FOUNTAIN ASSET

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

Presented in Canadian Dollars

April 30, 2021

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, 2020 and December 31, 2019, and the consolidated statements of income (loss) and comprehensive income (loss), 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, 2020 and December 31, 2019, 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 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 Marufur Raza.

MNP LLP

Toronto, Ontario
April 30, 2021

Chartered Professional Accountants
Licensed Public Accountants

FOUNTAIN ASSET

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars

As at December 31,	2020	2019
ASSETS		
Cash	**$ 1,022,934**	$ 335,537
Short-term investments *(note 4)*	**40,000**	40,000
Amounts receivable and sundry assets	**1,234,233**	625,945
Loans and convertible debentures - fair value through profit or loss *(note 5)*	**1,299,195**	2,985,562
Investments - fair value through profit or loss *(note 6)*	**15,993,398**	14,406,297
	$ 19,589,760	$ 18,393,341
LIABILITIES		
Accounts payable and accrued liabilities	**$ 303,103**	$ 398,095
Accrued annual incentive plan *(note 11)*	**-**	2,085,394
Income taxes payable *(note 14)*	**29,375**	29,375
	332,478	2,512,864
SHAREHOLDERS' EQUITY		
Share capital *(note 9(b))*	**29,799,107**	29,153,357
Contributed surplus *(note 9(c))*	**6,524,036**	6,369,593
Deficit	**(17,065,861)**	(19,642,473)
	19,257,282	15,880,477
	$ 19,589,760	$ 18,393,341

Contingencies and commitments *(note 16)*

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Presented in Canadian Dollars

For the years ended December 31,	**2020**	2019
Revenue		
Net unrealized gains (losses) on portfolio investments	**$ 11,026,376**	$ (17,043,178)
Structuring fees, consulting fees and bonuses	**578,273**	878,805
Interest and dividend income	**175,919**	326,150
Net realized losses on portfolio investments	**(9,054,146)**	(1,332,308)
	2,726,422	(17,170,531)
Expenses		
Salaries and consulting fees	**304,953**	340,093
Audit and legal fees	**280,665**	256,505
General and administrative	**297,820**	262,494
Commissions	**76,385**	119,642
Filing and listing fees	**28,232**	10,105
Stock-based compensation *(note 9(c))*	**154,443**	316,366
Foreign exchange loss	**72,068**	-
Gain on debt settlement	**(1,064,756)**	-
	149,810	1,305,205
Income (loss) before income taxes	**2,576,612**	(18,475,736)
Income tax provision *(note 14)*	**-**	(29,375)
Net income (loss) and comprehensive income (loss)	**$ 2,576,612**	$ (18,505,111)
Net income (loss) per share - basic and diluted	**$ 0.04**	$ (0.31)
Weighted average number of shares outstanding during the years:		
Basic	59,002,304	58,994,462
Diluted	59,021,812	58,994,462

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 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**
Stock based compensation	-	154,443	-	154,443
Issuance of common shares on settlement of debt	645,750	-	-	645,750
Comprehensive loss	-	-	2,576,612	2,576,612
Balance at December 31, 2020	**$ 29,799,107**	**$ 6,524,036**	**$ (17,065,861)**	**$ 19,257,282**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Presented in Canadian Dollars

For the years ended December 31,	**2020**	2019
Cash provided by (used in)		
Operations		
Net income (loss)	**$ 2,576,612**	$ (18,505,111)
Items not involving cash:		
Income tax provision	**-**	29,375
Unrealized losses (gains) on portfolio investments	**(11,026,376)**	17,043,178
Realized losses on sale of portfolio investments	**9,054,146**	1,332,308
Proceeds from sale of investments	**7,239,113**	14,697,673
Purchase of investments	**(4,589,347)**	(15,179,121)
Acquired loans and convertible debentures	**-**	(4,113,376)
Repayments of loans and convertible debentures	**-**	3,639,575
Gain on debt settlement	**(1,064,756)**	-
Structuring fees	**(578,273)**	-
Stock compensation expense	**154,443**	316,366
Change in non-cash working capital:		
Amounts receivable and sundry assets	**(608,288)**	23,981
Accounts payable and accrued liabilities	**(94,992)**	136,497
Accrued annual incentive plan	**(374,885)**	(500,000)
Change in cash	**687,397**	(1,078,655)
Cash beginning of year	**335,537**	1,414,192
Cash end of year	**$ 1,022,934**	$ 335,537

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 3 Market Street, Unit 609, Toronto, Ontario, M5E 0A3.

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19". This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods, and social distancing have caused material disruption to businesses resulting in a global economic disruption. At the same time, global equity markets have experienced historic volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize domestic economic conditions. The duration and eventual impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The Corporation's ability to operate has not been directly impacted by the COVID-19 pandemic or the closure of non-essential businesses, but many of the Corporation's investee companies could be negatively impacted by the COVID-19 pandemic.

The audited consolidated financial statements as at and for the year ended December 31, 2020 have been approved for issue by the Board of Directors on April 27, 2021.

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 consolidated financial statements comprise the consolidated statements of income and statements of comprehensive income showing as two statements, the consolidated statements of financial position, the consolidated statement of changes in shareholders' equity, the consolidated statements of cash flows and the accompanying notes to the consolidated 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 and financial liabilities 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 consolidated statements of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of presentation (continued)

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 fair value through profit or loss rather than by consolidation.

The Company has concluded that Fountain Advisors Corp., Foothills Development Inc. ("**Foothills**"), and Foothills wholly-owned subsidiary Newborn Realty Corporation, 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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(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 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.

Financial assets are classified into one of following categories: FVTPL, loans and receivables and available for sale.

	Classification	Measurement
Cash	FVTPL	Fair value
Accounts Receivable and sundry assets	Amortized cost	Amortized cost
Investments	FVTPL	Fair value
Short-term investments	FVTPL	Fair value
Loans and convertible debentures	FVTPL	Fair value

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

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.

Loans and Receivables:

Accounts receivables are designated as loans and receivables which are 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.

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. Syndicated debt is designated as FVTPL, as the Company's investment portfolio is evaluated on a fair value basis.

(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:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments recorded at fair value (continued)

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 and whose fair value cannot be reliably measured and options and warrants that are linked to and must be settled by delivery of unquoted equity investments are recorded at cost, which is the fair value at the time of acquisition.

(f) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. 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 trade receivables. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 8 for specific disclosures related to investments in associates.

(i) Revenue recognition

Interest income is recorded on an accrual basis using the effective interest method. Under the effective interest 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. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan.

Purchases and sales of investments are recognized on the trade date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of income (loss) and comprehensive income (loss). Realized losses may arise even if the investment is not disposed of in circumstances where the investee is insolvent.

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 statements of income (loss) and comprehensive income (loss) 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

Cash includes cash on hand and balances with brokers.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

Presented in Canadian Dollars

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.

(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, 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, 2020 (December 31, 2019 - $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

FVTPL	Instrument	Interest rate / term	Financial instrument hierarchy	Dec. 31, 2019 Cost	Dec. 31, 2019 Fair value	**Dec. 31, 2020** Cost	**Dec. 31, 2020** **Fair value**
2400918 Ontario Inc.	Term debt	15%, < 1 year	Level 3	$ 3,024,129		$ -	
Advantagewon Oil Corp.	Convertible debt	24% & 12%, > 1 yr	Level 2	48,611		50,096	
Central Coast	Convertible debt	8%, > 1 year	Level 3	268,040		-	
Compression Capital Corp.	Convertible debt	5%, > 1 year	Level 3	500,000		500,000	
Cool Holdings Ltd.	Convertible debt	12%, < 1 year	Level 2	786,267		-	
Cura Partners	Convertible debt	8%, > 1 year	Level 3	327,611		-	
Humble & Fume Inc.	Convertible debt	8%, > 1 year	Level 3	300,000		300,000	
Popreach Incorporated	Convertible debt	8%, > 1 year	Level 3	250,000		-	
Rise Life Sciences	Convertible debt	12%, > 1 year	Level 2	250,000		250,000	
Wayland Group Corp.	Convertible debt	9%, > 1 year	Level 3	250,000		-	
Ways Security Inc.	Convertible debt	6%, < 1 year	Level 3	62,095		50,000	
Cryptologic Corp.	Convertible debt	8%, > 1 year	Level 2	568,598		-	
				$ 6,635,351	**$ 2,985,562**	$ 1,150,096	**$ 1,299,195**

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, 2019 Cost	Dec. 31, 2019 **Fair value**	**Dec. 31, 2020** Cost	**Dec. 31, 2020 Fair value**
1616 Media Ltd.	Equity	3	$ 32,920		$ 32,920	
1014379 BC Limited	Equity	3	-		7,500	
1262803 BC Ltd.	Equity	3	-		30,000	
2459160 Ontario Inc.	Equity	3	217,763		217,763	
2459160 Ontario Inc.	Warrants	3	112,237		112,237	
African Cannabis Corp.	Equity	3	450,000		450,000	
Agriforce Growing Systems Ltd.	Equity	3	176,008		176,008	
Agriforce Growing Systems Ltd.	Warrants	3	81,492		81,492	
Attorneys Title Guaranty Fund Inc.	Equity	3	413,000		413,000	
BabelBark Inc.	Equity	3	729,618		729,618	
Beacon Hill Brands Inc.	Equity	3	400,855		400,855	
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		305,479	
Canapar Corp.	Equity	3	199,800		199,800	
CannAgri Blockchain Inc.	Equity	3	119,849		119,849	
CannAgri Blockchain Inc.	Warrants	3	60,151		60,151	
Cannbiorex Pharmaceuticals Corp.	Equity	3	190,700		-	
Casters Holdings Inc.	Equity	3	497,825		497,825	
Canncure Investments Inc.	Equity	3	392,820		-	
Central Coast Agriculture	Equity	3	-		128,128	
Copeland Biosciences Corp.	Equity	3	505,000		-	
Cultivate Capital Corp.	Equity	3	355,166		-	
Cultivate Capital Corp.	Warrants	3	44,834		-	
Danavation Tehnologies	Equity	3	-		83,156	
Danavation Tehnologies	Warrants	3	-		16,844	
Elim Mining.	Equity	3	-		51,267	
Embark Health Inc.	Equity	3	138,509		138,509	
Embark Health Inc.	Warrants	3	11,491		-	
Gage Cannabis (Wolverine Ptnrs)	Equity	3	682,500		682,500	
Gen X Biosciences	Equity	3	250,000		250,000	
Goodee Inc.	Equity	3	250,002		250,002	
Heavenly RX Ltd.	Equity	3	80,000		80,000	
Hemp Hydrate International	Equity	3	219,509		219,509	
Hemp Hydrate International	Warrants	3	30,491		30,491	
Holistic Industries Inc.	Equity	3	130,873		130,873	
Impulsa Capital LLC	Equity	3	66,510		66,510	
Katexco Pharmaceuticals Corp.	Equity	3	240,700		-	
Legacy Eight Group Ltd.	Equity	3	427,180		427,180	
Miraculo Inc.	Equity	3	105,000		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	
Pluribus Technologies Inc.	Equity	3	-		149,971	
Promedia Investments Incorporated	Equity	3	263,120		263,120	
Prominex Resources Corp.	Equity	3	18,650		18,650	
Reciprocity Corp.	Equity	3	140,000		140,000	
S1 Capital Corp.	Equity	3	50,000		50,000	
ScreenPro Security Ltd.	Equity	3	-		20,000	
Sentia Wellness, Inc.	Equity	3	-		71,857	
Somersby Park 2010 Ltd Partnership	Equity	3	772,079		772,079	
Southern Sky	Equity	3	99,999		99,999	
Taste Brands Corp.	Equity	3	200,000		200,000	
Trait Biosciences Incorporated	Equity	3	192,000		192,000	
Tripsitter Clinic Corp	Equity	3	-		31,938	
Private company investments - FVTPL			$ 10,717,250	**$ 10,095,197**	$ 9,467,200	**$ 7,358,287**

Presented in Canadian Dollars

6. INVESTMENTS - FVTPL (continued)

Investment	Instrument	Financial instr. hierarchy	Dec. 31, 2019 Cost	Dec. 31, 2019 Fair value	**Dec. 31, 2020** Cost	**Dec. 31, 2020** **Fair value**
180 Life Sciences Corp.	Equity	1	-		314,730	
3 Sixty Risk Solutions Ltd.	Equity	1	$ 110,857		$ -	
79North Ltd.	Equity	1	-		25,000	
Abraplata Resources Corp.	Equity	1	-		16,706	
Abraplata Resources Corp.	Warrants	2	-		3,301	
Advantagewon Oil Corp.	Equity	1	245,456		152,289	
Aris Gold Corp. (Caldas Gold)	Equity	1	-		21,030	
Aris Gold Corp. (Caldas Gold)	Warrants	2	-		12,720	
Arizona Metals Corp.	Equity	1	-		54,405	
Artemis Gold Inc.	Equity	1	16,318		-	
Artemis Gold Inc.	Warrants	2	10,682		-	
BevCanna Enterprises Inc.	Equity	1	50,000		-	
Bluma Wellness Inc.	Equity	1	-		423,886	
Bragg Gaming Group	Equity	1	817,062		67,872	
Bragg Gaming Group	Warrants	2	106,263		28,434	
Canntrust Holdings Inc.	Warrants	2	20,458		-	
Cansortium Inc.	Equity	1	2,834,575		2,834,575	
Cansortium Inc.	Warrants	2	528,545		528,545	
Captor Capital Corp.	Warrants	2	36,268		-	
CGX Energy Inc.	Equity	1	52,660		-	
Cryptologic Corp.	Equity	1	-		236,610	
Cryptologic Corp.	Warrants	2	110,393		-	
Curaleaf Holdings Inc.	Equity	1	-		69,511	
Emerge Commerce	Equity	1	-		15,000	
Docebo Inc.	Equity	1	240		-	
Eco Atlantic Oil & Gas Inc.	Equity	1	67,238		-	
Engine Media Holdings Inc.	Equity	1	99,993		61,190	
Engine Media Holdings Inc.	Warrants	2	18,030		18,030	
Global Health Clinics Ltd.	Equity	1	-		31,661	
Global Health Clinics Ltd.	Warrants	2	-		8,339	
Global Care Capital Inc.	Warrants	2	-		1,793	
Green Growth Brands Ltd.	Equity	1	1,938,677		-	
Green Growth Brands Ltd.	Warrants	2	176,997		-	
High Tide Inc.	Equity	1	283,022		236,001	
HTC Purenergy Inc.	Equity	1	41,866		-	
HTC Purenergy Inc.	Warrants	2	38,432		38,432	
Isracann Biosciences Inc.	Equity	1	34,000		-	
Kew Media Inc.	Equity	1	81,545		-	
Kew Media Inc.	Warrants	2	315,000		-	
Kwesst Micro Systems	Equity	1	-		409,911	
Lendified Holdings Inc.	Equity	1	-		20,000	
Liberty Health Sciences Inc.	Warrants	2	64,539		-	
Maritime Resources Corp.	Equity	1	-		39,998	
Nighthawk Gold Corp.	Equity	1	-		66,877	
Nighthawk Gold Corp.	Warrants	2	-		9,623	
Nova Mentis Life Science Corp.	Equity	1	-		26,500	
Organto Foods Inc.	Equity	1	10,109		-	
Pacific Rim Cobalt Corp.	Warrants	2	8,198		-	
Pampa Metals Corp.	Equity	1	-		40,000	
Pivotree Inc.	Equity	1	-		25,500	
Plant & Co Brands Ltd.	Equity	1	-		40,000	
Popreach Incorporated	Equity	1	-		187,500	
Popreach Incorporated	Warrants	2	-		301,229	
Prismo Metals Inc.	Equity	1	-		42,785	
Psyched Wellness (Duncan Park)	Equity	1	-		25,962	
Reconnaissance Energy Africa Ltd.	Warrants	2	-		10,155	
Red White & Bloom Brands Inc.	Equity	1	528,034		-	
Red White & Bloom Brands Inc.	Warrants	2	15,361		-	
Rise Life Sciences Corp.	Warrants	2	98,204		-	
Reliq Health Technologies	Equity	1	-		82,881	
Reliq Health Technologies	Warrants	2	-		17,244	

Presented in Canadian Dollars

6. INVESTMENTS - FVTPL (continued)

Investment	Instrument	Financial instr. hierarchy	Dec. 31, 2019 Cost	Dec. 31, 2019 **Fair value**	**Dec. 31, 2020** Cost	**Dec. 31, 2020** **Fair value**
Salona Global Medical	Equity	1	-		46,357	
Salona Global Medical	Warrants	2	-		3,643	
Saturn Oil & Gas Inc.	Warrants	2	110,977		-	
Simply Inc. (Cool Holdings Inc.)	Equity	1	-		627,837	
Simply Inc. (Cool Holdings Inc.)	Warrants	2	475,488		518,080	
Slang Worldwide Inc.	Equity	1	-		208,001	
SOL Global Investments Corp.	Equity	1	602,764		-	
Spectra7 Microsystems Inc.	Equity	1	919,788		-	
Spectra7 Microsystems Inc.	Warrants	2	60,885		60,885	
Sweet Natural Trading Co. Ltd	Equity	1	225,339		-	
Sweet Natural Trading Co. Ltd	Warrants	2	19,917		-	
Talisker Resources Ltd.	Equity	1	-		34,588	
Talisker Resources Ltd.	Warrants	2	-		5,412	
Vision Marine Technologies	Equity	1	-		158,505	
Turmalina Metals Corp.	Warrants	2	-		12,246	
Wayland Group Corp.	Equity	1	741,761		-	
Wayland Group Corp.	Warrants	2	296,479		-	
Zoomd Technologies Ltd.	Equity	1	473,000		-	
Public company investments - FVTPL			$ 12,685,420	**$ 4,311,100**	$ 8,221,776	**$ 8,635,111**
			$ 23,402,670	**$ 14,406,297**	$ 17,688,976	**$ 15,993,398**

7. SUBSIDIARIES AND ASSOCIATES

The Company's subsidiaries are as follows:

Subsidiary/Associate	2020 Ownership	2019 Ownership	Place of business
Fountain Advisor's Corp.	100%	0%	Canada
Somersby Park 2010 Limited Partnership	73%	73%	United States
Auto repair finance company	50%	50%	Canada
Foothills Development Inc.	0%	0%	United States
Newborn Realty Corporation	0%	0%	United States

Fountain Advisor's Corp. was incorporated in January 2020.

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, 2020, there were no outstanding liabilities or obligations for which the Company was contingently liable.

Somersby Park 2010 Limited Partnership (Somersby) owned vacant real estate in the United States which was sold during the year ended December 31, 2020.

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

The auto repair finance company filed for receivership in December 2019.

Presented in Canadian Dollars

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, 2020	Level 1	Level 2	Level 3
Cash and short term investments	$ 1,062,934	$ -	$ -
Loans and convertible debt - FVTPL	-	313,507	985,688
Investments - FVTPL	7,130,482	1,504,629	7,358,287
	$ 8,193,416	$ 1,818,136	$ 8,343,975

As at December 31, 2019	Level 1	Level 2	Level 3
Cash and short term investments	$ 375,537	$ -	$ -
Loans and convertible debt - FVTPL	-	1,279,254	1,706,308
Investments - FVTPL	3,744,717	566,159	10,095,421
	$ 4,120,254	$ 1,845,413	$ 11,801,729

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.

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.

8. FAIR VALUE MEASUREMENTS (continued)

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.
- 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.

Presented in Canadian Dollars

8. FAIR VALUE MEASUREMENTS (continued)

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 year ended December 31, 2020, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance - December 31, 2018	$ 18,338,284
Transfers (to) from Level 1	(3,293,119)
Transfers (to) from Level 2	(566,159)
Purchases	4,984,901
Dispositions	(2,246,367)
Change in unrealized gains (losses)	(5,415,811)
Balance - December 31, 2019	$ 11,801,729
Transfers (to) from Level 1	(100,000)
Purchases	462,533
Dispositions	(1,624,842)
Realized losses	(3,754,467)
Change in unrealized gains (losses)	1,559,022
Balance - December 31, 2020	**$ 8,343,975**

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, 2020:

Investment	Method	Inputs	Fair Value Change + / - 10%
Equity Instruments	Transaction price	Recent purchase price	1,440,416
Convertible Debt	Black Scholes model on conversion	Market prices, volatility, discount rate	129,920
Warrants	Black Scholes model	Market prices, volatility, discount rate	158,924

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, 2018	88,360	$	161,122
MVS converted to SVS shares on a 1:1 basis	(600)		(1,094)
Balance - December 31, 2019 and December 31, 2020	87,760	$	160,028

Subordinate Voting Shares	**Number of shares**		**Consideration**
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
Issuance of common shares on settlement of debt	2,870,000		645,750
Balance - December 31, 2020	61,776,702	$	29,639,079
Total MVS and SVS Shares - December 31, 2020	**61,864,462**	**$**	**29,799,107**

(c) Contributed Surplus

Share-based Payment Reserve

Balance - December 31, 2018	$	6,053,227
Stock-based compensation		316,366
Balance - December 31, 2019	$	6,369,593
Stock-based compensation		154,443
Balance - December 31, 2020	**$**	**6,524,036**

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.

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(c) *Contributed Surplus (continued)*

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, 2018 and 2019	3,805,000	$ 0.43
Granted	1,275,000	0.15
Balance - December 31, 2020	**5,080,000**	**$ 0.36**

During the years ended December 31, 2020 and 2019, 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**
July 16, 2025	1,275,000	$0.145	$0.14	1.30%	5.0	107%	$0.11

The fair value of the options was estimated at $137,445 using the Black-Scholes pricing model with the following assumptions as described above. The vested fair value recorded during the years December 31, 2020 was $80,176.

Stock Options (continued)

A summary of the Company's outstanding stock options at December 31, 2020 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	3.4
January 23, 2017	350,000	350,000	$0.30	1.1
November 8, 2017	1,100,000	1,100,000	$0.3625	1.8
June 4, 2018	1,250,000	1,250,000	$0.455	2.4
August 31, 2018	300,000	200,000	$0.455	2.7
November 29, 2018	575,000	383,334	$0.505	2.9
July 16, 2020	1,275,000	425,000	$0.145	4.5
	5,080,000	3,938,334	$0.35	2.9

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

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,		**2020**		2019
Interest income received	**$**	**175,419**	$	326,150
Interest paid	**$**	**-**	$	7,803

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,		**2020**		2019
Cash compensation	**$**	**267,000**	$	288,750
Fair value of stock options		**154,443**		316,366
	$	**421,443**	$	605,116

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, 2020, $nil was accrued for the 2020 annual incentive plan (December 31, 2019 - $2,085,394). During the year, $374,888 was paid on the prior year accrual. In addition, $1,435,000 was settled in shares (see note 9) resulting in a gain of $789,250. Of the amount settled in shares, $30,000 was issued to Andrew Parks, the President and Chief Executive Officer of the Company. In addition, a further $275,506 was forgiven by Mr. Parks.

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, 2020		December 31, 2019
Somersby Park 2010 Limited Partnership	**$**	**316,959**	$	600,825

		Transaction value for the years ended				Balance outstanding as at			
Transaction	*Note*		**December 31, 2020**		December 31, 2019		**December 31, 2020**		December 31, 2019
Consulting	*(1)*	**$**	**60,000**	$	60,000	**$**	**-**	$	-

(1) During the year ended December 31, 2020, the Company paid financial consulting fees of $60,000 (2019 - $60,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of the Company. At December 31, 2020, the balance owed was $nil (December 31, 2019 - $nil).

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

Presented in Canadian Dollars

12. RELATED PARTY TRANSACTIONS (continued)

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
CannAgri Blockchain Inc.	<10%	Michael Galloro	Director
Cansortium Inc.	<10%	Roger Daher	Director
Global Health Clinic	<10%	Andrew Parks	Director
Nighthawk Gold Corp.	<10%	Morris Prychidny	Director
Nighthawk Gold Corp.	<10%	Michael Leskovec	Officer
Prominex Resources Corp.	<10%	Andrew Parks	Director
Simply, Inc.	<10%	Michael Galloro	Director
Somersby Park 2010 Limited Partnership	<10%	Andrew Parks	Director
Talisker Resources Ltd.	<10%	Morris Prychidny	Officer
The BRN Group Inc.	<10%	Andrew Parks	Director
Tripsitter Clinic Corp	<10%	Andrew Parks	Director

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,	**2020**	2019
Shareholders' equity comprised of		
Share capital	**$ 29,799,107**	$ 29,153,357
Contributed surplus	**6,524,036**	6,369,593
Deficit	**(17,065,861)**	(19,642,473)
	$ 19,257,282	$ 15,880,477

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.

Presented in Canadian Dollars

13. CAPITAL MANAGEMENT (continued)

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.

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,	2020	2019
Capital loss carry-forward	**$ 31,975,443**	$ 21,964,545
Portfolio investments	**-**	11,883,076
Share issue costs	**4,173**	6,260
Property, plant and equipment	**53,054**	-
Others	**180,244**	179,480
	$ 32,212,914	$ 34,033,361

The following table summarizes the components of deferred tax:

As at December 31,	2020	2019
Deferred Tax Assets		
Capital losses carried forward	**$ 181,954**	$ -
Deferred Tax Liabilities		
Investments	**(181,954)**	-
Net Deferred Tax Asset	**$ -**	$ -

The net capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. 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.

Presented in Canadian Dollars

14. INCOME TAXES (continued)

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% (2019 - 26.5%) to the income (loss) before income taxes. The difference results from the following items:

For the years ended December 31,	**2020**	2019
Income before income taxes	**$ 2,576,612**	$ (18,475,736)
Expected income tax recovery at statutory rates	**$ 682,802**	$ (4,896,070)
Increase (decrease) resulting from:		
Stock based compensation	**40,927**	-
Realized (gain) loss on portfolio investments	**1,199,674**	-
Unrealized (gain) loss on portfolio investments	**(1,460,995)**	-
Accounting gain on incentive plan settlement	**(209,151)**	-
Other permanent adjustments	**(9,116)**	2,505,130
Change in tax benefits not recognized	**(244,141)**	2,420,315
	$ -	$ 29,375

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

For the years ended December 31,	**2020**	2019
Current tax provision	**$ -**	$ 29,375
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.

Presented in Canadian Dollars

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

(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.

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 year ended December 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 $7,130,481 with all other variables held constant as at December 31, 2020:

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%	$ 356,524	$ (356,524)
10%	$ 713,048	$ (713,048)

Presented in Canadian Dollars

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

(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, 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 $11,501 (December 31, 2019 – $69,668).

(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, 2020, gross accounts receivable of $nil and $263,411 of convertible loans and debentures were past due (December 31, 2019 - $nil and $nil of convertible loans and debentures).

As at	**December 31, 2020**	December 31, 2019
Amounts receivable	$ 1,160,833	$ 607,325
Loans and convertible debentures	1,299,195	2,985,562
	$ 2,460,028	$ 3,592,887

(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.

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

(e) Currency risk (continued)

The Company has cash and cash equivalents, certain receivables, convertible debentures and investments in companies denominated in a foreign currency. For the year ended December 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 year would have increased or decreased by approximately $427,302 (December 31, 2019 - $609,021).

(f) Concentration risk

Included in Investments - FVTPL is one investment which comprises 10% of the balance (2019 - 12%).

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, 2020, 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.

No amounts have been accrued in the financial statements with respect to this matter.