

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)



NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management of Quinsam Capital Corporation.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Quinsam Capital Corporation

Unaudited Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2021	As at December 31, 2020
	\$	\$
Assets		
Cash	310,395	1,115,647
Receivables (Note 4)	2,196,220	1,961,298
Investments (Note 5)	36,607,453	31,756,698
Total Assets	39,114,068	34,833,643
Liabilities		
Accounts payable and accrued liabilities (Notes 6 and 10)	446,971	236,178
Unearned revenue	8,366	108,466
Income tax payable	989,808	314,808
Total Liabilities	1,445,145	659,452
Shareholders' Equity		
Share capital (Note 7)	20,522,155	20,522,155
Deferred share units reserve (Note 8)	458,819	455,486
Share-based payments reserve (Note 9)	1,933,693	1,892,360
Retained earnings	14,754,256	11,304,190
Total Shareholders' Equity	37,668,923	34,174,191
Total Liabilities and Shareholders' Equity	39,114,068	34,833,643

Nature of operations (Note 1)

Subsequent event (Note 14)

Approved on behalf of the Board of Directors

“Roger Dent” (Director) _____

“Eric Szustak” (Director) _____

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Quinsam Capital Corporation

Unaudited Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
Net Investment Revenue		
Net realized gains (loss) on disposals of investments (Note 5)	2,277,726	(563,822)
Net changes in unrealized gains (loss) on investments (Note 5)	1,519,104	(2,832,201)
	3,796,830	(3,396,023)
Other Income		
Interest, advisory services and other income	780,557	926,482
Expenses		
Salaries, bonus and other employment benefits (Note 10)	266,105	64,764
Stock-based compensation (Notes 8 and 9)	44,666	110,326
Professional fees (Note 10)	47,120	85,740
General and administrative	8,400	15,589
Transfer agent and filing fees	6,520	6,964
Travel and promotional	-	426
Foreign exchange gain	(51,730)	(88,351)
	(321,081)	(195,458)
Net Income (Loss) Before Tax	4,256,306	(2,664,999)
Income tax (expense) recovery	(675,000)	75,000
Net Income (Loss) and Comprehensive Income (Loss)	3,581,306	(2,589,999)
Net Income (Loss) per Share		
Basic and diluted (Note 7)	0.03	(0.02)
Weighted Average Number of Shares Outstanding		
Basic (Note 7)	104,992,106	111,172,693
Diluted (Note 7)	105,116,490	111,172,693

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Quinsam Capital Corporation

Unaudited Condensed Interim Statements of Changes in Shareholders' Equity

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Deferred Share Units	Share-Based Payments	Warrants	Retained Earnings	Total
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019	111,172,693	21,773,113	442,521	2,387,201	4,154,857	4,000,881	32,758,573
Issuance of dividends	-	-	-	-	-	(138,966)	(138,966)
Stock-based compensation (Notes 8 and 9)	-	-	3,185	107,141	-	-	110,326
Expiry of warrants	-	-	-	-	(2,895,457)	2,895,457	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,589,999)	(2,589,999)
Balance, March 31, 2020	111,172,693	21,773,113	445,706	2,494,342	1,259,400	4,167,373	30,139,934
Balance, December 31, 2020	104,992,106	20,522,155	455,486	1,892,360	-	11,304,190	34,174,191
Issuance of dividends	-	-	-	-	-	(131,240)	(131,240)
Stock-based compensation (Notes 8 and 9)	-	-	3,333	41,333	-	-	44,666
Net income and comprehensive income for the period	-	-	-	-	-	3,581,306	3,581,306
Balance, March 31, 2021	104,992,106	20,522,155	458,819	1,933,693	-	14,754,256	37,668,923

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Quinsam Capital Corporation

Unaudited Condensed Interim Statements of Cash Flows
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
Operating Activities		
Net income (loss) for the period	3,581,306	(2,589,999)
Adjustments for non-cash items:		
Stock-based compensation (Notes 8 and 9)	44,666	110,326
Net realized (gains) loss on disposals of investments (Note 5)	(2,277,726)	563,822
Unrealized (gains) loss on investments (Note 5)	(1,519,104)	2,832,201
Interest accrued on debenture investments	(282,019)	(241,352)
Interest and other income received in shares	(382,853)	(597,894)
Foreign exchange gain	(48,276)	(116,107)
Income tax expense (recovery)	675,000	(75,000)
	(209,006)	(114,003)
Changes in non-cash working capital:		
Prepaid expenses	-	2,357
Accounts payable and accrued liabilities (Notes 6 & 10)	210,793	(52,931)
Unearned revenue	(75,000)	-
	135,793	(50,574)
Net additions in investments		
Purchases of investments	(8,345,847)	(135,000)
Proceeds on disposition of investments	7,745,048	109,809
Repayments of funds on margin facility	-	(296,438)
	(600,799)	(321,629)
Cash Flows used in Operating Activities	(674,012)	(486,206)
Financing Activities		
Issuance of dividends	(131,240)	(138,966)
Cash Flows used in Financing Activities	(131,240)	(138,966)
Decrease in cash	(805,252)	(625,172)
Cash, beginning of period	1,115,647	674,266
Cash, end of period	310,395	49,094

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

1. Nature of Operations

Quinsam Capital Corporation (“Quinsam” or the “Company”) was incorporated under the Canada Business Corporations Act on March 18, 2004 in the Province of British Columbia. The Company is an investment and merchant banking firm focused on the technology, healthcare, e-sports, and cannabis markets. The Company’s common shares are listed on the Canadian Securities Exchange under the ticker symbol “QCA”.

The Company is domiciled in Canada and its registered and records office is located at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

2. Basis of Preparation

(a) Statement of Compliance

The Company’s unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting (“IAS 34”).

These unaudited condensed interim financial statements have been prepared in accordance with the same accounting policies, critical estimates and methods described in the Company’s annual financial statements. Given that certain information and footnote disclosures have been condensed or excluded in accordance with IAS 34, they do not include all of the information and disclosures required by IFRS for annual financial statements. As such, these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements as at and for the year ended December 31, 2020, including the accompanying notes thereto.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the “Board”) of the Company on May 25, 2021.

(b) Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern, using the historical cost basis except for the revaluation of investments.

In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting.

(c) Functional and Presentation Currency

These unaudited condensed interim financial statements have been prepared in Canadian dollars (\$), which is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates.

(d) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

(d) Significant Accounting Judgments and Estimates (continued)

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations.

Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets recorded on the statements of financial position, including shares, options, warrants, convertible debentures and loans investments, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Fair value of financial derivatives

Investments in options, warrants and conversion features of debentures that are not traded on a recognized securities exchange do not have readily available market values. When there are sufficient and reliable observable market inputs, a valuation technique is used.

Valuation of share-based compensation and share purchase warrants

Management determines the costs for share-based compensation and share purchase warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying the valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future share option and share purchase warrant exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation and share purchase warrants.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

For accounts receivable, the Company applies the simplified approach as permitted by IFRS 9 – Financial Instruments, whereby lifetime ECL are recognized based on aging characteristics and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's ECL have increased.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those noted in the Company's audited financial statements for the year ended December 31, 2020, unless otherwise noted below.

(a) Changes in Accounting Policies

The Company adopted the following amendments, effective January 1, 2021. These changes were made in accordance with the applicable transitional provisions.

Amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”)

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. The Company early-adopted these amendments as permitted. The Company had assessed that there was no material impact upon the adoption of the amendments on its unaudited condensed interim financial statements.

4. Receivables

	March 31, 2021	December 31, 2020
Interest receivable ⁽ⁱ⁾	\$ 1,991,210	\$ 1,756,288
Other receivables ⁽ⁱⁱ⁾	205,010	205,010
Total receivables	2,196,220	1,961,298

⁽ⁱ⁾ As at March 31, 2021, the Company has accrued interest income of \$1,991,210 (December 31, 2020 – 1,756,288), from its convertible debentures and loan investments.

⁽ⁱⁱ⁾ As at March 31, 2021, the Company held certain debt private placements of an investee company which had matured. An amount of \$110,000 was due from such investee company. As the proceeds were more than 30 days past due maturity, an allowance for ECL of \$55,000 was recorded by the Company on the investment. Also included in other receivables as at March 31, 2021, is an amount of \$150,000 (December 31, 2020 – \$150,000) of consulting fees from an investee company. The Company fully expects to be paid on this amount.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

5. Investments

The Company's investments portfolio consisted of the following securities as at March 31, 2021:

Investments	Fair Value				Total fair value
	Cost	Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Equities	16,933,077	7,918,561	-	13,245,262	21,163,823
Warrants	1,732,348	124,500	924,951	649,618	1,699,069
Convertible debentures	7,383,176	-	4,299,146	3,630,015	7,929,161
Loans	5,862,676	-	-	5,815,400	5,815,400
Total investments	31,911,277	8,043,061	5,224,097	23,340,295	36,607,453

The Company's investments portfolio consisted of the following securities as at December 31, 2020:

Investments	Fair Value				Total fair value
	Cost	Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Equities	14,566,206	6,608,858	-	10,786,074	17,394,932
Warrants	1,463,671	584	1,066,339	573,183	1,640,106
Convertible debentures	6,919,232	-	4,058,635	2,894,324	6,952,959
Loans	5,802,676	-	-	5,768,701	5,768,701
Total investments	28,751,785	6,609,442	5,124,974	20,022,282	31,756,698

Level 3 fair value hierarchy

The following table presents the changes in fair value measurements classified at Level 3 of the fair value hierarchy. The financial instruments are measured at fair value utilizing non-observable market inputs. The net realized gains (loss) on disposals of investments and the net change in unrealized gains (loss) on investments are recognized in the statements of income (loss) and comprehensive income (loss).

	Opening balance	Purchases / loans	Transfers / (conversion)	Proceeds	Net realized gains (loss)	Net unrealized gains (loss)	Ending balance
	\$	\$	\$	\$	\$	\$	\$
March 31, 2021	20,022,282	3,859,839	(839,147)	-	(50,000)	347,321	23,340,295
December 31, 2020	22,205,835	1,522,000	(587,156)	(10)	(1,222,500)	(1,895,887)	20,022,282

Within Level 3, the Company included private company investments and other investment instruments such as convertible debentures and loans which are not quoted on a recognized securities exchange. The key assumptions used in the valuation of these instruments include, but are not limited to, the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly traded companies. When a private company investment changes its status to a publicly-listed investment which meets Level 1 or Level 2 criteria, the investment is transferred out of the Level 3 fair value hierarchy. A transfer is recorded upon the occurrence of a liquidity transaction for an investee company, which includes, but is not limited to, a business combination between the entity and a public corporation pursuant to a reverse takeover, merger, amalgamation, arrangement, take-over bid, or an initial public offering of the entity. The transfers are recorded on the date that such a liquidity transaction is completed.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

5. Investments (continued)

Level 3 fair value hierarchy (continued)

The following table presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at March 31, 2021:

Investments	Total fair value	Method	Unobservable inputs	Range of inputs
	\$			
Equities	13,245,262	Transaction price	Recent purchase price	N/A
Warrants	649,618	Black-Scholes	Market prices, volatility, discount rate	100% – 125% volatility
Convertible debentures	3,630,015	Black-Scholes	Market prices, volatility, discount rate	100% – 125% volatility, 20.5% discount rate
Loans	5,815,400	Discounted cash flows	Discount rate	8% – 12%
	23,340,295			

Within Level 3 of the fair value hierarchy, for those investments valued based on recent financings, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at March 31, 2021 and December 31, 2020. For those investments valued based on trends in comparable publicly traded companies and general market conditions, the inputs can be highly judgmental. A 10% change in the fair value of these investments would result in a corresponding +/- \$2,334,030 (December 31, 2020 +/- \$2,002,228) change to the fair value of the investments. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

6. Accounts Payable and Accrued Liabilities

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	10,614	11,178
Accrued liabilities (Note 10)	436,357	225,000
Total accounts payable and accrued liabilities	446,971	236,178

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business.

7. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value. The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Company has not issued any preferred shares to date.

There were no share capital transactions during the three months ended March 31, 2021 and 2020.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

7. Share Capital (continued)

Basic and diluted income per share

The calculations of basic and diluted EPS for the three months ended March 31, 2021 were based on the net income from operations attributable to common shareholders of \$3,581,306 (2020 – net loss of \$2,589,999) and the weighted average number of basic common shares outstanding of 104,992,106 (2020 – 111,172,693) and diluted common shares of 105,116,490 (2020 – 111,172,693).

8. Deferred Share Units Reserve

On April 29, 2019, the Company established the deferred share unit plan (the “DSU Plan”), under which, one DSU is equivalent in value to one common share of the Company. The maximum number of shares that are issuable under the DSU Plan, and in combination with all other equity incentive plans at any time, shall not exceed 10% of the issued and outstanding common shares of the Company. The maximum number of shares issuable to insiders under the DSU Plan, at any time, shall not exceed 10% of the issued common shares, and the maximum number of DSUs which may be granted to any one person under the DSU Plan, in any 12-month period, shall not exceed 5% of the issued common shares calculated on the grant date of such DSU.

Any vesting conditions for DSUs are determined by the Compensation and Corporate Governance Committee of the Board of the Company. Notwithstanding any other provision of the DSU Plan, the Board may in its sole discretion accelerate and/or waive any vesting or other conditions for all or any DSUs for any participant at any time.

All DSUs credited under the DSU Plan shall remain in the DSU accounts and shall be settled or forfeited in accordance with the terms of the DSU Plan. Whenever cash dividends or distributions are paid on the common shares of the Company, additional DSUs will be credited to a participant’s DSU account. The number of such additional DSUs will be calculated by multiplying the per share dividend rate by the number of DSUs held at that time in the participant’s DSU account.

DSU issuances for the three months ended March 31, 2020

On February 25, 2020, the Company paid a quarterly dividend of \$0.00125 per common share to shareholders of record on February 4, 2020. On distribution of the cash dividends, the Company granted 33,530.96 DSUs at a price of \$0.095 to certain of its officers. These DSUs were valued at \$3,185 and recorded as stock-based compensation.

DSU issuances for the three months ended March 31, 2021

On February 25, 2021, the Company paid a quarterly dividend of \$0.00125 per common share to shareholders of record on February 4, 2021. On distribution of the cash dividends, the Company granted 18,518.77 DSUs at a price of \$0.18 to certain of its officers. These DSUs were valued at \$3,333 and recorded as stock-based compensation.

As at March 31, 2021, the Company had granted a total of 2,685,220.88 DSUs (December 31, 2020 – 2,666,702.12 units) under the DSU Plan.

9. Share-Based Payments Reserve

The Company maintains a stock option plan (the “Option Plan”), whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Option Plan is limited to 10% of the number of outstanding common shares. As at March 31, 2021, the Company had 2,992,210 common shares that are issuable under the Option Plan.

Under the Option Plan, the exercise price of each option may not be less than the market price of the Company’s stock as calculated on the date of grant less an applicable discount. Options can be granted for a maximum term of five years and vesting periods are determined by the Board.

There were no options activities during the three months ended March 31, 2021 and 2020.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

9. Share-Based Payments Reserve (continued)

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2021:

Date of expiry	Number of options outstanding	Weighted average exercise price	Number of options exercisable	Weighted average exercise price	Weighted average remaining contractual life
	#	\$	#	\$	Years
December 22, 2022	3,000,000	0.48	3,000,000	0.48	1.73
March 19, 2023	2,000,000	0.60	2,000,000	0.60	1.97
August 25, 2025	2,500,000	0.13	416,667	0.13	4.41
	7,500,000	0.40	5,416,667	0.40	2.68

10. Related Party Transactions and Balances

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly.

Key management personnel compensation

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2021 and 2020 were as follows:

	2021	2020
	\$	\$
Salaries, bonus and other benefits	261,670	64,764
Professional fees	27,120	35,595
Stock-based compensation (Notes 8 and 9)	44,666	105,013
	333,456	205,372

During the three months ended March 31, 2021, officers and directors of the Company were paid compensation benefits of \$261,670 (2020 – \$64,764) for services rendered, including a provision for management bonus of \$215,000 (2020 – \$nil), based on 5% of net investment income on a quarterly basis), which was charged to salaries, bonus and other benefits. As at March 31, 2021, accrued management bonus of \$365,000 (December 31, 2020 – \$150,000) was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2021, the Chief Executive Officer and the Chairman of the Company, were issued 17,592.83 and 925.94 DSUs (2020 – 31,854.41 and 1,676.55 DSUs), respectively, upon distribution of the cash dividends paid (see Note 8), as adjustments in accordance with the terms of the DSU Plan. These DSUs were valued at \$3,333 (2020 – \$3,185) and recorded as stock-based compensation.

During the three months ended March 31, 2021, Branson Corporate Services Ltd. (“Branson”), where the Chief Financial Officer (“CFO”) of the Company is employed, was paid professional fees of \$27,120 (2020 – \$27,120), for CFO services provided to the Company, as well as other accounting and administrative services, which are included in professional fees. As at March 31, 2021, no balance was owed to Branson and the CFO (December 31, 2020 – \$nil and \$nil).

During the three months ended March 31, 2020, a former officer and director of the Company, was paid \$8,475 for consulting services provided to the Company, which are included in professional fees.

During the three months ended March 31, 2021, officers and directors of the Company received stock-based compensation of \$41,333 (2020 – \$101,828) on vesting of options granted.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

10. Related Party Transactions and Balances (continued)

Investments on companies with common management personnel

As at March 31, 2021, the Company held investment positions in the following issuers with common officers and directors:

	Investments	Holdings	Fair Value
		#	\$
California Nanotechnologies Inc. ⁽¹⁾	Common shares	1,112,000 shares	150,120
Deveron Corp. ⁽¹⁾	Common shares	500,000 shares	355,000
New Hope Medical Group of Companies Inc. (formerly Peak Health Ontario Inc.) ⁽¹⁾	Common shares	900,000 shares	720,000
Pharmadrug Inc. ⁽²⁾	Warrants	1,275,000 units	27,031
Vitalhub Corp. ⁽¹⁾	Common shares	84,000 shares	239,400
			1,491,551

(1) Roger Dent is also a Director of California Nanotechnologies Inc., Deveron Corp. Peak Health Ontario Inc., and Vitalhub Corp.

(2) Keith Li is also the CFO of Pharmadrug Inc.

11. Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The risk in cash is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on other receivables.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company invests from time to time into securities, debentures and loan investments issued and denominated in foreign currencies, notably in United States dollars. The Company's primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations. Due to the low number of investments issued and denominated in foreign currencies, management believes that the foreign exchange risk with respect to investments is low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash, and convertible debentures and loan investments affected by changes in short-term interest rates will be minimal. The Company does not use any derivative instruments to reduce its exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and investments with reputable Canadian financial institutions.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

11. Risk Management (continued)

Liquidity risk (continued)

In December 2019, the novel coronavirus (“COVID-19”) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout Europe and the Middle East and there have been cases of COVID-19 in Canada and the United States, and has continued to cause companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The duration of the business disruptions internationally and related financial impact to the global economy remains highly uncertain at this time, as COVID-19 continues to evolve.

To date, the outbreak has not had a material adverse impact on the Company’s operations. As Quinsam has operated on a “virtual basis” for a number of years, restrictions and the general closure of non-essential businesses in response to the COVID-19 outbreak has not significantly impacted the Company’s day-to-day operations. However, the future impact of the outbreak remains potentially and highly uncertain for certain of Quinsam’s investee companies, and may not be predicted. Until economies stabilize and that the vaccine rollout will be complete, there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at March 31, 2021:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	\$	\$	\$	\$
Accounts payable and accrued liabilities	446,971	446,971	-	-

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 the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices. A 1% change in closing trade price of the Company’s investments portfolio would impact net income by \$366,075 based upon balances as at March 31, 2021.

12. Capital Management

The Company manages its capital, consisting of shareholders’ equity, in a manner consistent with the risk characteristics of the assets it holds.

The Company’s objectives when managing capital are:

- (a) to maintain sufficient liquidity to allow the Company to pursue business opportunities expeditiously; and
- (b) to earn investment returns while managing risk.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. There were no changes in its approach to capital management during the three months ended March 31, 2021 and the year ended December 31, 2020.

The Company is not subject to externally imposed capital requirements.

Quinsam Capital Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

13. Operating Segment Information

Management is responsible for the Company's entire investments portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

The Company has a single reportable geographic segment, Canada, and all of the Company's management are based in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the three months ended March 31, 2021 and the year ended December 31, 2020.

14. Subsequent Event

On April 28, 2021, the Board also approved a quarterly dividend of \$0.00125 per share. The dividend distribution will be paid on May 28, 2021, to shareholders of record on May 7, 2021.