



Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

Presented in Canadian Dollars



April 21, 2022

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 the 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) "*Matthew Davis*"

Matthew Davis
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, 2021 and December 31, 2020, and the consolidated statements of income and comprehensive 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, 2021 and December 31, 2020, 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 21, 2022

Chartered Professional Accountants

Licensed Public Accountants



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian dollars

| As at December 31, | 2021 | 2020 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 2,959,077 | \$ 1,022,934 |
| Short-term investments (Note 4) | 40,000 | 40,000 |
| Accounts receivable and sundry assets | 315,087 | 1,234,233 |
| Loans and convertible debentures - fair value through profit or loss (Note 5) | 166,284 | 1,299,195 |
| Investments - fair value through profit or loss (Note 6) | 17,352,251 | 15,993,398 |
| | \$ 20,832,699 | \$ 19,589,760 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 197,893 | \$ 303,103 |
| Accrued annual incentive plan (Note 11) | 392,649 | - |
| Income taxes payable (Note 13) | 22,625 | 29,375 |
| | 613,167 | 332,478 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 9(b)) | 29,799,107 | 29,799,107 |
| Contributed surplus (Note 9(c)) | 6,687,084 | 6,524,036 |
| Deficit | (16,266,659) | (17,065,861) |
| | 20,219,532 | 19,257,282 |
| | \$ 20,832,699 | \$ 19,589,760 |

Related party transactions (Note 11)

Contingencies and commitments (Note 16)

See accompanying notes to 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

| As at December 31, | 2021 | 2020 |
|---|-------------------|---------------------|
| Revenue | | |
| Net unrealized gains (losses) on portfolio investments | \$ (1,100,668) | \$ 11,026,376 |
| Structuring fees, consulting fees and bonuses received | 65,000 | 578,273 |
| Interest and dividend income | 117,097 | 175,919 |
| Net realized gains (losses) on portfolio investments | 3,321,733 | (9,054,146) |
| | 2,403,162 | 2,726,422 |
| Expenses | | |
| Salaries and consulting fees | 478,166 | 304,953 |
| Audit and legal fees | 205,975 | 280,665 |
| General and administrative | 107,409 | 297,820 |
| Commissions | 161,214 | 76,385 |
| Filing and listing fees | 18,245 | 28,232 |
| Stock-based compensation (Note 9(c)) | 163,048 | 154,443 |
| Foreign exchange loss | 44,788 | 72,068 |
| Annual Incentive plan expense (Note 11) | 392,649 | - |
| Gain on debt settlement | - | (1,064,756) |
| | 1,571,494 | 149,810 |
| Income before income taxes | 831,668 | 2,576,612 |
| Income tax expense (Note 13) | 32,466 | - |
| Net income and comprehensive income | \$ 799,202 | \$ 2,576,612 |
| Net income per share - basic and diluted (Note 14) | \$ 0.01 | \$ 0.04 |
| Weighted average number of shares outstanding during the year: | | |
| Basic | 61,864,462 | 59,002,304 |
| Diluted | 62,746,103 | 59,021,812 |

See accompanying notes to the consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Presented in Canadian dollars

| | Share capital | Contributed surplus | Deficit | Total shareholders' equity |
|---|----------------------|---------------------|------------------------|----------------------------|
| Balance as 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 Income | - | - | 2,576,612 | 2,576,612 |
| Balance as at December 31, 2020 | \$ 29,799,107 | \$ 6,524,036 | \$ (17,065,861) | \$ 19,257,282 |
| Stock based compensation | - | 163,048 | - | 163,048 |
| Comprehensive Income | - | - | 799,202 | 799,202 |
| Balance as at December 31, 2021 | \$ 29,799,107 | \$ 6,687,084 | \$ (16,266,659) | \$ 20,219,532 |

See accompanying notes to the consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS

Presented in Canadian dollars

| For the years ended December 31, | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash provided by (used in) | | |
| Operations | | |
| Net income | \$ 799,202 | \$ 2,576,612 |
| Items not involving cash: | | |
| Unrealized losses (gains) on portfolio investments | 1,100,668 | (11,026,376) |
| Realized losses (gains) on sale of portfolio investments | (3,321,733) | 9,054,146 |
| Proceeds from sale of investments | 14,225,589 | 7,239,113 |
| Purchase of investments | (12,032,242) | (4,589,347) |
| Acquired loans and convertible debentures | (150,000) | - |
| Repayment of loans and convertible debentures | 50,096 | - |
| Non-cash interest income | (98,320) | - |
| Gain on debt settlement | - | (1,064,756) |
| Structuring fees | - | (578,273) |
| Stock-based compensation expense | 163,048 | 154,443 |
| Change in non-cash working capital: | | |
| Amounts receivable and sundry assets | 919,146 | (608,288) |
| Accounts payable and accrued liabilities | (105,210) | (94,992) |
| Accrued annual incentive plan | 392,649 | (374,885) |
| Income taxes payable | (6,750) | - |
| Change in cash | 1,936,143 | 687,397 |
| Cash, beginning of year | 1,022,934 | 335,537 |
| Cash, end of year | \$ 2,959,077 | \$ 1,022,934 |

Supplementary cash flow information (Note 10)

See accompanying notes to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the Year ended December 31, 2021 and 2020

1. NATURE OF OPERATIONS

Fountain Asset Corp. (the "Company" or "Fountain") is a publicly traded investment company focused on creating shareholder value by offering various debt and equity financing solutions to companies across a variety of industries including manufacturing, retail, financial services, technology, cannabis, biotechnology, oil and gas, mining, and cryptocurrency. The Company was continued under the *Canada Business Corporations Act* on December 31, 2005 and its subordinate voting shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "FA". The Company is domiciled in the Province of Ontario and its registered head office is located at 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. To date, the Company's ability to operate has not been directly impacted by the COVID-19 pandemic or the closure of non-essential businesses, but many of Fountain's investees could be negatively impacted by the COVID-19 pandemic.

The annual audited consolidated financial statements as at and for the year ended December 31, 2021 have been approved for issue by the Company's Board of Directors on April 21, 2022.

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") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). 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 certain financial assets and financial liabilities which are measured and presented at fair value as outlined in the Company's accounting policies below. In addition, these financial statements have been prepared using the accrual basis of accounting except for certain cash flow information presented herein.

The functional currency of the Company is the Canadian dollar. The consolidated financial statements and notes to the financial statements are expressed and presented in Canadian dollars unless otherwise stated.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

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(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 General Partner Inc., Somersby Park 2010 Limited Partnership and Advantagewon Capital Corp.) at fair value through profit or loss ("FVTPL") rather than by consolidation.

The Company has concluded that Fountain Advisors Corp. should be consolidated as this entity provides services relating to the Company's investment activities. All intercompany balances, profits and transactions are eliminated in preparing these consolidated financial statements.

(ii) Status as investment entity

The Company uses the following criteria, contained within IFRS 10 - *Consolidated financial statements*, to determine if the Company meets 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, 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 marketplace (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.



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(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 and 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.

Fountain's financial assets are classified as follows:

| Financial Instrument | 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 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. FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income.



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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 consist of cash on hand and short-term investments with remaining maturities of less than three months.

Receivables:

Accounts receivables are classified and measured at amortized cost, subject to impairment reviews.

Convertible Debenture Receivable:

When the Company holds debentures that are convertible into an investee's shares, at the Company's option, the equity conversion feature represents an embedded option written by the investee on its 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 a fair value at each reporting period.

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 amortized cost

Accounts payable and accrued liabilities, accrued annual incentive plan, and income taxes payable are classified and 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:



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- 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



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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) Investment 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 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

These consolidated 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.



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(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 of stock options is measured at the 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.



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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated 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, 2021 (December 31, 2020 - \$40,000). These investments are held as security on its credit card line with a Schedule A Canadian chartered bank.



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5. LOANS AND OTHER CONVERTIBLE DEBENTURES

| FVTPL | Instrument | Interest rate / term | Financial Instr. Hierarchy | December 31, 2020 | | December 31, 2021 | |
|---------------------------------|------------------|-------------------------|-------------------------------|-------------------|------------|-------------------|------------|
| | | | | Cost | Fair Value | Cost | Fair Value |
| Advantage on Oil Corp. | Convertible debt | 24% & 12%, >1 yr | Level 2 | \$ 50,096 | \$ - | - | - |
| Compression Capital Corp. | Convertible debt | 5%, <1 year | Level 3 | 500,000 | - | 500,000 | - |
| EqiTrade Ltd. | Convertible debt | 8%, > 1 year | Level 3 | - | - | 53,537 | - |
| Humble & Fume Inc. | Convertible debt | 8%, > 1 year | Level 3 | 300,000 | - | - | - |
| Rise Life Sciences | Convertible debt | 12%, > 1 year | Level 2 | 250,000 | - | - | - |
| TipTapPay Micropayments Limited | Convertible debt | 8%, > 1 year | Level 3 | - | - | 103,222 | - |
| Ways Security Inc. | Convertible debt | 6%, < 1 year | Level 3 | 62,095 | - | 62,095 | - |
| | | | | \$ 1,162,191 | 1,299,195 | \$ 718,854 | 166,284 |

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 | December 31, 2020 | | December 31, 2021 | |
|------------------------------------|------------|-------------------------------|-------------------|------------|-------------------|------------|
| | | | Cost | Fair Value | Cost | Fair Value |
| 1616 Media Ltd. | Equity | 3 | 32,920 | - | 32,920 | - |
| 1616 Media Ltd. | Warrants | 3 | - | - | - | - |
| 1014379 BC Limited | Equity | 3 | 7,500 | - | - | - |
| 2459160 Ontario Inc. | Equity | 3 | 217,763 | - | 217,763 | - |
| 2459160 Ontario Inc. | Warrants | 3 | 112,237 | - | 112,237 | - |
| Aeropost Holdings Corporation | Equity | 3 | - | - | 251,440 | - |
| African Cannabis Corp. | Equity | 3 | 450,000 | - | 450,000 | - |
| Agriforce Grow ing Systems Ltd. | Equity | 3 | 176,008 | - | - | - |
| Agriforce Grow ing Systems Ltd. | Warrants | 3 | 81,492 | - | - | - |
| Alabs | Equity | 3 | - | - | 484,120 | - |
| Alt Hse Cannabis Inc. | Equity | 3 | - | - | - | - |
| 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 | - |
| Black Swan Tech | Equity | 3 | - | - | 94,905 | - |
| 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 | - | - | - |
| CannAgri Blockchain Inc. | Equity | 3 | 119,849 | - | 119,849 | - |
| CannAgri Blockchain Inc. | Warrants | 3 | 60,151 | - | - | - |
| Canivate Grow ing Systems Ltd. | Warrants | 3 | - | - | - | - |
| Casters Holdings Inc. | Equity | 3 | 497,825 | - | 497,825 | - |
| Casters Holdings Inc. | Equity | 3 | - | - | 123,680 | - |
| Central Coast Agriculture | Equity | 3 | 128,128 | - | 128,128 | - |
| Compression Capital | Equity | 3 | - | - | - | - |
| Cyberreason | Equity | 3 | - | - | 72,398 | - |



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| Investment | Instrument | Financial Instr. Hierarchy | December 31, 2020 | | December 31, 2021 | |
|--|------------|-------------------------------|-------------------|------------------|-------------------|------------------|
| | | | Cost | Fair Value | Cost | Fair Value |
| Danavation Tehnologies | Equity | 3 | 83,156 | - | - | - |
| Danavation Tehnologies | Warrants | 3 | 16,844 | - | - | - |
| Bravio Technologies Limited | Equity | 3 | 360,525 | - | 360,525 | - |
| Elim Mining. | Equity | 3 | 51,267 | - | - | - |
| Embark Health Inc. | Equity | 3 | 138,509 | - | 138,509 | - |
| Eqitrade Ltd | Warrants | 3 | - | - | - | - |
| Gage Cannabis (Wolverine Ptnrs) | Equity | 3 | 682,500 | - | - | - |
| Gen X Biosciences | Equity | 3 | 250,000 | - | 250,000 | - |
| Goodee Inc. | Equity | 3 | 250,002 | - | 250,002 | - |
| Goodleaf Wellness Inc. | Equity | 3 | 99,999 | - | 99,999 | - |
| Heavenly RX Ltd. | Equity | 3 | 80,000 | - | 80,000 | - |
| Hemp Hydrate International | Equity | 3 | 219,509 | - | - | - |
| Hemp Hydrate International | Warrants | 3 | 30,491 | - | - | - |
| Holistic Industries Inc. | Equity | 3 | 130,873 | - | 130,873 | - |
| IITC Holdings Ltd. | Equity | 3 | - | - | - | - |
| Impulsa Capital LLC | Equity | 3 | 66,510 | - | 66,510 | - |
| Insuramedix Inc. | Equity | 3 | - | - | 255,055 | - |
| Legacy Eight Group Ltd. | Equity | 3 | 427,180 | - | 427,180 | - |
| Looking Glass Labs Ltd. | Equity | 3 | - | - | 59,605 | - |
| Looking Glass Labs Ltd. | Warrants | 3 | - | - | 40,295 | - |
| McFarlane Lake Mining | Equity | 3 | - | - | 75,000 | - |
| Minpro International Ltd | Equity | 3 | - | - | - | - |
| Miraculo Inc. | Equity | 3 | 105,000 | - | 105,000 | - |
| Molecular Science Corp. | Equity | 3 | 250,000 | - | - | - |
| New t Corporation | Equity | 3 | 50,000 | - | 50,000 | - |
| Payfare Inc. | Equity | 3 | 100,000 | - | - | - |
| Pluribus Technologies Inc. | Equity | 3 | 149,971 | - | 471,902 | - |
| Pluribus Technologies Inc. | Equity | 3 | - | - | 399,998 | - |
| Pluribus Technologies Inc. | Warrants | 3 | - | - | 21,128 | - |
| Promedia Investments Incorporated | Equity | 3 | 263,120 | - | 263,120 | - |
| Prominex Resources Corp. | Equity | 3 | 18,650 | - | - | - |
| Reciprocity Corp. | Equity | 3 | 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 | - | 71,857 | - |
| Somersby Park 2010 Ltd Partnership | Equity | 3 | 772,079 | - | 772,079 | - |
| Sportsventure Holdings Inc | Equity | 3 | - | - | 200,000 | - |
| Sprout AI | Equity | 3 | 30,000 | - | - | - |
| 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 | | | 9,467,200 | 7,358,287 | 9,667,449 | 7,681,199 |



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| Investment | Instrument | Financial Instr. Hierarchy | December 31, 2020 | | December 31, 2021 | |
|--|------------|-------------------------------|-------------------|------------|-------------------|------------|
| | | | Cost | Fair Value | Cost | Fair Value |
| 180 Life Sciences Corp. | Equity | 1 | 314,730 | - | - | - |
| 180 Life Sciences Corp. | Warrants | 1 | - | - | 38,244 | - |
| 79North Ltd. | Equity | 1 | 25,000 | - | - | - |
| AbraSilver Resource Corp. | Equity | 1 | 16,706 | - | - | - |
| Abrasilver Resource Corp. | Warrants | 2 | 3,301 | - | 3,301 | - |
| Aclara Resources Inc | Equity | 1 | - | - | 85,000 | - |
| Advantagewon Oil Corp. | Equity | 1 | 152,289 | - | 48,284 | - |
| Agriforce Growing Systems Ltd. | Equity | 1 | - | - | 101,073 | - |
| Agriforce Growing Systems Ltd. | Warrants | 2 | - | - | 34,557 | - |
| Airboss America | Equity | 1 | - | - | 254,200 | - |
| 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 | - | - | - |
| Arizona Sonoran Copper Company | Equity | 1 | - | - | 51,267 | - |
| Asep Medical Holdings Inc. | Equity | 1 | - | - | 149,900 | - |
| Atmfizer Technologies Inc | Equity | 1 | - | - | 182,000 | - |
| Avanti Energy Inc | Equity | 1 | - | - | 252,000 | - |
| Bluma Wellness Inc. | Equity | 1 | 423,886 | - | - | - |
| Bragg Gaming Group | Equity | 1 | 67,872 | - | - | - |
| Bragg Gaming Group | Warrants | 2 | 28,434 | - | - | - |
| Britannia Life Sciences Inc. (Formerly Rise) | Equity | 1 | - | - | 291,260 | - |
| Canaccord Gen G Class A RSTD | Equity | 1 | - | - | 150,000 | - |
| Canbud Distribution Corp | Equity | 1 | - | - | 250,000 | - |
| Cansortium Inc. | Equity | 1 | 2,834,575 | - | 1,427,065 | - |
| Cansortium Inc. | Warrants | 2 | 528,545 | - | 528,545 | - |
| Cover Technologies Inc | Equity | 1 | - | - | 38,141 | - |
| Cover Technologies Inc | Warrants | 2 | - | - | 95,323 | - |
| Cybin Inc. | Warrants | 2 | - | - | 2,765 | - |
| Curaleaf Holdings Inc. | Equity | 1 | 69,511 | - | 64,704 | - |
| Danavation Technologies | Equity | 1 | - | - | 560,514 | - |
| Danavation Technologies | Warrants | 1 | - | - | 16,844 | - |
| E Automotive Inc. | Equity | 1 | - | - | 115,000 | - |
| Emerge Commerce | Equity | 1 | 15,000 | - | - | - |
| Empatho Holdings Inc. | Equity | 1 | - | - | 192,204 | - |
| Empatho Holdings Inc. | Warrants | 2 | - | - | 57,796 | - |
| Engine Media Holdings Inc. | Equity | 1 | 61,190 | - | 40,445 | - |
| Engine Media Holdings Inc. | Warrants | 2 | 18,030 | - | - | - |
| Filo Mining Corp | Equity | 1 | - | - | 96,000 | - |
| Frontier Lithium | Equity | 1 | - | - | 128,000 | - |
| Gage Growth Corp. | Equity | 1 | - | - | 60,475 | - |
| Gamesquare Esports Inc | Equity | 1 | - | - | 197,763 | - |
| Gamesquare Esports Inc | Warrants | 2 | - | - | 55,851 | - |
| Global Health Clinics Ltd. | Equity | 1 | 31,661 | - | 31,661 | - |
| Global Health Clinics Ltd. | Warrants | 2 | 8,339 | - | - | - |
| Global Care Capital Inc. | Warrants | 2 | 1,793 | - | 1,793 | - |
| Green Scientific Labs | Equity | 1 | - | - | 18,650 | - |
| Greenhawk Resources Inc | Equity | 1 | 236,610 | - | 219,810 | - |



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| Investment | Instrument | Financial Instr. Hierarchy | December 31, 2020 | | December 31, 2021 | |
|---|------------|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | | | Cost | Fair Value | Cost | Fair Value |
| High Tide Inc. | Equity | 1 | 236,001 | - | - | - |
| High Tide Inc. | Warrants | 2 | - | - | 144,113 | - |
| HTC Pureenergy Inc. | Warrants | 2 | 38,432 | - | 38,432 | - |
| Humble & Fume | Equity | 1 | - | - | 21,365 | - |
| Kwesst Micro Systems | Equity | 1 | 409,911 | - | 797,046 | - |
| Kwesst Micro Systems | Warrants | 2 | - | - | 290,853 | - |
| Lendified Holdings Inc. | Equity | 1 | 20,000 | - | - | - |
| Lendified Holdings Inc. | Warrants | 2 | - | - | 6,083 | - |
| Marathon Gold Corporation | Equity | 1 | - | - | 113,418 | - |
| Maritime Resources Corp. | Equity | 1 | 39,998 | - | - | - |
| Mydecine Innovations Group Inc. | Equity | 1 | - | - | 50,985 | - |
| Mydecine Innovations Group Inc. | Warrants | 2 | - | - | 24,015 | - |
| Nighthawk Gold Corp. | Equity | 1 | 66,877 | - | 66,877 | - |
| Nighthawk Gold Corp. | Warrants | 2 | 9,623 | - | - | - |
| Nova Mentis Life Science Corp. | Equity | 1 | 26,500 | - | - | - |
| Pampa Metals Corp. | Equity | 1 | 40,000 | - | - | - |
| Parkit Enterprise Inc | Equity | 1 | - | - | 94,750 | - |
| Pivotree Inc. | Equity | 1 | 25,500 | - | - | - |
| Plant & Co Brands Ltd. | Equity | 1 | 40,000 | - | - | - |
| Plantfuel Life Inc (former Sire Bioscience In | Equity | 1 | - | - | 15,000 | - |
| Popreach Incorporated | Equity | 1 | 187,500 | - | 305,500 | - |
| Popreach Incorporated | Warrants | 2 | 301,229 | - | 301,229 | - |
| Prismo Metals Inc. | Equity | 1 | 42,785 | - | - | - |
| Psyched Wellness (Duncan Park) | Equity | 1 | 25,962 | - | - | - |
| Ramm Pharma Corp | Equity | 1 | - | - | 96,200 | - |
| Reconnaissance Energy Africa Ltd. | Warrants | 2 | 10,155 | - | - | - |
| Reliq Health Technologies | Equity | 1 | 82,881 | - | 82,881 | - |
| Reliq Health Technologies | Warrants | 2 | 17,244 | - | 17,244 | - |
| Royal Wins Corp | Equity | 1 | - | - | 110,161 | - |
| Royal Wins Corp | Warrants | 2 | - | - | 18,516 | - |
| Salona Global Medical | Equity | 1 | 46,357 | - | 72,164 | - |
| Salona Global Medical | Warrants | 2 | 3,643 | - | 3,643 | - |
| Simply Inc. (Cool Holdings Inc.) | Equity | 1 | 627,837 | - | 922,640 | - |
| Simply Inc. (Cool Holdings Inc.) | Warrants | 2 | 518,080 | - | - | - |
| Slang Worldwide Inc. | Equity | 1 | 208,001 | - | - | - |
| Spectra7 Microsystems Inc. | Warrants | 2 | 60,885 | - | 60,885 | - |
| SRG Mining Inc | Equity | 1 | - | - | 87,037 | - |
| Talisker Resources Ltd. | Equity | 1 | 34,588 | - | - | - |
| Talisker Resources Ltd. | Warrants | 2 | 5,412 | - | - | - |
| Tripsitter Clinic Ltd. | Equity | 1 | - | - | 31,938 | - |
| Turmalina Metals Corp. | Warrants | 2 | 12,246 | - | 12,246 | - |
| Universal PropTech Inc | Equity | 1 | - | - | - | - |
| Universal PropTech Inc | Warrants | 2 | - | - | 7,315 | - |
| Vision Marine Technologies | Equity | 1 | 158,505 | - | 158,505 | - |
| Public company investments - FVTPL | | | 8,221,776 | 8,635,111 | 9,791,476 | 9,671,052 |
| | | | 17,688,976 | 15,993,398 | 19,458,925 | 17,352,251 |



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7. SUBSIDIARIES AND ASSOCIATES

The Company's subsidiaries are as follows:

| Subsidiary/Associate | 2021 Ownership | 2020 Ownership | Place of business |
|--|-------------------|-------------------|----------------------|
| Fountain Advisors Corp. ¹ | 100% | 100% | Canada |
| Somersby Park General Partner Inc. | 100% | 100% | United States |
| Somersby Park 2010 Limited Partnership | 73% | 73% | United States |
| Advantagewon Capital Corp. | 50% | 50% | Canada |

¹As outlined in Note 2(c)(i), Fountain Advisors Corp. is the only subsidiary of the Company that is consolidated in these consolidated financial statements.

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

In December 2019, the Advantagewon Capital Corp. filed for receivership.

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, 2021 | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------------|------------|--------------|
| Cash and short term investments | \$ 2,999,077 | \$ - | \$ - |
| Loans and convertible debt - FVTPL | - | - | 166,284 |
| Investments - FVTPL | 8,803,260 | 867,792 | 7,681,199 |
| | \$ 11,802,337 | \$ 867,792 | \$ 7,847,483 |

| 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 |

Fair value estimation

The Company's management team reviews and approves 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



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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 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



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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.

The following table presents the changes in fair value measurements of investments classified as level 3 for the years ended December 31, 2021 and 2020.

| | | |
|------------------------------------|-----------|------------------|
| 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 | | 1,559,022 |
| Balance - December 31, 2020 | \$ | 8,343,975 |
| Transfers (to) from Level 1 | | (2,092,823) |
| Transfers (to) from Level 2 | | (98,336) |
| Purchases | | 2,898,118 |
| Dispositions | | (234,755) |
| Realized losses | | (462,131) |
| Change in unrealized gains | | (506,565) |
| Balance - December 31, 2021 | \$ | 7,847,483 |

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, 2021:

| Investment | Method | Inputs | Fair Value Change +/- 10% |
|--------------------|--|--|------------------------------|
| Equity Instruments | Transaction price | Recent purchase price | 749,298 |
| Convertible Debt | Black Scholes model on conversion and discounted cash flow | Market prices, volatility, discount rate | 16,628 |
| Warrants | Black Scholes model | Market prices, volatility, discount rate | 18,822 |



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

On October 15, 2021, the Company announced its intention to effect a normal course issuer bid ("NCIB") through the facilities of the TSXV. The NCIB commenced on October 20, 2021 and ends October 19, 2022. The Company is entitled to purchase on the TSXV, for cancellation, up to 3,088,835 SVS in total, representing approximately 5% of the SVS issued and outstanding on October 15, 2021. The price the Company is permitted to pay for any such shares will be the market price at the time of acquisition. The actual number of SVS which may be purchased, and the timing of any such purchases, will be determined by the Company. During the year ended December 31, 2021, the Company did not purchase or cancel any SVS.

(b) Issued

| Multiple Voting Shares | Number of Shares | Consideration |
|---|-----------------------------|----------------------|
| Balance - December 31, 2020 and 2021 | 87,760 | \$ 160,028 |
| Subordinate Voting Shares | | |
| 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 and 2021 | 61,776,702 | \$ 29,639,079 |
| Total MVS and SVS Shares - December 31, 2021 | 61,864,462 | \$ 29,799,107 |

(c) Contributed Surplus

Share-based Payment Reserve

| | |
|------------------------------------|---------------------|
| Balance - December 31, 2019 | \$ 6,369,593 |
| Stock-based compensation | 154,443 |
| Balance - December 31, 2020 | \$ 6,524,036 |
| Stock-based compensation | 163,048 |
| Balance - December 31, 2021 | \$ 6,687,084 |



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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, 2019 | 3,805,000 | \$ | 0.43 |
| Granted | 1,275,000 | | 0.15 |
| Balance - December 31, 2020 | 5,080,000 | \$ | 0.36 |
| Granted | 1,025,000 | | 0.265 |
| Forfeited | (25,000) | | 0.145 |
| Balance - December 31, 2021 | 6,080,000 | \$ | 0.34 |

During the year ended December 31, 2021, the following stock options were issued and valued using the Black-Scholes option pricing model with the parameters listed below (in each case with no dividends and a nil forfeiture rate):

| Expiry date | Number of options | Exercise price | Black-Scholes option pricing parameters | | | | Fair value |
|--------------|-------------------|----------------|---|---------------|---------------------|------------|------------|
| | | | Grant date share price | Interest rate | Expiry date (years) | Volatility | |
| June 3, 2026 | 1,025,000 | \$0.265 | \$0.23 | 1.30% | 5.0 | 117% | \$0.18 |

The options vest 1/3 on the date of grant, 1/3 on the one year anniversary, and 1/3 on the second year anniversary. The total fair value of the options granted during the year ended December 31, 2021 was \$189,010.



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During the year ended December 31, 2020, the following stock options were issued and valued using the Black-Scholes option pricing model with the parameters listed below (in each case with no dividends and a nil forfeiture rate):

| Expiry date | Number of options | Exercise price | Black-Scholes option pricing parameters | | | Fair value | |
|---------------|-------------------|----------------|---|---------------|---------------------|------------|--------|
| | | | Grant date share price | Interest rate | Expiry date (years) | | |
| July 16, 2025 | 1,275,000 | \$0.145 | \$0.14 | 1.30% | 5.0 | 107% | \$0.11 |

The total fair value of the options granted during the year ended December 31, 2020 was \$137,445.

During the year ended December 31, 2021, the Company recognized a total of \$163,048 (December 31, 2020 - \$154,443) in stock-based compensation expense relating to the vesting of stock options.

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.

A summary of the Company's outstanding stock options at December 31, 2021 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 | 2.43 |
| January 23, 2017 | 350,000 | 350,000 | 0.30 | 0.06 |
| November 8, 2017 | 1,100,000 | 1,100,000 | 0.3625 | 0.85 |
| June 4, 2018 | 1,250,000 | 1,250,000 | 0.455 | 1.42 |
| August 31, 2018 | 300,000 | 300,000 | 0.455 | 1.67 |
| November 29, 2018 | 575,000 | 575,000 | 0.505 | 1.91 |
| July 16, 2020 | 1,250,000 | 833,000 | 0.145 | 3.54 |
| June 3, 2021 | 1,025,000 | 341,667 | 0.265 | 4.42 |
| | 6,080,000 | 4,979,667 | 0.34 | 2.28 |

10. SUPPLEMENTAL CASH FLOW INFORMATION

| For the years ended December 31, | 2021 | 2020 |
|----------------------------------|------------|------------|
| Interest income received | \$ 115,877 | \$ 175,419 |



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11. RELATED PARTY TRANSACTIONS

- (a) Compensation to key management personnel and directors during the years ended December 31, 2021 and 2020 were as follows:

| For the years ended December 31, | 2021 | 2020 |
|---|------------|------------|
| Salaries, consulting fees, and benefits | \$ 347,255 | \$ 235,000 |
| Director fees | 90,000 | 32,000 |
| Annual incentive plan expense | 392,649 | - |
| Fair value of stock options | 163,048 | 154,443 |
| | \$ 992,952 | \$ 421,443 |

Key consultants and management of the Company are entitled to an annual incentive bonus based on the performance of the Company's investment portfolio. The bonus pool is based on certain performance metrics including the Company's net realized capital gains, plus interest, dividends, structuring, and consulting fee revenue over certain hurdle rates, calculated on an annual basis. As at December 31, 2021, an amount of \$392,649 was accrued for the 2021 annual incentive plan (December 31, 2020 - \$nil).

During the year ended December 31, 2020, \$374,888 was paid on the previous years' bonus accrual. Additionally, during the year ended December 31, 2020, \$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 the President and CEO of the Company. In addition, a further \$275,506 was forgiven by the President and CEO of the Company.

- (b) During the year ended December 31, 2021, the Company recorded \$9,000 of rent expense (December 31, 2020 - \$nil) payable to the CEO of the Company for use of shared office space. The amount is included within general and administrative expense on the consolidated statement of income and comprehensive income and remained in accounts payable as at December 31, 2021.
- (c) Included in amounts receivable and sundry assets is an amounts receivable from Somersby Park 2010 Limited Partnership of \$311,119 (December 31, 2020 - \$316,959). As outlined in Note 2(c)(i), Somersby Park 2010 Limited Partnership is a subsidiary of the Company accounted for at FVTPL.
- (d) From time to time, the Company makes investments into companies for which an officer or a director of Fountain is also an officer or director of the investee company. The table below identifies the related party investees, the name of the related officer or director of the Company, and the position they held with the investee Company as at December 31, 2021.

| Investment | Ownership | Officer/Director Name | Position Held |
|---|-----------|-----------------------|---------------|
| Atmofizer Technologies Inc. | <10% | Michael Galloro | Director |
| Canaccord Genuity Growth Corp. Class A Restricted | <10% | Roger Daher | Director |
| CannAgri Blockchain Inc. | <10% | Michael Galloro | Director |
| Cansortium Inc. | <10% | Roger Daher | Director |
| Global Health Clinics Ltd. | <10% | Andrew Parks | Director |
| Nighthawk Gold Corp. | <10% | Morris Prychidny | Director |
| Simply, Inc. | <10% | Michael Galloro | Director |
| Somersby Park 2010 Limited Partnership ¹ | <10% | Andrew Parks | Director |
| The BRN Group Inc. | <10% | Andrew Parks | Director |
| Tripsitter Clinic Corp. | <10% | Roger Daher | Director |

¹See Note 7 for further details regarding Somersby Park 2010 Limited Partnership.



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12. 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.

| For the years ended December 31, | 2021 | 2020 |
|---|----------------------|----------------------|
| Shareholders' equity comprised of | | |
| Share capital | \$ 29,799,107 | \$ 29,799,107 |
| Contributed surplus | 6,687,084 | 6,524,036 |
| Deficit | (16,266,659) | (17,065,861) |
| | \$ 20,219,532 | \$ 19,257,282 |

There were no changes to the Company's capital management objectives during the year ended December 31, 2021. 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.



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13. 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, | 2021 | 2020 |
|--------------------------------|----------------------|----------------------|
| Capital loss carry-forward | \$ 28,672,624 | \$ 31,975,443 |
| Non-capital loss carry-forward | 1,192,408 | - |
| Share issue costs | 2,086 | 4,173 |
| Property, plant and equipment | - | 53,054 |
| Others | 106,389 | 180,244 |
| | \$ 29,973,507 | \$ 32,212,914 |

The following table summarizes the components of deferred tax:

| As at December 31, | 2021 | 2020 |
|---------------------------------|-------------|-------------|
| Deferred Tax Assets | | |
| Capital losses carried forward | \$ 107,997 | \$ 181,954 |
| Deferred Tax Liabilities | | |
| Investments | (107,997) | (181,954) |
| | \$ - | \$ - |

The net capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. Non-capital loss carry forwards can be carried forward until 2041. 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.



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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% (2020 - 26.5%) to the income (loss) before income taxes. The difference results from the following items:

| For the years ended December 31, | 2021 | 2020 |
|---|------------|--------------|
| Income before income tax | \$ 831,668 | \$ 2,576,612 |
| Expected income tax expense at statutory rates | 220,392 | 682,802 |
| Increase (decrease) resulting from: | | |
| Stock based compensation | 43,208 | 40,927 |
| Realized (gain) loss on portfolio investments | (440,130) | 1,199,674 |
| Unrealized (gain) loss on portfolio investments | 145,839 | (1,460,995) |
| Accounting gain on incentive plan settlement | - | (209,151) |
| Commissions | 21,163 | 10,121 |
| Prior year true-ups | 15,664 | - |
| Other permanent adjustments | 3,419 | (19,237) |
| Change in tax benefits not recognized | 22,911 | (244,141) |
| | \$ 32,466 | \$ - |

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

| For the years ended December 31, | 2021 | 2020 |
|----------------------------------|-----------|------|
| Current tax provision | \$ 32,466 | \$ - |
| Deferred tax provision | - | - |
| | \$ 32,466 | \$ - |

14. BASIC AND DILUTED EARNINGS PER SHARE

For the year ended December 31, 2021, the basic and diluted earnings per share was \$0.01 (December 31, 2020 - \$0.04). Excluded from the diluted earnings per share calculation was 3,455,000 stock options (December 31, 2020 - 4,413,333 stock options) which have an anti-dilutive effect on earnings per share.

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



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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 financial liabilities include accounts payable and accrued liabilities, accrued annual incentive plan payable, and income taxes payable. The carrying amount of these financial liabilities approximate their respective fair values due to their short-term maturities. Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. All of the Company's liabilities are due within the next twelve months.

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 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 FVTPL 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 Company monitors changes in the market on an ongoing basis and adjusts its 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 and United States stock exchange. Changes in the fair value of investments designated as FVTPL are reported in the statement of income and comprehensive income.

The following table shows the estimated sensitivity on the statement of income and comprehensive income for the



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year ended December 31, 2021 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 \$8,692,094 with all other variables held constant as at December 31, 2021:

| Percentage of change in closing prices | Change in comprehensive income from % increase in closing price | Change in comprehensive income from % decrease in closing price |
|---|--|--|
| 5% | 434,605 | (434,605) |
| 10% | 869,209 | (869,209) |

The following table shows the estimated sensitivity on the statement of income and 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 from % increase in closing price | Change in comprehensive income from % decrease in closing price |
|---|--|--|
| 5% | 356,524 | (356,524) |
| 10% | 713,048 | (713,048) |

(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, 2021, if interest rates were higher by 1% per annum, the potential effect to the Company would be an increase in net income of approximately \$6,568 (December 31, 2020 – \$11,501).

(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;



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- 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, 2021, \$nil amounts receivable on convertible loans and debentures were past due (December 31, 2020 - \$nil and \$263,411 of convertible loans and debentures respectively).

| For the years ended December 31, | 2021 | 2020 |
|----------------------------------|------------|--------------|
| Amounts receivable | \$ 315,087 | \$ 1,160,833 |
| Loans and convertible debentures | 166,284 | 1,299,195 |
| | \$ 481,371 | \$ 2,460,028 |

(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 and cash equivalents, certain receivables, convertible debentures and investments in companies denominated in a foreign currency. For the year ended December 31, 2021 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 \$911,615 (December 31, 2020 - \$427,302).

(f) Concentration risk

Included in Investments - FVTPL is one investment which comprises 10% of the balance (2020 - 10%).

16. CONTINGENCIES AND COMMITMENTS

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 was issued 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



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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.