Fountain Asset Corp. (formerly GC Global Capital Corp.)

Condensed consolidated interim financial statements

June 30, 2016 & 2015

(Expressed in Canadian dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4 subsection 4.3(3) (a), if an auditor has not performed a review of these condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor.

The management of Fountain Asset Corp. is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the unaudited condensed consolidated interim financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these unaudited condensed **consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by a** Company's auditor. These unaudited condensed consolidated interim financial statements **include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the condensed consolidated interim financial position, results of operations and cash flows.**

Signed: *"Jason Ewart"*
Chief Executive Officer

Signed: *"Steven P. Haasz"*
Chief Financial Officer

Toronto, Ontario
August 25, 2016

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Condensed Consolidated Interim Statements of Financial Position
For the periods ended,
(expressed in Canadian Dollars)

	June 30, 2016	December 31, 2015
Assets		
Cash	$ 571,269	$ 657,205
Short-term investments (note 5)	40,000	40,000
Accounts receivable and sundry assets	176,552	287,726
Bridge loans and notes receivables, net (note 6)	3,587,650	3,007,012
Portfolio investments in public companies (note 7)	5,402,053	5,246,185
Portfolio investments in private companies (note 8)	2,052,538	1,952,538
Convertible debenture receivable (note 9)	500,000	500,000
Investment properties (note 10)	-	100,000
Assets held for sale (note 11)	1,112,107	1,150,502
	$ 13,442,170	$ 12,941,168
Liabilities		
Accounts payable and accrued liabilities	$ 103,442	$ 151,935
Due to brokers (note 13)	-	95,498
	103,442	247,433
Shareholders' Equity		
Share capital (note 15)	27,107,741	27,107,741
Contributed surplus (note 15)	5,273,980	5,273,980
Accumulated other comprehensive (loss) income	166,667	166,667
Deficit	(19,652,549)	(20,264,998)
	12,895,839	12,283,391
Non-controlling interest (note 14)	442,888	410,345
Total Equity	13,338,728	12,693,736
	$ 13,442,170	$ 12,941,168

Contingencies and subsequent event (notes 22 and 23)

On Behalf of the Board

"Jason Ewart" Director

"Alec Regis" Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
	$	$	$	$	$	$
Balance, January 1, 2016	27,107,741	5,273,980	(20,264,998)	166,667	410,345	12,693,736
Net income (loss)	-	-	612,449	-	-	612,449
Net income attributable to non-controlling interest (note14)	-	-	-	-	32,543	32,543
Share issuance (note 15)	-	-	-	-	-	-
Stock options valuation (note 15)		-	-	-	-	-
Share issuance costs (note 15)	-	-	-	-	-	-
Balance, June 30, 2016	27,107,741	5,273,980	(19,652,550)	166,667	442,888	13,338,728

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
	$	$	$	$	$	$
Balance, January 1, 2015	22,151,644	5,054,678	(15,480,618)	-	335,085	12,060,789
Net income (loss)	-	-	(4,787,132)	-	-	(4,787,132)
Net income attributable to non-controlling interest (note14)	-	-	-	-	75,260	75,260
Share issuance (note 15)	5,418,460	-	-	-	-	5,418,460
Stock options valuation (note 15)		219,302	-	-	-	219,302
Share issuance costs (note 15)	(462,363)	-	-	-	-	(462,362)
Fair value adjustment to private investment holdings, net of tax (note 7)	-	-	-	166,667	-	166,667
Reclassification adjustment for (gains) recognized in net income	-	-	2,752	-	-	2,752
Balance, December 31, 2015	27,107,741	5,273,980	(20,264,998)	166,667	410,345	12,693,736

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Condensed Consolidated Interim Statements of Comprehensive Income
For the three and six-months ended June 30, 2016 and 2015
(expressed in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Revenue				
Structuring fees and bonuses	$ 8,790	$ 44,089	$ 50,585	$ 47,443
Interest and dividend income	276,733	169,681	506,613	287,034
Gain on sale of portfolio investments available for sale	249,315	297,537	(334,371)	391,404
Unrealized gain/(loss) on fair value through profit or loss investment	69,875	(269,346)	617,858	(81,365)
Gain on sale of investment property	146,725	-	146,725	
Consulting fees	60,000	60,000	120,000	702,246
	$ 811,438	$ 301,961	$ 1,107,410	$ 702,246
Expenses				
Management and consulting fees	$ 134,998	$ 322,997	$ **272,178**	$ 452,328
Filing and listing fees	8,648	19,258	15,148	38,423
Audit and legal fees	30,810	52,514	37,384	76,294
Office and general	13,500	85,929	165,735	99,999
Foreign exchange	12,129	-	(11,949)	-
Bad debt, loan provisions and permanent impairments	(16,077)	(130,291)	(16,077)	(104,907)
	$ 184,007	$ 350,407	$ 462,418	$ 562,137
Income (loss) before the following	$ 627,431	$ (48,446)	$ 644,992	$ 142,109
Equity method investment (loss) (note 11)	-	-	-	-
Income (loss) before income tax	$ 627,431	$ (48,446)	$ 644,992	$ 142,109
Income taxes provision	-	-	-	
Net income (loss)	$ 627,431	$ (48,446)	$ 644,992	$ 142,109
Other comprehensive income				
Unrealized losses on available for sale financial assets	$ -	$ 166,667	$ -	$ 166,667
Net comprehensive income (loss)	**$ 627,431**	**$ 118,221**	**$ 644,992**	**$ 308,776**
Net income (loss) attributable to:				
Parent company	$ 609,634	$ (63,320)	$ 612,449	$ 116,976
Non-controlling interest (note 14)	17,797	14,874	32,543	25,133
	$ 627,431	$ (48,446)	$ 644,992	$ 142,109
Net comprehensive income (loss) attributable to:				
Parent company	$ 609,634	$ 103,347	$ 612,449	$ 283,643
Non-controlling interest (note 14)	17,797	14,874	32,543	25,133
	$ 627,431	$ 118,221	$ 644,992	$ 308,776
Net income (loss) per share – basic and diluted (note 15)	$ 0.01	$ 0.00	$ 0.01	$ 0.00
Weighted average number of shares outstanding, basic and diluted	54,154,463	54,154,463	54,154,463	49,399,575

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Condensed Consolidated Interim Statements of Cash Flows
For the three and six-months ended June, 2016 and 2015
(expressed in Canadian Dollars)

		2016	2015
Operating activities			
Net income (loss)	$	644,992	142,109
Realized gain on sale of public portfolio investments		334,371	(391,404(
Unrealized loss/(gain) on sale of public portfolio investments		(617,858)	81,635
Bad debts, loan provisions, and permanent impairments		-	-
Unrealized foreign exchange gain		-	-
Share compensation expense		-	-
		631,505	(106,987)
Net changes in non-cash working capital balances (note 18)		62,681	(387,390)
		424,186	(494,377)
Investing activities			
Issuance of notes receivable, bridge loans and convertible debentures		(770,638)	(1,637,000)
Repayment of notes receivable, bridge loans and convertible debentures		190,000	853,954
Purchase of private investment		-	-
Purchase of public investments		(810,000)	(4,671,158)
Proceeds from sale of public investments		937,619	771,102
Proceeds from sale of short-term investment		-	-
Proceeds on sale of investment property		39,395	26,041
		(414,624)	(4,657,061)
Financing activities			
Proceeds from share issuance		-	5,418,460
Proceeds from subscription receipts		-	-
Share issuance costs		-	(462,362)
Paid to (received from) brokers		(95,498)	284,697
		(95,498)	5,240,794
Increase (decrease) in cash		(85,936)	89,357
Cash, beginning of period		657,205	166,790
Cash, end of period	$	571,269	256,147

Supplemental cash flow information (note 18)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Nature of Business

Fountain Asset Corp. (formerly GC Global Capital Corp.) (the "Company") was incorporated under the Canadian Business Corporations Act and was formed via articles of amalgamation on December 31, 2005. The Company provides a range of merchant banking services to small and mid-size companies in North America in both the public and private markets. The Company provides financing solutions ranging from $500,000 to $5,000,000 to companies across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology and biotechnology. The Company may also take an equity position in these emerging growth companies. On August 31, 2015 the Company changed its name to Fountain Asset Corp.

Fountain Asset Corp. is a publicly traded Company incorporated and domiciled in Canada. The Company's registered office is as follows: 25 Adelaide Street East, Suite 1300, Toronto, Ontario M5C 3A1. The Company's subordinate voting shares are listed on the TSX Venture Exchange ("TSXV") under the symbol FA.

2. Basis of Presentation

Statement of Compliance

These condensed consolidated interim financial statements, are prepared, in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by IFRS, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements have been prepared with conformity with IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended December 31, 2015 and 2014. Certain prior period financial statements amounts have been reclassified to conform to current period presentation without the impact on the consolidated interim statements of comprehensive income.

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the valuation of the portfolio investments in public companies and certain private companies.

The presentation currency used for the condensed consolidated interim financial statements is Canadian dollars. The functional currency used by the Company and its subsidiaries is Canadian dollars.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 30, 2016.

3. Summary of Significant Accounting Policies

A. <u>Basis of Consolidation</u>

The accompanying condensed consolidated interim financial statements include the accounts of the Company, its 100% controlled GC Global Capital Lending Partners Limited, its 50% controlled subsidiary GC Global Capital Partner Inc., its 64.7% controlled subsidiary Somersby Park 2010 Limited Partnership ("Somersby") and its wholly-owned subsidiaries Somersby Park 2010 General Partner Inc. and Foothills Developments Inc. ("Foothills"). In turn, Foothills' accounts include the accounts of its wholly-owned subsidiaries, Newborn Realty Corporation ("Newborn") and Laurel Development Corporation ("Laurel"). Newborn's accounts include the accounts of its wholly-owned subsidiary, Newborn Ranch, LLC ("Newborn Ranch") and its 51% controlled subsidiary Robith, LLC ("Robith"). Non-controlling interest is valued at 49% of Robith LLC cumulative net earnings plus 35.3% of Somersby Park 2010 Limited Partnership cumulative net earnings. All significant intercompany transactions and balances have been eliminated.

The Company controls an entity when the Company is exposed 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. Subsidiaries are fully consolidated from the date on which control is obtained. They are deconsolidated from the date control ceases.

3. Summary of Significant Accounting Policies - continued

B. Use of Estimates and Judgments

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

- Provision for loans, notes and convertible debentures receivable losses – Management exercises judgement to determine whether indicators of impairment exist, and if so, management must estimate the timing and amount of future cash flows from amounts receivable.
- Valuation of deferred income tax assets – The valuation of deferred income tax assets requires judgement on their recoverability. Such judgements are made based on management's estimate on the timing and amount of the Company's future taxable earnings.
- Impairment of assets (portfolio investments in private companies, held for sale assets and investment properties) – Management exercises judgement to determine whether indicators of impairment exist, and if so, management must estimate the timing and amount of future cash flows from sales.
- Determination of fair value of investment properties disclosed and related impairment.
- Determination of whether assets meet held for sale criteria.
- Valuation methodology of level 2 investments.
- Fair value of the equity component of convertible debt held – The Company is required to make certain estimates when determining the fair value of the equity convertible amount, including the share price volatility. These estimates affect the loan and equity convertible components recognized in these consolidated statements of financial position and the accretion expense recognized in these consolidated statements of comprehensive income.
- Classifications of financial instruments

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

These condensed consolidated interim financial statements are prepared with IFRS and follow the same accounting policies and methods of their application as the most recent audited consolidated financial statements for the year ended December 31, 2015 and 2014. These condensed consolidated interim financial statements should be read in conjunction with those consolidated financial statements.

4. New and Revised Standards and Interpretations

New standards and interpretations not yet adopted

The following pronouncements issued by the IASB and interpretations published by IFRIC will become effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. The Company is currently assessing the impact of the adoption of these new standards and interpretations.

Pronouncements effective for annual periods beginning on or after January 1, 2016

IFRS 10 Consolidated Financial Statement and IAS 28 Investments in Associates and Joint Ventures were amended by IASB in September 2014 to eliminate an inconsistency between IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Subsequent to the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Earlier application is permitted.

4. New and Revised Standards and Interpretations - continued

IFRS 10 Condensed consolidated interim financial statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures were amended by IASB in December 2014 to clarify the application of the requirement for investment entities to measure subsidiaries at the fair value instead of consolidating them. Earlier application is permitted.

IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Earlier application is permitted.

Annual Improvements 2012-2014 Cycle was issued by IASB in September 2014. The annual improvement process comprised of minor revisions, clarification or corrections to the standards. The following standards have been amended: IFRS 5, IFRS 7, IAS 19, IAS 34. Earlier application is permitted.

Pronouncements effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments were issued by IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Earlier application is permitted.

IFRS 15, “Revenue from Contracts with Customers” (IFRS 15), was issued by the IASB in May 2014 and will supersede current revenue recognition guidance, which is currently found across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. IFRS 15 provides a framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

None of the other new standards, interpretations and amendments which are effective for periods beginning after January 1, 2016 and which have not been adopted early, are expected to have a material effect on the company’s financial statements.

5. Short Term Investments

The Company has outstanding $40,000 (December 31, 2015 - $40,000) in a short-term guaranteed investment certificate with its financial institution. These investments are held as security on its credit card line with a Schedule A Canadian bank.

(expressed in Canadian Dollars)

6. Bridge Loans and Notes Receivables

		Related Party	Due Date	Stated Interest Rate	Jun. 30, 2016 Net Amount	Dec. 31, 2015 Net Amount
Due within 1 year:						
Private oil production company	(i)	No	February 28, 2017 (amended in 2015)	24%	617,012	707,012
Individual	(ii)	No	October 15, 2015	12%	-	100,000
Sub-total Due within 1 year					617,012	807,012
Private repair finance company	(ii)	No	3 years from date of each Advance	15%	2,970,638	2,200,000
Total					$ 3,587,650	$ 3,007,012

The fair values of notes receivable and bridge loans are estimated to be approximately equivalent to carrying value as the market rate of interest approximates the effective interest rate. Shares, real estate, personal and corporate guarantees generally have been pledged as security for the notes receivable and bridge loans.

(i) On June 10, 2014, the Company completed a 24% secured credit facility in the amount of up to $1,000,000 to a private company specializing in oil production in the United States. The private company was permitted a first advance of $600,000 which was drawn on August 26, 2014. A second advance was drawn on June 3, 2015 for $240,000. The maturity date was amended on September 30, 2015 to February 28, 2017. A Third Loan Amendment Agreement was entered into on February 2, 2016, amending the terms to include additional covenants (maturity date was changed to February 28, 2017). The Company also received additional shares from the company as a result of the anti-dilutive clause kicking in after a rights offering which raised an additional $930,000 for the oil company. As at December 31, 2015, the amount drawn on the credit facility was $707,012. The Company at its sole discretion may determine whether or not to make a further advance. The original terms of the deal include a 4.8% equity position in the private company; a further 1.6% equity position was provided by the company at the time of the second advance. In conjunction with a September 30, 2015 amendment, the Company received a further 6% of the issued and outstanding shares of the private company. It is the intention of the private company to complete a go public transaction in fiscal 2016.

(ii) On October 17, 2014, the Company completed a 12% secured loan to an individual due August 17, 2015. The loan was amended on August 17, 2015 and extended to October 17, 2015. The loan is secured by various assets including share pledges of several private companies and a personal guarantee. Subsequent to the year ending December 31, 2015 on February 11, 2016 the loan was collected in its entirety including outstanding interest and fees.

(iii) On December 23, 2013, the Company completed a 15% secured credit facility for up to $2,000,000 to this private company specializing in financing auto repairs to consumers. The terms of the deal include a potential conversion of $600,000 of debt for equity in the private company at the full discretion of the Company once $1,000,000 is advanced. The credit facility shall be used to expand private company's lending program. The Company has a general security agreement executed with the borrower. On June 22, 2016 the facility was amended, increasing it to $4,000,000. During the quarter $614,362 was syndicated to third parties, and at June 30, 2016 the net balance is $2,970,638 as amended on November 24, 2015.

Past Due, Renewals, Impairments and Provisions

Loans are considered past due when the loan is outstanding past the scheduled maturity date. This may arise in the normal course of business as a result of various factors including refinancing delays. As at

At June 30, 2016, the total estimated fair value of the collateral of impaired loans, net of specific allowances is $Nil (December 31, 2015 - $nil). Management estimates the fair value of the collateral taking into account a number of factors including the market value of securities held, real estate appraisals and management's knowledge of the collateral, credit, financial and real estate markets. In assessing the adequacy of the specific loan loss provision, management takes into account likely realizable values, legal costs and incorporates a time value and credit risk component into estimated future cash flows.

Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of previous loan losses, which would also impact the amount of subsequent interest income recognized.

(expressed in Canadian Dollars)

6. Bridge Loans and Notes Receivables - continued

Write-downs

The Company has recorded specific loan loss write-downs (net of recoveries) of $nil for the period ended June 30, 2016 ($nil for the period ended March 31, 2015).

a) *Loans renewed or renegotiated during the period*

In certain instances the Company may choose to renegotiate or renew loans instead of enforcing its security on loans which have not been repaid. Certain loans whose terms have been renegotiated are no longer considered to be past due but are considered to be in good standing and are therefore accounted for as performing loans. If a substantial modification (based on present value of future cash flows test) is made to a loan on renewal, the Company records any difference between the present value of future cash flows arising from the contractual terms which is compared to the present value of future cash flows at renegotiated interest rate in net income (loss) immediately. When renewing loan terms, the Company may include changes in maturity dates, additional structuring fees and/or bonuses, interest terms and changes in collateral.

7. Portfolio Investments in Public Companies

	June 30, 2016	December 31, 2015
Fair Value Through Profit or Loss ("FVTPL")	5,402,053	5,246,185
Total	$ 5,402,083	$ 5,246,185

8. Portfolio Investments in Private Companies

	Related Party		Jun. 30, 2016	Dec.31, 2015
Commercial real estate operating company in the North Carolina – Fletcher Business Park	No	(i)	$ 1,085,871	$ 1,085,871
Medicinal marijuana producer	Note 21 (b)	(ii)	666,667	666,667
Title insurance servicing company in the US	Note 21 (a)	(iii)	200,000	200,000
Private oil production company		(iv)	100,000	-
Total			$ 2,052,538	$ 1,952,538

(i) 25% interest in a company which operates a commercial building with 896,814 square feet in North Carolina (Fletcher Business Park). The Company customarily receives periodic distributions as an indirect owner of the commercial building. See Note 14.

(ii) The Company invested $500,000 in the common shares of a private company specializing in the production of medicinal marijuana. The Company purchased 166,666 common shares of the private company on May 23, 2014 at a price of $3.00 for total proceeds of $500,000. The shares are currently valued at $4.00 pursuant to new equity issued in 2015 by the company. A director and officer of the Company, is on the board of directors of the private company. The Company also has invested in a convertible debenture of the private company on December 17, 2014 in the amount of $500,000 – see Note 9(i) and 19(b).

(iii) The Company owns common shares of a private title insurance services company in the United States. The Company currently values the common shares at $200,000; an impairment of $213,000 was taken in fiscal 2014. A director and officer of the Company, is on the board of directors of the private company. In connection with the private company, the Company also had a loan receivable with an affiliate of the private company which was written down to $nil (December 31, 2015 - $nil)–see Note 6(i) and 19(a).

(iv) The Company invested $100,000 as part of a secondary subscription in the common shares of a private company specializing in oil production in the United States company on February 2, 2016 at a price of $0.02 per share.

(expressed in Canadian Dollars)

9. Convertible Debenture Receivable

	Related Party			Jun 30, 2016		Dec. 31, 2015
Medicinal marijuana producer	21(b)	(i)	$	500,000	$	500,000

(i) On December 17, 2014, the Company completed a $500,000 secured convertible debenture to a private company producing medicinal marijuana. The debenture matures 24 months from the effective closing date and bears an interest at 18% annum, payable every four months with the first payment due March 31, 2015. The debenture is convertible into units of the company at a price of $4.00 per unit. Each unit consists of 1 common share and 1 warrant exercisable for two years from the date of conversion at a price of $4.50 per warrant. Subject to the closing of a liquidity event within the terms of the debenture, the debenture will be converted into participating equity securities and warrants of the resulting issuer. The debenture is in addition to a previous investment by the Company whereby it purchased common shares of the private company – see Note 8 (ii).

Loan Component and Equity Component

The value of the components of the convertible debenture is determined by measuring the fair value of the convertible component and assigning the residual value to the loan component. The loan component is not re-measured subsequent to initial recognition and is recorded at amortized cost.
The fair value is estimated using the Black Scholes valuation model using assumptions of expected life, risk-free interest rate, expected volatility and share price.

		Jun. 30, 2016		Dec. 31, 2015
Medicinal marijuana producer: (i)				
Loan component of the debenture	$	420,760	$	386,589
Equity component of the debenture		79,240		113,411
	$	500,000	$	500,000

(i) The Company determined that as at June 30, 2016, the fair value of the convertible component of the debenture was $79,240 (December 31, 2015 - $113,411). The carrying value as at June 30, 2016 was estimated using the Black Scholes valuation model using assumptions of expected life of 0.47 years, a risk free interest rate of 0.85%, expected volatility of 58% and share price of $4.00. The average expected volatility rate is estimated based on the historical volatility of comparable companies.

10. Investment Properties

The Company currently owns one (two at December 31, 2015) investment property.

One of the properties is classified as an investment property as per this Note 10 and is measured using the cost model. The remaining investment property is included in assets held for sale outlined in Note 11.

	June 30, 2016				December 31, 2015			
		Carrying Value		Fair Value (Level 2)		Carrying Value		Fair Value (Level 2)
Residential development property Canyon Ridge, New Mexico	$	-	$	-	$	100,000	$	100,000

This property was sold on May 25, 2016 for net proceeds of $146,725 ($112,865 USD). Previously at December 31, 2015 the value of the property was written down to $100,000 based on current fair value supported by a review of similar properties available for sale in the same developments or in the area with similar features. In addition, the values of the properties were compared with the assessed values by the county or township in which they are located. No independent appraiser's reports were completed.

(expressed in Canadian Dollars)

11. Assets Held for Sale

As at June 31, 2016 and December 31, 2015 the Company held one asset for sale.

		June 30, 2016		Dec. 31, 2015
Residential development investment property, Somersby Park (ii) in North Carolina		1,112,107		1,150,502
Total Asset Held for Sale	$	1,112,107	$	1,150,502

(i) The Company continues to actively pursue the sale of the property. On January 23, 2015, the Company sold a portion of the residential development property for the total proceeds of $29,000. The company sold a parcel March 2016 for total proceeds of $44,500.

12. Financial Assets Hierarchy

The following table presents the Company's financial assets, measured at fair value on the consolidated interim statement of financial position as at June 30, 2016, categorized into levels of the fair value hierarchy:

June 30, 2016		Level 1 Quoted Market Price		Level 2 (i) Observable Market Inputs		Level 3 Non-Observable Market Inputs
Cash and short-term investments	$	611,269	$	-	$	-
Portfolio investments	$	5,402,053	$	666,667	$	-
Equity component of convertible debenture	$	-	$	406,501	$	-

December 31, 2015		Level 1 Quoted Market Price		Level 2 Observable Market Inputs		Level 3 Non-Observable Market Inputs
Cash and short-term investments	$	697,205	$	-	$	-
Portfolio investments	$	5,246,185	$	666,667	$	-
Equity component of convertible debenture	$	-	$	153,139	$	-

(i) June 30, 2016 balance of Level 2 portfolio investments is comprised of shares and the equity portion of the convertible debenture held in a private company involved in the production of medicinal marijuana. See Note 9.

During the period ended June 30, 2016 there were no transfers between levels 1, 2 or 3.

13. Due to Brokers

As at June 30, 2016, the amounts due to brokers totalled $0 (December 31, 2015: $95,498). Due to brokers consists of margin borrowings collateralized by the Company's investments held at brokers. In the normal course of business, the Company uses the margin borrowings to finance some of its investment activities. Interest is charged on the outstanding balance.

(expressed in Canadian Dollars)

14. Non-controlling Interest

The Company's interest in Laurel Park is held through its 64.7% ownership in Somersby Park 2010 Limited Partnership which accounts are consolidated into the Company's condensed consolidated interim financial statements. The 35.3% interest of the net assets of Somersby Park 2010 Limited Partnership attributable to minority shareholders is then presented as "non-controlling interest" within shareholders' equity on the consolidated statement of financial position. Net loss and comprehensive loss is allocated between the Company's 64.7% ownership and the non-controlling 35.3% ownership interest.

The Company's interest in Fletcher Business Park is held through its 51.0% ownership in Robith which accounts are consolidated into the Company's condensed consolidated interim financial statements. The 49.0% interest of the net assets of Robith attributable to minority shareholders is then presented as "non-controlling interest" within shareholders' equity on the consolidated statement of financial position. Net loss and comprehensive loss for the period are allocated between the Company's 51.0% ownership and the non-controlling 49.0% ownership interest.

The Company recorded $32,543 of subsidiaries' net income and comprehensive income related to the non-controlling interest during the period ended June 30, 2016 (2015 income of $25,134).

The following is summarized financial information for the Somersby Park 2010 Limited Partnership and Robith LLC, before inter-company eliminations:

	June 30, 2016	June 30, 2015
Revenue	$ 263,725	$ 60,000
Net income (loss)	83,239	48,076
Other comprehensive income (loss)		
Total comprehensive income (loss)	83,239	48,076
Net income (loss) attributable to non-controlling interest	32,543	25,134
Total comprehensive income (loss) attributable to non-controlling interest	32,543	25,134

	June 30, 2016	June 30, 2015
Current assets	136,823	84,766
Non-current assets	2,197,979	2,236,374
Current liabilities	478,485	639,830
Non-current liabilities	-	-
Net assets	1,856,317	1,681,310
Net assets attributable to non-controlling interest	776,293	693,623
Net cash provided by (used in) operating activities	(86,592)	67,076
Net cash provided by (used in) financing activities	86,592	(67,076)
Net cash provided by (used in investing activities	-	-
Net increase (decrease) in cash and cash equivalents for the period	-	-
Dividends paid to non-controlling interest	$ -	$ -

(expressed in Canadian Dollars)

15. Share Capital

a) *Authorized:*

Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")
Unlimited preferred shares

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

b) *Shares issued and outstanding:*

As at,	June 30, 2016			December 31, 2015		
	Number of Shares		Amount	Number of Shares		Amount
Multiple voting shares	1,035,719	$	1,888,523	1,035,719	$	1,888,523
Subordinate voting shares	53,118,743		25,219,218	53,118,743		25,219,218
	54,154,462		27,107,741	54,154,462		27,107,741

The Company issued 5,375,000 subordinate voting shares at a price of $0.40 on June 17, 2014 for total gross proceeds of $2,150,000. The subordinate voting shares issued were subject to a four-month hold period. Associated share issuance costs totalled $78,300.

The Company issued 2,941,176 Subscription Receipts on March 14, 2014 at a price of $0.34 per Subscription Receipt for total gross proceeds of $1,000,000. Each Subscription Receipt was exchanged for one SVS of the Company for no additional consideration on September 14, 2014. Associated share issuance costs totalled $40,100.

On March 12, 2015, the Company issued 11,994,355 subordinate voting shares at a price of $0.45 per share for gross proceeds of $5,397,460. Associated share issuance costs totaled $462,363.

On June 3, 2015 the Company issued 105,000 subordinate voting shares to a director who exercised his stock options for gross proceeds of $21,000.

c) Stock options outstanding	Number of options (SVS)		Weighted average exercise price per share	Expiry dates
Balance, December 31, 2013	1,623,333	$	0.3867	August 28, 2014 to May 28, 2018
Expired in 2014	(880,000)		0.5000	August 28, 2014
Issued in 2014	230,000		0.4000	June 5, 2019
Balance, December 31, 2014	973,333		0.2873	May 28, 2018 to June 5, 2019
Exercised in 2015	(105,000)		0.2000	
Issued in 2015	1,270,000		0.04700	April 29, 2020 to August 25, 2020
Balance, December 31, 2015	2,138,333	$	0.4001	May 28, 2018 to August 25, 2020
Balance, June 30, 2016	2,138,333	$	0.4001	May 28, 2018 to August 25, 2020

(expressed in Canadian Dollars)

15. Share Capital – continued

As at June 30, 2016 1,218,333 options are exercisable. The weighted average exercise price per exercisable share is $0.35 and the weighted average remaining life per exercisable share is 3.11 years.

On April 29, 2015, the Company granted 1,210,000 options to certain employees and management and on August 25, 2015 the Company granted a further 60,000 options to certain employees. The exercise price of all the options is $0.47. The options are subject to a four-month hold period, options vest over 4 years and have a five-year term. The fair value assigned was estimated using the Black Scholes option pricing model with the following weighted average assumptions: share price $0.47, dividend yield 0%, expected volatility based on historical volatility 93%, a risk free interest rate of 0.85%, and an expected maturity of five years. The stock based compensation related to these vested options as at December 31, 2015 is $219,302

On June 3, 2015 a director exercised 105,000 options for gross proceeds of $21,000. The market price for the Company shares were $0.42 on June 3, 2015.

16. Stock-Based Compensation Plan

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 and certain consultants of the Company and its subsidiaries. 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 Boards discretion.

17. Net Income (loss) per Share

Net income (loss) per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period. Diluted income (loss) per share is calculated in a similar manner, except that the weighted average number of multiple and subordinate voting shares outstanding is increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if materially dilutive. The potential effect of the exercise stock options did not impact the presentation of the basic net income (loss) per share for the periods ended June 30, 2016 and 2015.

18. Supplementary Cash Flow Information

	June 30, 2016	June 30, 2015
Net change in non-cash working capital balances		
Accounts receivable, interest and dividends receivable	$ 106,230	$ (96,235)
Prepaid expenses and sundry assets	4,944	(20,160)
Accounts payable and accrued liabilities	(48,493)	(270,995)
	$ 62,681	$ (387,390)

(expressed in Canadian Dollars)

18. Supplementary Cash Flow Information - continued

		June 30, 2016		June 30, 2015
Interest received	$	418,313	$	169,681
Interest paid	$	33,522	$	13,774
Income taxes paid	$	-	$	-

19. Related Party Transactions

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

a) Portfolio investments in private companies includes $200,000 (December 31, 2015 - $200,000) of shares and warrants of a private title insurance company in the United States having a current director or officer in common with the Company. See Note 8(iii).

b) Portfolio investments in private companies includes $666,667 (December 31, 2015 - $500,000) of shares and $500,000 in convertible debenture of a producer of medicinal marijuana having a current director or officer in common with the Company. See Note 8(ii) and Note 9(i).

Related party transactions are in the normal course of operations.

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the year as follows:

	June 30, 2016	June 30, 2015
Salaries and benefits	175,000	105,370
Stock based compensation	-	-
Total	115,000	105,370

20. Sensitivity Analysis of Financial instruments

(i) Sensitivity to Public Market Changes

Many of the Company's portfolio investments include publicly-listed entities that are listed on a Canadian Stock Exchange. Changes in the fair value of portfolio investments designated as fair value through profit and loss are reported in the consolidated statement of comprehensive income.

The following table shows the estimated sensitivity on the consolidated comprehensive income for the period ended June 30, 2016 from a change in closing price of the Company's publicly-listed investments of $5,402,053 with all other variables held constant as at June 30, 2016:

Percentage of Change in Closing Prices		Change in comprehensive income from % increase in closing price		Change in comprehensive income from % decrease in closing price
Investments FVTPL				
5%	$	270,103	$	(270,103)
10%	$	540,205	$	(540,205)

20. Sensitivity Analysis of Financial instruments - continued

(ii) Sensitivity to Interest Rate Changes

The majority of the Company's notes receivable and bridge loans all carry a fixed interest rate. Bank of Canada interest rate changes historically have not had an effect on the interest rates charged by the Company on its notes receivable, bridge loans or convertible debentures and the Company does not anticipate any sensitivity due to interest rate changes in the future.

(iii) Sensitivity to Foreign Exchange Changes

Currency risk is the risk that the fair value of, or future cash flows from the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Some of the Company's investments are denominated in foreign currencies and are therefore exposed to foreign exchange fluctuations. Consequently, fluctuations of the United States dollar in relation to the Canadian dollar impact the fair value of financial assets and operating results. Financial assets subject to currency translation risk primarily include United States dollar denominated cash and marketable securities – FVTPL.

As at June 30, 2016 the company held no notes receivable nor bridge loans denominated in United States dollars (December 31, 2015 - $nil).

21. Risk Management

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

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

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. 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. There has been no change in the capital management approach from the prior period.

(expressed in Canadian Dollars)

21. Risk Management - continued

Financial Assets

Risk disclosures relating to financial assets are found below. The following table provides a cross referencing of those disclosures.

Description	**Section**
For each type of risk arising from financial assets, disclose: the exposure to risk and how they arise; objectives, policies and processes used for managing the risks; methods used to measure the risk; and description of collateral	Risk management
	Credit risk management
	Market risk management
	Liquidity risk
	Currency risk
Credit risk- gross exposure to credit risk, credit quality and concentration of exposures	Credit risk management
Market risk- value-at-risk, interest rate risk, price risk and equity risk	Market risk
Liquidity risk- liquid assets, maturity of financial liabilities and credit and liquidity commitments	Liquidity risk
Currency risk- exchange rate risk	Currency risk

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.

In addition, the Board of Directors meets on a quarterly basis, to review and assess the risk profile of the loan portfolio. The Board of Directors is required to approve all loans above $500,000. The Board has delegated approval authority for all loans less than $500,000 to senior management. The Company reviews its policies regarding its lending limits on an on-going basis. The amount of the Company's loans generally does not exceed 75% of the collateral value. The maximum exposure to credit risk is:

	June 30, 2016	**December 31, 2015**
Accounts Receivable, excluding HST	116,494	239,748
Notes receivable, bridge loans	3,587,650	3,007,012
Convertible debenture receivable	500,000	500,000
Total Credit Exposure	$ 4,204,144	$ 3,746,760

(expressed in Canadian Dollars)

21. Risk Management continued

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board monitors changes in the market on an ongoing basis and adjusts the Company's lending and investing practices and policies when necessary to reduce the impact of the above risks. Refer to note 23 for sensitivity analysis.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The goal of liquidity management is to ensure that adequate cash is available to honour all future loan commitments. As well, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized. The Company manages its liquidity risk by monitoring loan advances and repayments.

		June 30,2016		December 31,2015
Cash	$	571,269	$	657,205
Short term investments		40,000		40,000
Accounts receivable and sundry assets		176,552		287,726
Investments in public companies		5,402,053		5,246,185
Notes receivable and bridge loans due within one year (Note 6)		617,012		100,000
Total liquid assets	$	6,806,886	$	6,331,116
Accounts payable and accrued liabilities	$	103,442	$	151,935
Due to brokers (note 13)		-		95,498
Total short term liabilities	$	103,442	$	247,433

In managements' opinion, the Company has sufficient resources to meet its current cash flow requirements.

The Company's accounts payable all have contractual maturities of less than 30 days and are subject to normal trade terms.

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

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At times the Company takes advantage of foreign exchange contracts to manage the risk of currency fluctuations. At the end of the March 31, 2016 and December 31, 2015 the Company did not hold any contracts. Refer to note 23 for sensitivity analysis.

22. Contingencies

The Company is the parent company of the general partner of GC Global Capital Lending Partners Limited Partnership and Somersby Park 2010 General Partner Inc. The General Partner has unlimited liability for the liabilities and obligations of the partnerships in excess of the contributions of the limited partners. As at June 30, 2016 and December 31, 2015 there were no outstanding liabilities or obligations for which the Company was contingently liable.

23. Subsequent Events

On July 15, 2016 the Company was repaid $250,000 of its $500,000 convertible debenture with the Medicinal marijuana producer, and executed the conversion of the remaining balance, $250,000 together with amendment fees and all accrued interest into 75,382 shares. The Company also received 75,382 warrants with a three (3) year term.

On July 19, 2016 the Company invested further in one of its existing, publicly listed, portfolio companies by purchasing a $175,000 convertible debenture. This client is in the natural sweetener CPG industry.