$ 765,081	$ (6,004,322)	$ 6,210,661	$ 4,531,785	$ 10,742,446
Net income and comprehensive income (loss)	-	-	-	638,925	638,925	(528,836)	110,089
Investment in partnership (Note 8(i))	-	-	-	-	-	4,317,923	4,317,923
Exercise of warrants (Notes 13(iii) and (v))	711,500	437,630	(81,640)	-	355,990	-	355,990
Share-based compensation (Note 13(iv))	-	-	245,268	-	245,268	-	245,268
Balance, December 31, 2020	51,706,501	$ 11,887,532	$ 928,709	$ (5,365,397)	$ 7,450,844	$ 8,320,872	$ 15,771,716
Net income and comprehensive income (loss)	-	-	-	2,211,141	2,211,141	(979,689)	1,231,452
Investment in partnership (Note 8(ii))	-	-	-	-	-	2,850,000	2,850,000
Exercise of options (Notes 14(iii) and (iv))	87,500	48,581	(18,581)	-	30,000	-	30,000
Issuance of shares from treasury on account of ESSP (Notes 14(iii) and (iv))	90,779	64,453	-	-	64,453	-	64,453
Common share dividends (Note 14(vii))	-	-	-	(776,210)	(776,210)	-	(776,210)
Share-based compensation (Note 14(iv))	-	-	180,462	-	180,462	-	180,462
Balance, December 31, 2021	**51,884,780**	**$ 12,000,566**	**$ 1,090,590**	**$ (3,930,466)**	**$ 9,160,690**	**$ 10,191,183**	**$ 19,351,873**

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

1. Nature of Operations

Lorne Park Capital Partners Inc. (the “Company” or “LPCP”) is a Tier II issuer on the TSX Venture Exchange (“TSX-V”) and its common shares trade under the symbol “LPC-V”. The address of the registered office for the Company and its wholly owned subsidiaries, Bellwether Investment Management Inc. (“Bellwether”) and Bellwether Estate and Insurance Services Inc. (“Bellwether Estate”), is 1295 Cornwall Road, Unit A3, Oakville, Ontario, Canada.

Bellwether is the Manager and Trustee of the Bellwether Funds (the "Funds") and is registered as a Portfolio Manager ("PM") as well as an Exempt Market Dealer ("EMD") and Investment Fund Manager ("IFM") with the Ontario Securities Commission. Bellwether Estate is registered as an insurance agent corporation with the Financial Services Commission of Ontario.

As at December 31, 2021, 50.2% (December 31, 2020 – 50.3%) of the Company’s common shares were held by its Chief Executive Officer and by a member of the Board of Directors.

2. Significant Accounting Policies

(i) Basis of Presentation and Statement of Compliance

These consolidated financial statements include the accounts of the Company and its subsidiaries, Bellwether and Bellwether Estate, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”). The policies set out below have been consistently applied to all periods presented, unless otherwise noted. All intercompany balances, transactions, income and expenses, and losses have been eliminated on consolidation.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating for the foreseeable future and will be able to realize its assets and liabilities in the normal course of operations as they come due.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 24, 2022.

(ii) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which have been measured at fair value. The Company’s functional currency is the Canadian dollar.

(iii) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and can affect those returns through its power to direct the relevant activities of the entity.

2. Significant Accounting Policies (Continued)

(iv) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate, estimated to be 8%, as the discount rate (2020 – 8%).

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of less than 12 months and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

(v) Financial Instruments

The accounting policies for financial instruments are described below and the composition of the Company's financial instruments and related risks are disclosed in Notes 20 and 21.

Financial Assets

When an entity first recognizes a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics as follows:

a. Amortized Cost

A financial asset is measured at amortized cost if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs and subsequently measured at the effective interest rate method, net of any allowance for expected credit losses. The Company has cash and cash equivalents and accounts receivable classified as financial assets at amortized cost.

2. Significant Accounting Policies (Continued)

(v) Financial Instruments (Continued)

b. Fair Value Through Other Comprehensive Income

Financial assets are classified and measured at fair value through other comprehensive income ("FVOCI") if they are held in a business whose objective is achieved by both collecting contractual cash flows and selling financial assets, and cash flows are solely payments of principal and interest on the principal amount outstanding. The Company does not have any financial assets classified as FVOCI.

c. Fair Value Through Profit or Loss

Any other financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss ("FVTPL"). The Company has short term investments classified as FVTPL.

Financial Liabilities

The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

a. Financial Liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL upon initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no financial liabilities at FVTPL.

2. Significant Accounting Policies (Continued)

(v) Financial Instruments (Continued)

b. Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has accounts payable and accrued liabilities, debentures payable, earn out payable on intangible assets, and other long-term liabilities classified as other financial liabilities.

Transaction Costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate – i.e., amortized through profit or loss over the term of the related instrument.

Impairment

Under IFRS 9, the expected credit loss ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

Under IFRS 9, allowances for ECL are recognized on all financial assets that are classified either at amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at FVTPL. Allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either: (i) 12-month ECL (also referred to as Stage 1 ECL) which comprises an allowance for all non-impaired financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises an allowance for those financial instruments which have experienced a SICR since initial recognition; or where there is objective evidence of impairment. Lifetime ECL is recognized for Stage 2 financial instruments compared to 12-month ECL for Stage 1 financial instruments.

Based on its practices and processes around charging and collecting management fees, its credit policies, its previous experience, and its assessment of the current economic environment and financial condition of the counterparties, as at December 31, 2021 and 2020, the Company does not believe any allowances for ECL are required.

2. Significant Accounting Policies (Continued)

(vi) Revenue Recognition

The Company has adopted IFRS 15, Revenue from Contracts with Customers. The standard is based on the principle that revenue is recognized at an expected amount of consideration in exchange for transferring promised goods or services to a customer. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

The Company's revenue consists primarily of investment management fees, which are calculated and charged monthly based on the month end assets under management multiplied by an agreed rate with the customer. Fees are recognized on an accrual basis when the performance obligation has been completed, the fees are no longer susceptible to market factors, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Consideration is collected within a short period from the date of revenue recognition.

In addition, the Company can earn a performance fee on one of its managed pooled funds, the Bellwether Canadian Performance Fund, equal to 20% of the amount by which the performance of the fund exceeds 12% per annum, calculated and payable at the end of the year. The performance fee is recognized when the amount is no longer susceptible to market factors and it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Consideration is collected within a short period from the date of revenue recognition. During the year ended December 31, 2021, the Company recognized a performance fee of $2,287,643 (2020 –$nil).

(vii) Use of Judgments, Estimates and Assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that are significant for the years ended December 31, 2021 and 2020:

a. Valuation of the fair value of the debentures payable (Notes 11 and 17)
b. Valuation of the warrants and share-based compensation (Notes 11 and 14)
c. Estimate of the earn out payable (Note 6)
d. Valuation of the fair value of the customer relationship intangible assets (Notes 6, 7, 8 and 9)
e. Valuation of the fair value of partnership investments (Note 8)
f. Judgement with respect to control arising from partnership investments (Note 8)
g. Valuation of the fair value of deferred cash payments (Note 7)
h. Goodwill impairment test (Note 10)
i. Valuation of the fair value of the right-of-use assets and lease obligations (Notes 5 and 13)
j. Judgment with respect to determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows (Note 12)
k. Impact of COVID-19 (Note 23)

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can influence the amounts recognized in the consolidated financial statements.

2. Significant Accounting Policies (Continued)

(viii) Goodwill Impairment

Goodwill is allocated to cash-generating units ("CGU") for the purposes of impairment testing based on the level at which management monitors it, which is not higher than an operating segment. The allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose. The Company is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is the higher of fair value less costs to sell and the value in use. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. An impairment loss with respect to goodwill is never reversed.

(ix) Business Combinations

Acquisitions of a business or entity are reported as a business combination and accounted for using the acquisition method. The purchase price for each acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in professional fees. Under the acquisition method, assets, liabilities, and contingent liabilities acquired are initially recorded at the fair value as of the acquisition date. The excess of the purchase price over the fair values of identifiable assets, liabilities and contingent liabilities recognized, is recorded as goodwill.

(x) Fair Value Hierarchy

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

(xi) Property and Equipment

Items of property and equipment are recorded at cost less accumulated depreciation and impairment losses. The Company recognizes, in the carrying amount of an item of equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to profit or loss as incurred.

Depreciation of equipment is provided on a declining-balance basis over the estimated useful lives at the following annual rates: computer equipment – 30%; furniture and fixtures – 20%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(xii) Intangible Assets

The Company includes acquired client relationships as intangible assets. These assets have been assessed to have finite lives, and accordingly, are amortized on a straight-line basis over an estimate of the expected retention period of the clients acquired.

2. Significant Accounting Policies (Continued)

(xiii) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. The Company does not invest in any asset-backed deposits. The Company has no material banking arrangements for overdrafts or borrowings. As at December 31, 2021 and 2020, the Company does not hold any cash equivalents.

(xiv) Short-Term Investments

Short-term investments include money market mutual funds and marketable securities.

(xv) Income Taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Income tax expense (recovery) in profit or loss is the sum of current and deferred tax.

Current Tax

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period. Current tax expense (recovery) in profit or loss reflects the current tax for the reporting period, plus current tax adjustments for prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred Tax

Under the asset and liability method, deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The carrying amounts of individual deferred tax assets are reviewed at the end of each reporting period but are only recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax expense (recovery) included in profit or loss reflects the net change in deferred tax assets and liabilities, less deferred tax recorded directly in other comprehensive income (loss) or equity.

2. Significant Accounting Policies (Continued)

(xvi) Share Capital and Warrants

The Company's common shares are classified as equity.

The Company may issue units to investors consisting of common shares and warrants. Each issued warrant entitles the holder to acquire a common share of the Company at a fixed Canadian dollar price, over a specified term, and is not transferable from the original investor to a new investor. The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as increases in share capital.

Transaction costs directly attributable to the issuance of private placement units, such as legal, finders' and regulatory fees, are recognized as a decrease in share capital net of related income tax effects, if any. Broker warrants issued in a private placement are also included in transaction costs at their estimated fair value on the issue date, as determined using the Black-Scholes option-pricing model. An offsetting credit is recorded in contributed surplus. When investor or broker warrants are exercised, the proceeds received are added to share capital.

(xvii) Share-based Payments

The Company's accounting policies for share-based payments are outlined below. The term "employees" as used in these consolidated financial statements includes all officers, directors and others providing services that are similar to those provided by employees.

An equity-settled transaction occurs when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received.

Stock options may be granted to employees as performance incentives. The fair value of options granted is determined using the Black-Scholes pricing model. This amount is recognized as a compensation expense in profit or loss at time of vesting with offsetting credits recorded in contributed surplus. When options are exercised, a transfer is made from contributed surplus and added to the proceeds of issuance.

(xviii) Income and Loss Per Share

Basic income and loss per share is calculated by dividing income or loss attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted income or loss per share is calculated in a similar manner, but with adjustments to give effect to all dilutive potential common shares outstanding during the period. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. When there is a loss from continuing operations, warrants and options are considered to be anti-dilutive.

3. Short-Term Investments

As at December 31, 2021, short-term investments include $1,444,334 (2020 – $1,386,387) in Canadian money market mutual funds.

4. Property and Equipment

	Computer Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
As at December 31, 2019	$ 74,802	$ 84,342	$ 22,300	$ 181,444
Acquisitions during the year	5,526	-	-	5,526
As at December 31, 2020	80,328	84,342	22,300	186,970
Acquisitions during the year	6,815	9,876	114,501	131,192
Disposals during the year	(988)	-	(22,300)	(23,288)
As at December 31, 2021	**$ 86,155**	**$ 94,218**	**$ 114,501**	**$ 294,874**
Accumulated depreciation				
As at December 31, 2019	$ 52,402	$ 51,326	$ 10,864	$ 114,592
Depreciation during the year	6,674	6,030	7,759	20,463
As at December 31, 2020	59,076	57,356	18,623	135,055
Depreciation during the year	6,346	5,971	13,452	25,769
Disposals during the year	(362)	-	(22,300)	(22,662)
As at December 31, 2021	**$ 65,060**	**$ 63,327**	**$ 9,775**	**$ 138,162**
Net book value, as at December 31, 2020	$ 21,252	$ 26,986	$ 3,677	$ 51,915
Net book value, as at December 31, 2021	**$ 21,095**	**$ 30,891**	**$ 104,726**	**$ 156,712**

5. Right-of-Use Assets

		Offices
Cost		
As at December 31, 2019	$	645,623
Increases		21,855
Decreases		(53,551)
As at December 31, 2020	$	613,927
Increases		725,679
Decreases		(613,927)
As at December 31, 2021	**$**	**725,679**
Accumulated depreciation		
As at December 31, 2019	$	373,134
Depreciation		211,049
Decreases		(53,551)
As at December 31, 2020	$	530,632
Depreciation		148,841
Decreases		(613,927)
As at December 31, 2021	**$**	**65,546**
Net book value, as at December 31, 2020	$	83,295
Net book value, as at December 31, 2021	**$**	**660,133**

6. Acquisitions of Advisor Books of Business

On September 18, 2015, the Company entered into an agreement with an investment advisor to acquire that advisor's book of business (the "Book") for a total purchase price of $793,701, including recruitment fees and legal costs. The advisor became an employee of the Company and is being compensated based on the revenues of the Book. The Company is committed to an additional earn out payment related to the Book at the time the advisor voluntarily retires or is terminated by the Company.

On the date of acquisition, the estimate of the future undiscounted earn out was $375,000 based on the estimated annualized management fees related to the Book. The earn out was recorded as part of the total purchase price at an initial fair value of $118,216, based on a discounted valuation using an 8% discount rate and an expectation that the advisor would remain an employee for 15 years. During the year ended December 31, 2021, the Company changed its estimates with respect to the annualized management fees related to the Book, and the expectation of how long the advisor would remain an employee with the Company, and this resulted in a charge of $406,581.

The earn out payable is as follows:

	December 31, 2021	December 31, 2020
Earn out payable on intangible assets, beginning of year	**$ 177,563**	$ 164,385
Adjustment arising from change in estimates	**406,581**	-
Accreted interest	**14,196**	13,178
Earn out payable on intangible assets, end of year	**$ 598,340**	$ 177,563

On December 4, 2019, the Company entered into an agreement with an investment advisor to acquire that advisor's book of business for a total purchase price of $73,000, of which $54,750 was paid in 2019 and $18,250 was paid in 2020.

7. Acquisition of Adaptive Asset Management Ltd.

On August 20, 2018, Bellwether completed the acquisition of 100% of the outstanding securities of Adaptive Asset Management Ltd. ("Adaptive"), an independent portfolio manager. Bellwether acquired all of the shares of the parent company of Adaptive, following which Adaptive transferred to Bellwether all assets, business, and undertaking associated with its portfolio management business, and Adaptive was dissolved.

The transaction was accounted for as a business combination in accordance with guidance provided in IFRS 3 Business Combinations. The Company completed an analysis of the consideration transferred and the net assets acquired.

7. Acquisition of Adaptive Assets Management Ltd.

Included in the fair value of the consideration transferred as part of the acquisition of Adaptive was $200,000 of common shares of LPCP on the date of closing, resulting in a total number of shares being issued of 500,000. Also included in the Adaptive purchase agreement were two future cash payments of $75,000 each, due on the first and second anniversary dates of the closing, subject to adjustments based on the trailing revenue of Adaptive on the payment dates. The carrying value and fair value of the deferred future payments were estimated to be approximately the same.

During the year ended December 31, 2019, the Company reduced the estimate of the deferred cash payments due to a significant loss of Adaptive revenue. The actual cash paid relating to the first deferred cash payment was $50,559, and the second deferred cash payment was reduced to $12,000, resulting in income of $87,441 on the consolidated statements of income and comprehensive income for the year ended December 31, 2019. The actual cash paid relating to the second deferred cash payment was $13,125, which was higher than the revised estimate, resulting in a charge of $1,125 on the consolidated statements of income and comprehensive income for the year ended December 31, 2020.

8. Investments in Partnerships

(i) Kingston Road Financial LP

On November 30, 2020, Bellwether made a cash contribution of $3,500,000 to Kingston Road Financial LP ("Kingston"), an Ontario limited partnership. On the date of investment, Kingston had approximately $234 million in assets under management, all of which was managed by Bellwether. The general partners of Kingston are two advisors engaged with Bellwether and those advisors' personal corporation. In exchange for this investment, Bellwether was granted admission as a limited partner of Kingston and granted certain strategic rights and privileges, including the right for Bellwether to remain the investment manager over the assets of the partnership and the right of first refusal in the event the partnership receives a third party offer for its assets.

The Company identified the only asset of Kingston as client relationship intangible assets and concluded that Kingston is not a business as defined in IFRS 3 Business Combinations. The Company also concluded that Bellwether has control over Kingston per IFRS 10 Consolidated Financial Statements.

The Company assessed the value of the client relationship intangible assets based on the fair value of the consideration paid and the fair value of the non-controlling interest on the date of the transaction, as follows:

Fair value of the consideration paid	$ 3,500,000
Fair value of the non-controlling interest	4,317,923
	$ 7,817,923

The fair value of the non-controlling interest was assessed as the sum of the present value of the expected cash distribution of profits which will be made to the non-controlling interest. The expected cash distribution of profits was estimated using an annual growth rate of 4%, and an annual retention factor of 95%. The discount rate used to bring the future cash flows to the present value was 18.4%.

8. Investments in Partnerships (Continued)

(ii) LVTV Financial LP

On November 1, 2021, Bellwether made a cash contribution of $1,900,000 to LVTV Financial LP ("LVTV Financial"), an Ontario limited partnership. On the date of investment, LVTV Financial had approximately $130 million in assets under management, all of which was managed by Bellwether. The general partners of LVTV Financial are an advisor engaged with Bellwether and that advisor's personal corporation. In exchange for this investment, Bellwether was granted admission as a limited partner of LVTV Financial and granted certain strategic rights and privileges, including the right for Bellwether to remain the investment manager over the assets of the partnership and the right of first refusal in the event the partnership receives a third party offer for its assets.

The Company identified the only asset of LVTV Financial as client relationship intangible assets and concluded that LVTV Financial is not a business as defined in IFRS 3 Business Combinations. The Company also concluded that Bellwether has control over LVTV Financial per IFRS 10 Consolidated Financial Statements.

The Company assessed the value of the client relationship intangible assets based on the fair value of the consideration paid and the fair value of the non-controlling interest on the date of the transaction, as follows:

Fair value of the consideration paid	$ 1,900,000
Fair value of the non-controlling interest	2,850,000
	$ 4,750,000

The fair value of the non-controlling interest was assessed as the sum of the present value of the expected cash distribution of profits which will be made to the non-controlling interest. The expected cash distribution of profits was estimated using an annual growth rate of 4%, and the discount rate used to bring the future cash flows to the present value was 19.0%.

9. Intangible Assets

Intangible assets include the following finite life assets:

	December 31, 2021	December 31, 2020
Customer relationships, cost		
As at beginning of the year	**$ 19,998,841**	$ 12,180,918
Additions during the year		
Arising from the investment in LVTV Financial (Note 8(ii))	**4,750,000**	-
Arising from the investment in Kingston (Note 8(i))	**-**	7,817,923
As at end of the year	**$ 24,748,841**	$ 19,998,841
Customer relationships, accumulated amortization		
As at beginning of the year	**$ 2,700,484**	$ 1,417,243
Amortization during the year	**2,039,379**	1,283,241
As at end of the year	**$ 4,739,863**	$ 2,700,484
Net book value		
As at end of the year	**$ 20,008,978**	$ 17,298,357

The weighted average remaining life of the intangible assets as at December 31, 2021 is 9.4 years (2020 – 8.7 years).

10. Goodwill

As at December 31, 2021, the Company had goodwill of $1,684,761 (2020 – $1,684,761), which arose from various acquisitions. Goodwill is attributable to the addition of experienced teams of professionals and expanded national reach resulting from those acquisitions.

Impairment Assessment of Goodwill

The Company identified Bellwether as the group's CGU which is considered the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets in the group. The CGU is represented by the investment management services provided to all assets under management and is the sole operating segment of the Company. The Company assesses goodwill for any impairment annually on September 30, or earlier if there are indicators of impairment.

10. Goodwill (Continued)

Impairment Assessment of Goodwill (Continued)

The Company tested the CGU for impairment by comparing the carrying amount to the recoverable amount. The recoverable amount was determined based on its value in use, calculated using discounted cash flows. The key inputs used in the discounted cash flow were the weighted average cost of capital of approximately 12%, and growth and terminal growth rates of approximately 2%. The estimated recoverable amount determined under the discounted cash flow exceeded the current carrying value of goodwill, therefore no impairment is recognized as at December 31, 2021 and 2020.

11. Debentures Payable

(i) June 15, 2017 Offering

On June 15, 2017, the Company closed a non-brokered private placement offering of debentures for an aggregate principal amount of $2,055,000 and related costs of $22,324. The debentures are unsecured, mature and become payable on June 15, 2022, and bear interest at a rate of 8% per annum, paid semi-annually. $520,000 of the debentures were subscribed to by related parties of the Company (Note 17).

The debentures are financial instruments, and the private placement included the granting of 513,750 investor warrants that are embedded derivatives within the transaction. Thus, the principal amount has been bifurcated from the cost of the related warrants and the debentures are recorded at an acquisition value of $2,029,412 based on a fair-value discount rate of 8.3%.

(ii) August 15, 2019 Offering

On August 15, 2019, the Company closed a non-brokered private placement offering of debentures for an aggregate principal amount of $3,199,000 and related costs of $12,948. The debentures are unsecured, mature and become payable on August 15, 2024, and bear interest at a rate of 8% per annum, paid semi-annually. $286,000 of the debentures were subscribed to by related parties of the Company (Note 17).

The debentures are financial instruments, and the private placement included the granting of 799,750 investor warrants that are embedded derivatives within the transaction. Thus, the principal amount has been bifurcated from the cost of the related warrants and the debentures are recorded at an acquisition value of $3,107,292 based on a fair-value discount rate of 8.7%.

11. Debentures Payable (Continued)

(iii) October 4, 2019 Offering

On October 4, 2019, the Company closed a non-brokered private placement offering of debentures for an aggregate principal amount of $1,042,000 and related costs of $5,200. The debentures are unsecured, mature and become payable on October 4, 2024, and bear interest at a rate of 8% per annum, paid semi-annually.

The debentures are financial instruments, and the private placement included the granting of 260,500 investor warrants that are embedded derivatives within the transaction. Thus, the principal amount has been bifurcated from the cost of the related warrants and the debentures are recorded at an acquisition value of $1,010,423 based on a fair-value discount rate of 8.8%.

Summary

Debentures payable as at December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Debentures payable, as at the beginning of the year	**$ 6,170,493**	$ 6,135,840
Amortization of issue costs	**8,514**	7,996
Attributed interest expense	**29,056**	26,657
	$ 6,208,063	$ 6,170,493
Current portion	**$ 2,055,000**	$ -
Long term portion	**4,153,063**	6,170,493
	$ 6,208,063	$ 6,170,493

12. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims. Management believes that adequate provisions have been recorded in the accounts for claims and contingencies, where required.

Provisions are liabilities of uncertain timing or amount and are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. As at December 31, 2021, the Company recorded a provision related to existing and potential litigation in the amount of $842,000. This amount was recorded in accounts payable and accrued liabilities on the consolidated statement of financial position, and as a charge in marketing and client retention on the consolidated statement of income and comprehensive income.

13. Lease Obligations

Lease obligations as at December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Lease obligations, as at the beginning of the year	**$ 104,558**	$ 312,838
Payment of lease obligations	**(178,899)**	(247,535)
New lease obligations	**725,679**	21,855
Accreted interest expense	**30,175**	17,400
	$ 681,513	$ 104,558
Current portion	**$ 136,438**	$ 104,558
Long term portion	**545,075**	-
	$ 681,513	$ 104,558

The contractual undiscounted cash flows for lease obligations as at December 31, 2021 is as follows:

Due within 1 year	$ 141,539
Due beyond 1 year	730,269
	$ 871,808

14. Share Capital

(i) Authorized share capital

The Company is authorized to issue an unlimited number of common shares with no par value.

(ii) Issued share capital

As at December 31, 2021, the Company's issued and outstanding share capital consisted of 51,884,780 (2020 – 51,706,501) common shares with a stated value of $12,000,566 (2020 – $11,887,532).

(iii) Issuances of share capital

On November 5, 2021, 25,000 stock options were exercised at an exercise price of $0.40 for total cash proceeds of $10,000. Related to this exercise, $6,737 was transferred from reserve for options and warrants, for a total increase in share capital of $16,737.

Pursuant to the Employee Share Savings Plan referred to in Note 14(iv), on November 3, 2021, 90,779 shares were issued from treasury at a price per share of $0.71 for total cash proceeds of $64,453.

On July 30, 2021, 7,500 stock options were exercised at an exercise price of $0.40 for total cash proceeds of $3,000. Related to this exercise, $1,881 was transferred from reserve for options and warrants, for a total increase in share capital of $4,881.

14. Share Capital (Continued)

(iii) Issuances of share capital (Continued)

On May 6, 2021, 50,000 stock options were exercised at an exercise price of $0.30 for total cash proceeds of $15,000. Related to this exercise, $8,766 was transferred from reserve for options and warrants, for a total increase in share capital of $23,766.

On March 5, 2021, 5,000 stock options were exercised at an exercise price of $0.40 for total cash proceeds of $2,000. Related to this exercise, $1,197 was transferred from reserve for options and warrants, for a total increase in share capital of $3,197.

Pursuant to the August 15, 2019 and the October 4, 2019 debenture offerings referred to in Note 11, the following exercise of debenture warrants occurred:

Date of exercise	Number of debenture warrants exercised	Number of common shares issued	Exercise price per share	Total cash proceeds	Amount transferred from reserve for options and warrants	Total increase in share capital
July 10, 2020	750	750	$ 0.50	$ 375	$ 86	$ 461
July 23, 2020	54,500	54,500	0.50	27,250	6,249	33,499
August 7, 2020	510,750	510,750	0.50	255,375	58,568	313,943
August 14, 2020	137,500	137,500	0.50	68,750	15,767	84,517
September 30, 2020	8,000	8,000	0.53	4,240	970	5,210
	711,500	711,500		$ 355,990	$ 81,640	$ 437,630

(iv) Share-based compensation

The Company offers share-based compensation plans to certain key employees and to our non-employee directors. The share-based compensation plans include an Employee Stock Savings Plan (“ESSP”) and a Stock Option Plan (“SOP”).

Employee Stock Savings Plan

The aggregate number of common shares of the Company reserved for issuance from treasury under the ESSP shall not exceed 2,000,000 common shares, provided, however, the number of common shares reserved for issuance from the treasury pursuant to all security-based compensation arrangements shall, in the aggregate, not exceed 20% of the number of common shares issues and outstanding.

Under the ESSP, eligible employees can elect to have a percentage of their earnings withheld, subject to a maximum, to allocate into a registered account (the “Employee Contribution”). The employee can elect all or a portion of the Employee Contribution to be used to acquire common shares of the Company. The Company matches the Employee Contribution, subject to a maximum, which will be used to acquire common shares of the Company (the “Company Contribution”).

14. Share Capital (Continued)

(iv) Share-based compensation (Continued)

Employee Stock Savings Plan (Continued)

The ESSP trustee is Bellwether (the "Trustee"). The Trustee, on behalf of the employees, will acquire common shares of the Company from treasury, at a purchase price which is the lesser of:

i. the closing market price of the common shares traded on the TSX Venture Exchange (the "TSX Venture") on the previous business day; and
ii. the greater of:
    a. the trailing 30-day volume weighted average price of the common shares traded on the TSX Venture; and
    b. 85% of the closing market price of the common shares traded on the TSX Venture on the previous business day.

The Company, in its sole discretion, shall determine the timing of the treasury issuance, which will be dependent on various factors, including the aggregate amount of funds available for the purchase of common shares.

The common shares issued to an employee pursuant to the ESSP may be subject to a four-month resale restriction imposed by the TSX Venture. In addition, all common shares purchased with Company Contributions are subject to a hold period of twelve-months following the receipt of such shares in the account of the employee, subject to certain exceptions.

The Company Contributions are recorded in salaries and benefits as paid. The issuance of shares from treasury is recorded in share capital when issued. The ESSP was approved on June 25, 2021 and became effective July 1, 2021. Under the ESSP, during the year ended December 31, 2021, $58,672 was expensed (2020 - $Nil), and 90,779 shares (2020 – Nil) were issued resulting in total proceeds of $64,453 (2020 – $Nil).

Stock Option Plan

The Company's SOP, limits option grants to 10% of the issued and outstanding common shares, as approved by the Company's Board of Directors. The exercise price of any option may not be less than the Company's closing market price on the day prior to the option grant date, less the applicable discount permitted by the TSX Venture.

The maximum exercise period after the grant of the option is 10 years. When an employee's service ends, the expiry date of his/her options is accelerated to either 30 days or 90 days thereafter, depending on the terms of the related option agreement.

On April 6, 2021, the Company granted 325,000 stock options with an exercise price of $0.75. Of these options, one-quarter vested on the grant date, and one-quarter vest on each of the next three years on the anniversary of the grant date.

14. Share Capital (Continued)

(iv) Share-based compensation (Continued)

Stock Option Plan (Continued)

On March 31, 2020, the Company granted 895,000 stock options with an exercise price of $0.60. Of these options, one-quarter vested on the grant date, and one-quarter vest on each of the next three years on the anniversary of the grant date.

A summary of the stock options granted and forfeited as of December 31, 2021 and December 31, 2020, and changes during the years then ended are as follows:

	December 31, 2021			December 31, 2020		
	Number of options		**Weighted average price**	Number of options		Weighted average price
Options, beginning of period	**3,685,000**	**$**	**0.41**	2,790,000	$	0.35
Options granted	**325,000**		**0.75**	895,000		0.60
Options exercised	**(87,500)**		**0.34**	-		-
Options expired	**(167,500)**		**0.59**	-		-
Options outstanding, end of period	**3,755,000**	**$**	**0.43**	3,685,000	$	0.41
Options exercisable, end of period	**3,096,250**	**$**	**0.39**	2,803,750	$	0.37

The following table summarizes information about stock options outstanding at December 31, 2021:

			Options outstanding			**Options exercisable**		
	Exercise prices	**Number outstanding at December 31, 2021**	**Weighted average remaining life in years**		**Weighted average exercise prices**	**Number exercisable at December 31, 2021**		**Weighted average exercise prices**
$	**0.30**	**1,425,000**	**1.8**	**$**	**0.30**	**1,425,000**	**$**	**0.30**
	0.40	**920,000**	**6.5**		**0.40**	**872,500**		**0.40**
	0.43	**350,000**	**4.0**		**0.43**	**350,000**		**0.43**
	0.60	**735,000**	**8.3**		**0.60**	**367,500**		**0.60**
	0.75	**325,000**	**9.3**		**0.75**	**81,250**		**0.75**
		3,755,000	**5.1**	**$**	**0.43**	**3,096,250**	**$**	**0.39**

14. Share Capital (Continued)

(iv) Share-based compensation (Continued)

Stock Option Plan (Continued)

The following table summarizes information about stock options outstanding at December 31, 2020:

		Options outstanding		Options exercisable	
Exercise prices	Number outstanding at December 31, 2020	Weighted average remaining life in years	Weighted average exercise prices	Number exercisable at December 31, 2020	Weighted average exercise prices
$ 0.30	1,475,000	2.8	$ 0.30	1,475,000	$ 0.30
0.40	965,000	7.5	0.40	755,000	0.40
0.43	350,000	5.0	0.43	350,000	0.43
0.60	895,000	9.3	0.60	223,750	0.60
	3,685,000	5.8	$ 0.41	2,803,750	$ 0.37

The fair value of each option granted was estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions:

	December 31, 2021	December 31, 2020
Risk free interest rate	**1.6%**	0.9%
Expected volatility	**51.8%**	54.6%
Dividend yield	**0.0%**	0.0%
Weighted average expected life	**10 years**	10 years
Weighted average value per option at grant date	**$0.46**	$0.38

14. Share Capital (Continued)

(v) Debenture warrants

In connection with the issuance of $3,199,000 in debentures on August 15, 2019 as referred to in Note 11(iii), the Company issued the debenture subscribers an aggregate of 799,750 warrants, each of which entitles a debenture holder to purchase one common share of the Corporation at an exercise price of $0.50 per common share within one year from the date of issuance of the debentures. Based on the bifurcation of the debenture proceeds, a value of $91,708 was recorded in reserves for options and warrants. During the year ended December 31, 2020, 703,500 of these warrants were exercised and the remainder expired.

In connection with the issuance of $1,042,000 in debentures on October 4, 2019 as referred to in Note 11(iv), the Company issued the debenture subscribers an aggregate of 260,500 warrants, each of which entitles a debenture holder to purchase one common share of the Corporation at an exercise price of $0.53 per common share within one year from the date of issuance of the debentures. Based on the bifurcation of the debenture proceeds, a value of $31,577 was recorded in reserves for options and warrants. During the year ended December 31, 2020, 8,000 of these warrants were exercised and the remainder expired.

(vi) Income per share

For the year ended December 31, 2021, income per share calculations use the weighted-average number of common shares outstanding of 51,764,789 (2020 – 51,277,304) for basic and 53,439,348 (2020 – 52,393,759) for diluted. The determination of the weighted-average number of shares outstanding for the calculation of diluted income per share includes the potential effect of 3,096,250 (2020 – 2,803,750) exercisable options.

(vii) Dividends

On March 30, 2021, the Company's Board adopted a quarterly cash dividend policy. Such quarterly dividends are only payable as and when declared by the Board and there is no entitlement to any dividends prior thereto.

During the year ended December 31, 2021, the Board declared dividends on its common shares totaling $776,210 (2020 – $Nil). As at December 31, 2021, all dividends declared had been paid and no amount remained in accounts payable and accrued liabilities on the consolidated statement of financial position (December 31, 2020 – $Nil).

15. Financing Costs and Interest Income

Financing costs include the following:

	December 31, 2021	December 31, 2020
Interest on debentures payable, at 8% (Note 11)	**$ 503,348**	$ 504,332
Interest income	**(2,946)**	(14,730)
Net interest expense	**500,402**	489,602
Accreted interest on lease obligations (Note 12)	**30,175**	17,400
Attributed interest and amortization of issue costs from future payments and debentures payable (Notes 6 and 11)	**51,765**	47,832
Net expense	**$ 582,342**	$ 554,834

16. Income Taxes

The deferred income tax expense for the years ended December 31, 2021 and 2020 consists of the following:

	December 31, 2021	December 31, 2020
Net income before income taxes	**$ 2,226,014**	$ 454,877
Statutory rate	**26.5%**	26.5%
Tax payable calculated at statutory rate	**589,894**	120,542
Share-based compensation and non-deductible expenses	**504,770**	325,248
Tax rate changes and other adjustments	**(869)**	14,984
Change in tax benefits not recognized	**(99,233)**	(115,986)
	$ 994,562	$ 344,788
Current tax	**$ 1,408,803**	$ 3,402
Deferred tax	**(414,241)**	341,386
	$ 994,562	$ 344,788

16. Income Taxes (Continued)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

		December 31, 2021		December 31, 2020
Deferred tax assets				
Non-capital loss carryforwards	**$**	**23,303**	$	33,990
Property, plant and equipment		**-**		753
Lease liabilities		**180,600**		27,708
Earn-out		**158,560**		47,054
Accrued liabilities		**223,130**		-
Deferred tax liabilities				
Property, plant and equipment		**(840)**		-
Intangibles		**(313,660)**		(395,559)
Right-of-use assets		**(174,935)**		(22,073)
Debentures payable		**(23,303)**		(33,259)
	$	**72,855**	$	(341,386)

The movement in net deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 consists of the following:

		December 31, 2021		December 31, 2020
Balance, beginning of the year	**$**	**(341,386)**	$	-
Recognized in income (loss)		**414,241**		(341,386)
	$	**72,855**	$	(341,386)

The Company's Canadian non-capital income tax losses, the benefit of which has not been recognized on the consolidated financial statements, expire as follows:

Year		**Amount**
2036	$	541,197
2037		4,407,194
2038		-
2039		25,604
2040		-
2041		13,465
	$	4,987,460

16. Income Taxes (Continued)

Except to the extent to offset any deferred tax liabilities detailed above, deferred tax assets are not recognized in these consolidated financial statements because the Company has no history of earnings and the deferred tax assets are not probable to be recognized. As at December 31, 2021, the Company has $5,023,657 (2020 – $5,641,177) of temporary differences that give rise to the following unrecorded deferred tax assets as at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Non-capital loss carryfowards	**$ 1,321,677**	$ 1,416,458
Financing costs	**9,593**	14,044
	$ 1,331,270	$ 1,430,502

17. Related Party Transactions

The Company considers its related parties to consist of members of its Board of Directors and officers, including their close family members and companies controlled or significantly influenced by such individuals, and reporting shareholders and their affiliates which may exert significant influence over the Company's activities.

Total compensation and other benefits to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing, and controlling the activities of the Company, are included as related party transactions.

The following transactions occurred with related parties during the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Transactions with key management		
Salaries, commissions, bonuses and net fees	**$ 2,161,407**	$ 1,684,950
Debenture interest expense* (Notes 11 and 14)	**50,080**	50,080
Share-based compensation (Note 13(iv))	**119,440**	164,258
	$ 2,330,927	$ 1,899,288
Other transactions with entities related to directors		
Legal fees	**$ 47,599**	$ 33,524

17. Related Party Transactions (Continued)

The following balances were outstanding with related parties as at December 31, 2021 and 2020:

		December 31, 2021		December 31, 2020
Amounts payable to key management, due on demand	$	377,977	$	312,433
Amounts payable to entities related to directors, due on demand	$	342	$	1,718
Debentures payable to key management, bearing interest at 8% per annum, paid semi-annually, and due on the following maturity dates:				
June 15, 2022*	$	340,000	$	340,000
August 15, 2024*		286,000		286,000

* The debenture transactions were made on the same terms, including interest rate, maturity, and security, as provided to third parties.

18. Funds under Management

The Company has interests in the following funds through management fee and performance fee agreements:

Bellwether AdaptiveETF Fund
Bellwether Alternative Income Fund
Bellwether Canadian Stock Fund
Bellwether Canadian Performance Fund
Bellwether Global Real Estate and Infrastructure Fund
Bellwether Fixed Income Fund
Bellwether US Stock Fund

The Company is subject to the terms and conditions of the management fee and performance fee agreements as well as each fund's respective offering memorandum/prospectus. The Company's earnings from its interests in the funds are dependent upon the assets under management ("AUM") in each of the funds, which is primarily impacted by equity and fixed income market performance.

Included in accounts receivable at December 31, 2021 is $2,835,261 (2020 – $333,305) from the funds relating to the management fees and performance fees.

19. Capital Management

The Company considers its capital to consist of debentures payable, share capital, reserve for options and warrants, and deficit, which is disclosed in the statement of financial position as $15,145,623 (2020 – $13,621,337).

The Company manages its capital structure and makes adjustments to it, based on funds available to the Company, in order to acquire new portfolio investment management businesses and assure the adequacy of its working capital. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

One of Management's key objectives in safeguarding the Company's capital is to ensure that Bellwether's minimum capital requirement, of $100,000, as mandated by the Ontario Securities Commission ("OSC"), is maintained. In addition, Bellwether must maintain sufficient Financial Institution Bond insurance. Bellwether is in compliance with this minimum capital requirement and its insurance requirement as at December 31, 2021 and 2020.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no change in how the Company defines or manages capital in the year.

20. Fair Value of Financial Instruments

The fair value of the Company's financial instruments consists of financial assets and liabilities as outlined below and as further explained in Note 2(v):

	December 31, 2021	December 31, 2020
Financial assets		
Fair value through profit or loss		
Short-term investments	**$ 1,444,334**	$ 1,386,387
Amortized cost		
Cash and cash equivalents	**3,076,187**	1,957,648
Accounts receivable	**4,897,373**	2,049,749
	7,973,560	4,007,397
	$ 9,417,894	$ 5,393,784
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**$ 5,247,196**	$ 2,015,689
Lease obligations	**681,513**	104,558
Earn out payable on intangible assets	**598,340**	177,563
Debentures payable	**6,198,188**	6,323,141
	$ 12,725,237	$ 8,620,951

20. Fair Value of Financial Instruments (Continued)

Within the fair value hierarchy, cash and cash equivalents are carried as "Level 1", whereas short-term investments, accounts receivable, accounts payable and accrued liabilities, lease obligations, earn out payable on intangible assets, debentures payable, and other long-term liabilities are carried as "Level 2". The Company does not carry any "Level 3" assets or liabilities. As at December 31, 2021 and 2020, with the exception of the debentures payable, the carrying values and fair values of the Company's financial instruments are approximately the same. There have been no transfers between fair value hierarchy levels.

The fair value of the debentures payable, as at December 31, 2021 has been estimated by discounting future payments at a rate of 8.78% (2020 – 7.89%) for the June 15, 2017 offering, at a rate of 8.85% (2020 – 7.96%) for the August 15, 2019 offering, and at a rate of 8.96% (2020 – 8.07%) for the October 4, 2019 offering, such rates determined by adjusting the initial effective rate of the debentures by the change in the Bank of Canada 5-year benchmark rate over the period since the debentures were issued.

The Company's obligations with respect to its financial liabilities as at December 31, 2021 mature as follows:

	Year	Amount
Debenture interest and principal, accounts payable, lease obligations and earn out payable	2022	$ 8,463,330
Debenture interest and lease obligations	2023	467,096
Debenture interest and principal, and lease obligations	2024	4,715,672
Lease obligations	2025	137,751
Lease obligations	2026 and beyond	328,810

21. Financial Risk Factors

The Company is exposed to various risks through its financial instruments, as follows:

(i) Credit risk

Credit risk arises from deposits with banks, accounts receivable and the loan due from related party. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The maximum exposure to credit risk approximated the amount recognized on the statement of financial position. As at December 31, 2021, the Company did not recognize credit losses (2020 – $nil) and there are no accounts receivable past due for more than 90 days (2020 – $nil).

(ii) Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the loan due from related party, and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital and debentures.

21. Financial Risk Factors (Continued)

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

(1) Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company does not have any significant amount of financial instruments denominated in a foreign currency, and therefore is not currently exposed to any significant foreign currency exchange risk.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently exposed to interest rate risk with respect to its short-term investments invested in money market funds. The sensitivity of this risk is not significant, as at December 31, 2021 and 2020.

(3) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's revenues are directly related to the market value of the investments that its subsidiary is managing for clients, and as such a change in market indices could have a significant impact on the Company's revenues. A 10% change in the Company's AUM of $1,956 million as at December 31, 2021, could impact future annual revenues by approximately $2,800,000 compared to a December 31, 2020 AUM of $1,587 million and a potential revenue impact of $2,050,000.

22. Segmented Information

The Company operates in one businesses segment and, accordingly, does not have any segmented information disclosures.

23. COVID Impact

On March 12, 2020, the World Health Organization declared the novel coronavirus, or COVID-19, a pandemic, and this continues to have an impact on stock markets and the economy around the world. Efforts by governments to control the spread of COVID-19 have disrupted normal economic activity both domestically and globally and uncertainty related to the extent, duration and severity of the pandemic has contributed to significant volatility in the financial markets. To control the spread of COVID-19, many governments at all levels have imposed severe restrictions on business activity and travel. Although certain of these restrictions were eased, and vaccines have begun to be administered, there can be no certainty when these restrictions will be fully lifted or that they will not be expanded.

The Company activated its business continuity plan in early March 2020 to mitigate risks, maintain operational efficiency and service levels, and address the health and safety concerns of its employees, clients, and advisors. With few exceptions, all the business operations are being carried out remotely. The extensive use of remote communication tools and third-party services may lead to heightened cybersecurity and privacy risks. Stress on technology resources, new workplace constraints, personal stress and health concerns may all lead to higher operational risks. As part of the plan, the Company implemented enhanced monitoring of network assets and management oversight of business processes, active employee engagement and client communication, and built redundancy for critical services and infrastructure, however there can be no guarantee that this will be effective to mitigate these risks.

The Company continues to review the financial impact of the COVID-19 pandemic and market risk to its capital position and profitability should the duration, spread or intensity of the pandemic further develop. Company revenues are directly related to the market value of our AUM. During the first quarter of 2020, the Company experienced a decline in its AUM of 11.6%, however, this decline was recovered during the remainder of 2020 and the Company ended the year with market appreciation in its AUM of 5.8%. During the year ended December 31, 2021, the Company experienced market appreciation in its AUM of 15.8%. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 both in the short- and long-term and, as a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The Company proactively lowered the overall volatility risk in client portfolios by regularly evaluating exposure to higher volatility investments, and continues to closely monitor the markets and client portfolios and risk tolerances to identify ways to protect capital and to take advantage of any opportunities that this market has provided. However, the Company may face declines in its AUM as a result of client redemptions related to a variety of COVID-19 related factors including general market pessimism, poor fund performance, or clients' needs for immediate cash. Refer to Financial Risk Factors in Note 21 for further details regarding the potential impact on our revenues resulting from a decline in our AUM.

The Company maintains sufficient liquidity to satisfy all of its financial obligations for the foreseeable future. Despite this liquidity, the Company may see an impact to the cost of capital in the future as a result of disrupted credit markets or potential credit rating actions in relation to the Company's debt. Furthermore, a sustained period of significant market volatility could result in a write-down of the Company's goodwill and intangible assets in subsequent periods, and provides a higher level of uncertainty with respect to management's judgments and estimates.

24. Subsequent Events

Dividend Declaration

On January 4, 2022, the Board declared a dividend totaling $0.005 per share on each of its common shares, such dividend to be paid on January 31, 2022 to the shareholders of record on January 18, 2022.

Earn out payable on intangible assets

As further detailed in Note 6, on September 18, 2015, Bellwether entered into an agreement with an investment advisor to acquire that advisor's book of business. On acquisition, Bellwether became committed to an additional earn out payment at the time the advisor voluntarily retired or was terminated. On January 31, 2022, the earn out payment was triggered, resulting in an obligation by the Company to pay an earn out of $643,221, subject to the satisfaction of certain conditions.

Acquisition of W.H. Shutt & Associates Inc.

On February 4, 2022, Bellwether agreed to the principal terms of an agreement to acquire of 100% of the outstanding securities of W.H. Shutt & Associates Inc. ("WHS"), an Ontario corporation that holds approximately $145 million in assets under management. The agreement is anticipated to include a cash payment of $3,850,000 due on closing, and 4 payments each of $500,000 due on each of the 12, 24, 36 and 48 months from the closing date, subject to adjustments.