



Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2022

*Unaudited*

*Presented in Canadian Dollars*



**NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Fountain Asset Corp. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.



**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Presented in Canadian Dollars

Unaudited

	<b>September 30, 2022</b>	December 31, 2021
<b>ASSETS</b>		
Cash	\$ 1,381,662	\$ 2,959,077
Short-term investments (Note 4)	40,000	40,000
Accounts receivable and sundry assets	327,839	315,087
Loans and convertible debentures - fair value through profit or loss (Note 5)	184,285	166,284
Investments - fair value through profit or loss (Note 6)	11,486,098	17,352,251
	<b>\$ 13,419,884</b>	<b>\$ 20,832,699</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 86,053	\$ 197,893
Accrued annual incentive plan (Note 10)	-	392,649
Income taxes payable	-	22,625
	<b>86,053</b>	<b>613,167</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8(b))	29,799,107	29,799,107
Contributed surplus (Note 8(c))	6,745,082	6,687,084
Deficit	(23,210,358)	(16,266,659)
	<b>13,333,831</b>	<b>20,219,532</b>
	<b>\$ 13,419,884</b>	<b>\$ 20,832,699</b>

Related party transactions (Note 10)

Contingencies and commitments (Note 14)

See accompanying notes to the condensed interim consolidated financial statements



**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

Presented in Canadian Dollars

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenue</b>				
Net unrealized gains (losses) on portfolio investments	\$ 378,295	(1,123,513)	\$ (4,086,930)	3,170,182
Interest and dividend income	7,796	10,716	21,055	76,108
Net realized gains (losses) on portfolio investments	(124,623)	486,374	(2,171,974)	2,131,987
Structuring fees, consulting fees and bonuses	-	40,000	-	40,000
	<b>261,468</b>	<b>(586,423)</b>	<b>(6,237,849)</b>	<b>5,418,277</b>
<b>Expenses</b>				
Salaries and consulting fees	96,316	117,655	293,782	379,782
Audit and legal fees	36,965	25,929	109,833	153,651
Annual incentive plan expense	-	144,878	-	144,878
General and administrative	31,652	(71,383)	98,766	13,165
Trading commissions	26,077	36,338	49,001	115,961
Filing and listing fees	9,831	339	20,584	14,795
Stock-based compensation (Note 8(c))	6,079	29,353	57,998	134,593
Bad debt	-	-	128,874	-
Foreign exchange (gain) loss	(56,833)	42,421	(52,988)	48,904
	<b>150,087</b>	<b>325,530</b>	<b>705,850</b>	<b>1,005,729</b>
<b>Income (loss) before income taxes</b>	<b>111,381</b>	<b>(911,953)</b>	<b>(6,943,699)</b>	<b>4,412,548</b>
<b>Income tax expense</b>	-	-	-	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 111,381</b>	<b>(911,953)</b>	<b>\$ (6,943,699)</b>	<b>4,412,548</b>
<b>Net income (loss) per share - basic and diluted</b> (Note 12)	<b>\$ 0.00</b>	<b>(0.01)</b>	<b>\$ (0.11)</b>	<b>0.07</b>
<b>Weighted average number of shares outstanding during the year:</b>				
Basic	61,864,462	61,864,462	61,864,462	61,864,462
Diluted	62,345,361	61,883,970	61,864,462	61,883,970

See accompanying notes to the condensed interim consolidated financial statements



## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Presented in Canadian Dollars

Unaudited

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
<b>Balance as at December 31, 2020</b>	<b>\$ 29,799,107</b>	<b>\$ 6,524,036</b>	<b>\$ (17,065,861)</b>	<b>\$ 19,257,282</b>
Stock based compensation	-	134,593	-	134,593
Comprehensive Income	-	-	4,412,548	4,412,548
<b>Balance as at September 30, 2021</b>	<b>29,799,107</b>	<b>6,658,629</b>	<b>(12,653,313)</b>	<b>23,804,423</b>
<b>Balance as at December 31, 2021</b>	<b>29,799,107</b>	<b>6,687,084</b>	<b>(16,266,659)</b>	<b>20,219,532</b>
Stock based compensation	-	57,998	-	57,998
Comprehensive loss	-	-	(6,943,699)	(6,943,699)
<b>Balance as at September 30, 2022</b>	<b>\$ 29,799,107</b>	<b>\$ 6,745,082</b>	<b>\$ (23,210,358)</b>	<b>\$ 13,333,831</b>

See accompanying notes to the condensed interim consolidated financial statements



## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Presented in Canadian Dollars

Unaudited

For the nine months ended September 30	2022	2021
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net income (loss)	\$ (6,943,699)	\$ 4,412,548
Items not involving cash:		
Unrealized losses (gains) on portfolio investments	4,086,930	(3,170,182)
Realized losses (gains) on sale of portfolio investments	2,171,974	(2,131,987)
Proceeds from sale of investments	3,587,080	11,121,415
Purchase of investments	(3,979,880)	(10,641,077)
Non-cash dividend and interest income	(17,952)	-
Stock-based compensation expense	57,998	134,593
Bad debt expense	128,874	-
Change in non-cash working capital:		
Amounts receivable and sundry assets	(141,626)	800,492
Accounts payable and accrued liabilities	(111,840)	(182,480)
Accrued annual incentive plan	(392,649)	144,878
Income taxes payable	(22,625)	-
<b>Change in cash</b>	<b>(1,577,415)</b>	<b>488,200</b>
<b>Cash, beginning of year</b>	<b>2,959,077</b>	<b>1,022,934</b>
<b>Cash, end of period</b>	<b>\$ 1,381,662</b>	<b>\$ 1,511,134</b>

### Supplementary cash flow information (Note 9)

See accompanying notes to the condensed interim consolidated financial statements



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

---

### 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 not fully known 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 unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2022 have been approved for issuance by the Company's board of directors on November 22, 2022.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Statement of compliance*

The Company's unaudited condensed interim 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 of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the IASB. Accordingly, they do not include all of the information required for full annual consolidated financial statements as required by IFRS.

These unaudited condensed interim consolidated financial statements should be read together with the annual audited consolidated financial statements as at and for the year ended December 31, 2021. The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed interim consolidated financial statements as were followed in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2021, as described in Note 2 of the annual consolidated financial statements as at and for the year ended December 31, 2021.

#### (b) *Basis of presentation*

These unaudited condensed interim 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 through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting except for certain cash flow information presented herein.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

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

### (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. and Somersby Park 2010 Limited Partnership) at 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 unaudited condensed interim consolidated financial statements.

A summary of the Company's subsidiaries and how they are presented on the financial statements is summarized in the table below:

Subsidiary	Ownership percentage	Place of business	Presentated on financial statements
Fountain Advisors Corp.	100%	Canada	Consolidated
Somersby Park General Partner Inc.	100%	United States	FVTPL
Somersby Park 2010 Limited Partnership	73%	United States	FVTPL

#### (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:

- Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- 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.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 7 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 as at September 30, 2022 (December 31, 2021 - \$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

A summary of the loans and convertible debentures carried at FVTPL that have a fair value greater than \$nil is presented below.

FVTPL	Instrument	Interest rate / term	Financial Instr. Hierarchy	December 31, 2021		September 30, 2022	
				Cost	Fair Value	Cost	Fair Value
EqiTrade Ltd.	Convertible debt	8%, > 1 year	Level 3	53,537		60,825	
TipTapPay Micropayments Limited	Convertible debt	8%, > 1 year	Level 3	103,222		107,350	
				\$ 156,759	166,284	\$ 168,175	184,285



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

### 6. INVESTMENTS – FVTPL

A summary of the investments carried at FVTPL that have a fair value greater than \$nil is presented below.

Investment	Instrument	Financial Instr. Hierarchy	December 31, 2021		September 30, 2022	
			Cost	Fair Value	Cost	Fair Value
1288273 BC Ltd.	Equity	3	-	-	100,000	-
1616 Media Ltd.	Equity	3	32,920	-	32,920	-
1616 Media Ltd.	Warrants	3	-	-	-	-
Aeropost Holdings Corporation	Equity	3	251,440	-	251,440	-
Alabs	Equity	3	484,120	-	484,120	-
Attorney's Title Guaranty Fund Inc.	Equity	3	413,000	-	413,000	-
Beacon Hill Brands Inc.	Equity	3	400,855	-	400,855	-
Black Swan Tech	Equity	3	94,905	-	94,905	-
Casters Holdings Inc	Equity	3	123,680	-	497,825	-
Casters Holdings Inc	Equity	3	497,825	-	123,680	-
Central Coast Agriculture	Equity	3	128,128	-	128,128	-
Cyberreason	Equity	3	72,398	-	-	-
Embark Health Inc.	Equity	3	138,509	-	-	-
EqiTrade Ltd	Warrants	3	-	-	-	-
Goodee Inc.	Equity	3	250,002	-	250,002	-
Goodleaf Wellness Inc.	Equity	3	99,999	-	99,999	-
Holistic Industries Inc.	Equity	3	130,873	-	130,873	-
Inabuggy Inc.	Equity	3	-	-	45,850	-
Inabuggy Inc.	Warrants	3	-	-	5,150	-
Insuramedix Inc.	Equity	3	255,055	-	255,055	-
Legacy Eight Group Ltd.	Equity	3	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	-	-	-
Miraculo Inc.	Equity	3	105,000	-	-	-
New t Corporation	Equity	3	50,000	-	50,000	-
OpenSky	Equity	3	-	-	1,000,000	-
Pluribus Technologies Inc.	Equity	3	871,901	-	-	-
Pluribus Technologies Inc.	Warrants	3	21,128	-	-	-
FITV.AI Ltd.	Equity	3	-	-	63,395	-
Sportsventure Holdings Inc	Equity	3	200,000	-	200,000	-
The BRN Group Inc.	Equity	3	305,479	-	-	-
Trait Biosciences Incorporated	Equity	3	192,000	-	192,000	-
<b>Private company investments - FVTPL</b>			<b>5,721,297</b>	<b>7,681,199</b>	<b>4,819,197</b>	<b>6,902,555</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

Investment	Instrument	Financial Instr. Hierarchy	December 31, 2021		September 30, 2022	
			Cost	Fair Value	Cost	Fair Value
180 Life Sciences Corp.	Warrants	1	38,244		12,908	
79North Ltd.	Warrants	2	-		-	
Agriforce Grow ing Systems Ltd.	Equity	1	101,073		214	
Agriforce Grow ing Systems Ltd.	Warrants	2	34,557		34,557	
Airboss America	Equity	1	254,200		254,200	
Arizona Sonoran Copper Company	Equity	1	51,267		51,267	
Asep Medical Holdings Inc.	Equity	1	149,900		99,933	
Atmfizer Technologies Inc	Equity	1	182,000		182,000	
Avanti Energy Inc	Equity	1	252,000		34,433	
Bevcanna Enterprises Inc	Equity	1	-		23,277	
Britannia Life Sciences Inc.	Equity	1	291,260		291,260	
Canaccord Genuity G Ventures Co	Equity	1	150,000		150,000	
Cansortium Inc.	Equity	1	1,427,065		1,458,309	
Avanti Energy Inc.	Warrants	2	-		14,657	
Cover Technologies Inc	Equity	1	38,141		38,141	
Cybin Inc.	Warrants	2	2,765		2,765	
Crescent Point Energy Corp	Equity	1	-		103,838	
Curaleaf Holdings Inc.	Equity	1	64,704		49,763	
Danavation Technologies	Equity	1	560,514		359,811	
Danavation Technologies	Warrants	2	16,844		16,844	
Dragonfly Capital Corp	Equity	1	-		200,000	
E Automotive Inc.	Equity	1	115,000		391,000	
Empatho Holdings Inc.	Equity	1	192,204		192,204	
Empatho Holdings Inc.	Warrants	2	57,796		57,796	
Engine Media Holdings Inc.	Equity	1	40,445		40,445	
Filo Mining Corp	Equity	1	96,000		32,000	
Gamesquare Esports Inc	Warrants	2	30,568		30,568	
Gamesquare Esports Inc	Warrants	2	25,283		25,283	
Global Health Clinics Ltd.	Equity	1	31,661		31,661	
Green Scientific Labs	Equity	1	18,650		18,650	
Greenhaw k Resources Inc	Equity	1	219,810		197,010	
High Tide Inc.	Warrants	2	49,616		49,616	
HTC Pureenergy Inc.	Warrants	2	38,432		38,432	
Hub Cyber Security Ltd	Equity	1	-		396,525	
Hub Cyber Security Ltd	Warrants	2	-		142,833	
Kings Entertainment Group Inc.	Equity	1	-		112,609	
Kw esst Micro Systems	Equity	1	797,046		787,567	
Kw esst Micro Systems	Warrants	2	235		235	
Kw esst Micro Systems	Warrants	2	765		765	
Kw esst Micro Systems	Warrants	1	127,709		127,709	
Kw esst Micro Systems	Warrants	2	162,144		162,144	
Kuya Silver Corp	Warrants	2	-		9,049	



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

Investment	Instrument	Financial Instr. Hierarchy	December 31, 2021		September 30, 2022	
			Cost	Fair Value	Cost	Fair Value
Lendified Holdings Inc.	Warrants	2	-	-	-	-
Lendified Holdings Inc.	Warrants	2	6,083	-	6,083	-
Kuya Silver Corp	Equity	1	-	-	13,451	-
Looking Glass Labs	Equity	1	-	-	134,605	-
Looking Glass Labs	Warrants	2	-	-	40,295	-
Marathon Gold Corporation	Equity	1	113,418	-	175,102	-
Mcfarlane Lake Mining Limited	Equity	1	-	-	56,250	-
Mydecine Innovations Group Inc.	Equity	1	50,985	-	145,235	-
Mydecine Innovations Group Inc.	Warrants	1	24,015	-	24,015	-
Marathon Gold Corporation	Warrants	2	-	-	10,798	-
Pampa Metals Corp.	Warrants	2	-	-	-	-
Pluribus Technologies Corp	Equity	1	-	-	871,901	-
Pluribus Technologies Corp	Warrants	2	-	-	21,128	-
Popreach Incorporated	Equity	1	305,500	-	305,500	-
Popreach Incorporated	Warrants	2	301,229	-	301,229	-
Ramm Pharma Corp	Equity	1	96,200	-	96,200	-
Reliq Health Technologies	Equity	1	82,881	-	82,881	-
Reliq Health Technologies	Warrants	2	17,244	-	17,245	-
Royal Wins Corp	Equity	1	110,161	-	182	-
Royal Wins Corp	Warrants	2	18,516	-	18,516	-
Salona Global Medical	Equity	1	72,164	-	111,687	-
Saturn Oil and Gas Inc.	Warrants	2	-	-	1,343	-
Spartan Delta Corp	Equity	1	-	-	69,900	-
Simply Better Brands	Equity	1	-	-	123,887	-
Simply Inc.	Equity	1	922,640	-	144,741	-
Salona Global Medical	Warrants	2	-	-	24,349	-
Spectra7 Microsystems Inc.	Warrants	2	38,846	-	38,846	-
Spectra7 Microsystems Inc.	Warrants	2	-	-	-	-
Spectra7 Microsystems Inc.	Warrants	2	22,039	-	22,039	-
SRG Mining Inc	Equity	1	87,037	-	330,918	-
Steep Hill Inc.	Equity	1	250,000	-	62,519	-
Sw eet Natural Trading Co. Limited	Equity	1	-	-	-	-
Trees Corporation	Equity	1	-	-	1,835	-
Trees Corporation	Warrants	2	-	-	407	-
Universal Proptech Inc	Warrants	2	7,315	-	7,315	-
Vision Marine Technologies	Equity	1	158,505	-	158,505	-
<b>Public company investments - FVTPL</b>			9,791,476	9,671,052	9,641,188	4,583,543
			15,512,773	17,352,251	14,460,385	11,486,098



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

### 7. 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 September 30, 2022	Level 1	Level 2	Level 3
Cash and short term investments	\$ 1,421,662	\$ -	\$ -
Loans and convertible debt - FVTPL	-	-	184,285
Investments - FVTPL	4,175,174	408,369	6,902,555
	\$ 5,596,836	\$ 408,369	\$ 7,086,840

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

#### ***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 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.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

---

- 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 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.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

The following table presents the changes in fair value measurements of investments classified as level 3 for the nine months ended September 30, 2022, and year ended December 31, 2021.

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
Transfers (to) from Level 1	(1,006,506)
Transfers (to) from Level 2	(61,423)
Purchases	1,225,811
Dispositions	(689,228)
Realized losses	(1,273,050)
Change in unrealized gains	1,043,752
<b>Balance - September 30, 2022</b>	<b>\$ 7,086,840</b>

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 September 30, 2022:

Investment	Method	Inputs	Fair Value Change +/- 10%
Equity Instruments	Transaction price	Recent purchase price	683,763
Convertible Debt	Black Scholes model on conversion and discounted cash flow	Market prices, volatility, discount rate	18,429
Warrants	Black Scholes model	Market prices, volatility, discount rate	6,492

### 8. 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.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

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 nine months ended September 30, 2022, the Company did not purchase or cancel any SVS.

### (b) Issued

<b>Multiple Voting Shares</b>	<b>Number of Shares</b>	<b>Consideration</b>
Balance - December 31, 2021 and September 30, 2022	87,760	\$ 160,028

  

<b>Subordinate Voting Shares</b>	<b>Number of Shares</b>	<b>Consideration</b>
Balance - December 31, 2021 and September 30, 2022	61,776,702	\$ 29,639,079

  

<b>Total MVS and SVS Shares - December 31, 2021 and September 30, 2022</b>	<b>61,864,462</b>	<b>\$ 29,799,107</b>
--	-------------------	----------------------

### (c) Contributed Surplus

#### Share-based Payment Reserve

Balance - December 31, 2020	\$ 6,524,036
Stock-based compensation	163,048
Balance - December 31, 2021	\$ 6,687,084
Stock-based compensation	57,998
<b>Balance - September 30, 2022</b>	<b>\$ 6,745,082</b>

#### 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 SVS.

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 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 TSXV 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 TSXV, 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 SVS. It has been the Company’s policy for options to vest upon issuance, however it remains open to change at the Board’s discretion.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

	Number of options		Weighted average exercise price
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	\$	0.36
Expired	(350,000)		0.30
Forfeited	(25,000)		0.265
<b>Balance - September 30, 2022</b>	<b>5,705,000</b>	<b>\$</b>	<b>0.34</b>

During the year ended December 31, 2021, the following stock options were granted 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.

During the three and nine months ended September 30, 2022, the Company recognized \$6,977 (September 30, 2021, - \$29,353) and \$57,998 (September 30, 2021, - \$134,593) respectively 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 as at September 30, 2022 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	1.68
November 8, 2017	1,100,000	1,100,000	0.3625	0.11
June 4, 2018	1,250,000	1,250,000	0.455	0.67
August 31, 2018	300,000	300,000	0.455	0.92
November 29, 2018	575,000	575,000	0.505	1.16
July 16, 2020	1,250,000	1,250,000	0.145	2.79
June 3, 2021	1,000,000	888,889	0.265	3.68
	<b>5,705,000</b>	<b>5,593,889</b>	<b>0.34</b>	<b>1.66</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

### 9. SUPPLEMENTAL CASH FLOW INFORMATION

For the nine months ended September 30,	2022	2021
Interest income received	\$ 12,660	\$ 76,108
Income taxes paid	22,625	-

### 10. RELATED PARTY TRANSACTIONS

- (a) Compensation to key management personnel and directors during the three and nine months ended September 30, 2022 and 2021 were as follows:

As at	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Salaries, consulting fees, and benefits	\$ 71,081	\$ 97,471	\$ 211,673	\$ 347,140
Director fees	22,500	37,500	67,500	67,500
Annual incentive plan expense	-	144,878	-	144,878
Fair value of stock options	9,018	29,353	52,383	134,593
	\$ 102,599	\$ 309,202	\$ 331,556	\$ 694,111

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 gains, plus interest, dividends, structuring, and consulting fee revenue over certain hurdle rates, calculated on an annual basis. During the three and nine months ended September 30, 2022, \$nil (September 30, 2021 - \$144,878) was accrued relating to the annual incentive plan bonus.

- (b) During the nine months ended September 30, 2022, the Company recorded \$3,000 (September 30, 2021 - \$nil) and \$9,000 of rent expense (September 30, 2021 - \$nil) respectively, which is payable to the CEO of the Company for use of shared office space. The amount is included within general and administrative expense on the condensed interim consolidated statement of income and comprehensive income.
- (c) During the nine months ended September 30, 2022, an amount of \$128,874 (September 30, 2021 - \$nil) was recorded as bad debt expense relating to an amount owed from Somersby Park 2010 Limited Partnership. As at September 30, 2022 a balance \$18,934 (December 31, 2021 - \$311,119) remains within amounts receivable and sundry assets owed from Somersby park 2010 Limited Partnership. As outlined in Note 2, Somersby Park 2010 Limited Partnership is a subsidiary of the Company accounted for at FVTPL.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

- (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 September 30, 2022.

Investment	Ownership	Officer/Director Name	Position Held
Atmofizer Technologies Inc.	<10%	Michael Galloro	Director
Canaccord Genuity G Ventures Corp.	<10%	Roger Daher	Director
CannAgri Blockchain Inc.	<10%	Michael Galloro	Director
Cansortium Inc.	<10%	Roger Daher	Director
Simply Better Brands Corp.	<10%	Michael Galloro	Director
Simply, Inc.	<10%	Michael Galloro	Director
Somersby Park 2010 Limited Partnership <sup>1</sup>	<10%	Andrew Parks	Director

<sup>1</sup>See Note 2 for further details regarding Somersby Park 2010 Limited Partnership.

### 11. 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.

	September 30, 2022	December 31, 2021
Shareholders' equity comprised of		
Share capital	\$ 29,799,107	\$ 29,799,107
Contributed surplus	6,745,082	6,687,084
Deficit	(23,210,358)	(16,266,659)
	\$ 13,333,831	\$ 20,219,532

There were no changes to the Company's capital management objectives during the nine months ended September 30, 2022. The Company's objectives when managing capital are:

- to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- 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
- to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

---

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.

### 12. BASIC AND DILUTED EARNINGS PER SHARE

During the three months ended September 30, 2022, the basic and diluted earnings per share was \$nil (September 30, 2021 – loss per share of \$0.01). During the nine months ended September 30, 2022, the basic and diluted loss per share was \$0.11 (September 30, 2021 – earnings per share of \$0.07). Excluded from the three and nine months ended September 30, 2022 diluted earnings per share calculation was 4,455,000 stock options (September 30, 2021 – 6,105,000 stock options) and 5,705,000 stock options (September 30, 2021 – 4,830,000 stock options) respectively, which have an anti-dilutive effect on earnings per share.

### 13. 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 ended September 30, 2022.

#### **(a) Liquidity risk**

Liquidity risk is the risk that the Company will not 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



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

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 nine months ended September 30, 2022 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options, of \$4,126,253 with all other variables held constant as at September 30, 2022:

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%	206,313	(206,313)
10%	412,625	(412,625)

The following table shows the estimated sensitivity on the statement of income and comprehensive income for the 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, of \$8,692,094 with all other variables held constant as at December 31, 2021:



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 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)

### (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 Sep 30, 2022, if interest rates were higher by 1% per annum, the potential effect to the Company would be an increase in net income of approximately \$1,682 (December 31, 2021 – \$6,568).

### (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 September 30, 2022, gross accounts receivable of \$154,560 (December 31, 2021 - \$nil) and \$nil of loans and convertible debentures (December 31, 2021 - \$nil) were past due.

As at	September 30, 2022	December 31, 2021
Amounts receivable	\$ 327,839	\$ 315,087
Loans and convertible debentures	184,285	166,284
	\$ 512,124	\$ 481,371



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian dollars

For the three and nine months ended September 30, 2022 and 2021

---

### **(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 nine months ended September 30, 2022 management estimates that if the United States dollar had strengthened or weakened by 10% against the Canadian dollar, assuming all other variables remained constant, net income for the period would have increased or decreased by approximately \$711,211 (December 31, 2021 - \$911,615).

### **(f) Concentration risk**

Included in Investments - FVTPL is one investment which comprises 15% of the balance (December 31, 2021 - 10%).

## **14. 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 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.