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

Consolidated Financial Statements

December 31, 2015 & 2014

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, Collins Barrow Toronto LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: ***"Jason Ewart"***
Chief Executive Officer

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

Toronto, Ontario
April 29, 2016

Collins Barrow

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Fountain Asset Corp.

We have audited the accompanying consolidated financial statements of Fountain Asset Corp., and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015 and 2014 and the consolidated statements of changes in equity, comprehensive income and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fountain Asset Corp., and its subsidiaries, as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
April 29, 2016

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Consolidated Statements of Financial Position
As at December 31, 2015
(expressed In Canadian Dollars)

	December 31 2015	December 31 2014
Assets		
Cash	$ 657,205	$ 166,790
Short-term investments (note 5)	40,000	40,000
Accounts receivable and sundry assets	287,726	209,258
Bridge loans and notes receivables, net (note 6)	3,007,012	1,813,412
Portfolio investments in public companies (note 7)	5,246,185	6,409,159
Portfolio investments in private companies (note 8)	1,952,538	1,785,935
Convertible debenture receivable (note 9)	500,000	500,000
Investment properties (note 11)	100,000	476,368
Assets held for sale (note 12)	1,150,502	1,376,543
Asset held for distribution (note 13)	-	3,178,028
	$ 12,941,168	$ 15,955,493
Liabilities		
Accounts payable and accrued liabilities	$ 151,935	$ 392,317
Due to brokers (note 15)	95,498	324,358
Preference share liability (note 13)	-	3,178,028
	247,433	3,894,703
Shareholders' Equity		
Share capital (note 17)	27,107,741	22,151,644
Contributed surplus (note 17)	5,273,980	5,054,678
Accumulated other comprehensive (loss) income	166,667	-
Deficit	(20,264,998)	(15,480,618)
	12,283,390	11,725,704
Non-controlling interest (note 16)	410,345	335,085
Total Equity	12,693,735	12,060,789
	$ 12,941,168	$ 15,955,493

Contingencies and subsequent event (notes 25 and 26)

On Behalf of the Board

"Jason Ewart"____________________ Director

"Alec Regis"____________________ Director

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

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(expressed in Canadian Dollars)

	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 (note16)	-	-	-	-	75,260	75,260
Share issuance (note 17)	5,418,460	-	-	-	-	5,418,460
Stock options valuation (note 17)		219,302	-	-	-	219,302
Share issuance costs (note 17)	(462,363)	-	-	-	-	(462,363)
Fair value adjustment to private investment holdings, net of tax (note 8)	-	-	-	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	12,693,735

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
	$	$	$	$	$	$
Balance, January 1, 2014	19,291,728	4,982,136	(17,991,100)	(174,684)	344,091	6,452,172
Net income (loss)	-	-	2,507,728	-	-	2,507,728
Loss attributable to non-controlling interests (note17)	-	-	-	-	(9,006)	(9,006)
Share issuance (note 17)	2,150,000	-	-	-	-	2,150,000
Share issuance (note 15 - subscription receipts)	1,000,000	-	-	-	-	1,000,000
Share issuance costs	(290,085)	-	-	-	-	(290,085)
Stock options valuation (note 17)	-	72,542	-	-	-	72,542
Impairment of available for sale assets	-	-	-	174,684	-	174,684
Reclassification adjustment for (gains) recognized in net income	-	-	2,754	-	-	2,754
Balance December 31, 2014	22,151,644	5,054,678	(15,480,618)	-	335,085	12,060,789

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

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014
(expressed in Canadian Dollars)

	2015	2014
Revenue		
Structuring fees and bonuses	$ 97,057	$ 38,404
Interest and dividend income	703,456	363,531
Realized gain(loss) on sale of public portfolio investments	635,148	1,010,533
Unrealized gain (loss) on fair value through profit or loss investments	(3,954,251)	2,996,601
Realized gain on reclassification of investment in GCMFC (note 13)	-	1,894,357
Consulting fees	180,000	-
	(2,338,590)	6,303,426
Expenses		
Management and consulting fees (note 21)	748,985	827,468
Filing and listing fees	51,892	88,562
Audit and legal fees	143,469	299,510
Office and general	449,097	206,918
Amortization (depreciation)	-	21,757
Foreign exchange (gain)	(52,210)	-
Loss on settlement of dividends payable (note 13)	-	131,676
Net bad debt, loan provisions and permanent impairments	1,032,050	1,656,117
	2,373,283	3,232,009
Income (loss) before the following	(4,711,873)	3,071,417
Equity method investment (loss) (notes 10 and 13)	-	(563,221)
Income (loss) before income tax	(4,711,873)	2,508,196
Income taxes provision (note 22)	-	9,474
Net income (loss)	(4,711,873)	2,498,722
Other comprehensive income		
Items that may be reclassified as profit or loss		
Unrealized gains(losses) on available for sale financial assets (net of tax)	166,667	-
Impairment of available for sale assets(net of tax)	-	174,684
Net comprehensive income (loss)	$ (4,545,206)	$ 2,673,406
Net income (loss) attributable to:		
Parent company	$ (4,787,133)	$ 2,507,728
Non-controlling interest (note 16)	75,260	(9,006)
	$ (4,711,873)	$ 2,498,722
Net comprehensive income (loss) attributable to:		
Parent company	$ (4,620,466)	$ 2,682,412
Non-controlling interest (note 16)	75,260	(9,006)
	$ (4,545,206)	$ 2,673,406
Net income (loss) per share attributable to equity holders of the parent company – basic & diluted (note 19)	$ (0.09)	0.07
Net comprehensive income (loss) per share – basic & diluted (note 19)		
Weighted average number of shares outstanding – basic	54,128,573	34,417,685
Weighted average number of shares outstanding – diluted	54,457,382	34,744,785

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

Fountain Asset Corp. (formerly GC Global Capital Corp.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(expressed in Canadian Dollars)

	2015	2014
Operating activities		
Net income (loss)	$ (4,711,873)	$ 2,498,722
Realized gain on sale of public portfolio investments	(635,148)	(1,010,533)
Unrealized loss/(gain) on sale of public portfolio investments	3,954,251	(2,996,601)
Realized gain from GCMFC reclassification of equity method of investment	-	(1,894,357)
Equity method investment loss	-	563,221
Amortization expense	-	21,757
Bad debts, loan provisions, and permanent impairments	1,032,051	1,656,118
Note receivable	-	(125,000)
Unrealized foreign exchange gain	(52,210)	(25,407)
Share compensation expense	219,302	72,542
Loss on settlement of dividends payable	-	131,676
	(193,627)	(1,107,861)
Net changes in non-cash working capital balances (note 20)	(396,215)	97,747
	(589,842)	(1,010,116)
Investing activities		
Issuance of notes receivable, bridge loans and convertible debentures	(2,412,000)	(2,520,996)
Repayment of notes receivable, bridge loans and convertible debentures	892,153	313,024
Purchase of private investment	-	(500,000)
Purchase of public investments	(3,971,158)	(2,037,559)
Proceeds from sale of public investments	1,815,025	1,837,754
Proceeds from sale of short-term investment	-	60,000
Proceeds on sale of assets held for sale	29,000	-
	(3,646,980)	(2,847,777)
Financing activities		
Proceeds from share issuance	5,418,460	2,150,000
Proceeds from subscription receipts	-	1,000,000
Share issuance costs	(462,363)	(290,085)
Paid to (received from) brokers	(228,860)	324,698
	4,727,237	3,184,613
Increase (decrease) in cash	490,415	(673,279)
Cash, beginning of year	166,790	840,069
Cash, end of year	$ 657,205	$ 166,790

Supplemental cash flow information (note 20)

The accompanying notes are an integral part of these consolidated 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 consolidated financial statements, are prepared, in accordance with International Financial Reporting Standards ("IFRS") and IFRS interpretations adopted by IFRS, as issued by the International Accounting Standards Board ("IASB").

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

These consolidated financial statements were approved by the Company's Board of Directors on April 26, 2016.

3. Summary of Significant Accounting Policies

A. Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its 100% controlled GC Marathon Financial Corp ("GCMFC") (for Year ended December 31, 2014 only; see note 13) , 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.

B. Use of Estimates and Judgments

The preparation of these consolidated 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 consolidated financial statements and the reported amount of revenues

3. Summary of Significant Accounting Policies - continued

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.

C. Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, ie the date that the Company commits to purchase or sale of the asset. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss (FVTPL), which are measured initially at fair value.

The Company classifies its financial instruments by category to their nature and to their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

(i) Financial Assets

Financial assets must be classified into one of four categories: FVTPL, held-to-maturity, loans and receivables and available for sale.

All financial instruments, including derivatives, are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost, using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income; available for sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

3. Summary of Significant Accounting Policies - continued

a) Cash, Short-Term Investments, Derivatives and Conversion Feature of Convertible Debenture:

Cash, short-term investments and conversion feature of convertible debenture are classified as FVTPL.

Cash and cash equivalents consist of cash on hand and short-term investments with remaining maturities of less than three months. Cash and cash equivalents include accrued interest on short-term investments.

b) Loans and Receivables:

Accounts receivable, interest and dividends receivable, bridge loans, notes receivable and debt portion of convertible debentures are designated as loans and receivables which are measured at amortized cost, subject to impairment reviews.

c) Convertible Debenture Receivable

When the Company holds debentures that are convertible into the issuer's equity shares at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The embedded derivative is not closely related to the host contract (the debenture) from the Company's perspective. Such conversion feature is classified as FVTPL, with the debenture being classified as loans and receivables and accounted for at amortized cost.

The embedded derivative's fair value (the conversion feature) is calculated first, and the carrying value of the debenture is assigned the residual amount after deducting from the consideration paid to acquire the hybrid instrument, the amount separately determined for the embedded derivative.

d) Portfolio Investments in Publicly Traded Companies

Portfolio investments in publicly traded companies have been designated as either fair value through profit or loss or available for sale and are recorded in the consolidated statements of financial position at fair value. Fair value is determined directly by reference to quoted market closing prices in active markets. In instances where securities are subject to restrictions on sale or transfer, the securities are recorded at amounts discounted from market value to a maximum of 20%. In determining the discount for such investments, the Company considers the nature and length of the restriction.

Included in portfolio investments is the fair value of the Company's investments in share purchase warrants of other corporations which are designated at FVTPL. Where the value of these warrants is not publicly quoted in active markets, the Company employs the Black-Scholes pricing model to determine fair value, with volatility and risk free rates taken directly from the most recent audited financial statements of the corresponding companies.

e) Portfolio Investments in Private Companies

All privately-held investments (other than options and warrants) are designated as available for sale initially recorded at the transaction price. Thereafter, at each reporting period, the carrying value of an investment is generally carried at cost when there is no quoted market price and fair value is not reliably determinable and may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 2 in Note 14 if adjusted to fair value.

The determinations of fair value of the Company's privately-held investments are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

3. Summary of Significant Accounting Policies - continued

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

The following circumstances are used to determine if the fair value of a privately held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio.

Absent the occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed and the carrying value remains at cost.

The carrying value of a privately-held investment may be adjusted upward if:

- there has been a significant subsequent equity financing provided by outside investors at a valuation above the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place; or
- there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment.

The carrying value of a privately-held investment may be adjusted downward if:

- there has been a significant subsequent equity financing provided by outside investors at a valuation below the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- the investee company is placed into receivership or bankruptcy;
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; or
- there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if an active market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

Financial assets measured at fair value or where fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes – see Note 14. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Additional disclosure relating to the liquidity risk associated with financial assets is included in Note 24.

3. Summary of Significant Accounting Policies – continued

(ii) Financial Liabilities

Financial liabilities must be classified into one of two categories: FVTPL or other financial liabilities.

Accounts payable and accrued liabilities and due to brokers are classified as other financial liabilities which are measured at amortized cost. Preference share liability and dividend payable are classified as FVTPL.

D. Equity Method Investment

Investments in associated companies over which the Company has significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income (loss) of such investments is included in the consolidated statements of income as equity method investment income.

E. Investment Properties

The Company currently owns investment properties which are measured using the cost model. After initial recognition, the properties are recorded at cost less accumulated impairment losses. The carrying values of the properties are reviewed on a regular basis. When the net carrying amount of a property exceeds its net recoverable amount, an impairment loss is charged to income. The fair value of each property at the end of the reporting period is disclosed in Notes 11 and 12(ii).

To determine fair value, the properties are compared to current prices in an active market for similar properties in the same location and condition and subject to similar contracts. In the absence of such information, the Company may consider current prices of properties of a different nature or in less active markets with adjustments to reflect changes in economic conditions. If the fair value of the property cannot be reasonably determined using the above criteria, the fair value of the property is assumed to be equal to its cost less accumulated impairment losses.

F. Assets held for sale and distribution

Assets are reclassified as assets held for sale and distribution when it is expected that their carrying amounts will be recovered principally through a sale and/or distribution transaction rather than continuing use, the property is available for immediate sale, and a sale or distribution is highly probable. The Company presents assets classified as held for sale and their associated liabilities separately from other assets and liabilities beginning from the period in which they were first classified as "for sale". Held for sale and distribution assets are measured at the lower of carrying value and fair value less costs to sell.

G. Provisions

The Company recognizes provisions when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

H. Impairments

Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Objective evidence of impairment of a loan could include: significant financial difficulty of the borrower, breach of contract, such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization. At a minimum of each reporting period, management assesses whether there are

3. Summary of Significant Accounting Policies - continued

indicators that loan loss provisions are required for each loan in the Company's loan portfolio based on economic and market trends, the impairment status of loans, market value of the asset, and appraisals, if any, of the security underlying loans receivable. If these factors indicate that the carrying value of loans may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value of the affected loans with the discounted present value of their estimated future cash flows using the original effective interest rate.

To the extent that discounted estimated future cash flows are less than the loan carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income on a loan for which a specific loan loss provision exists is calculated at the discount rate used in determining the impairment, which may differ from the contracted loan interest rate.

Should the cash flow assumptions used to determine the original loan loss provision change, the loan loss provision may be reversed. A loan loss provision is reversed only to the extent that the revised carrying value of the loan does not exceed its amortized cost that would have been recorded had no loan loss provision been recognized.

I. Non-recourse Syndication of Loans

At times the Company may enter into syndication agreements whereby investors take part in its bridge loan financings. Loans are recorded in loans receivable on a net presentation basis. Interest earned by investors is netted against interest income.

J. Revenue Recognition

Interest income is recorded on an accrual basis using the effective interest rate method. Under the effective interest rate method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue and recognized in income. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan.

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of comprehensive loss as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Other income and income from securities lending are recorded on an accrual basis.

Management and consulting fees are recognized over the period in which the services are provided.

K. Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation

3. Summary of Significant Accounting Policies - continued

are reflected in net comprehensive loss of the period. Financial assets measured at fair value are translated at exchange rate in effect at fair value measurement date.

L. Income Taxes

Income tax expense comprises current and deferred components. Tax is recognized in net income, except to the extent it relates to items recognized in OCI or directly in equity. In that case tax is recognized directly in OCI or equity. Current income tax expense is the expected tax payable for the current year's taxable income based on rates enacted or substantively enacted at the period end and any adjustments to previous estimates.

Deferred income taxes are calculated using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in expected future tax rates is recognized in net (loss) income in the period that includes the date of substantive enactment of the revised tax rates. Deferred tax assets are recognized to the extent that it is probable that they will be realized.

M. Stock-Based Compensation Plan

The Company grants stock options to employees, officers and directors. The board of directors grant such options with lives up to 5 years, with vesting periods determined at its discretion and at exercise prices equal to or greater than the Company's closing common share price on the date preceding that of the grant date.

The Company determines the fair value of options granted using the Black-Scholes option pricing model. The fair value of options granted incorporates an assumption for expected option forfeitures and is determined on the grant date. The fair value of options on each vesting date is recognized as stock-based compensation expense over the vesting period.

N. Earnings (loss) per Share

Basic earnings (loss) per share are calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period.

Diluted earnings per share is calculated by dividing net earnings available to shareholders for the period by the diluted weighted average number of multiple and subordinate shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

In years that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

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.

4. New and Revised Standards and Interpretations - continued

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.

IFRS 10 Consolidated 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.

(expressed in Canadian Dollars)

5. Short Term Investments

The Company has outstanding $40,000 (December 31, 2014 - $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.

6. Bridge Loans and Notes Receivables

		Related Party	Due Date	Stated Interest Rate	Dec. 31, 2015 Net Amount	Dec. 31, 2014 Net Amount
Due within 1 year:						
Private legal services company	(i)	Note 21(a)	November 8, 2015	2%	$ -	$ 305,440
Private oil production company	(ii)	No	August 26,2015 (amended in 2015)	24%	-	544,475
Individual	(iii)	No	October 15, 2015	12%	100,000	100,000
Sub-total Due within 1 year					100,000	949,915
Private oil production company	(ii)	No	February 28, 2017	24%	707,012	-
Private repair finance company	(iv)	No	3 years from date of each Advance	15%	2,200,000	863,497
Total					$ 3,007,012	$ 1,813,412

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) A $351,357 ($263,288USD) write-down was taken in the year ended December 31, 2015 on a note receivable from a private legal services company which owns an interest in a private company also partly owned by the Company which is included in Note 8(iii). Interest in 2015 is 2% (2014 – 2%).

(ii) 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.

(iii) 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.

6. Bridge Loans and Notes Receivables – continued

(iv) 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. As at December 31,2015 the balance was $2,200,000 as amended on November 24, 2015. Subsequent to the year-end the credit facility was increased to $3,020,000.

(v) On May 14, 2015, the Company completed a 36% secured loan to a publicly listed financial technology company in the amount of $812,000. The bridge loan is secured by assets of the company and personal guarantees of key principals. The purpose of the bridge loan was to provide required regulatory capital prior to the company completing a proposed private placement for proceeds of up to $5 million. On August 31, 2015 the Company received $100,000 in repayments to bring the balance of loan down to $712,000. As at September 30, 2015 the proposed private placement did not occur and the Company decided to write down the loan to $575,000. On October 15, 2015 the Company was paid the outstanding $575,000. The remaining balance was forgiven and the Company does not expect to collect any additional amounts.

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

December 31, 2015, there was $807,012 (2014 - $nil) bridge loans considered past due and not impaired. As noted in Note 6(iii) above, $100,000 of this amount was collected after year-end.

At December 31, 2015, the total estimated fair value of the collateral of impaired loans, net of specific allowances is $Nil (December 31, 2014 - $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.

Write-downs

The Company has recorded specific loan loss write-downs (net of recoveries) of $608,357 for the year ended December 31, 2015 ($1,656,118 for the year ended December 31, 2014).

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.

During the year $800,000 in loans were renegotiated and are considered to be in good standing.

(expressed in Canadian Dollars)

7. Portfolio Investments in Public Companies

		December 31, 2015		December 31, 2014
Fair Value Through Profit or Loss ("FVTPL")		5,246,185		6,409,159
Total	$	5,246,185	$	6,409,159

8. Portfolio Investments in Private Companies

	Related Party			Dec. 31, 2015		Dec.31, 2014
Commercial real estate operating company in the North Carolina – Fletcher Business Park	No	(i)	**$**	1,085,871	**$**	1,085,935
Medicinal marijuana producer	Note 21 (b)	(ii)		666,667		500,000
Title insurance servicing company in the US	Note 21 (a)	(iii)		200,000		200,000
Total			**$**	1,952,538	**$**	1,785,935

(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 16.

(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 21(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, 2014 - $305,440)–see Note 6(i) and 21(a).

9. Convertible Debenture Receivable

	Related Party			Dec. 31, 2015		Dec. 31, 2014
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.

(expressed in Canadian Dollars)

9. Convertible Debenture Receivable - continued

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.

		Dec. 31, 2015		Dec. 31, 2014
Medicinal marijuana producer: (i)				
Loan component of the debenture	$	386,589	$	346,139
Equity component of the debenture		113,411		153,861
	$	500,000	$	500,000

(i) The Company determined that as at December 31, 2015, the fair value of the convertible component of the debenture was $113,411 (December 31, 2014 - $153,861). The carrying value as at December 31, 2015 was estimated using the Black Scholes valuation model using assumptions of expected life of 0.98 years, a risk free interest rate of 0.85%, expected volatility of 57% and share price of $4.00. The average expected volatility rate is estimated based on the historical volatility of comparable companies.

10. Equity Method Investments

In prior years, and up to and including October 2014, the Company had been treating its investment in MMC, held through its wholly owned subsidiary GCMFC, in accordance with the equity method of accounting. As at December 31, 2013, the Company recorded the investment at $1,670,992. Effective October 2014, the Company classified the investment as FVTPL since the Company no longer had significant influence over MMC. As at December 31, 2014, the investment was included in assets held for distribution (Note 13) and the Company had indirect ownership of 21.8% common, 22.3% preferred. In 2014, the Company recorded a loss of $563,221 related to the proportionate share of loss in MMC. As of October 2014, the carrying value of the investment in MMC was $1,107,771. The fair value of the MMC shares on the date of reclassification to assets held for distribution was $3,002,128, resulting in a realized gain of $1,894,357.

At December 31, 2015 the spin-out was complete, and Bradstone Capital Corp. formerly GC Marathon Financial Corp. began trading on the Canadian Securities Exchange on March 11, 2016 under the symbol BCA.

Summarized financial information of the associated companies included in equity method investments is disclosed below:

For the years ended December 31,		2015		2014
Total Revenue	$	-	$	23,898
Net loss		-		(2,092,660)
Cash		-		2,336,124
Current assets		-		4,079,245
Non-current assets		-		102,351
Current liabilities		-		50,004
Non-current liabilities		-		-
Net assets	$	-	$	6,467,716

(expressed in Canadian Dollars)

11. Investment Properties

The Company currently owns two investment properties.

One of the properties is classified as an investment property as per this Note 11 and is measured using the cost model. The remaining investment property is included in assets held for sale outlined in Note 12.

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Residential development property Canyon Ridge, New Mexico	$ 100,000	$ 100,000	$ 476,368	$ 476,368

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.

12. Assets Held for Sale

As at December 31, 2015 and December 31, 2014 the Company held two assets for sale.

		Dec. 31, 2015	Dec. 31, 2014
Assets received on a loan default from memorabilia exhibition	(i)	$ -	$ 200,000
Residential development investment property, Somersby Park in North Carolina	(ii)	1,150,502	1,176,543
Total Assets Held for Sale		$ 1,150,502	$ 1,376,543

(i) The Company impaired the carrying value of the memorabilia assets received on the loan default by $331,360, from $531,360 to $200,000 as at December 31, 2014 to more accurately represent management's best estimate of fair value. The Company further impaired the carrying value to $nil during the year ended December 31, 2015. The Company continues to actively pursue the sale of the assets.

(ii) 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 second parcel March 2016 for total proceeds of $44,500.

13. Asset Held for Distribution

The $3,178,028 balance as at December 31, 2014 represented Company's investment in its wholly owned subsidiary Bradstone Capital Corp. formerly GC Marathon Financial Corp ("Bradstone").

On October 23, 2013, the Company announced its intention to spin-out a wholly-owned subsidiary Bradstone Capital Corp. formerly GC Marathon Financial Corp ("Bradstone") in the form of a return of capital share distribution to shareholders. The core asset of Bradstone is shareholdings in a private company called Marathon Mortgage Corp. ("MMC"). Shares of Bradstone were to be distributed to the Company's shareholders through a reduction of paid up capital following the closing of the spin-out whereby Bradstone intends to seek a public listing.

At the time, the Company transferred the assets of MMC to Bradstone for a fair value of $2,750,276 and assumed a note receivable from a Company director of $296,076. As part of the exchange for the investment in MMC, Bradstone issued subordinate voting shares and multi-voting shares to the Company. The total value of the investment in MMC at the time was $3,046,352.

(expressed in Canadian Dollars)

13. Asset Held for Distribution - continued

Further, the Company recorded a dividend payable in 2013 at fair value of the shares of Bradstone to be distributed to the Class A Preferred Shares and Class B Preferred Shares shareholders in the amount of $3,046,352 recorded as a preference share liability as at December 31, 2014.

As settlement of the dividend payable, the Company issued Class A Preferred Shares and Class B Preferred Shares for each subordinate voting share of multiple voting shares held by the Company on May 23, 2014. The distribution by the Company of the Class A Preferred Shares and Class B Preferred Shares did not affect the number of outstanding subordinate voting or multiple voting shares of the Company. The Class A Preferred Shares and Class B Preferred Shares will convert automatically into subordinate voting shares and multiple voting shares of Bradstone upon Bradstone becoming a reporting issuer in Canada in accordance with applicable securities laws.

The preference share liability as at December 31, 2014 was also adjusted to represent fair value. The gains and losses arising from changes in the fair value of Bradstone investment are presented in the consolidated statements of comprehensive income.

At December 31, 2015 the spin-out was complete, and Bradstone Capital Corp. formerly GC Marathon Financial Corp. began trading on the Canadian Securities Exchange on March 11, 2016 under the symbol BCA.

14. 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 December 31, 2015, categorized into levels of the fair value hierarchy:

December 31, 2015	**Level 1 Quoted Market Price**	**Level 2 (i) 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	$ -	$ 113,411	$ -

December 31, 2014	**Level 1 Quoted Market Price**	**Level 2 Observable Market Inputs**	**Level 3 Non-Observable Market Inputs**
Cash and short-term investments	$ 206,790	$ -	$ -
Portfolio investments	$ 4,215,121	$ 2,234,488	$ -
Equity component of convertible debenture	$ -	$ 113,411	$ -

(i) December 31, 2015 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 year ended December 31, 2015 there were no transfers between levels 1,2 or 3.

(expressed in Canadian Dollars)

15. Due to Brokers

As at December 31, 2015, the amounts due to brokers totalled $95,498 (December 31, 2014: $324,358). 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.

16. 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 consolidated 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 consolidated 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 $75,260 of subsidiaries' net income and comprehensive income related to the non-controlling interest during the year ended December 31, 2015 (2014 loss of $9,006).

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

	Dec. 31, 2015	Dec. 31, 2014
Revenue	$ 165,000	$ 60,918
Net income (loss)	139,843	(29,395)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	139,843	(29,395)
Net income (loss) attributable to non-controlling interest	75,260	(9,006)
Total comprehensive income (loss) attributable to non-controlling interest	75,260	(9,006)

	Dec. 31, 2015	December 31, 2014
Current assets	128,455	24,412
Non-current assets	2,236,374	2,262,416
Current liabilities	591,751	653,593
Non-current liabilities	-	-
Net assets	1,773,078	1,633,234
Net assets attributable to non-controlling interest	743,749	668,490
Net cash provided by (used in) operating activities	(7,089)	(77,844)
Net cash provided by (used in) financing activities	7,089	77,844
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)

17. 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,	December 31, 2015		December 31, 2014	
	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	41,019,388	20,263,121
	54,154,462	27,107,741	42,055,107	22,154,644

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

As at December 31, 2015 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.

(expressed in Canadian Dollars)

17. Share Capital – continued

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 0.96%, 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.

18. 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 amount 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.

19. 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 years ended December 31, 2015 and 2014.

20. Supplementary Cash Flow Information

	Dec. 31, 2015	Dec. 31, 2014
Net change in non-cash working capital balances		
Accounts receivable, interest and dividends receivable	$ (152,953)	$ (9,377)
Prepaid expenses and sundry assets	(2,880)	(5,510)
Accounts payable and accrued liabilities	(240,382)	112,634
	$ (396,215)	$ 97,747
Interest received	$ 531,565	$ 318,804
Interest paid	$ 29,412	$ 8,638
Income taxes paid	$ -	$ -

(expressed in Canadian Dollars)

21. 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) Notes receivable and bridge loans includes a $nil (December 31, 2014 $305,440) note receivable from, and portfolio investments in private companies includes $200,000 (December 31, 2014 - $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 6(i) and Note 7(iii).

b) Portfolio investments in private companies includes $666,667 (December 31, 2014 - $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 7(ii) and Note 8(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:

	Dec. 31, 2015	Dec. 31, 2014
Salaries and benefits	535,080	676,560
Stock based compensation	219,302	72,542
Total	754,382	749,102

One-time termination payments were made in the year ended December 31, 2015 to former employees and consultants for a total of $141,000. (2014- $nil).

22. Income Taxes

a) The following table reconciles the expected income tax recovery (provision) at the Canadian federal and provincial statutory rate of 26.5% (2013 – 26.5%) to the amounts recognized in the consolidated statement of comprehensive income:

	December 31, 2015	December 31, 2014
Net income (loss) before recovery of income taxes	$ (4,711,873)	$ 2,508,196
Basic tax amount at 26.5% (2014 – 26.5%)	(1,248,646)	667,063
Permanent differences	620,808	(468,662)
Tax rate changes and other adjustments	141,468	245,271
Temporary differences not recognized	486,370	(443,672)
Income tax provision	$ -	$ -
Current income tax provision	$ -	$ -
	$ -	$ -

b) Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying values of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

(expressed in Canadian Dollars)

22. Income Taxes - continued

	December 31, 2015	December 31, 2014
Non-capital loss carry forwards – Canada	$ 4,904,000	$ 4,878,000
Non-capital loss carry forwards – U.S.	2,122,500	1,862,700
Capital losses - Canada	22,592,200	21,923,900
Bridge loans, notes receivable, convertible debentures and portfolio investments	1,293,500	53,900
Investment property, equipment and other	1,985,700	1,361,500
Share issue costs	595,900	310,000

The non-capital losses expire as noted in the table below. The capital losses carry forward indefinitely. The other deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

c) The Company's non-capital Canadian tax losses expire as follows:

2028	$ 382,000
2029	864,000
2030	312,000
2031	820,000
2032	556,000
2033	859,000
2034	1,111,000
	$ 4,904,000

23. 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 year ended December 31, 2015 from a change in closing price of the Company's publicly-listed investments of $5,246,185 with all other variables held constant as at December 31, 2015:

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%	$ 262,309	$ (262,309)
10%	$ 524,619	$ (524,619)

23. 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 December 31, 2015 the company held no notes receivable nor bridge loans denominated in United States dollars (December 31, 2014 - $305,440).

24. 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)

24. 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 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:

	December 30, 2015	**December 31, 2014**
Accounts Receivable, excluding HST	239,748	203,161
Notes receivable, bridge loans	3,007,012	1,813,412
Convertible debenture receivable	500,000	500,000
Total Credit Exposure	$ 3,746,760	$ 2,516,573

(expressed in Canadian Dollars)

24. 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.

	December 31,2015	December 31,2014
Cash	$ 657,205	$ 166,790
Short term investments	40,000	40,000
Accounts receivable and sundry assets	287,726	209,258
Investments in public companies	5,246,185	6,409,159
Notes receivable and bridge loans due within one year (Note 6)	100,000	949,915
Total liquid assets	$ 6,331,116	$ 7,775,122
Accounts payable and accrued liabilities	$ 151,935	$ 392,317
Due to brokers (note 13)	95,498	324,358
Total short term liabilities	$ 247,433	$ 716,675

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 December 31, 2015 and December 31, 2014 the Company did not hold any contracts. Refer to note 23 for sensitivity analysis.

25. 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 December 31, 2015 and December 31, 2014 there were no outstanding liabilities or obligations for which the Company was contingently liable.

26. Subsequent Event

On August 17, 2015, a loan in the amount of $100,000 was due and payable to the Company. On October 15, 2015 the loan was amended extending repayment to December 17, 2015 under the same terms. On February 11, 2016 the loan was paid in its entirety including all outstanding fees and interest.

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. As at December 31, 2015 the balance was $2,200,000 as amended on November 24, 2015. Subsequent to the year-end the credit facility was increased to $3,020,000, and on February 3, 2016 $514,000 of the facility was syndicated to an unrelated party.

On June 10, 2014, the Company completed a 24% secured credit facility in the amount of up to $1,000,000 to this 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. Subsequent to year end December 31, 2016 a Third Loan Amendment Agreement was entered into on February 2, 2016, amending the terms to include additional covenants (maturity date remained as February 28, 2016). Fountain participated in the rights offering and also received additional shares from the company as a result of the anti-dilutive clause kicking in after a rights offering.

On December 16, 2015, the Company signed a term sheet with a publicly listed consumer packaged goods company to provide upwards of $1,500,000 in financing at a rate of 15%. No funds were advanced as at December 31, 2015. Subsequent to year-end the Company has advanced $710,000 in the form of a secured convertible debenture.