FOUNTAIN ASSET

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

Presented in Canadian Dollars

June 11, 2020

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Fountain Asset Corp. (the "**Company**") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The Company's significant accounting policies are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Company's Management's Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) *"Andrew Parks"*
Andrew Parks
President & Chief Executive Officer

(Signed) *"Michael Leskovec"*
Michael Leskovec
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Fountain Asset Corp.:

Opinion

We have audited the consolidated financial statements of Fountain Asset Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

MNP LLP

Toronto, Ontario
June 11, 2020

Chartered Professional Accountants
Licensed Public Accountants

MNP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars

As at December 31,	2019	2018
ASSETS		
Cash	**$ 335,537**	$ 1,414,192
Short-term investments *(note 4)*	**40,000**	40,000
Amounts receivable and sundry assets *(note 12)*	**625,945**	649,926
Loans and convertible debentures *(note 5)*	**2,985,562**	5,107,221
Investments - fair value through profit or loss *(note 6)*	**14,406,297**	29,704,875
	$ 18,393,341	$ 36,916,214
LIABILITIES		
Accounts payable and accrued liabilities	**$ 398,095**	$ 261,598
Accrued annual incentive plan *(note 11)*	**2,085,394**	2,585,394
Income taxes payable *(note 14)*	**29,375**	-
	2,512,864	2,846,992
SHAREHOLDERS' EQUITY		
Share capital *(note 9(b))*	**29,153,357**	29,153,357
Contributed surplus *(note 9(c))*	**6,369,593**	6,053,227
Deficit	**(19,642,473)**	(1,137,362)
	15,880,477	34,069,222
	$ 18,393,341	$ 36,916,214

Contingencies and commitments *(note 16)*
Subsequent event *(note 17)*

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

On behalf of the Board:

(Signed) "Andrew Parks" — Director

(Signed) "Morris Prychidny" — Director

FOUNTAIN ASSET

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Presented in Canadian Dollars

For the years ended December 31,		**2019**		2018
Revenue (Losses)				
Structuring fees, consulting fees and bonuses	**$**	**878,805**	$	5,824
Interest and dividend income		**326,150**		473,612
Net realized gains (losses) on portfolio investments		**(1,332,308)**		14,418,773
Net unrealized losses on portfolio investments		**(17,043,178)**		(1,656,852)
		(17,170,531)		13,241,357
Expenses				
Salaries and consulting fees		**340,093**		337,197
General and administrative		**262,494**		319,762
Audit and legal fees		**256,505**		346,697
Commissions		**119,642**		211,499
Filing and listing fees		**10,105**		23,733
Annual incentive plan expense *(note 11)*		**-**		2,585,394
Stock-based compensation *(note 9(c))*		**316,366**		546,490
		1,305,205		4,370,772
Income (loss) before income taxes		**(18,475,736)**		8,870,585
Income tax provision *(note 14)*		**(29,375)**		(286,326)
Net income (loss)	**$**	**(18,505,111)**	$	8,584,259
Net income (loss) per share - basic and diluted	**$**	**(0.31)**	$	0.15
Weighted average number of shares outstanding during the year:				
Basic		58,994,462		58,285,025
Diluted		58,994,462		58,754,832

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Presented in Canadian Dollars

	Share Capital	Contributed surplus	Deficit	Total shareholders' equity
Balance at January 1, 2018	**$ 27,132,741**	**$ 5,531,786**	**$ (9,721,621)**	**$ 22,942,906**
Issuance of common shares, net of share issue costs of $10,433	1,942,567	-	-	1,942,567
Issuance of common shares on exercise of stock options	53,000	-	-	53,000
Stock based compensation	-	546,490	-	546,490
Fair value of stock options transferred on exercise	25,049	(25,049)	-	-
Comprehensive income	-	-	8,584,259	8,584,259
Balance at December 31, 2018	**29,153,357**	**6,053,227**	**(1,137,362)**	**34,069,222**
Stock based compensation	-	316,366	-	316,366
Comprehensive loss	-	-	(18,505,111)	(18,505,111)
Balance at December 31, 2019	**$ 29,153,357**	**$ 6,369,593**	**$ (19,642,473)**	**$ 15,880,477**

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

FOUNTAIN ASSET

CONSOLIDATED STATEMENTS OF CASH FLOWS

Presented in Canadian Dollars

For the years ended December 31,	**2019**	2018
Cash provided by (used in)		
Operations		
Net income (loss)	**$ (18,505,111)**	$ 8,584,259
Items not involving cash:		
Income tax provision	**29,375**	286,326
Unrealized losses on portfolio investments	**17,043,178**	1,656,852
Realized losses (gains) on sale of portfolio investments	**1,332,308**	(14,418,773)
Proceeds from sale of investments	**14,697,673**	28,872,314
Purchase of investments	**(15,179,121)**	(26,758,535)
Acquired loans and convertible debentures	**(4,113,376)**	(3,206,590)
Repayments of loans and convertible debentures	**3,639,575**	407,779
Repayment of loan syndication	**-**	(330,000)
Stock compensation expense	**316,366**	546,490
Shares issued for non-cash consideration *(note 9(b))*	**-**	615,600
Change in non-cash working capital:		
Amounts receivable and sundry assets	**23,981**	(221,028)
Accounts payable and accrued liabilities	**136,497**	115,615
Accrued annual incentive plan	**(500,000)**	2,585,394
	(1,078,655)	(1,264,297)
Financing		
Proceeds from issuance of common shares issued	**-**	1,337,400
Share issue costs	**-**	(10,433)
Proceeds from stock options exercised	**-**	53,000
	-	1,379,967
Change in cash and cash equivalents	**(1,078,655)**	115,670
Cash and cash equivalents, beginning of year	**1,414,192**	1,298,522
Cash and cash equivalents, end of year	**$ 335,537**	$ 1,414,192

Supplementary cash flow information *(note 10)*

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

1. NATURE OF OPERATIONS

Fountain Asset Corp. (the "**Company**") is a publicly traded company incorporated and domiciled in Canada. The Company is an investment company focused on creating shareholder value by offering various debt and/or equity financing solutions to companies across many industries such as manufacturing, retail, financial services, technology, cannabis, biotechnology, oil and gas, mining, and cryptocurrency. The Company's subordinate voting shares are listed on the TSX Venture Exchange ("**TSXV**") under the symbol "FA".

The address of the Company's registered head office is 99 Scollard Street, Toronto, Ontario, M5R 1G4.

The consolidated financial statements as at and for the years ended December 31, 2019 have been approved for issue by the Board of Directors on June 11, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). These financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations and have been consistently applied to all the years presented and by all subsidiaries. The principal accounting policies applied in the preparation of these financial statements are set out below.

These financial statements comprise the statements of income and statements of comprehensive income showing as two statements, the statements of financial position, the statement of changes in shareholders' equity, the statements of cash flows and the accompanying notes to the financial statements.

(b) Basis of presentation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for valuation of fair value through profit or loss ("**FVTPL**") financial assets which are shown at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company classifies its expenses by function.

The statements of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined using the indirect method. Net income is therefore adjusted for non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables, prepaid expenses, accounts payable and accrued liabilities and income taxes receivable and payable. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received or paid is classified as operating cash flows. The cash flows from investing and financing activities are determined using the direct method. The Company's assignment to operating, investing and financing category depends on the business model (management approach).

(c) Principles of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As an investment entity, the Company is required to account for its investments in subsidiaries (Somersby Park 2010 Limited Partnership, and the Auto repair finance company) at FVTPL rather than by consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of consolidation (continued)

(i) Subsidiaries (continued)

The Company has concluded that Foothills Development Inc. ("**Foothills**"), and Foothills wholly-owned subsidiary Newborn Realty Corporation (**"Newborn"**), should be consolidated as this entity provides services relating to the Company's investment activities. All intercompany balances, profits and transactions are eliminated in full.

Foothills and Newborn were dissolved effective December 30, 2019 *(note 7)*.

(ii) Status as investment entity

The following are the criteria within IFRS 10, Consolidated financial statements, which the Company used to evaluate and determine that it continues to meet the definition of an Investment Entity:

(a) Obtain 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; and

(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. As a result of meeting the definition of an Investment Entity, except for Foothills, subsidiaries which otherwise would have been consolidated are carried at fair value.

(d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Company commits to purchase or sale of the asset. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

All new investments held by the Company are designated as FVTPL upon initial recognition. The Company includes equities, loans and receivables, loans and convertible debentures, and other interest-bearing investments in this category. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

(i) Financial assets

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss (“**FVTPL**”), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at FVTPL are expensed in profit or loss when incurred. The Company derecognizes financial assets when its contractual rights to the cashflows from the financial asset expire.

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“**FVOCI**”) or FVTPL. The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

	Classification	Measurement
Cash	FVTPL	Fair value
Receivables	Amortized cost	Amortized cost
Marketable securities	FVTPL	Fair value
Other investments	FVTPL	Fair value
Loans and convertible debentures	Amortized cost/FVTPL	Amortized cost/FVTPL

The Company does not have financial assets classified as FVOCI.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company’s claim to cash flows, and any features that modify consideration for the time value of money.

All financial instruments are measured at fair value except for loans and receivables which are measured at amortized cost, using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income.

Cash, Short-Term Investments, Derivatives and Conversion Features of Convertible Debt:

Cash, short-term investments, derivatives and conversion features of convertible debt are classified as FVTPL. Cash and cash equivalents consists of cash on hand and short-term investments with remaining maturities of less than three months.

Amounts Receivable:

Amounts receivable are subsequently measured at amortized cost, subject to impairment reviews.

Convertible Debenture Receivable:

When the Company holds debentures that are convertible into the issuer’s equity shares at the Company’s option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The convertible debenture is classified as FVTPL and recorded at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Investments in Publicly Traded Companies:

Investments in publicly traded companies have been designated as FVTPL and are recorded in the consolidated statements of financial position at fair value. Fair value is determined directly by reference to quoted market closing prices in active markets. In instances where securities are subject to restrictions on sale or transfer, the securities are recorded at amounts discounted from market value to a maximum of 20%. In determining the discount for such investments, the Company considers the nature and length of the restriction.

Included in investments is the fair value of the Company's investments in share purchase warrants and options of other corporations which are designated at FVTPL. Where the value of these warrants and options is not publicly quoted in active markets, the Company employs the Black-Scholes pricing model to determine fair value.

Investments in Private Companies:

Privately-held investments have been designated as fair value through profit or loss and are recorded in the consolidated statements of financial position at fair value. Fair value is measured using one or more of the valuation indicators described below. These are included in level 2 or 3 of the fair value hierarchy. The determinations of fair value of the Company's privately-held investments are subject to certain limitations.

(ii) Financial liabilities

Financial liabilities are classified into one of two categories: FVTPL or other financial liabilities.

Accounts payable and accrued liabilities, and the accrued annual incentive plan are classified as other financial liabilities which are measured at amortized cost.

(e) Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Publicly traded marketable securities and other investments, including shares, options and warrants are recorded at fair values based on the last quoted close price, within the bid-ask spread, at the statement of financial position date. For options and warrants which are not traded on a recognized securities exchange and where there are sufficient and reliable observable market inputs, the Black-Scholes model for valuation is used.

Private investments that do not have a quoted market price in an active market are evaluated using various techniques including comparative recent financing and other market-based information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, measured at amortized cost. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for amounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset. These include amounts receivable and loans and convertible debentures.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Should the cash flow assumptions used to determine the original loan loss provision change, the loan loss provision may be reversed. A loan loss provision is reversed only to the extent that the revised carrying value of the loan does not exceed its amortized cost that would have been recorded had no loan loss provision been recognized.

(g) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(h) Investments in associates

The Company has determined that it meets the definition of an "investment entity" and as a result, associates are measured at FVTPL. Refer to Note 7 for specific disclosures related to investments in associates.

(i) Revenue recognition

Interest income is recorded on an accrual basis using the effective interest rate method. Under the effective interest rate method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue and recognized in income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition (continued)

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of comprehensive income.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of comprehensive income as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Other income and income from securities lending are recorded on an accrual basis.

Management and consulting fees are recognized over the period in which the services are provided.

(j) Foreign currencies

The financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with brokers, and highly liquid investments with an original maturity at the date of purchase of three months or less.

(l) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(m) Share based payment transactions

The fair value of share options granted to employees are recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including Directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share based payment transactions (continued)

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(n) Earnings per share

Basic earnings per share are calculated using the weighted average number of multiple and subordinate voting shares outstanding during the year.

Diluted earnings per share is calculated by dividing net earnings available to shareholders for the period by the diluted weighted average number of multiple and subordinate shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

In years that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

(o) Changes in accounting policies

The Company has adopted the following standard during the years ended December 31, 2019:

IFRS 16 – Leases ("**IFRS 16**") – In January 2016 the IASB issued IFRS 16 which eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and lease liability in the consolidated statement of financial position for all leases with exemptions permitted for short-term leases (12 months or less) and leases of low value assets (less than US$5,000).

Where an arrangement meets the IFRS 16 definition of a lease, at the commencement a loan obligation for future lease payables is recognized together with a non-current assets representing the right to use the underlying asset during the lease term. In place of the lease rental expense in the consolidated statements of comprehensive income, lease costs are recognized in the form of amortization of the right-of-use asset and interest on the lease liability.

The Company has implemented IFRS 16 for the year ending December 31, 2019 using the modified retrospective method with no restatement of prior year comparatives. The adoption of IFRS 16 did not have a material impact on the financial statements of the Company. The Company elected to take advantage of the option not to recognize a right of use asset and associated lease liability for low-value (less than USD $5,000) or short-term (12 months or less) assets.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Presented in Canadian Dollars

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) 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; and

(ii) Valuation methodology of level 2 and level 3 investments. Refer to note 8 for more details.

(b) Critical accounting judgments

Management exercises judgment in applying criteria in IFRS 10 - Consolidated Financial Statements, which determines the Company's status as an investment entity. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.

4. SHORT-TERM INVESTMENTS

The Company has outstanding $40,000 in a short-term guaranteed investment certificate with its financial institution at December 31, 2019 (December 31, 2018 - $40,000). These investments are held as security on its credit card line with a Schedule A Canadian chartered bank.

5. LOANS AND OTHER CONVERTIBLE DEBENTURES

The Company's investment in loans and convertible debentures consist of the following:

			Financial	Dec. 31, 2018		**Dec. 31, 2019**	
FVTPL	Instrument	Interest rate / term	instrument hierarchy	Cost	**Fair value**	Cost	**Fair value**
2400918 Ontario Inc.	Term debt	15%, < 1 year	Level 3	$ 3,024,129		$ 3,024,129	
Advantagewon Oil Corp.	Convertible debt	24% & 12%, > 1 yr	Level 3	337,558		48,611	
Central Coast	Convertible debt	8%, > 1 year	Level 3	268,040		268,040	
Compression Capital Corp.	Term debt	8%, > 1 year	Level 3	-		500,000	
Cool Holdings Ltd.	Convertible debt	12%, < 1 year	Level 3	786,267		786,267	
Cryptologic Corp.	Convertible debt	8%, > 1 year	Level 3	500,000		568,598	
Cura Partners	Convertible debt	8%, > 1 year	Level 3	327,611		327,611	
Humble & Fume Inc.	Convertible debt	8%, > 1 year	Level 3	-		300,000	
Legacy Eight Group Ltd.	Convertible debt	10%, > 1 year	Level 3	417,105		-	
Popreach Incorporated	Convertible debt	8%, > 1 year	Level 3	-		250,000	
Rise Life Sciences	Convertible debt	12%, > 1 year	Level 3	250,000		250,000	
Sail Cannabis Inc.	Convertible debt	5%, < 1 year	Level 3	250,000		-	
Sweet Natural Trading Co.	Convertible debt	15%, < 1 year	Level 3	885,000		-	
Wayland Group Corp.	Convertible debt	9%, > 1 year	Level 3	250,000		250,000	
Ways Security Inc.	Convertible debt	6%, < 1 year	Level 3	62,095		62,095	
				$ 7,357,805	**$ 5,107,221**	$ 6,635,351	**$ 2,985,562**

(1) Under the adoption of IFRS 9 *(note 2(o))*, this loan as been reclassified from amortized cost to FVTPL as at January 1, 2018.

Presented in Canadian Dollars

6. INVESTMENTS - FVTPL

The following chart lists the investments carried at FVTPL. See note 8 for fair value measurement techniques and evaluations.

Investment	Instrument	Financial instr. hierarchy	Dec. 31, 2018 Cost	Dec. 31, 2018 **Fair value**	**Dec. 31, 2019** Cost	**Dec. 31, 2019 Fair value**
12x Investments LP	Equity	3	$ 48,000		$ -	
1616 Media Ltd.	Equity	3	32,920		32,920	
2459160 Ontario Inc.	Equity	3	-		217,763	
2459160 Ontario Inc.	Warrants	3	-		112,237	
3 Sixty Risk Solutions Ltd.	Equity	3	860,377		-	
African Cannabis Corp.	Equity	3	450,000		450,000	
Attorneys Title Guaranty Fund Inc.	Equity	3	413,000		413,000	
BabelBark Inc.	Equity	3	261,580		729,618	
Bespoke Holdings Inc.	Equity	3	50,000		50,000	
Beacon Hill Brands Inc.	Equity	3	-		400,855	
Blacklist Holdings Inc.	Equity	3	100,000		-	
Blueberries Cannabis Corp.	Equity	3	100,000		-	
Bravio Technologies Limited	Equity	3	360,525		360,525	
Brazil Investments Inc.	Equity	3	202,595		202,595	
The BRN Group Inc.	Equity	3	-		305,479	
Canapar Corp.	Equity	3	199,800		199,800	
Canivate Growing Systems Ltd.	Equity	3	110,565		176,008	
Canivate Growing Systems Ltd.	Warrants	3	46,935		81,492	
CannAgri Blockchain Inc.	Equity	3	119,849		119,849	
CannAgri Blockchain Inc.	Warrants	3	60,151		60,151	
Cannbiorex Pharmaceuticals Corp.	Equity	3	50,000		190,700	
Casters Holdings Inc.	Equity	3	-		497,825	
Canncure Investments Inc.	Equity	3	392,820		392,820	
ColCan Investments	Equity	3	88,000		-	
Compression Capital Corp.	Equity	3	50,000		-	
Copeland Biosciences Corp.	Equity	3	500,000		505,000	
Cultivate Capital Corp.	Equity	3	100,000		355,166	
Cultivate Capital Corp.	Warrants	3	-		44,834	
Embark Health Inc.	Equity	3	138,509		138,509	
Embark Health Inc.	Warrants	3	11,491		11,491	
Gage Cannabis	Equity	3	502,500		682,500	
Gen X Biosciences	Equity	3	250,000		250,000	
Goodee Inc.	Equity	3	-		250,002	
Heavenly RX Ltd.	Equity	3	-		80,000	
Hemp Hydrate International	Equity	3	-		219,509	
Hemp Hydrate International	Warrants	3	-		30,491	
Holistic Industries Inc.	Equity	3	-		130,873	
Impulsa Capital LLC	Equity	3	66,510		66,510	
Katexco Pharmaceuticals Corp.	Equity	3	100,000		240,700	
Legacy Eight Group Ltd.	Equity	3	-		427,180	
Miraculo Inc.	Equity	3	100,000		105,000	
Molecular Science Corp.	Equity	3	250,000		250,000	
Molecule Inc.	Equity	3	-		100,000	
Newt Inc.	Equity	3	50,000		50,000	
Payfare Inc.	Equity	3	100,000		100,000	
Promedia Investments Incorporated	Equity	3	263,120		263,120	
Prominex Resources Corp.	Equity	3	-		18,650	
Reciprocity Corp.	Equity	3	70,000		140,000	
Sail Cannabis Inc.	Equity	3	250,100		-	
Slang Worldwide Inc.	Equity	3	367,081		-	
Slang Worldwide Inc.	Warrants	3	32,669		-	
Somersby Park 2010 Ltd Partnership	Equity	3	772,079		772,079	
Southern Sun Pharma	Equity	3	-		99,999	
Taste Brands Corp.	Equity	3	200,000		200,000	
Trait Biosciences Incorporated	Equity	3	192,000		192,000	
UMG Media Group	Equity	3	240,000		-	
X2 Blockchain Games Corp.	Equity	3	200,000		-	
Private company investments - FVTPL			$ 8,753,176	**$ 11,380,120**	$ 10,717,250	**$ 10,095,197**

Presented in Canadian Dollars

6. INVESTMENTS - FVTPL (continued)

Investment	Instrument	Financial instr. hierarchy	Dec. 31, 2018 Cost	Dec. 31, 2018 **Fair value**	**Dec. 31, 2019** Cost	**Dec. 31, 2019 Fair value**
3 Sixty Risk Solutions Ltd.	Equity	1	$ -		$ 110,857	
Advantagewon Oil Corp.	Equity	1	65,587		245,456	
Artemis Gold Inc.	Equity	1	-		16,318	
Artemis Gold Inc.	Warrants	3	-		10,682	
BevCanna Enterprises Inc.	Equity	1	50,000		50,000	
Bragg Gaming Group	Equity	1	833,852		817,062	
Bragg Gaming Group	Warrants	3	106,263		106,263	
Cannacord Genuity Growth Corp.	Equity	1	480,000		-	
Cannabis Strategies Acquisition	Equity	1	353,750		-	
Canntrust Holdings Inc.	Warrants	3	20,458		20,458	
Cansortium Inc.	Equity	1	-		2,834,575	
Cansortium Inc.	Warrants	3	-		528,545	
Captor Capital Corp.	Warrants	3	36,268		36,268	
CGX Energy Inc.	Equity	1	-		52,660	
Clear Blue Technologies Inc.	Equity	1	250,000		-	
Cool Holdings Inc.	Equity	1	427,454		-	
Cool Holdings Inc.	Warrants	3	475,488		475,488	
Cryptologic Corp.	Equity	1	419,608		-	
Cryptologic Corp.	Warrants	3	110,393		110,393	
Docebo Inc.	Equity	1	-		240	
Eco Atlantic Oil & Gas Inc.	Equity	1	-		67,238	
Frankly Inc.	Equity	1	-		99,993	
Frankly Inc.	Warrants	3	-		18,030	
Green Growth Brands Ltd.	Equity	1	1,203,400		1,938,677	
Green Growth Brands Ltd.	Warrants	3	176,997		176,997	
High Tide Inc.	Equity	1	1,171,735		283,022	
HTC Purenergy Inc.	Equity	1	-		41,866	
HTC Purenergy Inc.	Warrants	3	-		38,432	
Ignite International Brands	Equity	1	176,447		-	
Ignite International Brands	Warrants	3	13,553		-	
Integrity Gaming Corp.	Equity	1	2,800,150		-	
Isracann Biosciences Inc.	Equity	1	-		34,000	
Kew Media Inc.	Equity	1	-		81,545	
Kew Media Inc.	Warrants	1	-		315,000	
Liberty Health Sciences Inc.	Warrants	3	64,539		64,539	
Organto Foods Inc.	Equity	1	189,891		-	
Organto Foods Inc.	Warrants	3	10,109		10,109	
Pacific Rim Cobalt Corp.	Warrants	3	-		8,198	
Rise Life Sciences Corp.	Warrants	3	98,204		98,204	
Saturn Oil & Gas Inc.	Equity	1	204,020		-	
Saturn Oil & Gas Inc.	Warrants	3	110,977		110,977	
Slang Worldwide Inc. .	Equity	1	-		-	
SOL Global Investments Corp.	Equity	1	699,841		602,764	
Spectra7 Microsystems Inc.	Equity	1	1,897,924		919,788	
Spectra7 Microsystems Inc.	Warrants	3	38,846		60,885	
Sweet Natural Trading Co. Ltd	Equity	1	225,339		225,339	
Sweet Natural Trading Co. Ltd .	Warrants	3	-		19,917	
Tidal Royalty Corp.	Equity	1	520,529		528,034	
Tidal Royalty Corp.	Warrants	3	15,361		15,361	
Wayland Group Corp.	Equity	1	741,761		741,761	
Wayland Group Corp.	Warrants	3	296,479		296,479	
Westleaf Inc.	Equity	1	268,550		-	
Zoomd Technologies Ltd.	Equity	1	-		473,000	
Public company investments - FVTPL			$ 14,553,773	**$ 18,324,755**	$ 12,685,420	**$ 4,311,100**
			$ 23,306,949	**$ 29,704,875**	$ 23,402,670	**$ 14,406,297**

Presented in Canadian Dollars

7. SUBSIDIARIES AND ASSOCIATES

The Company's subsidiaries are as follows:

Subsidiary/Associate	2019 Ownership	2018 Ownership	Place of business
Foothills Development Inc.	0%	100%	United States
Newborn Realty Corporation	0%	100%	United States
Somersby Park 2010 Limited Partnership	73%	73%	United States
Auto repair finance company	50%	50%	Canada

Foothills Development Inc. and Newborn Realty Corporation were dissolved on December 31, 2019.

The Company is the parent company of the general partner of GC Global Capital Lending Partners Limited Partnership and Somersby Park 2010 General Partner Inc. (Somersby). The General Partner has unlimited liability for the liabilities and obligations of the partnerships in excess of the contributions of the limited partners. As at December 31, 2019, there were no outstanding liabilities or obligations for which the Company was contingently liable.

Somersby owns vacant real estate in the United States. There were no sales during the years ended December 31, 2019 or during the year ended December 31, 2018.

8. FAIR VALUE MEASUREMENTS

The following table presents the Company's financial assets as categorized on the statement of financial position measured at fair value and classified into levels of the fair value hierarchy:

As at December 31, 2019	Level 1	Level 2	Level 3
Cash and short term investments	$ 375,537	$ -	$ -
Loans and convertible debt - FVTPL	-	-	2,985,562
Investments - FVTPL	3,744,717	-	10,661,580
	$ 4,120,254	$ -	$ 13,647,142

As at December 31, 2018	Level 1	Level 2	Level 3
Cash and short term investments	$ 1,454,192	$ -	$ -
Loans and convertible debt - FVTPL	-	-	5,107,221
Investments - FVTPL	15,194,558	-	14,510,317
	$ 16,648,750	$ -	$ 19,617,538

Fair value estimation

The Company's management review and approve the valuation results of all investments in the portfolio based on all observable and non-observable inputs. The Company also will engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the Company's consolidated financial statements.

8. FAIR VALUE MEASUREMENTS (continued)

The fair value of the Company's investments is determined as follows:

Listed securities

The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Company uses the last traded market price where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of securities that are subject to trading restrictions are recorded at a value which takes into account the length and nature of the restrictions, if needed.

Unlisted securities

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

For unlisted equity instruments:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.
- Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate.
- Investments in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade.
- Investments in established companies for which there has not been any recent independent funding or secondary private market transaction are valued by using revenue or earnings multiples. When valued on a multiple basis, the maintainable revenue or earnings of a portfolio company are multiplied by an appropriate multiple. The multiple is derived from the market capitalization of a peer group. Companies are selected for the peer group that are comparable with the portfolio company to be valued as to their business model and size. If the portfolio company to be valued differs in certain aspects compared with features of companies in the peer group, discounts or premiums are applied to the relevant multiple or resulting valuation.
- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.
- For public company warrants, options and conversion features on debt (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as Black-Scholes are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.

Presented in Canadian Dollars

8. FAIR VALUE MEASUREMENTS (continued)

- Loans, debentures and promissory notes issued by investees are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures receivable is measured using valuation techniques including discounted cash flow models and modified Black Scholes option pricing models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by Management is required in establishing fair values. Judgements include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events and IPO events, and share prices of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

During the years ended December 31, 2019, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance - December 31, 2017	$ 8,415,447
Transfers (to) from Level 1	(425,000)
Purchases	10,388,199
Conversion of debt	(407,779)
Dispositions	(1,678,601)
Change in unrealized gains (losses)	3,325,272
Balance - December 31, 2018	19,617,538
Transfers (to) from Level 1	(3,293,119)
Purchases	4,984,901
Dispositions	(2,246,367)
Change in unrealized gains (losses)	(5,415,811)
Balance - December 31, 2019	**$ 13,647,142**

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2019:

Investment	Method	Inputs
Equity Instruments	Transaction price	Recent purchase price
Convertible Debt	Black Scholes model on conversion	Market prices, volatility, discount rate
Warrants	Black Scholes model	Market prices, volatility, discount rate

As at December 31, 2019, if fair values were higher by 2% per annum, the potential effect to the Company would be a decrease in net unrealized losses on portfolio investments by $108,316. If fair values were lower by 2% per annum, the potential effect to the Company would be an increase in net unrealized losses on portfolio investments by $108,316.

Presented in Canadian Dollars

9. SHARE CAPITAL

(a) Authorized Capital

Unlimited number of:

Multiple voting shares ("**MVS**")

Subordinate voting shares ("**SVS**")

Preferred shares

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share.

(b) Issued

Multiple Voting Shares	Number of shares	Consideration
Balance - December 31, 2017	304,662	$ 555,543
MVS converted to SVS shares on a 1:1 basis	(216,302)	(394,421)
Balance - December 31, 2018	88,360	161,122
MVS converted to SVS shares on a 1:1 basis	(600)	(1,094)
Balance - December 31, 2019	87,760	$ 160,028

Subordinate Voting Shares	Number of shares	Consideration
Balance - December 31, 2017	53,974,800	$ 26,577,198
Issuance of common shares on private placement	4,500,000	1,953,000
Share issue costs	-	(10,433)
MVS converted to SVS shares on a 1:1 basis	216,302	394,421
Issuance of common shares on exercise of stock options	215,000	53,000
Fair value of stock options transferred on exercise	-	25,049
Balance - December 31, 2018	58,906,102	28,992,235
MVS converted to SVS shares on a 1:1 basis	600	1,094
Balance - December 31, 2019	58,906,702	$ 28,993,329
Total MVS and SVS Shares - December 31, 2019	**58,994,462**	**$ 29,153,357**

On February 22, 2018, the Company completed a non-brokered private placement financing of 4,500,000 subordinate SVS shares. For this placement, the consideration comprised of $1,337,400 in cash and $615,600 in shares of another public company. 1,528,000 shares of the Company were issued in exchange for the 360,000 shares of the other public company. The value of the shares issued was based on the closing price of the public company shares received. Share issue costs of the transaction amounted to $10,433.

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(c) Contributed Surplus

Share-based Payment Reserve

Balance - December 31, 2017	$	5,531,786
Stock-based compensation		546,490
Exercise of stock options		(25,049)
Balance - December 31, 2018		6,053,227
Stock-based compensation		316,366
Balance - December 31, 2019	**$**	**6,369,593**

Stock Options

The Company has a stock option plan (the "**Plan**") which was approved by the Board of Directors of the Company. The total number of shares reserved for issuance under the Plan is equal to 10% of the outstanding Subordinate Voting Shares.

The Plan is for the benefit of the employees, officers and directors of the Company. The Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee may from time to time designate individuals to whom options to purchase shares of the capital stock of the Company may be granted, the number of shares to be optioned to each and the vesting terms of such options. The option price per share which is the subject of any option shall be fixed by the Board of Directors when such option is granted. The option price can be discounted according to the rules of the Exchange at the time the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the Exchange, and notwithstanding any specific agreements with the Company, the options will expire upon the termination of the employment or office with the Company or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding shares. It has been the Company's policy for options to vest upon issuance, however it remains open to change at the Board's discretion.

	Number of options		Weighted average exercise price
Balance - December 31, 2017	2,770,000	$	0.38
Granted	2,125,000		0.47
Exercised	(215,000)		(0.26)
Forfeited	(875,000)		0.46
Balance - December 31, 2018 and December 31, 2019	**3,805,000**	**$**	**0.43**

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

Stock Options (continued)

There were no stock options issues during the year ended December 31, 2019. During the year ended 2018, the following stock options were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends and a nil forfeiture rate):

			Black-Scholes option pricing parameters				
Expiry date	Number of options	Exercise price	Grant date share price	Interest rate	Expiry date (years)	Volatility factor	Fair value
June 4, 2023	1,250,000	$0.455	$0.45	1.30%	5.0	90%	$0.35
August 31, 2023	300,000	$0.455	$0.45	1.30%	5.0	90%	$0.34
November 29, 2023	575,000	$0.505	$0.50	1.30%	5.0	98%	$0.37

The fair value of the options was estimated at $750,323 using the Black-Scholes pricing model with the following assumptions as described above. The vested fair value recorded during the years December 31, 2019 was $316,366 (December 31, 2018 - $546,490).

A summary of the Company's outstanding stock options at December 31, 2019 is presented below:

Grant date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining life (years)
June 5, 2014	230,000	230,000	$0.40	4.4
January 23, 2017	350,000	350,000	$0.30	2.1
November 8, 2017	1,100,000	1,100,000	$0.3625	2.9
June 4, 2018	1,250,000	833,334	$0.455	3.4
August 31, 2018	300,000	200,000	$0.455	3.7
November 29, 2018	575,000	383,334	$0.505	3.9
	3,805,000	3,096,668	$0.42	3.3

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of the Company. Changes in the underlying assumptions can materially affect the fair value estimates. The options issued to non-employees were valued using the fair value of the equity instrument granted in the absence of a reliable estimate of the fair value of the goods or services received.

10. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31,		**2019**		2018
Interest income received	**$**	**326,150**	$	473,612
Interest paid	**$**	**7,803**	$	13,911

Presented in Canadian Dollars

11. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key management personnel of the Company consisted of the following:

For the years ended December 31,		**2019**		2018
Cash compensation	**$**	**288,750**	$	325,333
Annual incentive plan expense		**-**		2,585,394
Fair value of stock options		**316,366**		546,490
	$	**605,116**	$	3,457,217

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 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. As at December 31, 2019, $nil was accrued for the 2019 annual incentive plan (December 31, 2018 - $2,585,394).

12. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to directors and executive management and entities over which they have control or significant influence were as follows:

	Amounts Receivable/Investment			
		December 31, 2019		December 31, 2018
Somersby Park 2010 Limited Partnership	**$**	**600,825**	$	1,489,597

		Transaction value for the years ended				Balance outstanding as at			
Transaction	*Note*		**December 31, 2019**		December 31, 2018		**December 31, 2019**		December 31, 2018
Consulting	*(1)*	**$**	**60,000**	$	40,000	**$**	**-**	$	-

(1) During the years ended December 31, 2019, the Company paid financial consulting fees of $60,000 (years ended December 31, 2018 - $40,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of the Company. At December 31, 2019, the balance owed was $nil (December 31, 2018 - $nil).

These transactions have been recorded at the exchange amounts established and agreed to by the related parties.

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 the related party, the name of the related officer or director of the Company and the position they held with the investee company.

Investment	Ownership	Officer/Director Name	Position Held
BabelBark Inc.	<10%	Paul Kelly	Director
Cannbiorex Pharmaceuticals Corp. (a)	<10%	Roger Daher	Director
Cool Holdings Inc.	<10%	Michael Galloro	Director
Foothills Developments Inc. (b)	100%	Andrew Parks	Officer
Newborn Realty Corporation (b)	100%	Andrew Parks	Officer
Somersby Park 2010 Limited Partnership	<10%	Andrew Parks	Director
The BRN Group Inc.	<10%	Andrew Parks	Director

(a) During July 2019, Roger Daher, a director of the Company, resigned from his position with Cannbiorex Pharmaceutical Corp.

(b) Newborn and Foothills were dissolved as at December 30, 2019 and as a result were no longer being consolidated.

Presented in Canadian Dollars

13. CAPITAL MANAGEMENT

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 Company includes the following in its capital:

As at December 31,	**2019**	2018
Shareholders' equity comprised of		
Share capital	**$ 29,153,357**	$ 29,153,357
Contributed surplus	**6,369,593**	6,053,227
Retained earnings	**(19,642,473)**	(1,137,362)
Accumulated other comprehensive income	**-**	-
	$ 15,880,477	$ 34,069,222

There were no changes to the Company's capital management objectives during the period. The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;

(b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;

(c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends; and

(d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

There were no changes to the way the Company manages its capital structure during the period. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk of its underlying assets. The Company has the ability to maintain or adjust its capital level to enable it to meet its objectives by:

(a) realizing proceeds from the disposition of its investments;

(b) utilizing leverage in the form of margin (due to brokers) and long-term debt from financial lenders; and

(c) raising capital through equity financings.

Presented in Canadian Dollars

14. INCOME TAXES

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets and unused tax losses have not been recognized in respect of the following deductible temporary differences:

As at December 31,	**2019**	2018
Capital loss carry-forward	**$ 21,964,545**	$ 11,573,047
Portfolio investments	**11,883,076**	1,125,291
Share issue costs	**6,260**	100,819
Net operating loss carry-forward (US)	**-**	290,997
Others	**179,480**	-
	$ 34,033,361	$ 13,090,154

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

As at December 31,	**2019**	2018
Deferred Tax Assets		
Capital losses carried forward	**$ -**	$ 984,357
Deferred Tax Liabilities		
Investments	**-**	(984,357)
Net Deferred Tax Asset	**$ -**	$ -

Capital losses may be carried forward indefinitely but can only be applied against capital gains for income tax purposes.

The provision for income taxes differs from the result that would have been obtained by applying the combined federal and provincial statutory Canadian income tax rates of 26.5% (2018 - 26.5%) to the income (loss) before income taxes. The difference results from the following items:

For the years ended December 31,	**2019**	2018
Income before income taxes	**$ (18,475,736)**	$ 8,870,585
Expected income tax recovery at statutory rates	**$ (4,896,070)**	$ 2,350,705
Increase (decrease) resulting from:		
Permanent differences	**2,505,130**	(1,545,585)
Tax rate changes and other adjustments	**-**	122,231
Deferred tax assets not previously recognized	**2,420,297**	(641,025)
	$ 29,357	$ 286,326

The details of the provision for income taxes are as follows:

For the years ended December 31,	**2019**	2018
Current tax provision	**$ 29,375**	$ 286,326
Deferred tax provision	**$ -**	$ -

15. 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.

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, interest, credit and currency 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.

(a) 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, accrued liabilities and due to broker, all have contractual maturities of less than 30 days and are subject to normal trade terms. The syndicated loans carry similar terms and conditions and have various terms ranging from 9 to 30 months. 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.

(b) 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.

Presented in Canadian Dollars

15. MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS (continued)

(b) Market risk (continued)

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 years ended December 31, 2019 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options (refer to note 9 for sensitivity of warrant and option inputs), with all other variables held constant as at December 31, 2019:

Percentage of change in closing prices	Change in comprehensive income (net of tax) from % increase in closing price	Change in comprehensive income (net of tax) from % decrease in closing price
5%	$ 187,236	$ (187,236)
10%	$ 374,472	$ (374,472)

(c) 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 December 31, 2019, if interest rates were higher by 1% per annum, the potential effect to the Company would be an increase in net income of approximately $69,668 (December 31, 2018 – $43,200).

(d) 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 December 31, 2019, gross accounts receivable of $nil (December 31, 2018 - $255,579) and $nil of loans and convertible debentures (December 31, 2018 - $332,726) were past due and not impaired. The Company did not recognize expected credit loss during the year (2018 - $nil).

Presented in Canadian Dollars

15. MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS (continued)

(d) Credit risk (continued)

As at	**December 31, 2019**	December 31, 2018
Amounts receivable	$ 607,325	$ 627,493
Loans and convertible debentures	2,985,562	5,107,221
	$ 3,592,887	$ 5,734,714

(e) 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, certain amounts receivable, convertible debentures and investments in companies denominated in a foreign currency. For the years ended December 31, 2019 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 year would have increased or decreased by approximately $609,021 (December 31, 2018 - $646,195).

(f) Concentration risk

Included in Investments - FVTPL is one investment which comprises 12% of the balance (2018 - 27%).

16. CONTINGENCIES AND COMMITMENTS

The Company is the parent company of the general partner of GC Global Capital Lending Partners Limited Partnership and Somersby Park 2010 General Partner Inc. The General Partner has unlimited liability for the liabilities and obligations of the partnerships in excess of the contributions of the limited partners. As at December 31, 2019, there were no outstanding liabilities or obligations for which the Company was contingently liable.

On September 4, 2017, the Company announced that it was served with a statement of claim by First Global Data Limited ("**FGD**"). The claim seeks damages of $20,000,000 against a number of defendants including the Company and its former Chief Executive Officer, alleging breach of contract, conspiracy and various other causes of action (the "**FGD Action**").

The Company believes the claim against the Company and its former CEO is without merit and frivolous, and has been commenced in an attempt to delay the outcome of the Company's claims against FGD in existing proceedings commenced by the Company on February 3, 2017 (Ontario Superior Court of Justice Court File No. CV-17-569015, the "**Application**"). The Company commenced the Application because FGD has refused to honour its contractual obligations to issue certain options and warrants to the Company.

As a result of an August 24, 2017 order of the Ontario Superior Court of Justice, the Company's Application will be pursued as a counterclaim in the FGD Action. The Company will vigorously defend the FGD Action and will vigorously pursue its claims against FGD. Specifically, the Company will seek damages of at least $6,015,000, equal to the difference between the purchase price per share under the Options/Warrants, and the highest trading value to date, as well as punitive and exemplary damages of $2,000,000. The counterclaim by the Company against FGD and others is difficult to precisely quantify as the Company's claim is in respect of the enforcement of rights under certain options and warrants, not only pure damages.

17. SUBSEQUENT EVENT

(a) COVID-19

Subsequent to year end, there was a global outbreak of COVID 19 ("Coronavirus"), which has had a significant impact on businesses through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. There is significant uncertainty around the breadth and duration of business disruptions related to COVID 19, as well as its impact on the Canadian, U.S. and international economies and as such, the Company is unable to determine if it will have a material impact to its operations and financial condition.