

Financial Statements
(Expressed in Canadian dollars)

MAXAM ARBITRAGE FUND

And Independent Auditors' Report thereon

For the period from commencement of operations on October 1,
2020 to December 31, 2020



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the unitholders of Maxam Arbitrage Fund

Opinion

We have audited the financial statements of Maxam Arbitrage Fund (the "Fund"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of comprehensive income for the period from commencement of operations on October 1, 2020 to December 31, 2020
- the statement of changes in net asset attributable to the holders of redeemable units for the period from commencement of operations on October 1, 2020 to December 31, 2020
- the statements of cash flows for the period from commencement of operations on October 1, 2020 to December 31, 2020
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020, and its results of operations and its cash flows for the period from commencement of operations on October 1, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Fund 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.



Other Information

The Manager is responsible for the other information. Other information comprises the information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Manager 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, the Manager is responsible for assessing the Fund'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 the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada
March 29, 2021



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Chartered Professional Accountants

Vancouver, Canada
March 29, 2021

MAXAM ARBITRAGE FUND

Statement of Financial Position (Expressed in Canadian dollars) As at December 31, 2020

ASSETS

Current assets

Cash and cash equivalents	\$	429,036
Interest and dividends receivable		260
Subscriptions receivable		328,554
Investments (note 8)		3,018,537
Receivable for investments sold		40,098
		<u>3,816,485</u>

LIABILITIES

Current liabilities

Management fees payable (note 4)		1,980
Performance fees payable (note 4)		7,547
Dividends payable		140
Payable for investments purchased		489,704
Accrued liabilities and other accounts payable		1,356
Interest and borrow fees payable		691
Investments sold short (note 8)		290,594
		<u>792,012</u>

Net assets attributable to holders of redeemable units \$ 3,024,473

Net assets attributable to holders of redeemable units by class

Class A	\$	1,034
Class AF		813,999
Class F		336,665
Class FF		978,041
Class I		894,734
		<u>3,024,473</u>

Number of redeemable units outstanding (note 5)

Class A	102
Class AF	79,604
Class F	32,661
Class FF	95,458
Class I	87,210

MAXAM ARBITRAGE FUND

Statement of Financial Position (continued)

(Expressed in Canadian dollars)

As at December 31, 2020

Net assets attributable to holders of redeemable units per unit

Class A	\$	10.14
Class AF		10.23
Class F		10.31
Class FF		10.25
Class I		10.26

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

Approved on behalf of Maxam Capital Management Ltd.:

"Travis Dowle" Director

"Sean Morrison" Director

MAXAM ARBITRAGE FUND

Statement of Comprehensive Income

(Expressed in Canadian dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

Income

Interest income	\$	418
Dividends		657
Foreign exchange gain		43,618
Net realized gain on sale of investments		36,174
Net change in unrealized appreciation		16,425
		<u>97,292</u>

Expenses

Professional and administration fees		33,973
Audit fees		10,500
Performance fees (note 4)		7,547
Commissions and other portfolio transaction costs		4,040
Interest and borrow fees		2,952
Legal fees		2,500
Management fees (note 4)		1,980
Dividend expense		270
Withholding tax		44
		<u>63,806</u>

Expenses waived by Manager (note 4)		<u>(45,618)</u>
		<u>18,188</u>

Increase in net assets attributable to holders of redeemable units from operations \$ 79,104

Increase in net assets attributable to holders of redeemable units from operations

Class A	\$	34
Class AF		16,071
Class F		665
Class FF		23,600
Class I		38,734
		<u>79,104</u>

Increase in net assets attributable to holders of redeemable units per unit (note 6)

Class A	\$	0.34
Class AF		0.48
Class F		0.46
Class FF		0.42
Class I		0.45

MAXAM ARBITRAGE FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

(Expressed in Canadian dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

	Balance, beginning of period	Issue of redeemable units	Distribution to unitholders	Reinvested distributions	Increase in net assets from operations	Balance, end of period
Class A	\$ –	\$ 1,000	\$ (19)	\$ 19	\$ 34	1,034
Class AF	–	797,928	(9,364)	9,364	16,071	813,999
Class F	–	336,000	(456)	456	665	336,665
Class FF	–	954,441	(11,780)	11,780	23,600	978,041
Class I	–	856,000	(16,523)	16,523	38,734	894,734
	<u>\$ –</u>	<u>\$ 2,945,369</u>	<u>\$ (38,142)</u>	<u>\$ 38,142</u>	<u>\$ 79,104</u>	<u>\$ 3,024,473</u>

MAXAM ARBITRAGE FUND

Statement of Cash Flows

(Expressed in Canadian dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

Cash provided by (used in):

Operating Activities

Increase in Net Assets Attributable to Holders of Redeemable Units	\$	79,104
Adjustments for non-cash items		
Net realized gain on sale of investments		(36,174)
Net change in unrealized appreciation		(16,425)
Foreign exchange gain		(43,618)
Change in non-cash balances		
Change in interest and dividends receivable		(260)
Change in subscriptions receivable		(328,554)
Change in receivable for investments sold		(40,098)
Change in management fees payable		1,980
Change in performance fees payable		7,547
Change in dividends payable		140
Change in payable for investments purchased		489,704
Change in accrued liabilities and other accounts payable		1,356
Change in interest and borrow fees payable		691
Proceeds from sale of investments		1,537,705
Purchase of investments		(4,213,049)
		<hr/>
Cash used in operating activities		(2,559,951)

Financing Activities

Proceeds from issue of redeemable units		2,945,369
		<hr/>
Cash provided by financing activities		2,945,369

Increase in cash and cash equivalents during the period		385,418
Foreign exchange gain on cash		43,618
Cash and cash equivalents, beginning of period		—
		<hr/>
Cash and cash equivalents, end of period	\$	429,036

Supplemental information*

Interest paid	\$	591
Interest received		425
Dividends paid		130
Dividends received, net of withholding taxes		345

*Included as a part of cash flows from operating activities

MAXAM ARBITRAGE FUND
Schedule of Investment Portfolio
(Expressed in Canadian dollars)
As at December 31, 2020

Description	Currency	Number of shares	Average cost	Fair value
Investments owned (99.80%)				
Equities (97.99%)				
Basic Materials (0.71%)				
Premier Gold Mines Ltd.	CAD	7,150	21,519	21,522
Total Basic Materials			21,519	21,522
Communications (2.45%)				
Cincinnati Bell Inc.	USD	2,750	53,738	53,590
Otelco Inc.	USD	1,400	20,699	20,622
Total Communications			74,437	74,212
Consumer, Cyclical (4.76%)				
Dorel Industries Inc.	CAD	3,000	42,945	44,760
Great Canadian Gaming Corp.	CAD	1,250	54,322	54,350
Navistar International Corp.	USD	600	33,676	33,639
Sportsman's Warehouse Holdings Inc.	USD	500	11,183	11,191
Total Consumer, Cyclical			142,126	143,940
Consumer, Non-cyclical (12.02%)				
Alexion Pharmaceuticals Inc.	USD	350	70,056	69,741
American Renal Associates Holdings Inc.	USD	100	1,459	1,460
BioTelemetry Inc.	USD	175	16,100	16,087
HMS Holdings Corp.	USD	600	27,991	28,121
Liberty Health Sciences Inc.	CAD	32,200	30,188	33,166
People Corp.	CAD	7,500	113,160	112,875
Urovant Sciences Ltd.	USD	350	7,226	7,200
Varian Medical Systems Inc.	USD	425	95,913	94,860
Total Consumer, Non-cyclical			362,093	363,510
Diversified (63.48%)				
ACE Convergence Acquisition Corp.	USD	1,800	23,184	23,458
Aequi Acquisition Corp.	USD	1,000	12,846	12,881
Alussa Energy Acquisition Corp.	USD	1,000	13,014	12,830
Amplitude Healthcare Acquisition Corp.	USD	1,400	18,324	17,873
Apollo Strategic Growth Capital	USD	1,124	14,308	14,923
Ascendant Digital Acquisition Corp.	USD	1,000	13,077	13,085
Atlantic Avenue Acquisition Corp.	USD	529	6,652	6,801
Bespoke Capital Acquisition Corp.	USD	21,300	273,430	275,724
Bull Horn Holdings Corp.	USD	207	2,673	3,004

MAXAM ARBITRAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in Canadian dollars)

As at December 31, 2020

Description	Currency	Number of shares	Average cost	Fair value
Burgundy Technology Acquisition Corp.	USD	575	7,312	7,634
Canaccord Genuity Growth II Corp.	CAD	24,950	75,440	78,593
Ceres Acquisition Corp.	USD	1,050	12,994	13,023
CF Finance Acquisition Corp II	USD	55	698	773
Chardan Healthcare Acquisition 2 Corp.	USD	600	7,700	7,805
Churchill Capital Corp IV	USD	3,000	38,691	38,299
CITIC Capital Acquisition Corp.	USD	500	6,420	6,683
Colonnade Acquisition Corp.	USD	100	1,262	1,722
D8 Holdings Corp.	USD	1,118	14,385	14,487
Duddell Street Acquisition Corp.	USD	1,131	14,358	14,367
E.Merge Technology Acquisition Corp.	USD	1,000	13,001	13,047
East Resources Acquisition Co.	USD	911	11,623	11,793
East Resources Acquisition Co.	USD	336	4,434	4,529
Empower Ltd.	USD	50	630	638
Fast Acquisition Corp.	USD	500	6,325	6,530
FTAC Olympus Acquisition Corp.	USD	250	3,201	3,284
Galileo Acquisition Corp.	USD	1,340	17,467	17,431
GO Acquisition Corp.	USD	1,000	12,953	12,996
Good Works Acquisition Corp.	USD	1,150	14,608	14,593
Greencity Acquisition Corp.	USD	1,000	12,876	12,856
Greenrose Acquisition Corp.	USD	1,000	12,862	12,919
HPX Corp.	USD	1,000	12,953	12,779
Hudson Executive Investment Corp.	USD	650	8,406	8,961
Jiya Acquisition Corp.	USD	51	656	670
Kismet Acquisition One Corp.	USD	800	10,173	10,305
LGL Systems Acquisition Corp.	USD	1,000	13,252	12,907
Lionheart Acquisition Corp II	USD	814	10,382	10,464
LIV Capital Acquisition Corp.	USD	2,000	25,964	25,808
Malacca Straits Acquisition Co., Ltd.	USD	3,500	44,546	44,236
Mallard Acquisition Corp.	USD	537	6,842	6,835
MedTech Acquisition Corp/NY	USD	12,500	159,700	167,390
Mercer Park Brand Acquisition Corp.	USD	20,950	272,055	269,323
Merida Merger Corp I	USD	2,242	28,458	29,165
Montes Archimedes Acquisition Corp.	USD	349	4,335	4,527
NewHold Investment Corp.	USD	1,100	14,054	14,043
NextPoint Acquisition Corp.	USD	3,600	44,860	45,867
Property Solutions Acquisition Corp.	USD	2,288	29,110	29,180
Replay Acquisition Corp.	USD	1,000	13,321	13,264
SC Health Corp.	USD	1,001	13,286	13,085
Software Acquisition Group Inc II	USD	2,600	33,109	32,993
Software Acquisition Group Inc II	USD	469	6,198	6,370

MAXAM ARBITRAGE FUND
Schedule of Investment Portfolio (continued)
(Expressed in Canadian dollars)
As at December 31, 2020

Description	Currency	Number of shares	Average cost	Fair value
Spartacus Acquisition Corp.	USD	50	641	642
Sports Entertainment Acquisition Corp.	USD	1,000	12,668	12,907
Subversive Capital Acquisition Corp.	USD	14,870	191,608	191,920
Subversive Real Estate Acquisition REIT LP	USD	17,000	217,826	214,641
Tekcorp Digital Acquisition Corp.	USD	2,472	31,344	31,779
Turmeric Acquisition Corp.	USD	20	255	255
Tuscan Holdings Corp II	USD	500	6,562	7,021
Union Acquisition Corp II	USD	615	8,103	8,157
Vistas Media Acquisition Co Inc.	USD	551	7,092	7,090
Yucaipa Acquisition Corp.	USD	1,000	12,975	12,881
Total Diversified			1,907,482	1,920,046
Energy (0.85%)				
Freehold Royalties Ltd.	CAD	1,050	5,322	5,497
Mid-Con Energy Partners LP	USD	4,000	11,462	20,253
Total Energy			16,784	25,750
Financial (5.28%)				
Genworth MI Canada Inc.	CAD	725	31,495	31,472
National General Holdings Corp.	USD	1,400	61,255	61,028
Willis Towers Watson PLC	USD	250	69,734	67,173
Total Financial			162,484	159,673
Industrial (3.43%)				
Aerojet Rocketdyne Holdings Inc.	USD	600	40,007	40,441
Norbord Inc.	CAD	1,150	57,792	63,204
Total Industrial			97,799	103,645
Technology (4.70%)				
Slack Technologies Inc.	USD	1,550	84,654	83,500
Virtusa Corp.	USD	900	58,384	58,688
Total Technology			143,038	142,188
Utilities (0.31%)				
PNM Resources Inc.	USD	150	9,339	9,284
Total Utilities			9,339	9,284
Total Equities			2,937,101	2,963,770

MAXAM ARBITRAGE FUND
Schedule of Investment Portfolio (continued)
(Expressed in Canadian dollars)
As at December 31, 2020

Description	Currency	Number of shares	Average cost	Fair value
Fixed Income (1.77%)				
Industrial (1.77%)				
IBI Group Inc. 5.50% 31DEC21	CAD	53,500	53,620	53,642
Total Industrial			53,620	53,642
Total Fixed Income			53,620	53,642
Warrant (0.04%)				
Basic Materials (0.04%)				
Nomad Royalty Co., Ltd. \$0 19NOV22	CAD	5,000	432	1,125
Total Basic Materials			432	1,125
Total Warrant			432	1,125
Total investments owned			2,991,153	3,018,537

Description	Currency	Number of shares	Proceeds on short sale	Fair value
Investments sold short (-9.61%)				
Equities (-9.61%)				
Basic Materials (-2.44%)				
Equinox Gold Corp.	CAD	(1,250)	(16,136)	(16,463)
West Fraser Timber Co., Ltd.	CAD	(700)	(52,327)	(57,244)
Total Basic Materials			(68,463)	(73,707)
Consumer, Non-cyclical (-2.77%)				
AstraZeneca PLC	USD	(743)	(47,500)	(47,370)
AYR Strategies Inc.	CAD	(1,207)	(34,472)	(36,512)
Total Consumer, Non-cyclical			(81,972)	(83,882)
Energy (-0.86%)				
Contango Oil & Gas Co.	USD	(7,000)	(12,042)	(20,444)
Freehold Royalties Ltd.	CAD	(1,050)	(5,379)	(5,471)
Total Energy			(17,421)	(25,915)
Financial (-2.41%)				
Aon PLC	USD	(270)	(74,414)	(72,750)
Total Financial			(74,414)	(72,750)

MAXAM ARBITRAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in Canadian dollars)

As at December 31, 2020

Description	Currency	Number of shares	Average cost	Fair value
Technology (-1.14%)				
salesforce.com inc	USD	(121)	(34,853)	(34,340)
Total Technology			(34,853)	(34,340)
Total Equities			(277,123)	(290,594)
Total investments sold short			(277,123)	(290,594)
Commissions and other portfolio transaction costs			(2,518)	–
Net investments owned (90.20%)			<u>2,711,512</u>	<u>2,727,943</u>
Other assets, net (9.80%)				296,530
Net Assets Attributable to Holders of Redeemable Units (100%)				3,024,473

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

1. Reporting entity:

Maxam Arbitrage Fund (the "Fund") was formed on August 11, 2020 as an open-end investment trust governed under the laws of the Province of British Columbia pursuant to a master trust agreement dated August 11, 2020 (the "Trust Agreement"). The Fund commenced operations on October 1, 2020. The address of the Fund's registered office is at 902 - 510 Burrard Street, British Columbia, Canada, V6C 3A8. The Fund has filed a simplified prospectus with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec, and is subject to certain standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102 *Investment Funds* ("NI 81-102").

Maxam Capital Management Ltd. (the "Manager" and the "Trustee"), a company incorporated under the laws of British Columbia, is the manager and the trustee of the Fund. TD Securities Inc. ("TDSI") in its role as prime broker for the Fund, holds the Fund's securities as collateral rather than under a custodial arrangement. However, TDSI is required to segregate and hold in trust all the Fund's securities that are fully paid for or otherwise represent excess margin. SGGG Fund Services Inc. (the "Administrator") acts as the record-keeper and the administrator of the Fund.

The fundamental investment objective of the Fund is to generate consistent, positive returns, while minimizing volatility and correlation with equity markets by investing in publicly traded securities in Canada, the United States and other foreign jurisdictions. The Manager employs an active and opportunistic investment strategy with a focus on merger arbitrage and other event-driven hedged opportunities. The Fund invests primarily in small, mid and large-capitalization companies trading on North American exchanges and may also invest in compelling opportunities in other developed markets.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as: (i) the ability to invest more than 10% of its net asset value in securities of a single issuer, either directly or through the use of specified derivatives; (ii) the ability to borrow cash, up to 50% of its net asset value, to use for investment purposes; (iii) the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 50% of its net asset value in aggregate), and; (iv) the ability to use leverage with gross aggregate exposure to borrowing, short selling and specified derivatives up to 300% of its net asset value, among other things.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the Manager on March 29, 2021.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to the period from commencement of operations on October 1, 2020 to December 31, 2020 presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

A financial asset that is a debt instrument is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding

All financial assets that are not debt instruments not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Equity instruments are measured at FVTPL unless an election is made to measure at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Fund has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at FVTPL, such as derivatives liabilities and investments sold short. The Fund may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit or loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Fund's derivative financial assets and derivative financial liabilities and investments in securities and investments sold short are classified as FVTPL.

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's 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 fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Fair value through profit or loss (continued):

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Fund classifies cash and cash equivalents, interest and dividends receivable, subscriptions receivable, receivable for investments sold, management fees payable, performance fees payable, dividends payable, accrued liabilities and other accounts payable, payable for investments purchased and interest and borrow fees payable as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(b) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date.

(c) Translation of foreign currency:

The financial statements of the Fund are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

3. Significant accounting policies (continued):

(d) Recognition/derecognition:

The Fund recognizes financial assets and financial liabilities on the trade date - the date it commits to purchase or sell short the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statement of comprehensive income.

Other financial assets are derecognized and only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

(e) Income recognition:

Interest income is recognized on an accrual basis using the effective interest method. Dividend income is recognized on the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(f) Income and expense allocation:

Net Realized gain (loss), net changes in unrealized gain (loss) on investments, income and expenses that are common to the Fund as a whole are allocated daily to each class based on the proportionate share of the net asset value of the class. The proportionate share of each class is determined by adding the current day's net unitholder subscriptions of the class to the prior day's net asset value of the class. Any income or expense amounts that are unique to a particular class (for example, management fees) are accounted for separately in that particular class so as not to affect the net asset value of the other class.

(g) Commissions and other portfolio transaction costs:

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Such costs are expensed and are included in commissions and other portfolio transaction costs in the statement of comprehensive income.

(h) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

(i) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the period.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

3. Significant accounting policies (continued):

- (j) Increase in net assets attributable to holders of redeemable units per unit:

Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the period.

- (k) Income taxes:

The Fund qualifies as a unit trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes.

- (m) Derivative transactions:

The Fund may use derivative contracts to manage risks associated with the investments. The derivatives are classified as FVTPL and, as a result, the contracts are measured at fair value on the valuation date and the resulting gains and losses, both realized and unrealized, are recognized in the statement of comprehensive income.

- (n) Issuance costs:

The sales commissions paid to selling agents for the sale and distribution of the Fund's Class A and Class AF units are recorded as issuance costs in the statement of changes in net assets attributable to holders of redeemable units and is deducted from the net assets attributable to holders of redeemable units.

- (o) Cash and cash equivalents:

Cash and cash equivalents comprise of cash and cash equivalents deposited with financial institutions and are recorded at amortized cost, which approximates fair value.

4. Related party transactions:

- (a) Management fees:

The Fund pays a management fee to the Manager for the management of the Fund. The management fee is calculated daily and payable on the last business date at 1/365 of the annualized percentage of the net asset value of each class of units on the preceding business day, as follows:

Class A	1.90%
Class F	0.90%
Class AF	1.45%
Class FF	0.45%
Class I	0%

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

4. Related party transactions (continued):

(a) Management fees (continued):

The management fee for Class I units is negotiated with the Manager by individual Class I unitholders and paid directly to the Manager by each unitholder, outside the Fund. Management fees are subject to applicable taxes, including GST/HST.

As at December 31, 2020, the total outstanding management fees payable to the Manager was \$1,980.

(b) Performance fees:

The Manager receives a performance fee plus GST/HST and any other applicable taxes for each Performance Fee Determination Period equal to 15% of the Net Profit (as defined below) of Class A, F, AF and FF units, subject to the High Water Mark (as defined below).

The "Performance Fee Determination Period" means (i) each calendar quarter for those investors that remain in the Fund at the end of each quarterly period, and (ii) the period from the beginning of a calendar quarter until the redemption date for those investors that redeem prior to the end of a calendar quarter.

"Net Profit" means, in respect of each class of units of the Fund for any Performance Fee Determination Period, the amount calculated by deducting the relevant class net asset value per unit on the first business day of that Performance Fee Determination Period for the applicable class from the class net asset value per unit on the last business day of that Performance Fee Determination Period for that class and multiplying the resulting amount by the total number of units of such class outstanding at the close of business on the last business day in that Performance Fee Determination Period.

No performance fee shall be paid in respect of a class unless the class net asset value per unit for that class exceeds the highest class net asset value per unit in respect of which a performance fee has been previously paid for that class (the "High Water Mark") and, in such circumstances, a performance fee shall be paid on that portion of the Net Profit that exceeds the High Water Mark.

Class I unitholders may negotiate a performance fee to be paid by the unitholder to the Manager directly that is different than the one described above or may pay no performance fee at all, as determined by the Manager in its discretion.

As at December 31, 2020, the total outstanding performance fees payable to the Manager was \$7,547.

(c) Unit holdings:

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All transactions with the Manager, its officers and Directors are measured at the exchange amounts. At December 31, 2020, 102 Class A units, 14,324 Class AF units, 101 Class F units, 101 Class FF units and 87,210 Class I units of the Fund were owned by the Manager, or its officers and directors.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

4. Related party transactions (continued):

(d) Fees reimbursements:

The Fund reimburses the Manager for administration fees paid by the Manager on behalf of the Fund. The Manager, at its discretion, may reduce or waive administration fees and reimburse the Fund for any expenses. For the period from commencement of operations on October 1, 2020 to December 31, 2020, the Manager absorbed \$45,618 of the Fund's expenses.

5. Redeemable units of the Fund:

The Fund is authorized to issue an unlimited number of redeemable units in an unlimited number of classes. The Fund currently has five classes of units: Class A, Class F, Class AF, Class FF, and Class I. Class AF and Class FF are Founders classes. Class A and Class AF units are available to all investors. Class F and Class FF units have lower fees than Class A and Class AF units and are usually only available to investors who have fee-based accounts with dealers who have signed an agreement with the Manager. Class I units are only available to private or institutional investors who have entered into an agreement with the Manager and meet certain other conditions.

The following units were issued or redeemed during the period from commencement of operations on October 1, 2020 to December 31, 2020:

	Opening	Units issued	Units reinvested	Closing
December 31, 2020				
Class A	–	100	2	102
Class AF	–	78,688	916	79,604
Class F	–	32,617	44	32,661
Class FF	–	94,308	1,150	95,458
Class I	–	85,600	1,610	87,210

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

6. Increase in net assets attributable to holders of redeemable units per unit

The increase in net assets attributable to holders of redeemable units per unit for the period from commencement of operations on October 1, 2020 to December 31, 2020 is calculated as follows:

	Increase in Net Assets Attributable to Holders of Redeemable Units per Class	Weighted Average of Redeemable Units Outstanding During the Period	Increase in Net Assets Attributable to Holders of Redeemable Units per Unit
December 31, 2020			
Class A	\$ 34	100 \$	0.34
Class AF	16,071	33,643	0.48
Class F	665	1,442	0.46
Class FF	23,600	55,549	0.42
Class I	38,734	85,618	0.45

7. Financial risk management:

(a) Risk management framework:

The Fund's investment activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, currency risk and other price risk) and leverage risk. The Fund's exposures to financial risks are concentrated in its investment holdings. Significant risks that are relevant to the Fund are discussed below.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposures for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines, and securities regulations.

(b) Credit 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 Fund. As at December 31, 2020, the Fund is not exposed to significant credit risk as the Fund's investments consist primarily of exchange traded securities, where credit risk is guaranteed by the exchange, and investments not available in active market comprised only 1.8% of total net assets.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may not be able to meet its financial obligations as they fall due. The Fund is exposed to daily cash redemptions of redeemable units. In accordance with its investment objectives, the Fund maintains a significant amount of its assets in liquid investments, such that these can be readily disposed of to fund payment of obligations and redemptions of redeemable units. The Fund's non-derivative liabilities are due within three months of the period end of the Fund.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

7. Financial risk management (continued):

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the fair value of its holdings of financial instruments. The Manager aims to manage the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund's holdings, market events and overall economic conditions.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of the Fund's interest-bearing investments will fluctuate due to changes in prevailing interest rates. The longer the term to maturity, all else being equal, the more sensitive a security is to interest rate risk. Other assets and liabilities are short-term in nature and noninterest bearing.

As at December 31, 2020, the Fund held interest sensitive assets of \$53,642, approximately 1.8% of total net assets.

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currency. As at December 31, 2020, the Fund held cash and investments of \$74,184 in U.S. dollars.

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$3,709. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(iii) 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 currency risk or interest rate 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 Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The Fund's investment portfolio is monitored on a daily basis by the Manager. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Fund's statement of financial position. The Schedule of Investment Portfolio summarizes the Fund's exposure to other price risk as at December 31, 2020, by providing the market sector breakdown of investments. Possible losses from written options and securities sold short can be unlimited.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

7. Financial risk management (continued):

(d) Market risk (continued):

(iii) Other price risk (continued):

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2020 had the prices on the respective stock exchanges for these securities increased or decreased by 9%, with all other variables held constant, net assets would have increased or decreased, respectively by approximately \$267,430, approximately 10% of net assets. In practice, the actual trading results may differ and the difference could be material.

(e) Leverage risk:

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's aggregate gross exposure to underlying assets is greater than the amount invested. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavourable times.

The aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate value of the Fund's outstanding indebtedness under any borrowing agreements; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

(e) Leverage risk (continued):

During the period from commencement of operations on October 1, 2020 to December 31, 2020, the Fund's lowest and highest aggregate gross exposure was 6.51% (October 1, 2020) and 122.93% (November 5, 2020) of the Fund's net asset value, respectively. The primary source of leverage was cash borrowing. The low and high end of the range are as a result of the Fund's investing activities and timing of subscriptions and/or redemptions. The Fund's strategy is outlined in the Simplified Prospectus.

The Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than three times the Fund's net asset value.

(f) COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Fund will continue to monitor the impact COVID-19 has on the Fund's investments and reflect the consequences as appropriate in its accounting and reporting.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

8. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed equity or debt securities, exchange-traded derivatives and simple OTC derivatives such as forward rate agreements. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

8. Fair value of financial instruments (continued):

(a) Valuation models (continued):

For more complex instruments, the Fund uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as forward rate agreements, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

8. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

All fair value measurements below are recurring.

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 2,963,770	\$ –	\$ –	2,963,770
Fixed income	–	53,642	–	53,642
Warrants	1,125	–	–	1,125
	\$ 2,964,895	\$ 53,642	\$ –	3,018,537
Liabilities				
Equities	\$ 290,594	\$ –	\$ –	290,594
	\$ 290,594	\$ –	\$ –	290,594

There were no significant transfers between the levels during the period from commencement of operations on October 1, 2020 to December 31, 2020.

(c) Financial instruments not measured at fair value:

The carrying values of cash and cash equivalents, interest and dividends receivable, subscriptions receivable, receivable for investments sold, management fees payable, performance fees payable, dividends payable, accrued liabilities and other accounts payable, payable for investments purchased and interest and borrow fees payable approximate their fair values given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period from commencement of operations on October 1, 2020 to December 31, 2020

9. Derivative financial instruments:

The Fund holds the following derivative instruments:

Warrants:

A warrant is a contractual arrangement under which the issuer grants the holder the right, but not the obligation, either to buy at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price directly from the issuer of the underlying securities. The Fund is exposed to price risk on purchased warrants only to the extent of their carrying amount, which is their fair value.

The following table detail the Fund's investments in warrants as at December 31, 2020:

Description	Maturity Date	Strike price	Notional Amount	Fair value
Nomad Royalty Co., Ltd.	Nov 19, 2022	\$ 0.20	\$ 1,000	\$ 1,125

10. Income taxes:

The Fund has non-capital losses available for utilization against taxable income in future years of \$nil as at December 31, 2020.

The Fund has \$nil capital losses available to be carried forward at December 31, 2020. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

11. Capital management:

The redeemable units issued by the Fund represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. The Fund's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.