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

**Condensed consolidated interim financial statements**

**September 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**
**November 29, 2016**

**Fountain Asset Corp.** (formerly GC Global Capital Corp.)
Condensed Consolidated Interim Statements of Financial Position
For the periods ended September 30,2016 and December 31, 2015
**(expressed in Canadian Dollars)**

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Cash | $ 658,091 | $ 657,205 |
| Short-term investments (note 5) | 40,000 | 40,000 |
| Accounts receivable and sundry assets | 292,819 | 287,726 |
| Bridge loans and notes receivables, net (note 6) | 3,592,650 | 3,007,012 |
| Portfolio investments in public companies (note 7) | 5,118,488 | 5,246,185 |
| Portfolio investments in private companies (note 8) | 2,354,068 | 1,952,538 |
| Convertible debenture receivable (note 9) | 885,000 | 500,000 |
| Investment properties (note 10) | - | 100,000 |
| Assets held for sale (note 11) | 1,049,278 | 1,150,502 |
| | $ 13,990,395 | $ 12,941,168 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 100,623 | $ 151,935 |
| Due to brokers (note 13) | - | 95,498 |
| | 100,623 | 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 | (19,109,574) | (20,264,998) |
| | 13,438,814 | 12,283,391 |
| Non-controlling interest (note 14) | 450,958 | 410,345 |
| **Total Equity** | 13,889,772 | 12,693,736 |
| | $ 13,990,395 | $ 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.

**Fountain Asset Corp. (formerly GC Global Capital Corp.)**
Condensed Consolidated Interim Statements of Changes in Equity
For the periods ended September 30, 2016 and December 31, 2015
**(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) | - | - | 1,155,424 | - | - | 1,155,424 |
| Net income attributable to non-controlling interest (note14) | - | - | - | - | 40,613 | 40,613 |
| Share issuance (note 15) | - | - | - | - | - | - |
| Stock options valuation (note 15) | | - | - | - | - | - |
| Share issuance costs (note 15) | - | - | - | - | - | - |
| **Balance, September 30, 2016** | 27,107,741 | 5,273,980 | (19,109,574) | 166,667 | 450,958 | 13,889,773 |

| | 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 nine-months ended September 30, 2016 and 2015**
**(expressed in Canadian Dollars)**

| | Three months ended Sept. 30 | | Nine months ended Sept. 30 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Revenue** | | | | |
| Structuring fees and bonuses | $ 17,503 | $ 9,902 | $ 68,089 | $ 57,345 |
| Interest and dividend income | 311,559 | 226,176 | 818,171 | 513,211 |
| Gain on sale of portfolio investments available for sale | - | (167,958) | (334,371) | 223,446 |
| Unrealized gain/(loss) on fair value through profit or loss investment | 426,435 | (3,476,478) | 1,044,293 | (3,558,113) |
| Gain on sale of investment property | - | - | 146,725 | - |
| Consulting fees | 63,000 | 60,000 | 183,000 | 120,000 |
| | $ 818,497 | $ (3,348,358) | $ 1,925,907 | $ (2,644,112) |
| **Expenses** | | | | |
| Management and consulting fees | $ 143,303 | $ 148,188 | $ **415,480** | $ 600,516 |
| Filing and listing fees | 5,165 | 8,186 | 20,314 | 46,609 |
| Audit and legal fees | 14,549 | 33,257 | 51,933 | 109,821 |
| Office and general | 103,362 | 1,822 | 269,096 | 101,821 |
| Foreign exchange | 1,074 | (65,895) | (10,875) | (65,895) |
| Stock compensation expense | - | 58,128 | - | 58,128 |
| Bad debt, loan provisions and permanent impairments | - | 361,928 | (16,077) | 257,020 |
| | $ 267,452 | $ 545,883 | $ 729,870 | $ 1,108,020 |
| **Income (loss) before the following** | $ 551,045 | $ (3,894,241) | $ 1,196,037 | $ (3,752,131) |
| Equity method investment (loss) (note 11) | - | - | - | - |
| **Income (loss) before income tax** | $ 551,045 | $ (3,894,241) | $ 1,196,037 | $ (3,752,131) |
| Income taxes provision | - | - | - | - |
| **Net income (loss)** | $ 551,045 | $ (3,894,241) | $ 1,196,037 | $ (3,752,131) |
| Other comprehensive income | | | | |
| Unrealized losses on available for sale financial assets | $ - | $ - | $ - | $ 166,667 |
| **Net comprehensive income (loss)** | **$ 551,045** | **$** (3,894,241) | **$ 1,196,037** | **$** (3,585,464) |
| **Net income (loss) attributable to:** | | | | |
| Parent company | $ 542,975 | $ (3,935,624) | $ 1,155,424 | $ (3,818,647) |
| Non-controlling interest (note 14) | 8,069 | 41,383 | 40,613 | 66,516 |
| | $ 551,045 | $ (3,894,241) | $ 1,196,037 | $ (3,752,131) |
| **Net comprehensive income (loss) attributable to:** | | | | |
| Parent company | $ 542,975 | $ (3,935,624) | $ 1,155,424 | $ (3,651,980) |
| Non-controlling interest (note 14) | 8,069 | 41,383 | 40,613 | 66,516 |
| | $ 551,045 | $ (3,894,241) | $ 1,196,037 | $ (3,585,464) |
| Net income (loss) per share – basic and diluted (note 15) | $ 0.01 | $ (0.07) | $ 0.02 | $ (0.07) |
| Weighted average number of shares outstanding, basic and diluted | 54,154,462 | 54,154,462 | 54,154,462 | 50,975,052 |

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 nine-months ended September 30, 2016 and 2015**
**(expressed in Canadian Dollars)**

| | | 2016 | 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income (loss) | $ | 1,196,037 | (3,752,131) |
| Realized gain on sale of public portfolio investments | | 334,371 | (223,446) |
| Unrealized loss/(gain) on sale of public portfolio investments | | (1,044,293) | 3,558,113 |
| Bad debts, loan provisions, and permanent impairments | | - | 362,324 |
| Unrealized foreign exchange gain | | - | (65,895) |
| Share compensation expense | | - | 58,128 |
| | | 486,115 | (62,908) |
| Net changes in non-cash working capital balances (note 18) | | (56,406) | (285,349) |
| | | 429,709 | (348,257) |
| **Investing activities** | | | |
| Issuance of notes receivable, bridge loans and convertible debentures | | (1,705,638) | (2,092,000) |
| Repayment of notes receivable, bridge loans and convertible debentures | | 433,470 | 983,954 |
| Purchase of private investment | | (100,000) | - |
| Purchase of public investments | | - | (4,671,158) |
| Proceeds from sale of public investments | | 937,619 | 1,032,012 |
| Proceeds from sale of short-term investment | | - | - |
| Proceeds on sale of investment property | | 101,224 | 26,041 |
| | | (333,326) | (4,721,151) |
| **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) | 210,694 |
| | | (95,498) | 5,166,791 |
| **Increase (decrease) in cash** | | 886 | 97,384 |
| **Cash,** beginning of period | | 657,205 | 166,790 |
| **Cash,** end of period | $ | 658,091 | 264,174 |

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. Basis of Consolidation

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

As at September 30, 2016 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 | Sept. 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% | 572,012 | 707,012 |
| Individual | (ii) | No | October 15, 2015 | 12% | - | 100,000 |
| *Sub-total Due within 1 year* | | | | | 572,012 | 807,012 |
| Private repair finance company | (iii) | No | 3 years from date of each Advance | 15% | 3,020,638 | 2,200,000 |
| Total | | | | | $ 3,592,650 | $ 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. As at September 30, 2016 the loan balance has been reduced to $572,012 through total repayments of $135,000 over the course of the year.

(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 year $614,362 was syndicated to third parties, and at September 30, 2016 the net balance is $3,020,638. The initial tranches will come due beginning December 23, 2016 and will be converted to equity up to a total of $600,000.

<u>Past Due, Renewals, Impairments and Provisions</u>

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.

At September 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.

**(expressed in Canadian Dollars)**

## 6. Bridge Loans and Notes Receivables - continued

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.

*Write-downs*

The Company did not record any loan loss write-downs for the period ended September 30, 2016 ($257,020 for the period ended September, 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

| | | Sept. 30, 2016 | | Dec. 31, 2015 |
|---|---|---|---|---|
| Fair Value Through Profit or Loss (“FVTPL”) | | 5,118,488 | | 5,246,185 |
| Total | $ | 5,118,488 | $ | 5,246,185 |

## 8. Portfolio Investments in Private Companies

| | Related Party | | | Sept. 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 19 (b) | (ii) | | 968,197 | | 666,667 |
| Title insurance servicing company in the US | Note 19 (a) | (iii) | | 200,000 | | 200,000 |
| Private oil production company | | | | 100,000 | | - |
| Total | | | $ | 2,354,068 | $ | 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) On May 23, 2014, the Company purchased 166,666 common shares of a private company specializing in the production of medicinal marijuana at a price of $3.00 for a total of $500,000. The shares are currently valued at $4.00 pursuant to new equity issued in 2015 by the company. On July 17, 2016, a secured convertible debenture, purchased on December 17, 2014 in the amount of $500,000, was converted for cash proceeds of $250,000, with the balance of $250,000 plus $51,530 in accrued interest and fees converted to 75,382 shares and 75,382 warrants – 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. 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).

**(expressed in Canadian Dollars)**

## 8. Portfolio Investments in Private Companies - continued

(iv) On February 2, 2016 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 at a price of $0.02 per share. This private company is the same as that referenced in note 6(i).

## 9. Convertible Debenture Receivable

| | Related Party | | | Sept. 30, 2016 | | Dec. 31, 2015 |
|---|---|---|---|---|---|---|
| Medicinal marijuana producer | 19(b) | (i) | $ | - | $ | 500,000 |
| Natural sweetener company | n/a | (ii) | $ | 885,000 | $ | - |

(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. On July 17, 2016, the debenture was converted for cash proceeds of $250,000, with the balance of $250,000 plus $51,530 in accrued interest and fees converted to 75,382 shares and 75,382 warrants– see Note 8 (ii).

(ii) The Company purchased a total of $885,000 in convertible debentures of a publicly traded natural sweetener company ($300,000 January 2016, $410,000 February 2016, $175,000 July 2016). The debenture is convertible into 8,850,000 shares and as part of the subscription, Fountain received 8,850,000 warrants of the company. The debt is convertible at a price of $0.10 per share. Each warrant is exercisable for two years from the date of conversion at a price of $0.08 per warrant for one (1) share.

## 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.

| | Sept. 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 September 30, 2016 and December 31, 2015 the Company held one asset for sale.

| | September 30, 2016 | Dec. 31, 2015 |
|---|---|---|
| Residential development investment property, Somersby Park (ii) in North Carolina | 1,049,278 | 1,150,502 |
| Total Asset Held for Sale | $ 1,049,278 | $ 1,150,502 |

(i) The Company continues to actively pursue the sale of the property, in whole and/or individual lots. This fiscal year to date, the company has sold two lots for net proceeds of $101,224 ($86,724 USD).

## 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 September 30, 2016, categorized into levels of the fair value hierarchy:

| September 30, 2016 | Level 1 Quoted Market Price | Level 2 (i) Observable Market Inputs | Level 3 Non-Observable Market Inputs |
|---|---|---|---|
| Cash and short-term investments | $ 698,091 | $ - | $ - |
| Portfolio investments | $ 5,118,488 | $ 968,197 | $ - |
| Equity component of convertible debenture | $ - | $ - | $ - |

| 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) September 30, 2016 balance of Level 2 portfolio investments is comprised of shares held in a private company involved in the production of medicinal marijuana. See Note 9.

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

**(expressed in Canadian Dollars)**

### 13. Due to Brokers

As at September 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.

### 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 $40,613 of subsidiaries' net income and comprehensive income related to the non-controlling interest during the period ended September 30, 2016 (2015 income of $66,516).

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

| | Sept. 30, 2016 | Sept. 30, 2015 |
|---|---|---|
| Revenue | $ 322,225 | $ 120,000 |
| Net income (loss) | 83,404 | 132,531 |
| Other comprehensive income (loss) | | - |
| Total comprehensive income (loss) | 83,404 | 132,531 |
| Net income (loss) attributable to non-controlling interest | 40,613 | 66,516 |
| Total comprehensive income (loss) attributable to non-controlling interest | 40,613 | 66,516 |

| | Sept. 30, 2016 | Sept. 30, 2015 |
|---|---|---|
| Current assets | 195,301 | 113,478 |
| Non-current assets | 2,135,150 | 2,236,374 |
| Current liabilities | 473,970 | 584,086 |
| Non-current liabilities | - | - |
| Net assets | 1,856,481 | 1,765,766 |
| Net assets attributable to non-controlling interest | 784,362 | 735,007 |
| Net cash provided by (used in) operating activities | 135,061 | 15,581 |
| Net cash provided by (used in) financing activities | (135,061) | (15,581) |
| 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, | Sept. 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, September 30, 2016** | 2,138,333 | $ 0.4001 | May 28, 2018 to August 25, 2020 |

**(expressed in Canadian Dollars)**

### 15. Share Capital - continued

As at September 30, 2016 1,185,833 options are exercisable. The weighted average exercise price per exercisable share is $0.34 and the weighted average remaining life per exercisable share is 3.2 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.

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 September 30, 2016 and 2015.

### 18. Supplementary Cash Flow Information

| | | Sept. 30, 2016 | | Sept. 30, 2015 |
|---|---|---|---|---|
| **Net change in non-cash working capital balances** | | | | |
| Accounts receivable, interest and dividends receivable | $ | (18,678) | $ | (29,461) |
| Prepaid expenses and sundry assets | | 13,584 | | (11,229) |
| Accounts payable and accrued liabilities | | (51,312) | | (244,659) |
| | $ | (56,406) | $ | (285,349) |

| | | Sept. 30, 2016 | | Sept. 30, 2015 |
|---|---|---|---|---|
| **Interest received** | $ | 633,021 | $ | 298,658 |
| **Interest paid** | $ | 54,251 | $ | 4,483 |
| **Income taxes paid** | $ | - | $ | - |

**(expressed in Canadian Dollars)**

## 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 $968,197 (December 31, 2015 - $666,667) of shares 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:

| | Sept. 30, 2016 | Sept. 30, 2015 |
|---|---|---|
| Salaries and benefits | 262,500 | 254,665 |
| Stock based compensation | - | 58,128 |
| Total | 262,500 | 302,793 |

## 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 September 30, 2016 from a change in closing price of the Company's publicly-listed investments of $6,003,488 with all other variables held constant as at September 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% | $ | 255,924 | $ | (255,924) |
| 10% | $ | 511,849 | $ | (511,849) |

(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.

**20. Sensitivity Analysis of Financial instruments - continued**

(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 September 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.

Financial Assets

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

**(expressed in Canadian Dollars)**

**21. Risk Management - continued**

| 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<br>Credit risk management<br>Market risk management<br>Liquidity risk<br>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:

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Accounts Receivable, excluding HST | 236,201 | 239,748 |
| Notes receivable, bridge loans (net of syndicated portion, see note 6) | 3,592,650 | 3,007,012 |
| Convertible debenture receivable | - | 500,000 |
| Total Credit Exposure | $ 3,828,851 | $ 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.

| | September 30,2016 | December 31,2015 |
|---|---|---|
| Cash | $ 658,091 | $ 657,205 |
| Short term investments | 40,000 | 40,000 |
| Accounts receivable and sundry assets | 292,819 | 287,726 |
| Investments in public companies | 6,003,488 | 5,246,185 |
| Notes receivable and bridge loans due within one year (Note 6) | 572,012 | 100,000 |
| Total liquid assets | $ 7,566,410 | $ 6,331,116 |
| | | |
| Accounts payable and accrued liabilities | $ 100,623 | $ 151,935 |
| Due to brokers (note 13) | - | 95,498 |
| Total short term liabilities | $ 100,623 | $ 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.

**21. Risk Management - continued**

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 September 30, 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 September 30, 2016 and December 31, 2015 there were no outstanding liabilities or obligations for which the Company was contingently liable.

**23. Subsequent Event**

On October 31, 2016, the Company purchased 1,000,000 shares of the Xylitol Canada Inc. with which it currently holds a convertible debenture, at a price of $0.025 per share.

On October 26, 2016, the Company purchased an additional 75,000 shares of a private medicinal marijuana producer at a price of $3.75