



FOUNTAIN ASSET CORP.
MANAGEMENT DISCUSSION & ANALYSIS
For the Three Months Ended March 31, 2020

The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited consolidated financial statements of Fountain Asset Corp. (“Fountain Asset” or the “Company”) and notes thereto for the three months ended March 31, 2020 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This management discussion and analysis (“MD&A”) covers the last completed fiscal quarter and is dated as of July 14, 2020. All dollar amounts in this MD&A are reported in Canadian dollars, unless otherwise stated. Readers are encouraged to read Fountain Asset’s public information filings on SEDAR at www.sedar.com. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “FA”.

FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Company, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “target”, “intend”, “could”, “might”, “should”, “believe”, and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to the Company’s investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Company’s financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Company’s investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Company’s dependence on its manager and management team; risks affecting the Company’s investments; global political and economic conditions; investments by the Company in private issuers which have illiquid securities; management of the growth of the Company; exchange rate fluctuations; and other risks and factors discussed in this MD&A under “Risk Factors”.

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

NON-IFRS MEASURES

Throughout this MD&A, management uses terms which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers; therefore, a description has been provided in the MD&A.

These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Management believes that some non-IFRS measures are useful for investors to use to evaluate the performance of the Company without certain IFRS requirements. Specifically, management has included net asset value and adjusted net asset value as a non-IFRS measure. Net asset value is defined as total assets less total liabilities. Adjusted net asset value is defined as net asset value plus available tax loss pools available for future deductibility.

DESCRIPTION OF BUSINESS

Fountain Asset is a merchant bank which provides a range of merchant banking services to small and mid-size companies in North America in both the public and private markets. These services can include equity financing, asset-based lending, mergers and acquisitions advisory, operational management support and facilitating various debt and equity financing structures.

Fountain Asset takes a disciplined and systematic approach to investment and is guided by four core principles:

1. Deploying capital in private and public late stage, growth-oriented companies,
2. Creating shareholder value,
3. Generating profits through a combination of rising portfolio value and consistent income from debt transactions, and
4. Managing the overall risk framework of the Company.

Launched in 2003, Fountain Asset has invested in over 100+ companies providing bespoke capital solutions. The Company is not committed on any particular industry sector but rather is opportunistically focused on various industries such as oil and gas, gaming, manufacturing, retail, financial services, technology, cryptocurrency, marijuana and biotechnology. Fountain Asset invests in companies with proven products, market penetration and strong management teams that do not fit the investment criteria of the typical venture capital funds, traditional secured lenders or are too small for the private equity funds.

The Company's target investment profile includes:

- Private companies that have a reasonably demonstrated IPO plan so Fountain Asset can leverage "private to public value arbitrage".
- Early stage public companies that need to raise funds via PIPE or secondary deals.
- Selling shareholders that seek to divest significant stakes in companies that can be purchased at a discount.
- Companies with sustainable, growing revenues with existing, or near term, profitability.
- All investments are required to have a path to liquidity.

STATUS AS AN INVESTMENT ENTITY

The following are the criteria within IFRS 10, Consolidated Financial Statements, which the Company used to evaluate and determine that it meets the definition of an Investment Entity.

- a) Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services.

- b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- c) Measures and evaluates the performance of substantially all its investments on a fair value basis.

The Company has evaluated the above criteria and determined that it meets the definition of an Investment Entity, and thus measures its investments at fair value.

1st QUARTER 2020 REVIEW AND RESULTS OF OPERATIONS

Selected Information:

For the three months ended	March 31, 2020	March 31, 2019
Total revenue (losses)	(\$1,860,086)	\$3,467,949
Operating expenses	150,393	210,265
Stock based compensation	31,305	106,699
Net income (loss) and comprehensive income (loss)	(2,041,784)	3,150,985
Net income (loss) per share, basic and diluted	(\$0.03)	\$0.05

As at period ended	March 31, 2020	December 31, 2019
Total assets	\$16,090,540	\$18,393,341
Total liabilities	2,220,542	2,512,864
Net asset value	\$13,869,998	\$15,880,477
Shares outstanding diluted weighted average ⁽¹⁾	58,994,462	58,994,462
Net asset value per share	\$0.24	\$0.27
Adjusted net asset value ⁽²⁾	\$16,869,998	\$18,780,477
Adjusted net asset value per share	\$0.29	\$0.32

(1) Shares outstanding diluted weighted average has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during each period and increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if dilutive; and

(2) Adjusted net asset value as at March 31, 2020 reflects the net asset value plus \$3,000,000 of tax loss pools available (December 31, 2019 - \$2,700,000).

Revenue

For the three months ended March 31, 2020, the Company had losses of \$1.9 million compared to revenues of \$4.2 million for the prior period. Net realized losses on portfolio investments during the three months ended March 31, 2020 were \$1.1 million for a -51% return on investment (three months ended March 31, 2019 – \$322,201 gains) primarily from losses on the sale of Spectra7 Microsystems Inc., Tidal Royalty Corp. and 3 Sixty Risk Solutions Ltd., offset by realized gains on the sale of Frankly Inc., HTC Pureenergy Inc. and Artemis Gold Inc. Structuring fees, consulting fees, interest, dividend income and consulting fees were negligible for the current period (three months ended March 31, 2019 – \$0.8 million), and there were \$0.8 million in unrealized losses on portfolio investments (2019 – gains of \$2.4 million). Unrealized losses for the period were predominately attributable to positions held in Green Growth Brands, Consortium Inc., SOL Global Investments Corp., Wayland Group Corp., and Bragg Gaming Group, offset by unrealized gains on the Company's positions in Embark Health Inc., Heavenly RX Ltd., and BabelBark Inc.

Expenses

For the three months ended March 31, 2020, the Company reported total expenses of \$0.2 million compared to \$0.3 million for the prior period. Included in reported total expenses for the current period was stock-based compensation of \$0.03 million (2019 - \$0.1 million). The annual incentive plan expense was initiated during the year ended December 31, 2018 by the Board of Directors. Under the annual incentive plan, key consultants and

management of the Company are entitled to an annual incentive bonus based on the performance of the Company's investment portfolio. The bonus pool is based on certain performance metrics based on the Company's net realized capital gains, plus interest and dividends over certain hurdle rates, calculated on an annual basis and accrued quarterly. The annual incentive plan accrual for the three months ended March 31, 2020 was \$nil (three months ended March 31, 2019 - \$nil). Commissions incurred on the trading activity during the period amounted to \$0.01 million and have been separately disclosed on the income statement (three months ended March 31, 2019 - \$0.04 million). Operating expenses of \$0.15 million for the current period were incurred compared to \$0.21 million for the prior period. Individually, there were consulting fees and general and administrative costs incurred in the previous period which were associated with one-time costs. Legal fees decreased from prior period as the Company was less active during the period. General and administrative was reduced as the company was able to take advantage on certain cost savings associated with its new office location.

Net Assets

Total net assets decreased by \$2.0 million (or approximately 13%) as at March 31, 2020 (\$13.9 million) compared to December 31, 2019 (\$15.9 million). The decrease in net assets was primarily attributable to net realized losses on portfolio investments of \$1.1 million as well as total operating expenses of \$0.15 million as explained above. As at March 31, 2020, the Company's adjusted net assets were valued at \$16.9 million or \$0.29 per share, compared to \$18.6 million or \$0.31 per share as at December 31, 2019. Adjusted net assets reflects net asset value plus \$3.0 million, which is reflective of the Company's \$11.5 million of tax loss pools available (\$22.9 million of capital losses which are 50% tax recoverable) multiplied by the applicable corporate income tax rate of 26.5%.

SUMMARY OF QUARTERLY RESULTS

Net comprehensive loss for the three months ended March 31, 2020 included net realized losses on investments of \$1.1 million and which amounted to an average crystalized return on investment of -51%.

For the quarters ended	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Total revenue (losses)	\$ (1,860,086)	\$ (8,149,362)	\$ (10,615,075)	\$ (2,647,589)
Operating expenses	\$ 150,393	\$ 236,288	\$ 249,025	\$ 293,261
Stock based compensation	\$ 31,305	\$ 47,421	\$ 67,616	\$ 94,630
Provision for income tax	\$ -	\$ 29,375	\$ -	\$ -
Net income (loss) and comprehensive income (loss)	\$ (2,041,784)	\$ (8,462,446)	\$ (10,931,716)	\$ (3,035,480)
Net income (loss) per share, weighted avg, fully diluted	\$ (0.03)	\$ (0.14)	\$ (0.19)	\$ (0.05)

For the quarters ended	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Total revenue (losses)	\$ 4,241,495	\$ 2,291,539	\$ 7,765,171	\$ 4,574,884
Operating expenses	\$ 210,265	\$ 424,378	\$ 334,620	\$ 253,532
Annual incentive plan	\$ -	\$ 450,110	\$ 2,135,284	\$ -
Stock based compensation	\$ 106,699	\$ 385,167	\$ 31,240	\$ 130,083
Provision for income tax	\$ -	\$ 11,019	\$ 275,307	\$ -
Net income (loss) and comprehensive income (loss)	\$ 3,924,531	\$ 1,020,865	\$ 4,988,720	\$ 4,191,269
Net income (loss) per share, weighted avg, fully diluted	\$ 0.07	\$ 0.02	\$ 0.08	\$ 0.07

Net comprehensive income (loss) per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during each period. Diluted income per share is calculated in a similar manner, except that the weighted average number of multiple and subordinate voting shares outstanding is increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if dilutive.

During the third quarter of fiscal 2018, the Board of Directors approved an annual incentive plan. Under the plan, key consultants and management of the Company are entitled to an annual incentive bonus based on the performance of the Company's investment portfolio. The bonus pool is calculated on an annual basis and is accrued quarterly. Moving forward over the next year, it is expected that monthly operating expenses will be approximately \$nil, before considering certain one-time costs.

ISSUERS WITH U.S. CANNABIS-RELATED ACTIVITIES

The Company's overall investment strategy is to focus on creating shareholder value by offering various debt and/or equity financing solutions to small and mid-sized companies in North America in both the public and private markets, across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology,

cryptocurrency, marijuana, and biotechnology. As a result, the Company may from time to time invest in companies that carry on, directly or indirectly, marijuana/cannabis businesses or related businesses in the United States.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (the “**Staff Notice**”), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state’s regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer’s involvement in the U.S. marijuana industry; (ii) disclosure that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.; and (iv) a discussion of the reporting issuer’s ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. marijuana industry, or deemed to have “ancillary industry involvement”, all as further described in the Staff Notice.

At this time, the Company’s involvement in the U.S. cannabis industry is limited. The Company can be considered to have “indirect” involvement in cannabis activities under the Staff Notice through its investments in Liberty Health Sciences Inc. (“**Liberty**”), Captor Capital Corp. (“**Captor**”), CannCure Investments Inc. (“**CannCure**”), Green Growth Brands Inc. (“**Green Growth**”), SOL Global Investments Corp. (“**SOL Global**”), Gage Cannabis Co. (“**Gage**”) and Consortium Inc. (“**Consortium**”), each of which is, directly or indirectly, a cultivator and/or seller of marijuana in the United States. The Company also has investments in three other entities that have businesses, directly or indirectly, involved in the U.S. cannabis industry (Liberty, Captor, CannCure, Green Growth, SOL Global, Gage, Consortium and these three businesses are referred to herein as the “**Investees**”). The Company does not operate, nor control, any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with a U.S. state license. The Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the United States

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from U.S. federal laws as they relate to the cannabis industry. For each of the Investees involved in the U.S. cannabis industry listed in the summary of investments set out below, to the best of the Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of such Investees’ business and the Company is not aware of: (i) any non-compliance by these Investees with respect to marijuana-related activities or (ii) any notices of violation with respect to any Investees’ marijuana-related activities by its respective regulatory authorities. This belief is based primarily on the public disclosure provided by the Investees as the Company does not generally have access to material non-public information from such Investees, particularly where the Investees are publicly traded companies. Seven of the ten Investees (Liberty, Tidal Royalty Corp. (renamed Red White & Bloom Brands Inc. on April 24, 2020) (“**Tidal**”), Captor, High Tide Inc. (“**High Tide**”), Green Growth, SOL Global and Consortium) are publicly traded companies in Canada. In addition, SOL Global has publicly disclosed that it holds 97.9% of the shares of an eighth Investee, CannCure. Disclosure on the U.S. laws, risks and uncertainties applicable to these Investees may be found in each Investee’s disclosure documents which are publicly available on SEDAR at www.sedar.com. Shareholders are encouraged to review such disclosure.

Nature of Investments with U.S. Cannabis-Related Activities

Liberty Health Sciences Inc. (Florida, Massachusetts)

The Company holds no shares and 222,250 warrants of Liberty as at March 31, 2020. The Company acquired 360,000 shares of Liberty on February 22, 2018 at a subscription price of \$615,600 and 222,250 shares and 222,250 warrants of Liberty on May 9, 2018 at an aggregate subscription price of \$200,025. The Company sold all of the 582,250 shares of Liberty it held prior to December 31, 2019. The Company’s investment in Liberty is non-material and represents

0.04% of the Company's total investment portfolio as at December 31, 2019. It is believed that Liberty is a cultivator and seller of medical marijuana in the State of Florida and has a majority ownership interest in Massachusetts-based William Noyes Webster Foundation Inc. Liberty is listed on the CSE.

The net changes in unrealized losses on the Company's investment in Liberty as at March 31, 2020 was \$64,501.

SLANG Worldwide Inc. (Arizona, California, Colorado, Florida, Oklahoma, Oregon, Maine, Massachusetts, Michigan, Nevada, New Mexico, Vermont, Washington and Puerto Rico)

The Company holds no shares of SLANG Worldwide Inc. ("**Slang**") as at March 31, 2020. The Company acquired 639,600 shares of Slang at a subscription price of \$399,750 on February 21, 2018 and 319,800 shares at a subscription price of \$367,770 on May 24, 2019. The Company sold all of the shares of Slang it held prior to December 31, 2019 for a net realized gain in the year ended December 31, 2019 of \$614,742. It is believed that at the time the Company sold its shares of Slang, Slang was a cannabis consumer packaged goods company with a portfolio of brands distributed across stores in Arizona, California, Colorado, Florida, Oklahoma, Oregon, Maine, Massachusetts, Michigan, Nevada, New Mexico, Vermont, Canada, Puerto Rico, Jamaica and Greece. Slang was listed on the CSE and the Frankfurt Stock Exchange.

Tidal Royalty Corp. (renamed Red White & Bloom Brands Inc. on April 24, 2020) (Oregon, Nevada, Michigan, Illinois, California, Massachusetts and Florida)

As at March 31, 2020, the Company holds 1,127,863 shares of Tidal, which represents less than 1% of the issued and outstanding shares of Tidal as at March 31, 2020. The Company acquired 2,500,000 shares and 1,000,000 warrants at an aggregate price of under \$545,000. The Company sold 1,327,637 shares of Tidal it held during the three months ended March 31, 2020. The Company's investment in Tidal is non-material and represents 0.94% of the Company's total investment portfolio as at March 31, 2020. Tidal is listed on the CSE and the OTCPink. It is believed that Tidal is an investment company with a focus on the on major markets in the United States, including Michigan, Illinois, California, Massachusetts and Florida in respect to cannabis and the entire United States in respect of legal hemp CBD based products. It is also believed that Tidal was renamed "Red White & Bloom Brands Inc." on April 24, 2020, in connection with the completion of the previously announced business combination among MichiCann Medical Inc., Tidal and 2690229 Ontario Inc., pursuant to which Tidal also consolidated its issued and outstanding common shares on a 16:1 basis.

The net realized loss on the disposal of the Tidal shares in the three months ended March 31, 2020 was \$188,579. The net changes in unrealized losses on the Company's investment in Tidal as at March 31, 2020 was \$113,591 (unrealized loss of \$95,465 on the shares, unrealized loss of \$18,126 relating to the warrants).

Ignite International Brands, Ltd. (California and Nevada)

The Company sold its investment of Ignite shares during the year ended December 31, 2019, which were acquired, together with warrants, at an aggregate price of \$190,000. The Ignite warrants expired during the year ended December 31, 2019, and as such the Company recorded a realized loss of \$13,552 for the year ended December 31, 2019. It is believed that at the time the Company sold its investment of Ignite shares, Ignite was a CSE-listed vertically-integrated company operating in the cannabis and CBD industries in the States of California and Nevada. Ignite also traded on the OTCQX.

The net realized loss on the disposal of the Ignite shares in the year ended December 31, 2019 was \$150,281 (\$136,729 on the shares, and \$13,552 on the warrants).

Captor Capital Corp. (Washington and California)

The Company holds no shares and 25,000 warrants of Captor as at March 31, 2020. The Company acquired 1,000,000 shares and 500,000 warrants at an aggregate price of \$200,100. On October 3, 2018, Captor completed a reverse split on the basis of 1 share/warrant for every 20 shares/warrants held. The Company sold all of the shares of Captor it held prior to December 31, 2018. The Company's investment in Captor is non-material and represents less than 0.01% of the Company's total investment portfolio as at March 31, 2020. It is believed that Captor is a vertically

integrated cannabis-focused investment company with investments in three dispensaries and a producer of cannabis extracts in the State of California, and operates two cultivation operations in the State of Washington through its wholly-owned subsidiary. Captor is listed on the CSE, the OTCQX, the Frankfurt Stock Exchange and the Börse Stuttgart stock exchange.

The net changes in unrealized losses on the Company's investment in Captor for the three months ended March 31, 2020 was \$36,268.

Cultivate Capital Corp. (Oregon)

The Company holds less than 2% of the issued and outstanding shares of Cultivate Capital Corp. ("**Cultivate**") as at March 31, 2020, which, together with warrants, were acquired at an aggregate price of \$400,000. The Company's investment in Cultivate is non-material and represents less than 0.51% of the Company's total investment portfolio as at March 31, 2020. It is believed that Cultivate is a private, independent cannabis industry finance company operating in the State of Oregon.

The net changes in unrealized gain on the Company's investment in Cultivate for the three months ended March 31, 2020 was \$295,000.

Gage Cannabis (formerly Wolverine Partners Corp.) (Michigan)

The Company holds less than 1% of the issued and outstanding shares of Gage as at March 31, 2020, which were acquired at an aggregate price of \$682,500. The Company's investment in Gage is non-material and represents approximately 4.16% of the Company's total investment portfolio as at March 31, 2020. It is believed that Gage is a private, vertically-integrated licensed producer in Michigan.

The net changes in unrealized loss on the Company's investment in Gage for the three months ended March 31, 2020 was \$110,083.

Blacklist Holdings Inc. (Washington, Oregon and California)

The Company sold its investment in shares of Blacklist Holdings Inc. ("**Blacklist**") during the year ended December 31, 2019, which were acquired at an aggregate price of \$100,000. It is believed that at the time the Company sold its Blacklist shares, Blacklist owned the IONIC brand and was a manufacturer and distributor of vape pens and cannabis cartridges in the States of Washington, California and Oregon. It is also believed that Blacklist was acquired by IONIC Brands Corp. on March 22, 2019.

The net realized gain on the disposal of Blacklist in the year ended December 31, 2019 was \$123,845.

CannCure Investments Inc. (Florida)

The Company holds less than 1% of the issued and outstanding shares of CannCure as at March 31, 2020, which were acquired at an aggregate price of \$392,820. The Company's investment in CannCure is non-material and represents 2.10% of the Company's total investment portfolio as at March 31, 2020. It is believed that CannCure indirectly owns 100% of 3 Boys Farms, a Florida-based limited liability company with a Florida state license to cultivate, process and dispense medical marijuana. It is also believed that SOL Global holds 97.9% of the shares of CannCure, and that CannCure has entered into a business combination agreement with Bluma Wellness Inc. (formerly Goldstream Minerals Inc.) ("**Bluma**"), pursuant to which the shareholders of CannCure will be issued common shares of Bluma and CannCure will become a wholly-owned subsidiary of Bluma.

The net changes in unrealized loss on the Company's investment in CannCure for the three months ended March 31, 2020 was \$154,261.

Green Growth Brands Inc. (Nevada, Massachusetts and Florida)

The Company holds 1,361,851 shares of Green Growth, which represents less than 1% of the issued and outstanding shares of Green Growth as at March 31, 2020. The Company acquired 1,361,851 shares and 597,222 warrants of Green Growth at an aggregate price of \$2,115,674, in part through the conversion of convertible debt held by the Company in the amount of \$1,000,000 and in part through a private placement of 500,000 units at a subscription price of \$1,225,000. The Company's investment in Green Growth represents 6.05% of the Company's total investment portfolio as at March 31, 2020. It is believed that Green Growth is in the business of cultivating, processing, distributing, wholesaling, and retailing medical and adult-use cannabis, as well as the manufacture, marketing, wholesaling, and retailing of CBD-infused consumer products in the States of Nevada, Massachusetts and Florida. Green Growth is listed on the CSE.

The net changes in unrealized loss on the Company's investment in Green Growth for the three months ended March 31, 2020 was \$603,068 (\$548,544 related to the shares, and \$54,524 related to the warrants).

High Tide Inc.

The Company holds 601,896 common shares of High Tide, which represents less than 1.0% of the issued and outstanding common shares of High Tide as at March 31, 2020. The Company acquired 2,491,896 common shares and 999,948 warrants of High Tide at an aggregate price of \$1,171,735. The Company sold 1,890,000 of the shares of High Tide it held during the year ended December 31, 2019. The Company's investment in High Tide is non-material and represents 0.54% of the Company's total investment portfolio as at March 31, 2020. It is believed that High Tide is an Alberta-based, retail-focused cannabis corporation with retail locations across Canada. Further, High Tide's operations are enhanced by the manufacturing and wholesale distribution of smoking accessories and cannabis lifestyle products internationally, including in the U.S., through its subsidiaries. High Tide is listed on the CSE, the OTCQB and the Frankfurt Stock Exchange.

The net changes in unrealized loss on the Company's investment in High Tide as at March 31, 2020 was \$35,529 (unrealized loss of \$30,094 on the shares, unrealized gain of \$5,435 relating to the warrants).

SOL Global Investments Corp. (California, Illinois, Maryland, Michigan, Nevada, New Jersey, Ohio, Florida, Tennessee and Puerto Rico)

The Company holds 176,812 shares of SOL Global, which represents less than 1% of the issued and outstanding shares of SOL Global as at March 31, 2020. The Company acquired 366,912 shares at an aggregate price of \$1,471,254. The Company sold 39,000 of the shares of SOL Global it held prior to December 31, 2018 and 126,100 during the year ended December 31, 2019. The Company's investment in SOL Global is non-material and represents 0.56% of the Company's total investment portfolio as at March 31, 2020. It is believed that SOL Global is an international investment company with a focus on, but not limited to, investments in cannabis and cannabis related companies in legal U.S. states, the hemp and CBD marketplaces and the emerging European cannabis and hemp marketplaces. SOL Global is listed on the CSE.

The net changes in unrealized loss on the Company's investment in SOL Global as at March 31, 2020 was \$65,420.

Cansortium Inc. (Florida, Texas, Pennsylvania and Michigan)

The Company holds 1,220,000 shares and 457,500 warrants of Cansortium as at March 31, 2020. The Company acquired the warrants for \$528,545 as a structuring fee pursuant to a convertible loan of \$2,428,410 in February 2019 which debt was later settled for a gain of \$405,953 and converted into shares of Cansortium. The Company's investment in Cansortium represents 4.00% of the Company's total investment portfolio as at March 31, 2020. It is believed that Cansortium is a global medical cannabis company operating in highly populous medical cannabis markets that, through its subsidiaries, operates cultivation and retail facilities across Florida, Texas and Michigan and has a dispensary license in Pennsylvania. It is also believed that during the year ended December 31, 2019, Cansortium operated cultivation and retail facilities in Puerto Rico. Cansortium announced the completion of the sale its Puerto Rican operations on April 30, 2020. Cansortium is listed on the CSE and the OTCQB.

Changes in unrealized losses on the Company's investment in Consortium as at March 31, 2020 was \$518,142 (\$471,497 on the shares and \$46,645 on the warrants).

As at March 31, 2020, the Company held the following investments in the cannabis sector in the U.S.:

Investee	Investment relationship	Jurisdiction	Industry involvement	Investment type	Cost (\$)	Fair value (\$)	Company's ownership %
Liberty	Publicly-listed	Florida Massachusetts	Indirect ¹	Warrants	\$64,539	\$39	Nil
Tidal	Publicly-listed	Oregon Nevada Michigan Illinois California Massachusetts Florida	N/A	Shares	\$242,537	\$64,004	Under 1%
				Warrants	\$15,361	\$0	
Consortium	Publicly-listed	Florida Texas Pennsylvania Michigan	Indirect ¹	Shares	\$2,834,575	\$233,660	Under 2%
				Warrants	\$528,545	\$2,501	
Captor	Publicly-listed	Washington California	Indirect ¹	Warrants	\$36,268	\$0	Under 1%
Cultivate	Private	Oregon	N/A	Shares	\$355,166	\$391,000	Under 2%
				Warrants	\$44,834	\$60	
Gage	Private	Michigan	Indirect ¹	Shares	\$682,500	\$676,673	Under 1%
CannCure	Private	Florida	Indirect ¹	Shares	\$392,820	\$243,037	Under 1%
Green Growth	Publicly-listed	Nevada Massachusetts Florida	Indirect ¹	Shares	\$1,938,677	\$156,613	Under 1%
				Warrants	\$176,997	\$3	
High Tide	Publicly-listed	N/A	N/A	Shares	\$283,022	\$72,228	Under 1%
				Warrants	\$0	\$593	
SOL Global	Publicly-listed	California Illinois Maryland Michigan Nevada New Jersey Ohio Florida Tennessee Puerto Rico	Indirect ¹	Shares	\$602,764	\$40,667	Under 1%

¹ Under the Staff Notice, this refers to a non-controlling interest in an entity that is a cultivator or distributor of cannabis.

As at December 31, 2019, the Company held the following investments in the cannabis sector in the U.S.:

Investee	Investment relationship	Jurisdiction	Industry involvement	Investment type	Cost (\$)	Fair value (\$)	Company's ownership %
Liberty	Publicly-listed	Florida Massachusetts	Indirect ¹	Warrants	\$64,539	\$6,827	Nil
Tidal	Publicly-listed	Oregon Nevada Michigan	N/A	Shares	\$528,034	\$159,469	Under 1%
				Warrants	\$15,361	\$18,126	

		Illinois California Massachusetts Florida					
Cansortium	Publicly-listed	Florida Texas Pennsylvania Michigan	Indirect ¹	Shares	\$2,834,575	\$705,157	Under 2%
				Warrants	\$528,545	\$49,146	
Captor	Publicly-listed	Washington California	Indirect ¹	Warrants	\$36,268	\$0	Under 1%
Cultivate	Private	Oregon	N/A	Shares	\$355,166	\$96,000	Under 2%
				Warrants	\$44,834	\$60	
Gage	Private	Michigan	Indirect ¹	Shares	\$682,500	\$786,756	Under 1%
CannCure	Private	Florida	Indirect ¹	Shares	\$392,820	\$397,298	Under 1%
Green Growth	Publicly-listed	Nevada Massachusetts Florida	Indirect ¹	Shares	\$1,938,677	\$1,089,481	Under 1%
				Warrants	\$176,997	\$54,527	
High Tide	Publicly-listed	N/A	N/A	Shares	\$283,022	\$102,322	Under 1%
				Warrants	\$0	\$6,028	
SOL Global	Publicly-listed	California Illinois Maryland Michigan Nevada New Jersey Ohio Florida Tennessee Puerto Rico	Indirect ¹	Shares	\$602,764	\$106,087	Under 1%

United States Federal Overview

In the United States, the use and possession of cannabis is illegal under U.S. federal law. It is believed that in the United States, thirty-three (33) states plus the District of Columbia and certain U.S. territories recognize, in one form or another, medical use of marijuana, while ten of those states plus the District of Columbia and certain U.S. territories recognize, in one form or another, adult-use of marijuana. Notwithstanding the regulatory environment with respect to marijuana at the state level, at the federal level cannabis continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act of 1970 (the “CSA”). Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities including, without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government’s approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice (the “DOJ”) issued a memorandum entitled “Guidance Regarding Marijuana Enforcement” from Deputy Attorney General James M. Cole known as the “Cole Memorandum” to all U.S. Attorneys’ offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. While certain U.S. Attorneys have publicly affirmed their commitment to proceeding in a manner contemplated under the Cole Memorandum, or otherwise affirmed that their view of U.S. federal enforcement priorities has not changed as a result of the rescission of the Cole Memorandum, others have publicly supported the rescission of the Cole Memorandum.

As of the date of this MD&A, the current Attorney General, William P. Barr, has not issued statements or guidance in his official capacity since being sworn in as Attorney General on medical or adult-use cannabis. Enforcement of U.S. federal laws with respect to cannabis remain uncertain.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memorandum**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

In March 2019, the U.S. House of Representatives Financial Services Committee passed the Secure and Fair Enforcement Banking Act (the "**SAFE Banking Act**") , and the U.S. Senate held a hearing on the SAFE Banking Act in July 2019. On September 25, 2019, the U.S. House of Representatives passed the SAFE Banking Act. The SAFE Banking Act creates protections for financial institutions that provide banking services to businesses acting in compliance with applicable state cannabis laws, but it is uncertain whether it will be passed by the U.S. Senate and ultimately signed into law.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing investments in the Investees with operations or investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis.

There can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. In addition, local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact cannabis industry business in certain jurisdictions.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Investees and therefore the Company.

U.S. Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memorandum have been rescinded, other federal legislation provides or seeks to provide protection to individuals and businesses acting in violation of U.S. federal law but in compliance with state cannabis laws. For example, what is now known as the Joyce Amendment (previously known as the Leahy Amendment, the Rohrabacher-Farr Amendment, and the Rohrabacher-Blumenauer Amendment) has been included in annual spending bills passed by Congress since 2014. The Joyce Amendment restricts the DOJ from using federal funds to interfere with states implementing laws that authorize the use, distribution, possession, or cultivation of medical cannabis.

U.S. courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals or businesses engaged in cannabis-related activities to the extent operating in compliance with state medical cannabis laws. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should the U.S. Congress at any time choose to appropriate funds to fully prosecute individuals or businesses acting in violation of the CSA, such individuals or businesses could be prosecuted for violations of U.S. federal law even to the extent operating in compliance with applicable state medical cannabis laws.

On December 22, 2018, the U.S. Congress failed to pass an omnibus appropriations bill for fiscal year 2019, causing a shutdown of the federal government. On February 15, 2019, the President of the United States signed an omnibus appropriations bill in respect of certain appropriations bills for the remainder of fiscal year 2019 which included appropriations protecting the medical cannabis industry.

The Joyce Amendment was included in the 2020 Fiscal Year Appropriations Package of the federal budget for fiscal year 2020, which runs from October 1, 2019 to September 30, 2020, and was signed by the President of the United States on December 20, 2019 to pass. However, it should be noted that there is no assurance that such amendments will be passed into law.

If Congress declines to include the Joyce Amendment in future fiscal year appropriations bills or fails to pass necessary budget legislation causing a government shutdown, the U.S. federal government will have the authority to spend federal funds to prosecute individuals and businesses acting contrary to the CSA for violations of U.S. federal law.

Further, the appropriations protections only apply to individuals or businesses operating in compliance with a state's medical cannabis laws and provide no protection to individuals or businesses operating in compliance with a state's adult-use cannabis laws. However, on June 20, 2019, the U.S. House of Representatives passed the Blumenauer-Norton-McClintock Amendment, which would expand the protections afforded by the Joyce amendment to individuals and businesses operating in compliance with applicable state adult-use cannabis laws. The U.S. Senate has yet to take up the Blumenauer-Norton-McClintock Amendment for consideration.

State Level Overview

An overview of regulatory conditions for the marijuana industry in the states in which Liberty, Tidal, Captor, High Tide, Green Growth, SOL Global and Consortium have an operating presence can be found in the following documents, which are publicly available on SEDAR at www.sedar.com:

1. The management's discussion and analysis of Liberty for the three and nine months ended November 30, 2019 and 2018, prepared as of January 29, 2020. Specifically, shareholders are directed to the disclosure on pages 14 to 18 as well as the risk factors outlined on pages 19 to 24.
2. The listing statement of Red White & Bloom Brands Inc., dated June 1, 2020. Specifically, shareholders are directed to the disclosure on pages 36 to 41 as well as the risk factors outlined on pages 72 to 79.
3. The management's discussion and analysis of Captor for the year ended March 31, 2019, dated November 4, 2019. Specifically, shareholders are directed to the disclosure on pages 25 to 33.
4. The non-offering prospectus of High Tide dated November 20, 2018. Specifically, shareholders are directed to the disclosure on pages 43 to 45 as well as the risk factors outlined on pages 65 to 74.
5. The amended management's discussion and analysis of Green Growth 13 and 26 weeks ended December 28, 2019 and the three and six months ended December 31, 2018. Specifically, shareholders are directed to the disclosure on pages 12 to 13 and 30 to 52 as well as the risk factors outlined on pages 52 to 58.
6. The management's discussion and analysis of SOL Global for the eight month period ended November 30, 2019 and the year ended March 31, 2019, dated May 14, 2020. Specifically, shareholders are directed to the disclosure on pages 3, 24 to 30 as well as the risk factors outlined on pages 30 to 32.
7. The management's discussion and analysis of Consortium for the years ended December 31, 2019 and 2018, provided as of May 21, 2020. Specifically, shareholders are directed to the disclosure on pages 22 to 40.

Although the Company has no knowledge that would indicate that any of the above noted disclosure is untrue, incomplete or otherwise misleading, neither the Company nor any of its directors or officers assumes any

responsibility for any failure by Liberty, Tidal, Captor, High Tide, Green Growth, SOL Global or Consortium to ensure the significance or accuracy of such disclosure.

TSXV Requirements

On October 16, 2017, the TSXV issued a bulletin noting that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSXV's listing requirements (the "**Requirements**"). These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSXV reminded issuers that, among other things, should the TSXV find that a listed issuer is engaging in activities contrary to the Requirements, the TSXV has the discretion to initiate a delisting review. In order to comply with the Requirements, the Company may be required to reorganize, restructure or divest its investment in one or more Investees.

LIQUIDITY AND CAPITAL RESOURCES

In managements' opinion, the Company has sufficient resources to meet its current cash flow requirements based on the following:

LIQUIDITY RISK

	March 31, 2020		December 31, 2019	
Cash	\$	-	\$	335,537
Short term investments		40,000		40,000
Accounts receivable and sundry assets		726,393		625,945
Investments in public companies		1,906,190		4,311,100
Loans and convertible debentures due within one year		1,976,344		1,804,219
Total liquid assets	\$	4,648,927	\$	7,116,801
Accounts payable and accrued liabilities	\$	105,773	\$	398,095
Accrued annual incentive plan		2,085,394		2,085,394
Income taxes payable				
Total short term liabilities	\$	2,191,167	\$	2,483,489

As of March 31, 2020, Fountain had working capital of \$2.5 million, which decreased from \$4.6 million at December 31, 2019. The primary reason for the decrease in working capital for the period is due to net realized losses on portfolio investments of \$1.1 million. On average, Fountain anticipates working capital requirements of approximately on average of \$75,000 per month to cover operating expenses on a go-forward basis before considering any one-time costs and not including the annual incentive plan expense.

Fountain frequently invests in small market capitalization (or junior) companies. Due to the somewhat limited size of the public float of such companies and/or any substantial decline in the price of the securities thereof, which can persist for a significant period of time, the liquidity of such securities could be impaired from time to time.

In managements' opinion, the Company has sufficient resources to meet its current cash flow requirements. The Company's accounts payable and accrued liabilities all have contractual maturities of less than 30 days and are subject to normal trade terms.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations.

The Company's primary use of cash is to make investments and to pay for operating expenses. The Company believes that it will be able to generate sufficient capital to support the Company's operations in the long-term. Nonetheless, the Company may procure debt or equity financing from time to time to fund its operations.

Management is not aware of any significant commitments or expected fluctuations with respect to its capital resources at the date of its year-end consolidated financial statements.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed and explained in note 12 to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020, which accompanies this MD&A.

Related party transactions occur during the normal course of Company operations and have been recorded at the exchange amounts established and agreed to by the related parties.

Related party	Amounts Receivable/Investment	
	March 31, 2020	December 31, 2019
Somersby Park 2010 Limited Partnership	\$705,897	\$600,825

During the three months ended March 31, 2020, the Company paid financial consulting fees of \$15,000 (2019 - \$15,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of the Company. At March 31, 2020, the balance owed was \$nil (December 31, 2019 - \$nil).

The Company often receives the right to nominate a member to the Board of Directors of companies to which it provides an investment. The nominees may be of the Company, and accordingly, the investee company may become related to the Company. The table below identifies where an employee, officer or director of the Company held a position with an investee company.

Investment	Ownership	Officer/Director	
		Name	Position held
BabelBark Inc.	<10%	Paul Kelly	Director
Cool Holdings Inc.	<10%	Michael Galloro	Director
Somersby Park 2010 Limited Partnership	73%	Andrew Parks	Officer
The BRN Group Inc.	<10%	Andrew Parks	Director

COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key management personnel of the Company for the three months ended March 31, 2020 and 2019 was as follows:

	Three months ended	
	March 31,	
	2020	2019
Salaries	\$ 60,700	\$ 74,750
Annual incentive plan expense	-	-
Stock based compensation expense	31,305	106,699
	\$ 92,005	\$ 181,449

Key consultants and management of the Company are entitled to an annual incentive bonus based on the performance of the Company's investment portfolio. The bonus pool will be equivalent to 20% of the net realized capital gains plus interest and dividends over a hurdle rate of 8% per annum. For the purposes of the annual incentive bonus pool calculation, opening net asset value will be used as the base for the hurdle rate and will include any equity and debt capital raised on a pro-rated basis over the period in which the calculation is being made. For the three months ended March 31, 2020, \$nil was accrued for the 2020 annual incentive plan (year ended December 31, 2019 - \$nil). At March 31, 2020, \$2,085,394 remained outstanding from the prior year (December 31, 2019 - \$2,085,394).

CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the audited consolidated financial statements and the reported amount of revenues and expenses during the year. Financial statement items subject to significant management judgment and estimates include:

- Determination of investment entity status – Management exercises judgment in applying criteria in IFRS 10.
- Valuation of deferred income tax assets – The valuation of deferred income tax assets requires judgment on their recoverability. Such judgments are made based on management’s estimate on the timing and amount of the Company’s future taxable earnings.
- Valuation methodology of level 2 and level 3 investments. Refer to note 8 for more details.

While management believes that the estimates and assumption are reasonable, actual results may differ materially from those estimates.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new standards during the three months ended March 31, 2020:

MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS

The primary goals of the Company’s risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company’s objectives and risk tolerance. The Company’s investment strategy requires a level of risk in exchange for an above average return on investment. The Company plans to maintain an appropriate risk and reward balance while protecting the Company’s financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company’s business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company’s most prominent risks follows.

The investment operations of the Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market and interest risks. A discussion of the Company's use of financial instruments and their associated risks is provided below. There has been no change to the Company's risk management policies or processes during the period.

Liquidity Risk

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its operational activities and the proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient investments which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies.

The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long term. However, the Company may procure debt or equity financing from time to time to fund its operations.

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board monitors changes in the market on an ongoing basis and adjusts the Company's lending and investing practices and policies when necessary to reduce the impact of the above risks.

The Company's investments include publicly listed entities that are listed on a Canadian stock exchange. Changes in the fair value of investments designated as fair value through profit and loss are reported in the statement of comprehensive income.

The following table shows the estimated sensitivity on the statement of comprehensive income for the three months ended March 31, 2020 from a change in closing price of the Company's publicly listed investments, not including share purchase warrants and options (refer to note 8 for sensitivity of warrant and option inputs), of \$1,700,778 with all other variables held constant as at March 31, 2020:

Percentage of Change in Closing Prices	Change in comprehensive income from % increase in closing price	Change in comprehensive income from % decrease in closing price
5%	\$ 73,553	\$ (73,553)
10%	\$ 147,105	\$ (147,105)

Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

Should market interest rates rise, then the fair value of these convertible debentures and term debt may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. Additionally, the economic exposure to interest rate risk is mitigated by the Company's intention to either convert the debentures into the related underlying equities or, in the case of nonconvertible debentures, to hold the instrument until maturity.

As at March 31, 2020, if interest rates were higher by 1% per annum, the potential effect to the Company would be an increase in net income of approximately \$66,354 (December 31, 2019 – \$69,668).

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. Senior management is committed to several processes to ensure that this risk is appropriately mitigated. These include:

- obtaining collateral guarantees;
- the investigation of the creditworthiness of all borrowers;
- the engagement of qualified independent consultants such as lawyers and real estate appraisers, to whom management may reach for professional advice.
- the segregation of duties to ensure that qualified staff are satisfied with all due diligence requirements prior to funding; and
- the prompt initiation of recovery procedures on overdue loans.

As at March 31, 2020, gross accounts receivable of \$nil was past due and not impaired (December 31, 2019 - \$nil).

	March 31, 2020	December 31, 2019
Amounts receivable, excluding HST	\$ 712,397	\$ 607,325
Loans and convertible debentures	3,090,831	2,985,562
Total Credit Exposure	\$ 3,803,228	\$ 3,592,887

Currency Risk

Foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

The Company has cash and cash equivalents, certain receivables, convertible debentures and investments in companies denominated in a foreign currency. For the three months ended March 31, 2020 management estimates that if the United States dollar had strengthened or weakened by 10% against the Canadian dollar, assuming all other variables remained constant, net income for the period would have increased or decreased by approximately \$163,751 (December 31, 2019 - \$609,021).

Concentration Risk

Included in Investments - FVTPL is one investment which comprises 8% of the balance (December 31, 2019 – 8%).

OUTSTANDING SHARE DATA

Shares issued and outstanding:	March 31, 2020		December 31, 2019	
	No. of shares	Amount	No. of shares	Amount
Multiple voting shares	87,760	\$160,028	87,760	\$160,028
Subordinate voting shares	58,906,702	28,993,329	58,906,702	28,993,329
	58,994,462	\$29,153,357	58,994,462	\$29,153,357

There have been no changes to the number of multiple voting shares or subordinate voting shares subsequent to the reporting date of March 31, 2020 and as of the filing date of this MD&A.

During the three months ended March 31, 2020, there were no stock options granted or exercised, nor were there any which expired unexercised. The following stock options remained outstanding at March 31, 2020:

Grant date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining life (Years)
June 5, 2014	230,000	230,000	\$0.40	4.2
January 23, 2017	350,000	350,000	\$0.30	1.8
November 8, 2017	1,100,000	1,100,000	\$0.3625	2.6
June 4, 2018	1,250,000	833,334	\$0.455	3.2
August 31, 2018	300,000	200,000	\$0.455	3.4
November 29, 2018	575,000	383,334	\$0.505	3.7
	3,805,000	3,096,668	\$0.42	3.0

OTHER INFORMATION

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There has been no change in internal control procedures during the three months ended March 31, 2020 that would materially affect, or reasonably likely to materially affect, the internal control over financial reporting.

Limitations of Controls and Procedures

The Chief Executive Officer and Chief Financial Officer believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

RISK FACTORS

Risks related to the U.S. regulatory environment

The Company has made investments in entities operating in a highly regulated industry which is rapidly evolving. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Certain Investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of an Investee and may negatively affect the performance of the Company's investment portfolio.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of Investees and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce an Investee's earnings and could make future capital investments or its operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company is expected to have a portion of its revenues derived from its investments in Investees that are engaged, either directly or indirectly, in the cannabis industry in certain states of the U.S., which industry is illegal under U.S. federal law. Fountain Asset is indirectly involved in marijuana-related activities in the U.S. through its investments in Liberty, Consortium, Captor, Gage, CannCure, Green Growth and SOL Global, which are engaged in the cultivation or distribution of marijuana in the U.S. The enforcement of relevant laws is a significant risk.

Over half of the states in the U.S. have enacted legislation to regulate the sale and use of medical marijuana without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical marijuana with strict limits on the levels of THC. Other U.S. states had also legalized cannabis for adult use. Notwithstanding the permissive regulatory environment of medical or adult-use marijuana at the state level, marijuana continues to be categorized as a Schedule 1 controlled substance under the CSA. As such, marijuana-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution, are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will not absolve the Investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against them. Any such proceedings brought against the Investees may adversely affect the Company's financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding marijuana, investments in marijuana businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the CSA with respect to marijuana or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect certain current and future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the U.S.

Regulatory changes and compliance

The activities of the Investees are in many cases subject to regulation by governmental authorities. The Company cannot predict the time required for certain of its Investees to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and

products and could have a material adverse effect on these Investees' business and results of operations, which may negatively affect the performance of the Company's investment portfolio.

Certain Investees' operations may be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Investees' operations. Changes to such laws, regulations and guidelines due to matters beyond the control of the Investees may cause adverse effects to the Company's operations.

Local, state and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require certain Investees to incur substantial costs associated with bringing the operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt certain Investees' operations and result in a material adverse effect on financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's investment portfolio.

U.S. federal laws on marijuana industry

Marijuana is illegal under U.S. federal laws and enforcement of relevant laws is a significant risk. Therefore, the business operations of certain Investees are dependent on U.S. state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the return on the Company's investment portfolio.

The concepts of "medical marijuana" and "retail marijuana" do not exist under U.S. federal law. The CSA classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve Investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against Investees.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

There are risks associated with removal of U.S. federal budget rider protections

The U.S. Congress has passed the Joyce Amendment in successive budgets since 2015 to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating compliance with state and local laws. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term.

On December 22, 2018, the U.S. Congress failed to pass an omnibus appropriations bill for fiscal year 2019, causing a shutdown of the federal government. On February 15, 2019, the President of the United States signed an omnibus appropriations bill in respect of certain appropriations bills for the remainder of fiscal year 2019, which included appropriations protecting the medical cannabis industry. The Joyce Amendment was included in the 2020 Fiscal Year Appropriations Package of the federal budget for fiscal year 2020, which runs from October 1, 2019 to September

30, 2020, and was signed by the President of the United States on December 20, 2019 to pass. However, it should be noted that there is no assurance that such amendments will be passed into law.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business — even those that have fully complied with state law — could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Joyce Amendment in the 2021 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

Local regulation could change and negatively impact the Investees' operations

Most U.S. states that permit marijuana for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where Investees have established facilities decide to prohibit marijuana businesses from operating, such Investees could be forced to relocate operations at great cost to them, and such Investees may have to cease operations in such state entirely if alternative facilities cannot be secured.

Ability to access public and private capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. However, there can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. Given that marijuana is illegal under U.S. federal law, there is neither a broad nor deep pool of institutional capital that is available to cannabis licence holders and other participants in the U.S. cannabis sector. However, the Company does not anticipate that this will affect its ability to access capital given its limited involvement in the U.S. cannabis industry.

Dependence on key personnel

The Company is dependent upon the personal efforts, performance and commitment of its senior officers and directors, who are responsible for the development of the Company's business. Investors will be relying upon the business judgment, expertise and integrity of the Company's senior officers and directors. To the extent that the services of any of the senior officers or directors would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. The Company's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel.

Possible volatility of stock price

The market price of the Subordinate Voting Shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the subordinate voting shares.

Competition

The Company operates in an increasingly competitive environment. Both large and small competitors compete with the Company. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than the Company. The Company believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that the Company will be

able to compete effectively and retain its existing clients or attract and retain new clients. The Company's current and potential competitors may develop and market new products or services that render the Company's existing and future products and services less marketable or competitive.

Maintenance of client relationships

The ability of the Company to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. The Company's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Strategic relationships

The Company anticipates that, from time to time, it will enter into strategic relationships to syndicate certain bridge loans or similar assets where appropriate, as part of its strategy to diversify and manage risks associated with its fixed income portfolio. Syndication will afford the Company the opportunity to participate in much larger transactions. There can be no assurance that the Company will be able to enter into such relationships in the future, and its inability to do so may adversely affect its ability to continue to service its existing and prospective clients.