



Tier One Capital Limited Partnership

Financial Statements

Year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Partners of Tier One Capital Limited Partnership

Opinion

We have audited the financial statements of Tier One Capital Limited Partnership (the "Partnership"), which comprise the statements of financial position as at December 31, 2022 and 2021 and the statements of comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of certain level 3 investments in venture investments

Refer to financial statements Note 3: Significant accounting policies; Note 4: Critical accounting estimates and judgements; and Note 7: Financial instrument risks.

The Partnership's venture investments of \$16,586,887 include certain investments valued at \$8,442,728 ("Level 3 investments"). The valuation of these Level 3 investments required management to use various valuation techniques and unobservable inputs in estimating the fair value of these investments.

We considered the valuation of Level 3 investments to be a key audit matter due to the significant use of management judgement, estimation uncertainty and the use of unobservable inputs used in measuring the fair value. Assessing these assumptions required significant auditor judgement and increased audit effort.

How our audit addressed the Key Audit Matter

Our audit procedures related to the valuation of Level 3 investments, with the assistance of professionals with specialized skill and knowledge, included the following:

- Obtained an understanding of the valuation of the investments by management by having discussions with management and examining management's valuation report.

- Assessed the appropriateness of the methodology used by management based on the requirements of IFRS.
- Assessed the fair value of Level 3 investments where management used their own valuation technique by analyzing the approach used, corroborating the inputs to comparable company inputs, and comparing to recent transactions where applicable.
- Assessed the valuation of Level 3 investments where management used a third-party valuation specialist by analyzing the approach used and corroborating the inputs to comparable company inputs.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis ("MD&A").

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the MD&A prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Partnership'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 Partnership'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 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 Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mike Zenteno.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
May 1, 2023
Toronto, Ontario

Tier One Capital Limited Partnership
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and December 31, 2021

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Cash	\$ 1,080,018	\$ 3,183,000
Accrued interest and other receivables	19,488	2,240
Investments	22,745,578	25,736,539
Total Assets	23,845,084	28,921,779
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	119,780	123,907
General partner priority profit allocation payable (note 6)	185,792	222,837
Total Liabilities	305,572	346,744
EQUITY		
Limited partnership units	41,708,308	41,170,694
General partner interest (note 6)	235,956	181,213
Deficit	(18,404,752)	(12,776,872)
Total Equity	23,539,512	28,575,035
Total Liabilities & Equity	\$ 23,845,084	\$ 28,921,779

Approved by the Board of Directors of T1 General Partner Corp.



Robert Roy
Director



John Richardson
Director

Tier One Capital Limited Partnership
STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the years ended December 31, 2022 and December 31, 2021

	December 31, 2022	December 31, 2021
INCOME		
Net (loss) gain on investments at fair value through profit and loss	\$ (1,936,764)	\$ 10,200,646
	(1,936,764)	10,200,646
EXPENSES		
Management fees (note 6)	303,819	274,460
Transfer agent, registrar and administrative (note 6)	77,569	70,368
Audit fees expense	74,218	52,581
Professional and legal fees	46,395	37,688
Directors' fees and expenses	34,083	38,372
Custodian fees (note 6)	13,425	9,341
Unitholder reporting costs	4,930	3,975
Transaction costs	641	713
	555,080	487,498
Net (loss) income before general partner priority profit allocation	\$ (2,491,844)	\$ 9,713,148
General partner priority profit allocation (note 6)	797,235	752,893
Net and comprehensive (loss) income	\$ (3,289,079)	\$ 8,960,255
Net (loss) income per unit	\$ (0.73)	\$ 2.05
Net (loss) income per unit attributable to limited partners per limited partnership unit	\$ (0.75)	\$ 2.04
Net income (loss) per unit attributable to the general partner per limited partnership unit	\$ 0.02	\$ 0.01

The accompanying notes are an integral part of the financial statements.

Tier One Capital Limited Partnership
STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and December 31, 2021

2022	Limited partners units	Limited partners (deficit)/retained earnings	General partner interest	Total
Total equity - balance beginning of year	\$ 41,170,694	\$ (12,776,872)	\$ 181,213	\$ 28,575,035
Net and comprehensive (loss) for the year	-	(3,289,079)	-	(3,289,079)
Issuance of limited partnership units	705,975	-	-	705,975
Redemption of limited partnership units	(168,361)	-	-	(168,361)
Performance allocation (note 6)	-	(95,498)	95,498	-
Performance allocation distribution	-	-	(40,755)	(40,755)
Distributions to limited partners	-	(2,243,303)	-	(2,243,303)
Total equity - balance end of year	\$ 41,708,308	\$ (18,404,752)	\$ 235,956	\$ 23,539,512

2021	Limited partners units	Limited partners (deficit)/retained earnings	General partner interest	Total
Total equity - balance beginning of year	\$ 40,768,644	\$ (19,538,985)	\$ 414,378	\$ 21,644,037
Net and comprehensive income for the year	-	8,960,255	-	8,960,255
Issuance of limited partnership units	429,521	-	-	429,521
Redemption of limited partnership units	(27,471)	-	-	(27,471)
Performance allocation (note 6)	-	(24,741)	24,741	-
Performance allocation distribution	-	-	(257,906)	(257,906)
Distributions to limited partners	-	(2,173,401)	-	(2,173,401)
Total equity - balance end of year	\$ 41,170,694	\$ (12,776,872)	\$ 181,213	\$ 28,575,035

Tier One Capital Limited Partnership

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and December 31, 2021

	2022	2021
Cash flows (used in) from operating activities		
Net and comprehensive (loss) income	\$ (3,289,079)	\$ 8,960,255
Adjustments for:		
Net change in unrealized depreciation (appreciation) on investments	(2,001,572)	(10,910,306)
Net realized loss on sale of investments	4,907,938	1,669,963
Net change in non-cash balances related to operations	(58,420)	(32,693)
Proceeds from maturities of short-term investments	5,400,080	9,998,715
Proceeds from disposal of venture investments	1,644,224	2,942,894
Proceeds from disposal of public company investments	-	200,025
Purchase of short-term investments	(4,863,158)	(8,998,900)
Purchase of venture investments	(2,096,551)	(261,876)
	<u>(356,538)</u>	<u>3,568,077</u>
Cash flows used in financing activities		
Amounts paid for limited partnership units redeemed	(168,361)	(27,471)
Performance allocation distribution	(40,755)	(257,906)
Distributions to limited partners, net of reinvestments **	(1,537,328)	(1,743,880)
	<u>(1,746,444)</u>	<u>(2,029,257)</u>
(Decrease) Increase in cash during the year	(2,102,982)	1,538,820
Cash - Beginning of year	3,183,000	1,644,180
Cash - End of year	\$ 1,080,018	\$ 3,183,000
Supplemental Information *		
Interest Received	\$ 649,239	\$ 635,961
Dividends Received	\$ 197,524	\$ 201,364

* classified as cash flows from operations

** excludes non-cash reinvestment of \$705,975 (2021: 429,521)

The accompanying notes are an integral part of the financial statements.

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO
As at December 31, 2022

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
PUBLIC COMPANY INVESTMENTS (4.43%)*				
31,000	Cymat Technologies Ltd., Common shares		55,800	11,935
319,499	Dominion Lending Centres Inc., Common Shares		608,697	1,022,396
16,953	Findev Inc. Common shares		69,731	7,713
47,321	Peraso Inc. Common Shares		-	-
Total public company investments			734,228	1,042,044
SHORT TERM INVESTMENTS (21.74%)*				
31,884	High Interest Savings Account Fund		1,596,512	1,594,837
26,000	Purpose USD Cash Fund		3,364,158	3,521,810
Total short term investments			4,960,670	5,116,647
Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
VENTURE INVESTMENTS (70.46%)*				
Media Technology (3.94% of total venture investments)				
Dejero Labs Inc.				
52,748	Common shares		50,397	
103,300	Common shares purchase warrant	September 25, 2023	-	
Electronic Systems Software Solutions Inc.				
13,662	Electronic Systems Software Solutions Inc. CSPW 30Jun32	June 30, 2032	-	
46,342	Common shares		46	
146,154	Electronic Systems Software Solutions Inc. CSPW 15Jul29	July 15, 2029	-	
Hipplay Inc.				
1,048	Common shares		-	
Total Media Technology			50,443	653,506
Health Care and Health Care Information Technology (0.00% of total venture investments)				
ArcticAx Inc.				
179,663	Common shares		180	
48,848	Common shares, Class B		60,572	
139,334	Common shares purchase warrant	September 23, 2030	-	
Total Health Care Information Technology			60,752	-

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO
As at December 31, 2022

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
Security Software and Services (32.41% of total venture investments)				
ERMS Corporation				
264,464,964	Common shares		1,111,338	
1713264 Ontario Inc.				
8,570,489	Secured Debenture, 15.50%	October 28, 2026	4,000,000	
3,599,560	Common shares, Class B		-	
75,313	Common shares, Class A		-	
PitchPoint Solutions Inc.				
432,684	Common shares		95,500	
1,166,667	Common shares		470,627	
8,984,840	Common shares		1,437,574	
Total Security Software and Services			7,115,039	5,375,632
Other Technology and Financial (3.96% of total venture investments)				
Klyck Inc. (formerly Whut Inc.)				
31,350	Common shares, Class E		-	
Think Protection Inc.				
3,354,732	Common shares purchase warrant	October 19, 2028	-	
Mortgage Corporation				
52,799	Common shares purchase warrant	April 12, 2031	-	
500,000	Participatory Notes	June 30, 2025	500,000	
MMB Research Inc.				
874,422	Common shares, Class A		-	
393,645	Common shares, Class B		157,458	
19,762	Common shares purchase warrant	September 22, 2024	-	
Panorama Software Inc.				
322	Common shares		-	
Performance Plants Inc.				
190,166	Common shares		-	
Upsight Inc.				
6,312,748	Preferred Shares		-	
DCR Strategies Inc.				
4,000,000	Debenture	October 31, 2022	-	
1,261,363	Common shares		-	
Total Other Technology and Financial			657,458	657,458

Tier One Capital Limited Partnership
SCHEDULE OF INVESTMENT PORTFOLIO
As at December 31, 2022

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost \$	Fair value \$
Energy (25.38% of total venture investments)				
Iogen Corporation				
3,673,711	Class A Common Shares		3,436,378	
328,978	Class C Common Shares		279,631	
Total Energy			3,716,009	4,210,502
Limited Partnerships (34.30% of total venture investments)				
Multiplier Capital II LP				
2,600,000	Limited partnership interest		2,922,914	
PA Direct Credit Opportunities Fund II (Offshore) LP				
4,287,852	Limited partnership interest		2,212,286	
WF Fund IV LP				
10,500	Limited partnership interest		1,519	
Total Limited Partnership Interests			5,136,719	5,689,789
Total venture investments (70.46%)*			16,736,420	16,586,887
Transaction costs			(204)	
Total investments (96.63%)*			22,431,114	22,745,578
Other net assets (3.37%)*				793,934
Total equity (100.00%)*				23,539,512

* Percentages shown relate to investments at fair value to total equity.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

1. STATUS AND OPERATIONS

Tier One Capital Limited Partnership (the “Limited Partnership”) is a limited partnership formed under the laws of the Province of Ontario. The Limited Partnership became a limited partnership effective on February 21, 2014, the date of filing of its declaration of Limited Partnership. The general partner of the Limited Partnership is T1 General Partner LP (the “General Partner”), a limited partnership formed under the laws of the Province of Ontario. The general partner of the General Partner is T1 General Partner Corp., a corporation incorporated under the laws of Ontario. T1 General Partner Corp. is owned by John Richardson, the Chief Executive Officer of T1 General Partner Corp. The interests of the limited partners of the Limited Partnership are represented by limited partnership units (the “Units”).

The Limited Partnership’s investment objective is to provide a return on investment for Limited Partners and provide regular cash distributions. The General Partner intends to make regular distributions, which would be assessed on a quarterly basis, to the Limited Partners, having regard to the income received or anticipated to be received from the portfolio investments held by the Limited Partnership as well as the fees, expenses and other obligations of the Limited Partnership.

The Units are listed and traded on the Canadian Securities Exchange under the symbol “TLP.UN.”

The principal address of the Limited Partnership, the General Partner and the general partner of the General Partner is 56 The Esplanade, Suite 503, Toronto, Ontario, M5E 1A7.

These financial statements were authorized for issue by the General Partner on May 1, 2023.

2. BASIS OF PRESENTATION

These financial statements of the Limited Partnership have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss. The accounting policies followed in these financial statements are consistent with those applied in the Limited Partnership’s audited financial statements for the year ended December 31, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification

Financial assets at Fair Value Through Profit or Loss

The Limited Partnership classifies its investments, including derivatives, based on both the Limited Partnership’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss (FVTPL). An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Limited Partnership is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Limited Partnership has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (FVOCI). The contractual cash flows of the Limited Partnership’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

Financial assets at Fair Value Through Profit or Loss (Continued)

collecting contractual cash flows and for sale. The contractual cash flows of the Limited Partnership investments in underlying funds are not solely payments of principal and interest, and these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Limited Partnership's business model's objective. Consequently, all investments, including derivatives and short-term investments with a maturity of up to one year from the date of acquisition, are measured at FVTPL. The Limited Partnership requires the investment manager and the Board of Directors to evaluate the information about the financial assets on a fair value basis together with other related financial information.

Other financial assets and liabilities

All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates their fair value. There were no changes in the measurement attributes for these financial instruments.

Recognition, derecognition and measurement

The Limited Partnership recognizes financial instruments at fair value upon initial recognition plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. After initial recognition, financial assets are measured at fair value with unrealized gains or losses presented in the Statements of Comprehensive (Loss) Income within net gain (loss) on investments at fair value through profit or loss in the period in which they arise.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Limited Partnership has transferred substantially all risks and rewards of ownership.

Short-term liquid debt investments are valued at amortized cost which approximates fair value.

Publicly listed securities are valued using the last traded market price where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread the manager determines the point within the bid-ask spread that is most representative of the fair value based on the specific facts and circumstances.

Investments in securities not having quoted market values are recorded at estimated fair value determined on a going concern basis, or if appropriate, assuming an orderly disposition over a reasonable period of time. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined using an appropriate valuation methodology after considering the history and nature of the business, operating results and financial conditions, the general economic and market conditions, capital market and transaction market conditions, independent valuations of businesses, contractual rights relating to the investment, public market comparable transactions and other pertinent considerations.

Investments in limited partnership interests which represent fund of fund investments are valued using the net asset values of the underlying funds provided by the portfolio managers of the limited partnerships on a quarterly basis and adjusted for capital calls, distributions and valuation changes during the intervening periods. If necessary, the General Partner makes adjustments to these net asset values to obtain the best estimate of the fair value.

Derivatives, including warrants are measured at fair value through profit or loss. For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique such as the Black-Scholes model is used; if no such market inputs are available, other appropriate methodologies are used.

Cash and receivables are classified at amortized cost, which approximates fair value due to their short-term nature.

Accounts payable and accrued liabilities are classified at amortized cost, which approximates fair value due to their short-term nature.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

Limited Partnership Units and General Partner Interest

Units of the Limited Partnership and the General Partner interest are non-redeemable, do not carry any fixed dividends and have been classified as equity.

Income recognition, transaction costs and expenses

Gains and losses on investments include realized gains (losses), changes in unrealized appreciation (depreciation), interest income, dividends, other income and foreign exchange gains (losses) and are recorded as Net (loss) gain on investments at fair value through profit or loss in the Statements of Comprehensive (Loss) Income. Interest income is recorded on an accrual basis based on the coupon rate of interest.

Transaction fees on investments, if incurred, are expensed in the Statements of Comprehensive (Loss) Income. Transaction fees are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers.

Interest in unconsolidated subsidiaries, associates and structured entities

Subsidiaries are all entities over which the Limited Partnership has control. The Limited Partnership controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Limited Partnership has determined that it is an investment entity and as such, it accounts for subsidiaries at fair value through profit or loss with the exception of any subsidiaries which provide services related to the Limited Partnership's investment activities, which are consolidated. Associates are investments over which the Limited Partner has significant influence, which have been measured and classified as investments at fair value through profit or loss.

Information about the Limited Partnership's interest in unconsolidated subsidiaries and associates are presented in the table below. The Limited Partnership is considered to have control of ERMS Corporation while 1713264 Ontario Inc. (formerly Geminare Inc.) are considered to be associates.

December 31, 2022

Investment	Principal Place of Business	Country of Incorporation	Nature of Limited Partnership's Interests	Number of Units	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Common Shares	264,464,964	71.30	71.30
1713264 Ontario Inc.	Ontario	Canada	Common Shares, Class A Common Shares, Class B	75,313 3,599,560	0.50 21.50	0.50 21.50

December 31, 2021

Investment	Principal Place of Business	Country of Incorporation	Nature of Limited Partnership's Interests	Number of Units	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Common Shares	264,464,964	71.30	71.30
1713264 Ontario Inc.	Ontario	Canada	Common Shares, Class A Common Shares, Class B	75,313 3,599,560	0.60 22.00	0.60 22.00

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Limited Partnership has determined that the underlying funds, presented below, in which the Limited Partnership invests are unconsolidated structured entities. In making this determination, the Limited Partnership evaluated the fact that decision making about underlying funds' activity is generally not governed by voting or similar rights held by the Limited Partnership and other investors in any underlying funds.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

December 31, 2022

Structured Entities	Fair Value of Limited Partnership's Investment in Underlying Fund	Total Equity of the Limited Partnership%	Ownership of Underlying Fund %
Multiplier Capital II LP	\$3,703,413	15.73%	3.44%
PA Direct Credit Opportunities Fund II (Offshore) L.P.	\$1,984,857	8.43%	1.32%
WF Fund IV LP	\$1,519	0.006%	7.67%
Total	\$5,689,789	24.17%	

December 31, 2021

Structured Entities	Fair Value of Limited Partnership's Investment in Underlying Fund	Total Equity of the Limited Partnership%	Ownership of Underlying Fund %
Multiplier Capital II LP	\$3,612,137	12.64%	3.44%
PA Direct Credit Opportunities Fund II (Offshore) L.P.	\$2,367,252	8.28%	1.32%
Total	\$5,979,389	20.92%	

Each of the unconsolidated entities presented as at December 31, 2022 and December 31, 2021 has outstanding debt instruments which could impact the entities ability to pay dividends on the equity interest to the Limited Partnership. These debt instruments may be held by the Limited Partnership or other parties.

Net income (loss) per Unit

The Net income (loss) per unit attributable to limited partners per limited partnership unit is determined by subtracting the portion of net income (loss) allocated to the General Partner for the performance allocation from the net and comprehensive income (loss) for the period divided by the weighted average number of limited partnership units outstanding during the period. As there are no General Partner units, the Net income (loss) income per unit attributable to the General Partner per limited partnership unit is determined by dividing the Performance allocation by the weighted average number of limited partnership units outstanding during the period to give a measurement of the General Partner's return for the period.

Income taxes

These financial statements represent the assets and liabilities of the Limited Partnership and do not include the other assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not the Limited Partnership. Accordingly, no provisions for income taxes have been recorded in the financial statements.

Functional Currency and Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period-end exchange rates. Purchase and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions. The Canadian dollar is the Limited Partnership's functional and presentation currency as it is the primary economic environment in which the Limited Partnership operates.

Foreign exchange gains or losses relating to investments are presented within net gain on investments at fair value through profit and loss in the Statements of Comprehensive (Loss) Income.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

Contingencies

The Limited Partnership may be subject to litigation and administrative proceedings arising in the ordinary course of its business. The Limited Partnership has determined that there are no such matters as at December 31, 2022 (December 31, 2021: Nil) that are probable of resulting in a material loss for which a loss contingency is recognized.

Significant events

Market uncertainties emerged as Russia launched a military invasion of Ukraine in February 2022. This has resulted in economic sanctions being imposed on Russian corporate and banking entities, closures to Russian securities markets, Russian government-imposed capital controls, and significant declines in the liquidity of Russian securities and currency. Such disruptions have had a global impact and can adversely affect assets and thus performance of investment funds. As at December 31, 2022 and at the time of the invasion, the Fund had no direct exposure to Russian securities or Russian markets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management's estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Significant estimates include the fair value of venture investments and limited partnership investments. The valuation of venture investments and limited partnership investments impacts the management fees, the distributions to the General Partner under the General Partner Priority Profit Allocation and the Performance Allocation to the General Partner within equity (note 6). While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates and these differences could be significant.

The process of valuing venture investments and limited partnership investments is inevitably based on inherent uncertainties and the resulting values will differ, perhaps materially, from the amounts ultimately realized. Also, because these venture investments and limited partnership investments have been valued on a going concern basis, the values may differ materially from those realized on forced sale or liquidation. Refer to note 7 for more information on the inputs and assumptions used in this valuation.

The Limited Partnership may recognize a Performance Allocation amount which includes an unrealized component that may become distributable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at the date of the financial statements.

Investment entity status

The Limited Partnership has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) The Limited Partnership has obtained funds for the purpose of providing investors with professional investment management services;
- (b) The Limited Partnership's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income;
- (c) The investments are measured and evaluated on a fair value basis.

As a result, the Limited Partnership measures its investments in other entities at fair value.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

General Partner allocations

The Limited Partnership presents the General Partner Priority Profit Allocation (the “Priority Profit Allocation”) as described in note 6 of the financial statements, in the Statements of Comprehensive (Loss) Income. The Limited Partnership has determined that the Performance Allocation, described in note 6, represents an equity allocation to the General Partner rather than compensation for services provided and is presented in the Statements of Changes in Equity.

Business model assessment under IFRS 9 and application of the fair value option

The objective of the Limited Partnership is to achieve long-term capital appreciation and its investment portfolio is managed on a fair value basis. The Limited Partnership has assessed the business model, the manner in which the investment portfolio is managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Limited Partnership’s investment portfolio.

5. NET ASSETS ATTRIBUTABLE TO PARTNERS

Authorized and issued Units of the Limited Partnership:

Issued	Number of Units For the year ended December 31, 2022	Number of Units For the year ended December 31, 2021
Limited Partner Units		
Balance forward from prior period	4,431,276	4,313,075
Issued on the Distribution Reinvestment Plan	186,821	126,001
Normal Course Issuer Bid	(43,700)	(7,800)
Balance at end of period	4,574,397	4,431,276

The weighted average number of Units outstanding during the year ended December 31, 2022 was 4,513,664 (Year ended December 31, 2021: 4,366,739).

John Richardson, the Chief Executive Officer of the general partner of the General Partner of the Limited Partnership, owns or controls directly 771,265 Units or 16.86% of the total Units issued and outstanding as at December 31, 2022 (December 31, 2021: 676,503 Units, 15.27%).

General Partner Performance Allocation

Included in the General Partner interest amount are the Performance Allocation amounts which are attributed to the General Partner based on the terms of the Limited Partnership Agreement but have not been authorized for distribution to the General Partner.

Distribution Reinvestment Plan

The Limited Partnership has implemented a distribution reinvestment plan (DRIP). Unitholders that participate in the plan can choose to have their cash distributions reinvested in new Units of the Limited Partnership. The price for the new Units is determined by the General Partner and is equal to 96% of the volume weighted average trading price of Units on the Canadian Securities Exchange for the twenty trading days immediately preceding the relevant distribution date. Fractional Units are not distributed.

Normal Course Issuer Bid

The Limited Partnership has implemented a Normal Course Issuer Bid (NCIB). The Limited Partnership’s Board of Directors and Management believe that, from time to time, the market price of the Units does not reflect their underlying value and purchases of Units for cancellation under the NCIB may provide an opportunity to enhance unitholder value. Purchases under the NCIB may be made through open market transactions on the Canadian Securities Exchange (CSE) based on the prevailing market price. Any Units purchased under the NCIB will be cancelled.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Limited Partnership. The Units are not redeemable. The Units are entitled to distributions, if any, at the discretion of the General Partner. The Limited Partnership's objective is to invest the Limited Partnership's capital in order to provide a return to the partners in accordance with the objective and strategy of the Limited Partnership. The Limited Partnership is not subject to any externally imposed capital requirements.

6. OPERATING ARRANGEMENTS AND RELATED PARTIES

Management Fees

The General Partner, which provides key personnel to the Limited Partnership, is entitled to receive an annual management fee (the "LP Management Fee") equal to 0.995%, plus applicable taxes, of the total assets of the Limited Partnership. The LP Management Fee will be calculated and paid monthly in arrears based on the total assets of the Limited Partnership as at the end of the applicable month.

General Partner Priority Profit Allocation

The General Partner may share in the profits of the Limited Partnership by receiving, among other things, a priority share of the net income of the Limited Partnership (the "Priority Profit Allocation"). Distributions may be made to the General Partner (the "Priority Profit Distribution") in respect of its established or potential future Priority Profit Allocation, calculated as of the last day of each calendar quarter, equal to one quarter of 2.68%, plus applicable taxes, of the total assets of the Limited Partnership as at the last day of each calendar quarter. The allocation is included in the Statements of Comprehensive Income (Loss).

Performance Allocation

The General Partner may be entitled to an additional share of the net income of the Limited Partnership if certain conditions are satisfied (the "Performance Allocation").

The Performance Allocation shall be an amount equal to the aggregate of: (a) 100% of the realized gains and income earned on investments in portfolio companies in excess of a 12% annual average rate of return on such investments up to and including a 15% annual average rate of return on such investments; and (b) 20% of the realized gains and income earned on such investments in excess of the 15% annual average rate of return earned on such investments.

In order for the Performance Allocation to be allocable to the General Partner, the following conditions (the "Performance Allocation Conditions") must be satisfied: (a) the total net realized and unrealized gains and income from the Limited Partnership from its portfolio of investments since January 1, 1997 must have generated a return greater than the annualized average rate of return on five year Guaranteed Investment Certificates offered by a Schedule 1 Canadian chartered bank plus 2%; (b) the compounded annual rate of return (including realized and unrealized gains and income) from the particular eligible investment since its acquisition must equal or exceed 12% per annum; and (c) the Limited Partnership must have recouped an amount equal to all capital or principal invested in the particular investment.

Allocation of Income to the General Partner

To the extent that the net income of the Limited Partnership is insufficient in any year or period to fully allocate an amount equal to the General Partner Priority Profit Allocation and the Performance Allocation for the year or period to the General Partner, the differential will be carried forward and factored into the allocation of the net income of the Limited Partnership in subsequent years or periods, including in the year or period in which the termination of the General Partner occurs. The Performance Allocation must be approved by the independent directors of the Board of Directors of the general partner of the General Partner. Under the Limited Partnership Agreement there is no mandatory distribution of these amounts, but rather there is discretion as to whether these amounts can be paid out of the Limited Partnership, depending on whether it is in the best interest of the Limited Partnership.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

Custodian Fees

The Limited Partnership and the General Partner have retained CIBC Mellon Trust Company to provide custody services to the Limited Partnership. The fees paid to CIBC Mellon Trust Company are included in Custodian fees.

Transfer agent, registrar and administrative fees

The Limited Partnership pays all direct costs and expenses incurred in the operation of the Limited Partnership, including: transfer agent and registrar fees, insurance, legal, audit, director fees, valuation, administration fees and marketing expenses. The Limited Partnership and the General Partner have retained TSX Trust Company to provide transfer agent and registrar services.

Related Parties

During the year ended December 31, 2022, the Limited Partnership incurred management fees of \$303,819 (December 31, 2021: \$274,460). Included in accounts payable and accrued liabilities as at December 31, 2022 are accrued management fees owing to the General Partner of \$23,243 (December 31, 2021: \$27,877).

The Limited Partnership incurred a Priority Profit Allocation to the General Partner during the year ended December 31, 2022 of \$797,235 (December 31, 2021: \$752,893) which is included in the Statements of Comprehensive (Loss) Income. As at December 31, 2022, the Limited Partnership had an unpaid amount of Priority Profit Allocation to the General Partner of \$185,792 (December 31, 2021: \$222,837).

The Limited Partnership allocated a Performance Allocation amount to the General Partner during the year ended December 31, 2022 of \$95,498 (December 31, 2021: \$24,741). As at December 31, 2022, the Limited Partnership had an allocated but not approved for distribution Performance Allocation amount of \$235,956 (December 31, 2021: \$181,213) included in General Partner interest in the Statements of Financial Position. During the year ended December 31, 2022, the Limited Partnership paid to the General Partner \$40,755 of the Performance Allocation amount (December 31, 2021: \$257,906).

7. FINANCIAL INSTRUMENT RISKS

The Limited Partnership's investment objectives are to provide a return on investment for Limited Partners and provide regular cash distributions. The Limited Partnership's financial instruments consist primarily of marketable securities, venture investments, limited partnership interests and royalty agreements.

Venture investments in private companies consist of debt instruments, convertible debt, gross overriding royalty agreements, preferred shares, common shares or equity equivalents. These investments in private companies are typically illiquid. The Limited Partnership seeks to reduce the risks typically associated with such investments by diversifying the investment portfolio, by investing in eligible companies that are in differing stages of development in a variety of high growth potential industries, by using a disciplined investment decision process and by working with investee companies through, among other things, providing business advice and other services, aiding in the recruitment process, and helping in the process of raising additional capital.

The Limited Partnership's investments in limited partnerships consist of interests in underlying limited partnerships which may in turn invest in limited partnerships or private company investments. Each of the limited partnership investments was made in a currency other than the Canadian dollar. The Limited Partnership seeks to reduce the risks of the limited partnership investments by sourcing limited partnerships which offer investment managers with a successful track record of portfolio management, regular distributions of capital and income, diversified underlying portfolio investments, structures which focus on downside protection, high expected returns and ability to generate attractive investment opportunities.

The Limited Partnership's activities expose it to a variety of financial risks: market risk (comprising currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The General Partner seeks to minimize potential adverse effects of these risks on the Limited Partnership's performance by employing professional experience, daily monitoring of the Limited Partnership's positions and market events, by diversifying the investment portfolio within the constraints of the investment

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

objectives and by structuring investments to provide the Limited Partnership with the maximum protection in the event of problems with the issuer of the security. The Limited Partnership's venture investment portfolio is primarily comprised of small and medium-sized private Canadian companies, many of which are at an early stage of development. Investments of this type, by their nature, involve a longer investment time horizon than that which is typical for other types of investments. There is no assurance that the portfolio companies will be successful in developing and bringing their products to market in commercially viable quantities at reasonable costs and consequently, there is no assurance that the Limited Partnership's holdings in these portfolio companies will achieve desired returns.

Sensitivity analyses are provided for information purposes only. In practice, the actual results may differ from the sensitivity analysis and the differences may be material.

Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Limited Partnership's functional and presentation currency. The Limited Partnership is exposed to the risk that the fair value of securities denominated in other currencies will fluctuate due to changes in the exchange rates.

The Limited Partnership has financial instruments denominated in a currency other than the Canadian dollar. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Foreign exchange exposure relating to non-monetary assets and liabilities is considered to be a component of other price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Limited Partnership does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements.

While the Limited Partnership has direct exposure to foreign exchange rate changes on the price of non-Canadian dollar denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Limited Partnership invests, even if those companies' securities are denominated in Canadian dollars. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Limited Partnership's net assets.

The table below summarizes the Limited Partnership's financial instruments denominated in a currency other than the Canadian dollar.

December 31, 2022

Asset	Value of US\$ denominated Instrument in CDNS	Reasonable possible shift	Movement in value in CDNS
Cash	\$874,020	+/- 5%	\$43,701/(\$43,701)
Short-term Investments	\$3,521,810	+/- 5%	\$176,091/(\$76,091)
Investments in Limited Partnership Interests	\$5,688,270	+/- 5%	\$284,414/(\$284,414)

December 31, 2021

Asset	Value of US\$ denominated Instrument in CDNS	Reasonable possible shift	Movement in value in CDNS
Cash	\$2,905,029	+/- 5%	\$145,251/(\$145,251)
Investments in Limited Partnership Interests	\$5,979,389	+/- 5%	\$298,969/(\$298,969)

As at December 31, 2022 and December 31, 2021, the Limited Partnership had two investments denominated in US dollars.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as promissory notes and debentures. The Limited Partnership is exposed to the risk that the value of interest-bearing financial instruments will fluctuate

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

due to changes in the prevailing levels of market interest rates. The table below summarizes the Limited Partnership's exposure to interest rate risks. It includes the Limited Partnership's financial assets and liabilities, categorized by the earlier of contractual re-pricing or maturity dates.

December 31, 2022

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	\$5,116,647	\$4,182,162.00	\$13,446,769	\$22,745,578
Cash			\$1,080,018	\$1,080,018
Other financial assets			\$19,488	\$19,488
Financial liabilities			\$305,572	\$305,572

December 31, 2021

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	\$5,493,960	3,746,819	\$16,495,760	\$25,736,539
Cash			\$3,183,000	\$3,183,000
Other financial assets			\$2,240	\$2,240
Financial liabilities			\$346,744	\$346,744

Refer to tables below which present significant unobservable inputs used in the fair value measurements of investments classified as Level 3 for the impact of interest rate increases or decreases on the change in valuation of these investments.

As at December 31, 2022, the interest bearing securities with a maturity of less than one year are comprised of exchange traded funds invested in high interest savings accounts dominated in Canadian and US dollars in the amount of \$5,116,647 (December 31, 2021: Short-term investments of \$5,493,960).

The Limited Partnership may have indirect exposure to interest rate risk as a result of its investment in the underlying limited partnership interests.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The General Partner moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Limited Partnership's equity instruments are susceptible to other price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2022, if equity prices on the TSX Venture Exchange had increased or decreased by 5%, all other variables held constant, the net assets of the Limited Partnership attributed to public portfolio companies would have increased or decreased, respectively, by approximately \$52,102 or approximately 0.22% of total equity (December 31, 2021: \$61,343 or 0.21%).

The Limited Partnership's venture investments (unlisted) are susceptible to other price risk arising from uncertainties about future values of the investment securities. The General Partner and the Advisor provide the Limited Partnership with investment advice and its portfolio companies with business advice to limit and manage market risk.

As at December 31, 2022, if the value of the Limited Partnership's equity venture investments had increased or decreased by 5%, all other variables held constant, the total equity of the Limited Partnership attributed to venture investments would have increased or decreased respectively by approximately \$335,747 or approximately 1.43% of total equity (December 31, 2021: \$464,475 or 1.63%).

As at December 31, 2022, if the value of the Limited Partnership's investment in limited partnership interests had increased or decreased by 5%, all other variables held constant, the total equity of the Limited Partnership attributed to limited partnership

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

investments would have increased or decreased respectively by approximately \$284,489 or approximately 1.21% of total equity (December 31, 2021: \$298,969 or 1.05%).

The Limited Partnership's equity venture investments on fair value basis were concentrated in the following sectors:

Industry	December 31, 2022		December 31, 2021	
	% of total equity venture investments	# of companies	% of total equity venture investments	# of companies
Other Technology and Financial	2.34%	8	4.54%	1
Media Technology	9.73%	3	3.18%	1
Security Software and Services	25.22%	3	5.67%	2
Energy	62.70%	1	86.62%	1

Credit Risk and Concentration Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Limited Partnership. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of the debt investments as presented below and the accrued interest and other receivables represents the maximum credit risk exposure as at December 31, 2022 and December 31, 2021.

Cash consists of highly liquid temporary deposits with a Canadian bank and therefore there is low credit risk.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trades will fail if the other party fails to meet its obligations. All transactions in private issuers are settled/paid for upon delivery using a third-party agent such as a law firm acting as an intermediary. The risk of default is considered minimal as delivery of the securities sold is only made once the agent or legal counsel acting as the intermediary has received payment.

The Limited Partnership's financial assets exposed to credit risk were concentrated in the following asset categories:

December 31, 2022

Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	\$1,080,018
High Interest Savings Account	Exchange Traded Fund	Deposits with Canadian chartered banks	\$1,596,512
US Cash Fund	Purpose US Cash Fund	Deposits with Canadian chartered banks	\$3,521,810
Debt Securities	Secured by General Security Agreement	1713264 Ontario Inc., Mortgage Corporation	\$4,182,162
Total cash and debt securities			\$10,380,502

December 31, 2021

Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	\$3,183,000
High Interest Savings Account	Exchange Traded Fund	Deposits with Canadian chartered banks	\$3,994,200
Short-term Investment	Banker's Acceptance	Royal Bank of Canada	\$1,499,760
Debt Securities	Secured by General Security Agreement	1713264 Ontario Inc.	\$3,746,819
Total cash and debt securities			\$12,423,779

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

The Limited Partnership holds cash with a Canadian chartered bank. The custodian of the Limited Partnership's cash, CIBC Mellon Trust, has a rating of A+ by the Standard & Poor's. At December 31, 2021, the Limited Partnership held Banker's Acceptance issued by Royal Bank of Canada which has a credit rating of A+ by Standard & Poor's.

Credit risk arising on short-term debt instruments is partially mitigated by investing primarily in rated instruments of R1 for commercial paper instruments. The R1 ratings is a credit rating scale developed by Dominion Bond Rating Services (DBRS) which provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R1 rating signifies that, according to DBRS, the issuer has substantial capacity for the payment of short-term financial obligations as they come due.

Investments in the debt securities in the venture portfolio are non-investment grade and therefore subject to higher credit risk. These instruments are not rated by any of the market bond rating services and are subject to valuation risk. The credit risk is mitigated by obtaining a general security agreement on the assets of the issuing portfolio company. Credit risk on debt securities in the venture portfolio is assessed by reviewing the financial position and cash flows of the venture portfolio company. The Limited Partnership mitigates the credit risk on debt securities in the venture portfolio by seeking companies with sufficient assets available as collateral and current and expected cash flows to support the payment of interest and repayment of the debt security. The Limited Partnership mitigates the credit risk of royalty agreements by seeking royalty agreements that have sufficient underlying resources properties available as collateral and to support royalty payments.

The Limited Partnership may have indirect exposure to credit and concentration risk resulting from its investment in the underlying limited partnership interests.

Other than outlined above, there were no significant concentrations of credit risk to counterparties as at December 31, 2022 or December 31, 2021.

The Limited Partnership measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Limited Partnership considers both historical analysis and forward-looking information in determining any expected credit loss. At December 31, 2022 and December 31, 2021, all other receivables, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. The Limited Partnership considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses for financial assets carried at amortized cost.

The Limited Partnership's venture investments exposed to credit risk had the following sector concentrations as at December 31, 2022 and December 31, 2021:

Industry	December 31, 2022		December 31, 2021	
	% of total venture investments	# of companies	% of total venture investments	# of companies
Media Technology	-	-	-	-
Health Care and Health Care Technology	-	-	-	-
Security Software and Services	22.20%	1	19.70%	1
Other Technology and Financial	3.01%	1	-	-
Total Venture Debt Investments	25.21%	2	19.70%	1

Liquidity Risk

Liquidity risk is the risk that the Limited Partnership may not be able to settle or meet its obligations on time or at a reasonable price. The Limited Partnership maintains adequate cash balances to meet short-term requirements. In addition, the Limited Partnership is not exposed to daily cash redemptions of the Units. All the financial liabilities of the Limited Partnership as at December 31, 2022 and December 31, 2021 fall due within twelve months.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

Fair value measurement

The Limited Partnership classifies its investments within a fair value hierarchy, based on the inputs used in their fair value measurement. The hierarchy of inputs is summarized as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable for the asset or liability.

In determining the value of assets for which there is no published market, the General Partner will be guided, where appropriate, by the following criteria:

- Investments are valued at fair value (the highest price available in an open and unrestricted market between fully informed and prudent parties, acting at arm's length, under no compulsion to transact, expressed in terms of cash).
- The fair value of investments is determined on the basis of expected realizable value of the investments on a going concern basis or if they were disposed of in an orderly disposition over a reasonable period of time, as appropriate.
- Where the investment is progressing satisfactorily in relation to the Limited Partnership's expectations, a reasonable multiple of sustainable earnings, cash flow, revenue or discounted cash flow (as considered appropriate) with a cross-reference to, and an assessment of, tangible asset value may be used. Such valuation multiples are developed through reference to comparable public entities discounted to reflect the inherent differences between private and public holdings such as size, performance and lack of marketability. Consideration will be given to the planned timing of an initial public offering of the investee company.
- New investments are valued at fair value giving consideration to whether there is a substantial arm's length transaction which establishes a different value or there is a significant change from the General Partner's expectations.
- If there is a significant arm's length enforceable offer or transaction with respect to an investment, values used in such offer or transaction may be used in the valuation of the investment. In such circumstances, consideration will be given to whether new or existing investors participated in the offer or transaction and the current level of market interest in the investment. Similarly, if there is a valuation prepared by a qualified independent party, such valuation will be considered to provide a valid indication of the estimated fair market value of an investment.
- Debt instruments, other than short-term liquid debt instruments will be valued at fair value (with accrued interest and discounts earned included in interest receivable) and giving consideration to whether the instrument is in arrears or whether a write-down or other provision is considered prudent due to the unlikelihood of full realization on the investment. Where there is a decline in the carrying value of a debt instrument, the instrument and related accrued interest will be written down.
- Short-term liquid debt instruments (having a term to maturity of 365 days or less) are valued at amortized cost which approximates fair value with accrued interest earned included in interest receivable.
- Investments in limited partnership interests which represent fund of fund investments are valued using the available net asset values of the underlying funds provided by the portfolio managers of the limited partnerships on a quarterly basis adjusted for valuation changes made during the intervening periods, capital calls and distributions. The Limited Partnership reviews the details of the reported information obtained from the limited partnerships and considers the liquidity of the limited partnership interest and its underlying investments, the value date of the net asset value provided, any restrictions on redemption or transfers of the limited partnership interest and the basis of accounting applied by the limited partnership.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

The following tables indicate the fair value hierarchy of the inputs used in valuing the Limited Partnership's investments.

December 31, 2022	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt Securities	\$5,116,647	-	\$4,182,162	\$9,298,809
Equities and limited partnership interests	\$1,042,044	-	\$12,404,725	\$13,446,769
Total	\$6,158,691	-	\$16,586,887	\$22,745,578

December 31, 2021	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt Securities	\$3,994,200	\$1,499,760	\$3,746,819	\$9,240,779
Equities and limited partnership interests	\$1,226,859	-	\$15,268,901	\$16,495,760
Total	\$5,221,059	\$1,499,760	\$19,015,720	\$25,736,539

The carrying value of all other financial instruments of the Limited Partnership, which include cash, receivable on the sale of investments, accrued interest and other receivables, accounts payable and accrued liabilities and General Partner Priority Profit Allocation payable approximates their fair value. During the year ended December 31, 2022 and the year ended December 31, 2021 there were no investments transferred between Level 1, Level 2, or Level 3. The Limited Partnership's policy is to recognize transfers into and out of the fair value hierarchy as of the date of the event or change in circumstances giving rise to the transfer.

Level 3	December 31, 2022	December 31, 2021
Balance - beginning of year	\$19,015,720	\$12,693,585
Purchases	\$2,096,551	\$322,448
Sales, maturities and repayments	(\$1,644,224)	(\$3,003,466)
Realized Gains (Losses)	(\$4,905,777)	(\$1,749,010)
Change in Unrealized (Losses) Gains	\$2,024,617	\$10,752,163
Balance - end of year	\$16,586,887	\$19,015,720
Change in Unrealized (Losses) Gains during the period attributed to investments held at end of the year	(\$4,288,538)	\$8,782,092

The equity investments are valued with reference to the last round of equity financing, comparable public companies, transactions involving similar companies and reference to third party valuations among other things. If the equity investment includes a put right the investment may be valued by applying a discount for the expected time to exercise the Limited Partnership's put right to realize on this investment.

The Limited Partnership considers the following factors to identify comparable companies: the same or similar industries, business models, size in terms of revenues and market capitalization, geographic location, market focus and financial structure. The General Partner will also consult with management of the investee companies to help identify comparable companies which are often direct competitors to the investee company.

Comparable multiples such as enterprise value to revenue multiple is applied to the trailing twelve months actual revenues of the investee company to determine the enterprise value of the investee company. An additional discount may be applied to the enterprise value to take into consideration that the investee company is a private company and therefore its securities are illiquid. Once the enterprise value of the investee company is determined the net debt is removed (total debt less cash) and the remaining equity value is allocated to the capital of the investee company in order of ranking (e.g., preferred shares, common shares).

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

The debt securities are valued at fair value. Adjustments to fair value are made in cases where the operating results and financial condition of the investee company suggest that the Limited Partnership may not be able to realize the full amount of the investment. The Limited Partnership reviews the investee company's compliance with financial covenants, ability to make interest and principal payments, changes in the market interest rates for similar investments, operating performance relative to budget, the need for further financing and the availability of collateral to secure the debt among other factors in determining the fair value of the investment.

The investment in limited partnership interests are classified as Level 3 investments due to restrictions associated with the limited partnership interest investments and a lack of secondary market trading in such funds.

The following tables present significant unobservable inputs used in the fair value measurements of investments classified as Level 3:

December 31, 2022

Debt Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Performing debt	\$4,182,162	Estimated realizable value	Discount	10%	-	10%	\$418,216/(\$418,216)
Equity and Limited Partnership Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Limited Partnership Interests	\$5,688,270	Reported Net Asset Value	Net Asset Value of Limited Partnership	-	-	5%	\$284,414/(\$284,414)
			Liquidity Discount	5% - 10%	5%	7.50%	(\$426,620)
Common Shares and Common Share Purchase Warrants	\$50,064	Comparable Company Valuation	Revenue multiple	1-3	2.3	0.25	\$9,705/(\$9,705)
Common Shares	\$279,631	Discounted Cash Flow	Discount Rate	20-40%	30%	10%	\$13,077/(\$11,405)
Common Shares	3,930,871	Independent Valuation	Percentage Discount	-	-	20%	\$786,174/(\$786,174)

In addition to the above Level 3 investments there were common shares and common share purchase warrants valued at \$2,454,370 and Limited Partnership interests valued at \$1,519 based on the transaction values.

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

December 31, 2021

Debt Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Performing debt	\$3,746,819	Estimated realizable value	Discount	10%	-	10%	\$374,682/(\$374,682)
Equity and Limited Partnership Securities Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/-(-)
Limited Partnership Interests	\$5,979,389	Reported Net Asset Value	Net Asset Value of Limited Partnership	-	-	5%	\$298,969/(\$298,969)
			Liquidity Discount	5% - 10%	5.00%	7.50%	(\$448,454)
Common shares	\$526,505	Comparable Company Valuation	EBITDA multiple	8-12	10	1	\$53,898/(\$53,898)
Common Shares and Common Share Purchase Warrants	\$295,304	Comparable Company Valuation	Revenue multiple	3-5	4.2	1	\$119,080/(\$123,278)
Common Shares	\$515,073	Discounted Cash Flow	Discount Rate	20-40%	30%	10%	\$44,161/(\$26,030)
Common Shares	\$7,531,108	Independent Valuation	Percentage Discount	20% - 50%	30%	10%	\$1,080,071/(\$1,072,724)

In addition to the above Level 3 investments there were common shares valued at \$421,293 based on the transaction value.

In practice, the actual results may differ from the sensitivity analysis above and the differences could be material.

8. COMMITMENTS TO INVEST IN LIMITED PARTNERSHIPS

The Limited Partnership has made investments in limited partnership entities. There is additional capital that the Limited Partnership has committed to provide as at December 31, 2022 and December 31, 2021 in the tables below:

December 31, 2022

Limited Partnership Investment	Total Committed Capital	Total Invested	Remaining Capital Commitment	Remaining Capital Commitment (in CDNS)
Multiplier Capital II, LP	US\$4,000,000	US\$2,600,000	US\$1,400,000	\$1,895,222
PA Direct Credit Opportunities Fund II (Offshore) LP	US\$4,000,000	US\$3,668,323	US\$331,677	\$449,001

December 31, 2021

Limited Partnership Investment	Total Committed Capital	Total Invested	Remaining Capital Commitment	Remaining Capital Commitment (in CDNS)
Multiplier Capital II, LP	US\$4,000,000	US\$2,600,000	US\$1,400,000	\$1,772,120
PA Direct Credit Opportunities Fund II (Offshore) LP	US\$4,000,000	US\$3,668,323	US\$421,450	\$533,471

9. CAPITAL MANAGEMENT

For operating purposes, total equity attributable to limited partnership units is considered to be the capital of the Limited Partnership. Total equity attributable to limited partnership units is the total equity of the Limited Partnership before General Partner interest. As at December 31, 2022 the Limited Partnership's capital was \$23,303,556 (December 31, 2021 –

TIER ONE CAPITAL LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

\$28,393,822). The Limited Partnership's objective in managing its capital is to provide limited partnership unitholders with regular cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Limited Partnership manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Limited Partnership may adjust the amounts of distributions paid on limited partnership units.

10. SUBSEQUENT EVENT

The Limited Partnership made a distribution of \$0.125 per Unit on January 31, 2023 to Unitholders of record on January 21, 2023. Following the January 31, 2023 distribution, the Limited Partnership issued 45,064 Units to participants in the Distribution Reinvestment Plan.