



Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2023

*Unaudited*

*Presented in Canadian Dollars*



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

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



**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Presented in Canadian Dollars

Unaudited

	<b>June 30, 2023</b>	December 31, 2022
<b>ASSETS</b>		
Cash	\$ 662,625	\$ 1,469,228
Short-term investments (Note 4)	40,000	40,000
Accounts receivable and sundry assets	3,316	55,456
Loans and convertible debentures - fair value through profit or loss (Note 5)	182,250	181,458
Investments - fair value through profit or loss (Note 6)	10,157,671	10,248,814
	<b>\$ 11,045,862</b>	<b>\$ 11,994,956</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 46,046	\$ 158,532
	<b>46,046</b>	<b>158,532</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8(b))	29,799,107	29,799,107
Contributed surplus (Note 8(c))	6,860,518	6,815,458
Deficit	(25,659,809)	(24,778,141)
	<b>10,999,816</b>	<b>11,836,424</b>
	<b>\$ 11,045,862</b>	<b>\$ 11,994,956</b>

Related party transactions (Note 10)

Contingencies and commitments (Note 14)

See accompanying notes to the condensed interim consolidated financial statements.



## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Presented in Canadian Dollars

Unaudited

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
<b>Revenue</b>				
Net unrealized gains (losses) on portfolio investments	\$ 1,028,010	(3,469,597)	\$ 966,209	\$ (4,465,225)
Interest and dividend income	2,710	7,601	8,449	13,259
Net realized losses on portfolio investments	(1,564,680)	(1,236,701)	(1,469,974)	(2,047,351)
	<b>(533,960)</b>	<b>(4,698,697)</b>	<b>(495,316)</b>	<b>(6,499,317)</b>
<b>Expenses</b>				
Salaries and consulting fees	94,409	97,738	207,669	197,466
Audit and legal fees	37,906	45,746	57,703	72,868
General and administrative	36,048	32,779	64,441	67,114
Trading commissions	11,262	13,822	25,436	22,924
Filing and listing fees	13,484	1,814	20,857	10,753
Stock-based compensation (Note 8(c))	15,839	22,566	45,060	51,919
Foreign exchange loss (gain)	7,006	(20,700)	15,186	3,845
Bad debt	-	128,874	-	128,874
Other expenses (income)	(50,000)	-	(50,000)	-
	<b>165,954</b>	<b>322,639</b>	<b>386,352</b>	<b>555,763</b>
<b>Loss before income taxes</b>	<b>(699,914)</b>	<b>(5,021,336)</b>	<b>(881,668)</b>	<b>(7,055,080)</b>
<b>Income tax expense</b>	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>\$ (699,914)</b>	<b>(5,021,336)</b>	<b>\$ (881,668)</b>	<b>(7,055,080)</b>
<b>Net loss per share - basic and diluted</b> (Note 12)	<b>\$ (0.01)</b>	<b>(0.08)</b>	<b>\$ (0.01)</b>	<b>(0.11)</b>
<b>Weighted average number of shares outstanding during the year:</b>				
Basic	61,864,462	61,864,462	61,864,462	61,864,462
Diluted	61,864,462	61,883,970	61,864,462	61,864,462

See accompanying notes to the condensed interim consolidated financial statements.



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

Presented in Canadian dollars

Unaudited

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
<b>Balance as at December 31, 2021</b>	<b>\$ 29,799,107</b>	<b>\$ 6,687,084</b>	<b>\$ (16,266,659)</b>	<b>\$ 20,219,532</b>
Stock based compensation	-	51,919	-	51,919
Comprehensive loss	-	-	(7,055,080)	(7,055,080)
<b>Balance as at June 30, 2022</b>	<b>29,799,107</b>	<b>6,739,003</b>	<b>(23,321,739)</b>	<b>13,216,371</b>
<b>Balance as at December 31, 2022</b>	<b>29,799,107</b>	<b>6,815,458</b>	<b>(24,778,141)</b>	<b>11,836,424</b>
Stock based compensation	-	45,060	-	45,060
Comprehensive loss	-	-	(881,668)	(881,668)
<b>Balance as at June 30, 2023</b>	<b>\$ 29,799,107</b>	<b>\$ 6,860,518</b>	<b>\$ (25,659,809)</b>	<b>\$ 10,999,816</b>

See accompanying notes to the condensed interim consolidated financial statements.



## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Presented in Canadian Dollars

Unaudited

For the six months ended June 30	2023	2022
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net loss	\$ (881,668)	\$ (7,055,080)
Items not involving cash:		
Unrealized losses (gains) on portfolio investments	(966,209)	4,465,225
Realized losses on sale of portfolio investments	1,469,974	2,047,351
Proceeds from sale of investments	1,733,462	1,884,782
Purchase of investments	(2,146,876)	(3,137,801)
Non-cash dividend and interest income	-	(12,555)
Stock-based compensation expense	45,060	51,919
Bad debt expense	-	128,874
Change in non-cash working capital:		
Amounts receivable and sundry assets	52,140	(358,010)
Accounts payable and accrued liabilities	(112,486)	(154,850)
Accrued annual incentive plan	-	(392,649)
Income taxes payable	-	(22,625)
<b>Change in cash</b>	<b>(806,603)</b>	<b>(2,555,419)</b>
<b>Cash, beginning of year</b>	<b>1,469,228</b>	<b>2,959,077</b>
<b>Cash, end of period</b>	<b>\$ 662,625</b>	<b>\$ 403,658</b>

Supplementary cash flow information (Note 9)



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian Dollars

For the three and six months ended June 30, 2023 and 2022

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### 1. NATURE OF OPERATIONS

Fountain Asset Corp. (the "Company" or "Fountain") is a publicly traded investment company focused on creating shareholder value by offering various debt and equity financing solutions to companies across a variety of industries including manufacturing, retail, financial services, technology, cannabis, biotechnology, oil and gas, mining, and cryptocurrency. The Company was continued under the *Canada Business Corporations Act* on December 31, 2005 and its subordinate voting shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "FA". The Company is domiciled in the Province of Ontario and its registered head office is located at 3 Market Street, Unit 609, Toronto, Ontario, M5E 0A3.

The unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2023 (the "Interim Financial Statements") have been approved for issuance by the Company's board of directors on August 24, 2023.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The Interim Financial Statements should be read together with the annual audited consolidated financial statements as at and for the year ended December 31, 2022. The same accounting policies and methods of computation were followed in the preparation of the Interim Financial Statements as were followed in the preparation, and as described in Note 2, of the annual consolidated financial statements as at and for the year ended December 31, 2022.

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

The Interim Financial Statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets and financial liabilities which are measured and presented at fair value through profit or loss ("FVTPL"). In addition, the Interim Financial Statements have been prepared using the accrual basis of accounting except for certain cash flow information presented herein.

The functional currency of the Company is the Canadian dollar. The Interim Financial Statements and notes to the Interim Financial Statements are expressed and presented in Canadian dollars unless otherwise stated.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited, presented in Canadian Dollars

For the three and six months ended June 30, 2023 and 2022

### (c) Principles of consolidation

#### (i) Status as investment entity

The Company uses the following criteria, contained within IFRS 10 - *Consolidated financial statements*, to determine if the Company meets the definition of an Investment Entity:

- (a) Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- (c) Measures and evaluates the performance of substantially all its investments on a fair value basis

The Company has evaluated the above criteria and determined that it meets the definition of an Investment Entity. As a result of meeting the definition of an Investment Entity, subsidiaries, which otherwise would have been consolidated, are carried at fair value.

#### (ii) Subsidiaries

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company has two subsidiaries, being 2400918 Ontario Inc. and Fountain Advisors Corp.

As an investment entity, the Company is required to account for its investments in 2400918 Ontario Inc. at FVTPL rather than by consolidation. The Company has concluded that Fountain Advisors Corp. should be consolidated as this entity provides services relating to the Company's investment activities. All intercompany balances, profits and transactions are eliminated in preparing these unaudited condensed interim consolidated financial statements.

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

Subsidiary	Ownership percentage	Place of business	Presentated on financial statements
Fountain Advisors Corp.	100%	Canada	Consolidated
2400918 Ontario Inc.	50%	Canada	FVTPL

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The Interim Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Interim Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) Valuation of deferred income tax assets – The valuation of deferred income tax assets requires judgment on their recoverability. Such judgments are made based on management’s estimate on the timing and amount of the Company’s future taxable earnings; and
- (ii) Valuation methodology of level 2 and level 3 investments – Refer to Note 7 for more details.

### (b) Critical accounting judgments

Management exercises judgment in applying criteria in IFRS 10, which determines the Company’s status as an investment entity. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.

## 4. SHORT-TERM INVESTMENTS

The Company has outstanding \$40,000 in a short-term guaranteed investment certificate with its financial institution as at June 30, 2023 (December 31, 2022 - \$40,000). These investments are held as security on its credit card line with a Schedule A Canadian chartered bank.

## 5. LOANS AND OTHER CONVERTIBLE DEBENTURES

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

FVTPL	Instrument	Interest rate / term	Financial Instr. Hierarchy	December 31, 2022		June 30, 2023	
				Cost	Fair Value	Cost	Fair Value
EqiTrade Ltd.	Convertible debt	8%, > 1 year	Level 3	63,258		<b>63,258</b>	
TipTapPay Micropayments Limited	Convertible debt	8%, > 1 year	Level 3	107,350		<b>107,350</b>	
				\$ 170,608	181,458	\$ <b>170,608</b>	<b>182,250</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 6. INVESTMENTS – FVTPL

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

Investment	Instrument	Financial Instr. Hierarchy	December 31, 2022		June 30, 2023	
			Cost	Fair Value	Cost	Fair Value
1288273 BC LTD	Equity	Shares	100,000		<b>100,000</b>	
1616 Media Ltd.	Equity	Shares	32,920		<b>32,920</b>	
1616 Media Ltd.	Warrants	Warrants	-		-	
Aeropost Holdings Corporation	Equity	Warrants	251,440		<b>251,440</b>	
Alabs	Equity	Shares	484,120		<b>484,120</b>	
Attorneys Title Guaranty Fund Inc.	Equity	Shares	413,000		<b>413,000</b>	
Beacon Hill Brands Inc.	Equity	Shares	400,855		<b>400,855</b>	
Black Swan Tech	Equity	Shares	94,905		<b>94,905</b>	
Casters Holdings Inc.	Equity	Shares	621,505		<b>621,505</b>	
Central Coast Agriculture	Equity	Shares	128,128		<b>128,128</b>	
Crezero Technologies	Equity	Shares	50,000		<b>50,000</b>	
EqiTrade Ltd	Warrants	Warrants	-		-	
Goodee Inc.	Equity	Shares	250,002		<b>250,002</b>	
Goodleaf Wellness Inc.	Equity	Shares	99,999		<b>99,999</b>	
Holistic Industries Inc.	Equity	Shares	130,873		<b>130,873</b>	
Inabuggy Inc.	Equity	Shares	45,850		<b>45,850</b>	
Inabuggy Inc.	Warrants	Warrants	5,150		<b>5,150</b>	
Insuramedix Inc.	Equity	Shares	255,055		<b>255,055</b>	
OpenSky	Equity	Shares	1,000,000		<b>1,000,000</b>	
Sency	Equity	Shares	63,395		<b>63,395</b>	
Sportsventure Holdings Inc	Warrants	Shares	200,000		<b>200,000</b>	
TipTapPay Micropayments Ltd	Equity	Shares	-		<b>11,100</b>	
Trait Biosciences Incorporated	Equity	Shares	192,000		<b>192,000</b>	
<b>Private company investments - FVTPL</b>			<b>4,819,197</b>	<b>6,365,489</b>	<b>4,830,297</b>	<b>6,151,213</b>



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Investment	Instrument	Financial Instr. Hierarchy	December 31, 2022		June 30, 2023	
			Cost	Fair Value	Cost	Fair Value
180 Life Sciences Corp.	Warrants	2	12,908		<b>12,908</b>	
79North Ltd.	Warrants	2	-		-	
Abrasilver Resource Corp.	Warrants	2	1,603		<b>1,603</b>	
Agriforce Grow ing Systems Ltd.	Shares	1	214		<b>214</b>	
Agriforce Grow ing Systems Ltd.	Warrants	2	34,557		<b>34,557</b>	
Alchemist Mining Incorporated	Shares	1	-		<b>150,075</b>	
Arizona Sonoran Copper Company	Shares	1	51,267		<b>174,878</b>	
Avanti Gold Corp	Shares	1	-		<b>65,000</b>	
Avanti Helium Corp	Shares	1	34,433		<b>119,184</b>	
Avanti Helium Corp	Warrants	2	14,657		<b>40,483</b>	
Betapro NASDAQ100 EFT 2x Daily Bear ETF	Shares	1	-		<b>123,074</b>	
Black Sw an Graphene Inc.	Shares	1	200,000		<b>150,000</b>	
Britannia Life Sciences Inc.	Shares	1	291,260		<b>84</b>	
Canaccord Genuity Group Inc.	Shares	1	101,786		-	
Canaccord Genuity Group G Ventures Corp.	Shares	1	150,000		<b>150,000</b>	
Cansortium Inc.	Shares	1	915,484		-	
Cover Technologies Inc	Shares	1	38,141		-	
Crescent Point Energy Corp	Shares	1	103,838		-	
Curaleaf Holdings Inc.	Shares	1	49,763		<b>49,763</b>	
Cybin Inc.	Warrants	2	2,765		<b>2,765</b>	
Danavations Technologies Corp.	Shares	1	84,832		-	
E Automotive Inc.	Shares	1	253,000		-	
Emerita Resources Corp	Shares	1	-		<b>30,537</b>	
Empatho Holdings Inc.	Shares	1	192,204		<b>192,204</b>	
Empatho Holdings Inc.	Warrants	2	57,796		-	
EnCore Energy Corp	Shares	1	75,000		-	
EnCore Energy Corp	Warrants	2	-		<b>27,060</b>	
Frontier Lithium	Shares	1	24,852		-	
Frontier Lithium	Warrants	2	2,648		<b>2,648</b>	
Gamesquare Esports Inc	Warrants	2	55,851		<b>55,851</b>	
Greenhaw k Resources Inc	Shares	1	197,010		<b>197,010</b>	
Hammond Pow er Solutions Inc.	Shares	1	-		<b>130,500</b>	
High Tide Inc.	Warrants	1	94,497		<b>94,497</b>	
High Tide Inc.	Warrants	2	49,616		<b>49,616</b>	
HTC Pureenergy Inc.	Warrants	2	38,432		<b>38,432</b>	
Hub Cyber Security (Israel) Ltd	Shares	1	396,525		<b>460,115</b>	
Hub Cyber Security (Israel) Ltd	Warrants	1	142,833		<b>187,498</b>	
Kings Entertainment Group Inc.	Shares	1	112,609		<b>112,609</b>	



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Investment	Instrument	Financial Instr. Hierarchy	December 31, 2022		June 30, 2023	
			Cost	Fair Value	Cost	Fair Value
Kuya Silver Corp	Shares	1	2,421		-	
Kuya Silver Corp	Warrants	2	9,049		9,049	
Kwesst Micro Systems	Shares	1	1,031,052		1,031,052	
Kwesst Micro Systems	Warrants	1	191,295		63,586	
Kwesst Micro Systems	Warrants	2	163,144		1,000	
Lendified Holdings Inc.	Warrants	1	6,083		-	
Looking Glass Labs	Warrants	2	40,295		40,295	
Marathon Gold Corp	Warrants	2	10,798		10,798	
Mcfarlane Lake Mining Limited	Shares	1	56,250		37,500	
Meridian Mining UK Societas	Shares	1	50,050		-	
Mydecine Innovations Group Inc.	Shares	1	138,828		138,828	
Mydecine Innovations Group Inc.	Warrants	1	24,015		24,015	
NevGold Corp	Shares	1	42,104		-	
NevGold Corp	Warrants	2	8,296		8,296	
Osisko Mining Inc.	Shares	1	-		42,071	
Osisko Mining Inc.	Warrants	2	-		4,429	
Pluribus Technologies Corp	Shares	1	871,901		871,901	
Pluribus Technologies Corp	Warrants	2	21,128		21,128	
Popreach Incorporated	Shares	1	305,500		194,211	
Ramm Pharma Corp	Shares	1	200		200	
Reliq Health Technologies	Shares	1	166,875		166,875	
Salona Global Medical Corp	Shares	1	140,058		140,058	
Salona Global Medical Corp	Warrants	2	24,349		24,349	
Saturn Oil and Gas Inc.	Warrants	2	1,343		1,343	
Sigma Lithium Corporation	Shares	1	-		230,826	
Simply Better Brands	Shares	1	145,746		145,746	
Simply Inc.	Shares	1	144,041		144,041	
Spartan Delta Corp	Shares	1	69,900		-	
Spectra7 Microsystems Inc.	Warrants	2	60,885		22,039	
SRG Mining Inc	Shares	1	330,918		330,918	
Trees Corporation	Shares	1	1,835		-	
Trees Corporation	Warrants	2	407		407	
Troilus Gold Corp.	Shares	1	-		118,400	
Vision Marine Technologies	Shares	1	17,340		-	
Wedgemount Resources Corp.	Shares	1	-		64,653	
Wedgemount Resources Corp.	Warrants	2	-		35,647	
<b>Public company investments - FVTPL</b>			7,856,488	3,883,325	6,576,826	4,006,458
			12,675,685	10,248,814	11,407,123	10,157,671



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 7. FAIR VALUE MEASUREMENTS

The following table presents the Company's financial assets as categorized on the statement of financial position measured at fair value and classified into levels of the fair value hierarchy:

As at June 30, 2023	Level 1	Level 2	Level 3	Total
Cash and short term investments	\$ 702,625	\$ -	\$ -	\$ 702,625
Loans and convertible debt - FVTPL	-	-	182,250	182,250
Investments - FVTPL	3,866,398	140,060	6,151,213	10,157,671
	\$ 4,569,023	\$ 140,060	\$ 6,333,463	\$ 11,042,546

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Cash and short term investments	\$ 1,509,228	\$ -	\$ -	\$ 1,509,228
Loans and convertible debt - FVTPL	-	-	181,458	181,458
Investments - FVTPL	3,769,207	114,118	6,365,489	10,248,814
	\$ 5,278,435	\$ 114,118	\$ 6,546,947	\$ 11,939,500

#### ***Fair value estimation***

The Company's management team reviews and approves the valuation results of all investments in the portfolio based on all observable and non-observable inputs. The Company also will engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the Company's consolidated financial statements.

The fair value of the Company's investments is determined as follows:

#### ***Listed securities***

The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Company uses the last traded market price where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of securities that are subject to trading restrictions are recorded at a value which takes into account the length and nature of the restrictions, if needed.

#### ***Unlisted securities***

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

#### ***For unlisted instruments:***

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.



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- Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate.

Investments in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade.

- Investments in companies for which there has not been any recent independent funding or secondary private market transaction are valued through a calibration technique using the share price, market cap, enterprise value, or other valuation indicators of peer companies comparable to the Company's investee. The Company considers investee available information including going concern risk, continued funding availability, comparable peer group valuations, and exit market conditions.
- For public company warrants, options and conversion features on debt (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as Black-Scholes are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.
- Loans, debentures and promissory notes issued by investees are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures receivable is measured using valuation techniques including discounted cash flow models and modified Black-Scholes option pricing models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by Management is required in establishing fair values. Judgements include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events and IPO events, and share prices of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.



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The following table presents the changes in fair value measurements of investments classified as level 3 for the six months ended June 30, 2023 and the year ended December 31, 2022.

Balance - December 31, 2021	\$	7,847,483
Transfers (to) from Level 1		(1,006,506)
Transfers (to) from Level 2		(61,423)
Purchases		1,228,244
Dispositions		(711,087)
Realized losses		(3,132,757)
Change in unrealized gains		2,382,993
Balance - December 31, 2022	\$	6,546,947
Transfers (to) from Level 1		-
Transfers (to) from Level 2		-
Purchases		11,100
Dispositions		-
Realized losses		-
Change in unrealized losses		(224,584)
<b>Balance - June 30, 2023</b>	<b>\$</b>	<b>6,333,463</b>

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at June 30, 2023:

Description	Fair value at June 30, 2023	Valuation Method	Inputs	Fair Value Change +/- 10%
Equity Instruments	\$ 3,384,931	Recent transactions New investment	Recent purchase price	\$ 338,493
Equity Instruments	441,144	Calibration	Market trends, Enterprise value and market cap of industry peer group	44,114
Equity Instruments	2,261,719	Asset based approach	Company specific financials	226,172
Convertible debentures	182,250	Black-Scholes model on conversion and discounted cash flow	Market prices, volatility, discount rate	18,225
Warrants	63,419	Black-Scholes model	Market prices, volatility, discount rate	6,342
	<b>\$ 6,333,463</b>			<b>\$ 633,346</b>



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The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2022:

Description	Fair value at December 31, 2022	Valuation Method	Inputs	Fair Value Change +/- 10%
Equity Instruments	\$ 3,435,293	Recent transactions New investment	Recent purchase price	\$ 343,529
Equity Instruments	449,435	Calibration	Market trends, Enterprise value and market cap of industry peer group	44,944
Equity Instruments	2,415,657	Asset based approach	Company specific financials	241,566
Convertible debentures	181,458	Black-Scholes model on conversion and discounted cash flow	Market prices, volatility, discount rate	18,146
Warrants	65,104	Black-Scholes model	Market prices, volatility, discount rate	6,510
	<b>\$ 6,546,947</b>			<b>\$ 654,695</b>

### 8. SHARE CAPITAL

#### (a) Authorized Capital

Unlimited number of:

Multiple voting shares ("MVS")

Subordinate voting shares ("SVS")

Preferred shares

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



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### (b) Issued

<b>Multiple Voting Shares</b>	<b>Number of Shares</b>	<b>Consideration</b>
Balance - December 31, 2022 and June 30, 2023	87,760	\$ 160,028
<b>Subordinate Voting Shares</b>	<b>Number of Shares</b>	<b>Consideration</b>
Balance - December 31, 2022 and June 30, 2023	61,776,702	\$ 29,639,079
<b>Total MVS and SVS Shares - December 31, 2022 and June 30, 2023</b>	<b>61,864,462</b>	<b>\$ 29,799,107</b>

### (c) Contributed Surplus

#### Share-based Payment Reserve

Balance - December 31, 2021	\$ 6,687,084
Stock-based compensation	128,374
Balance - December 31, 2022	\$ 6,815,458
Stock-based compensation	45,060
<b>Balance - June 30, 2023</b>	<b>\$ 6,860,518</b>

#### Stock Options

The Company has a stock option plan (the "Plan") which was approved by the Board of Directors of the Company. The total number of shares reserved for issuance under the Plan is equal to 10% of the outstanding SVS.

The Plan is for the benefit of the employees, officers and directors of the Company. The Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee may from time-to-time designate individuals to whom options to purchase shares of the capital stock of the Company may be granted, the number of shares to be optioned to each, and the vesting terms of such options. The option price per share shall be fixed by the Board of Directors when such option is granted. The option price can be discounted according to the rules of the TSXV at the time the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the TSXV, and notwithstanding any specific agreements with the Company, the options will expire upon the termination of the employment or office with the Company or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding SVS. Typically, one-third of options vest immediately on the grant date, one-third vests on the first anniversary of the grant date, and one-third vests on the second anniversary of the grant date. However, vesting conditions are open to change at the Board's discretion.



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A summary of the changes in the Company's stock options during the six months ended June 30, 2023 and the year ended December 31, 2022 is presented in the table below:

	Number of options		Weighted average exercise price
Balance - December 31, 2021	6,080,000	\$	0.34
Granted	2,050,000		0.12
Expired	(1,450,000)		0.35
Forfeited	(975,000)		0.33
Balance - December 31, 2022	<b>5,705,000</b>	<b>\$</b>	<b>0.26</b>
Expired	(950,000)		0.46
<b>Balance - June 30, 2023</b>	<b>4,755,000</b>	<b>\$</b>	<b>0.22</b>

During the year ended December 31, 2022, the following stock options were granted and valued using the Black-Scholes option pricing model with the parameters listed below (in each case with no dividends and a nil forfeiture rate):

Expiry date	Number of options	Exercise price	Black-Scholes option pricing parameters				Fair value
			Grant date share price	Interest rate	Expiry date (years)	Volatility	
Dec 19, 2027	2,050,000	\$0.120	\$0.11	2.97%	5.0	113%	\$0.08

The options vest 1/3 on the date of grant, 1/3 on the one year anniversary, and 1/3 on the second year anniversary. The total fair value of the options granted during the year ended December 31, 2022 was \$170,765.

During the three and six months ended June 30, 2023, the Company recognized \$15,839 (June 30, 2022 - \$22,566) and \$45,060 (June 30, 2022 - \$51,919) respectively in stock-based compensation expense relating to the vesting of stock options.

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of the Company. Changes in the underlying assumptions can materially affect the fair value estimates.

A summary of the Company's outstanding stock options as at June 30, 2023 is presented below:

Grant date	Options outstanding	Options exercisable	Exercise price (\$)	Weighted average remaining life (years)
June 5, 2014	230,000	230,000	0.40	0.93
August 31, 2018	200,000	200,000	0.455	0.17
November 29, 2018	475,000	475,000	0.505	0.42
July 16, 2020	950,000	950,000	0.145	2.05
June 3, 2021	850,000	566,667	0.265	2.93
December 19, 2022	2,050,000	683,333	0.12	4.47
	<b>4,755,000</b>	<b>3,105,000</b>	<b>0.22</b>	<b>2.96</b>



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### 9. SUPPLEMENTAL CASH FLOW INFORMATION

For the six months ended June 30,	2023	2022
Interest income received	\$ 3,454	8,592
Income taxes paid	-	22,625

### 10. RELATED PARTY TRANSACTIONS

- (a) Compensation to key management personnel and directors during the three and six months ended June 30, 2023 and 2022 were as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Salaries, consulting fees, and benefits	\$ 68,989	\$ 69,670	\$ 149,903	\$ 140,592
Director fees	22,500	22,500	45,000	45,000
Fair value of stock options	25,700	14,700	53,576	43,365
	\$ 117,189	\$ 106,870	\$ 248,479	\$ 228,957

Key consultants and management of the Company are entitled to an annual incentive bonus based on the performance of the Company's investment portfolio. The bonus pool is based on certain performance metrics including the Company's net realized gains, plus interest, dividends, structuring, and consulting fee revenue over certain hurdle rates, calculated on an annual basis. During the three and six months ended June 30, 2023 and 2022, \$nil amount was accrued relating to the annual incentive plan bonus on the statement of loss and comprehensive loss.

- (b) During the three and six months ended June 30, 2023, the Company recorded \$3,000 of rent expense (June 30, 2022 - \$3,000) and \$6,000 of rent expense (June 30, 2022 - \$6,000), which is payable to the CEO of the Company for use of shared office space. The amount is included within general and administrative expense on the consolidated statement of loss and comprehensive loss.
- (c) As at June 30, 2023 a balance of \$nil (December 31, 2022 - \$52,854) remains within amounts receivable and sundry assets owed from Somersby park 2010 Limited Partnership. Somersby Park 2010 Limited Partnership was a subsidiary of the Company accounted for at FVTPL that was dissolved in December 2022.
- (d) From time to time, the Company makes investments into companies for which an officer or a director of Fountain is also an officer or director of the investee company. The table below identifies the related party investees, the name of the related officer or director of the Company, and the position they held with the investee Company as at June 30, 2023.

Investment	Ownership	Officer/Director Name	Position Held
Canaccord Genuity G Ventures Corp.	<10%	Roger Daher	Director
CannAgri Blockchain Inc.	<10%	Michael Galloro	Director
Cansortium Inc.	<10%	Roger Daher	Director
Simply Better Brands Corp.	<10%	Michael Galloro	Director



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### 11. CAPITAL MANAGEMENT

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

	June 30, 2023	December 31, 2022
Shareholders' equity comprised of		
Share capital	\$ 29,799,107	\$ 29,799,107
Contributed surplus	6,860,518	6,815,458
Deficit	(25,659,809)	(24,778,141)
	<b>\$ 10,999,816</b>	<b>\$ 11,836,424</b>

There were no changes to the Company's capital management objectives during the six months ended June 30, 2023.

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- (c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends; and
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

There were no changes to the way the Company manages its capital structure during the period. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk of its underlying assets. The Company has the ability to maintain or adjust its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) utilizing leverage in the form of margin (due to brokers) and long-term debt from financial lenders; and
- (c) raising capital through equity financings.

### 12. BASIC AND DILUTED LOSS PER SHARE

During the three months ended June 30, 2023, the basic and diluted loss per share was \$0.01 (June 30, 2022 – loss per share of \$0.08). During the six months ended June 30, 2022, the basic and diluted loss per share was \$0.01 (June 30, 2022 – loss per share of \$0.11). Excluded from the diluted earnings per share calculation was 4,755,000 stock options (June 30, 2022 – 5,705,000 stock options) which have an anti-dilutive effect on loss per share.



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### 13. MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS

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

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

The investment operations of the Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest, credit and currency risks. A discussion of the Company's use of financial instruments and their associated risks is provided below. There has been no change to the Company's risk management policies or processes during the six months ended June 30, 2023.

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

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its operational activities and the proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient investments which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

As at June 30, 2023, the Company's financial liabilities are comprised of accounts payable and accrued liabilities. The carrying amount of these financial liabilities approximate their respective fair values due to their short-term maturities. Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. All of the Company's liabilities are due within the next twelve months.

The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long-term. However, the Company may procure debt or equity financing from time to time to fund its operations.

#### **(b) Market risk**

The Company is exposed to certain market risk that the value of the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading



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its investments, and unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company is required to mark to market its FVTPL investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Company monitors changes in the market on an ongoing basis and adjusts its lending and investing practices and policies when necessary to reduce the impact of the above risks.

The Company's investments include publicly-listed entities that are listed on a Canadian and United States stock exchange. Changes in the fair value of investments designated as FVTPL are reported in the statement of loss and comprehensive loss.

The following table shows the estimated sensitivity on the statement of loss and comprehensive loss for the six months ended June 30, 2023 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options, of \$3,709,632 with all other variables held constant as at June 30, 2023:

Percentage of change in closing prices	Change in comprehensive income from % increase in closing price	Change in comprehensive income from % decrease in closing price
5%	185,482	(185,482)
10%	370,963	(370,963)

The following table shows the estimated sensitivity on the statement of loss and comprehensive loss for the year ended December 31, 2022 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options, of \$3,449,802 with all other variables held constant as at December 31, 2022:

Percentage of change in closing prices	Change in comprehensive income from % increase in closing price	Change in comprehensive income from % decrease in closing price
5%	172,490	(172,490)
10%	344,980	(344,980)

### (c) Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

Should market interest rates rise, then the fair value of these convertible debentures and term debt may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early-stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. Additionally, the economic exposure to interest rate risk is mitigated by the Company's intention to either convert the debentures into the related underlying equities or, in the case of nonconvertible debentures, to hold the instrument until maturity.

As at June 30, 2023, if interest rates were higher by 1% per annum, the potential effect to the Company would be an increase in net income of approximately \$1,706 (December 31, 2022 – \$1,706).



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### (d) Credit risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. Senior management is committed to several processes to ensure that this risk is appropriately mitigated. These include:

- obtaining collateral guarantees;
- the investigation of the creditworthiness of all borrowers;
- the engagement of qualified independent consultants such as lawyers and real estate appraisers, to whom management may reach for professional advice;
- the segregation of duties to ensure that qualified staff are satisfied with all due diligence requirements prior to funding; and
- the prompt initiation of recovery procedures on overdue loans.

As at June 30, 2023, \$nil accounts receivables or loans and convertible debentures were past due (December 31, 2022 - \$nil).

<b>As at</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Accounts receivable	\$ 3,316	\$ 55,456
Loans and convertible debentures	182,250	181,458
	<b>\$ 185,566</b>	<b>\$ 236,914</b>

### (e) Currency risk

Foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

The Company has cash and cash equivalents, certain receivables, convertible debentures and investments in companies denominated in a foreign currency. For the six months ended June 30, 2023 management estimates that if the United States dollar had strengthened or weakened by 10% against the Canadian dollar, assuming all other variables remained constant, net loss for the period would have increased or decreased by approximately \$445,998 (December 31, 2022 - \$781,001).

### (f) Concentration risk

Included in Investments - FVTPL is one investment which comprises approximately 22% of the balance (December 31, 2022 - 22%).



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### **14. CONTINGENCIES AND COMMITMENTS**

In September 2017, the Company announced that it was served with a statement of claim by First Global Data Limited (“FGD”). The claim seeks damages of \$20,000,000 against a number of defendants including the Company and its former Chief Executive Officer, alleging breach of contract, conspiracy and various other causes of action (the “FGD Action”).

The Company believed the claim against the Company and its former CEO was without merit and frivolous, and was issued in an attempt to delay the outcome of the Company’s claims against FGD in existing proceedings commenced by the Company in February 2017 (Ontario Superior Court of Justice Court File No. CV-17-569015, the “Application”). The Company commenced the Application because FGD has refused to honour its contractual obligations to issue certain options and warrants to the Company. As a result of an August 2017 order of the Ontario Superior Court of Justice, the Company’s Application was pursued as a counterclaim in the FGD Action (the “Counterclaim”).

In June 2023, the FGD Action and Counterclaim was settled and is no longer being pursued.