



FOUNTAIN ASSET CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Three Months Ended March 31, 2023

The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated financial statements of Fountain Asset Corp. ("Fountain" or the "Company") and notes thereto for the three months ended March 31, 2023, and the annual audited consolidated financial statements as at and for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This management's discussion and analysis ("MD&A") covers the last completed fiscal quarter and is dated as of May 26, 2023. All dollar amounts in this MD&A are reported in Canadian dollars, unless otherwise stated. Readers are encouraged to read Fountain's public information filings on SEDAR at www.sedar.com. The Company's shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "FA".

FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Company, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to the Company's investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Company's financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Company's investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its manager and management team; risks affecting the Company's investments; global political and economic conditions; investments by the Company in private issuers which have illiquid securities; management of the growth of the Company; exchange rate fluctuations; and other risks and factors discussed in this MD&A under "Risk Factors".

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

NON-IFRS MEASURES

Throughout this MD&A, management uses terms which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers; therefore, a description has been provided in the MD&A.

These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Management believes that some non-IFRS measures are useful for investors to use to evaluate the performance of the Company without certain IFRS requirements. Specifically, management has included net asset value and adjusted net asset value as a non-IFRS measure. Net asset value is defined as total assets less total liabilities. Adjusted net asset value is defined as net asset value plus tax loss pools available for future deductibility.

DESCRIPTION OF BUSINESS

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. Fountain provides merchant bank services that can include equity financing, asset-based lending, mergers and acquisitions advisory, operational management support and facilitating various debt and equity financing structures.

Fountain takes a disciplined and systematic approach to investment and is guided by four core principles:

1. Deploying capital in private and public late stage, growth-oriented companies,
2. Creating shareholder value,
3. Generating profits through a combination of rising portfolio value and consistent income from debt transactions, and
4. Managing the overall risk framework of the Company.

Since 2005, Fountain has invested in over 100+ companies providing bespoke capital solutions. The Company is not committed on any particular industry sector but rather is opportunistically focused on various industries such as manufacturing, retail, financial services, technology, cannabis, biotechnology, oil and gas, mining, and cryptocurrency. Fountain invests in companies with proven products, market penetration and strong management teams that do not fit the investment criteria of the typical venture capital funds, traditional secured lenders, or are too small for the private equity funds.

The Company's target investment profile includes:

- Private companies that have a reasonably demonstrated IPO plan so Fountain can leverage "private to public value arbitrage".
- Early stage public companies that need to raise funds via PIPE or secondary deals.
- Selling shareholders that seek to divest significant stakes in companies that can be purchased at a discount.
- Companies with sustainable, growing revenues with existing, or near term, profitability.
- All investments are required to have a path to liquidity.

STATUS AS AN INVESTMENT ENTITY

The following are the criteria within IFRS 10 - *Consolidated Financial Statements*, which the Company used to evaluate and determine that it meets the definition of an Investment Entity.

- a) Obtains 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.
- 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, and thus measures its investments at fair value.

1st Quarter 2023 REVIEW AND RESULTS OF OPERATIONS

Selected Information:

For the three months ended March 31,	2023	2022
Total revenue (loss)	\$38,644	(\$1,800,620)
Operating expenses	182,997	179,226
Foreign exchange loss	8,180	24,545
Stock based compensation	29,221	29,353
Net loss and comprehensive loss	(181,754)	(2,033,744)
Loss per share, basic and diluted	(\$0.00)	(\$0.03)

As at	March 31, 2023	December 31, 2022
Total assets	\$11,870,047	\$11,994,956
Total liabilities	186,156	158,532
Net asset value	11,683,891	11,836,424
Weighted average shares outstanding ⁽¹⁾	61,864,462	61,864,462
Net asset value per share	\$0.19	\$0.19
Adjusted net asset value ⁽²⁾	16,682,209	16,709,742
Adjusted net asset value per share	\$0.27	\$0.27

(1) Weighted average shares outstanding has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during each period and increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if dilutive.

(2) Adjusted net asset value as at March 31, 2023 reflects the net asset value plus approximately \$5 million of tax loss pools available (December 31, 2022 - \$4.9 million).

Revenue

During the three months ended March 31, 2023, the Company had revenue of \$38,644 compared to losses of \$1,800,620 for the prior period three months ended March 31, 2022. Net realized gains on portfolio investments during the three months ended March 31, 2023, was \$94,706 (March 31, 2022 - \$810,650 loss) relating primarily to gains recognized on Hub Cyber Security (Israel) Ltd, Canaccord Genuity Group Inc, and Loneer Ltd. American Depository Shares. These gains were partially offset by realized losses on the expiry of warrants held by the Company. Additionally, the company recorded \$61,801 in unrealized losses on portfolio investments during the three months ended March 31, 2023 (March 31, 2022 – unrealized losses of \$995,628).

Expenses

During the three months ended March 31, 2023, the Company reported total expenses of \$220,398 compared to \$233,124 during the three months ended March 31, 2022. Included in the reported total expenses for the current three month period was stock-based compensation expense of \$29,221 compared to \$29,353 for the prior period three months ended March 31, 2022. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model and expensed over the vesting periods. Salaries and consulting fees increased during the three months ended March 31, 2023 compared to the three months ended March 31, 2022 mainly due to increased use of consultants used during the current period compared to the prior period to assist with the successful completion of GST and

payroll audits. During the three months ended March 31, 2023 and 2022, an amount of \$nil was recognized for the annual incentive plan expense. The annual incentive plan is a calculated bonus amount paid to certain officers of the Company based on performance metrics including the Company's net realized capital gains, plus interest, dividends, structuring, and consulting fee revenue over certain hurdle rates, calculated on an annual basis. Audit and legal fees decreased from \$27,122 during the three months ended March 31, 2022 to \$19,797 during the three months ended March 31, 2023 mainly as a result of decreased legal activity relating to the FGD Action (as defined and described in the Contingencies and commitments section below). Trading Commissions incurred during the three months ended March 31, 2023 amounted to \$14,174 compared to the three months ended March 31, 2022 amount of \$9,102. The increase in trading commissions expenses is due to increased trading activity during the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Net Assets

Total net assets decreased by \$152,533 (or approximately 1%) as at March 31, 2023 to \$11,683,891, compared to \$11,836,424 as at December 31, 2022. The decrease in net assets was primarily attributable to net unrealized losses on portfolio investments of \$61,801 and expenses of \$220,398. As at March 31, 2023, the Company's adjusted net assets were valued at \$16,682,209 or \$0.27 per share, compared to \$16,709,742 or \$0.27 per share as at December 31, 2022. Adjusted net assets reflects net asset value plus approximately \$5 million which is reflective of the Company's \$35 million of capital and non-capital tax loss pools available, multiplied by the applicable corporate income tax rate.

SUMMARY OF QUARTERLY RESULTS

For the quarters ended	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Total revenue (losses)	\$38,644	(\$945,388)	\$261,468	(\$4,698,697)
Operating expenses	182,997	307,531	200,841	191,899
Bad Debt	-	274,591	-	128,874
Stock based compensation	29,221	70,376	6,079	22,566
Provision for income tax expense (recovery)	-	(42,211)	-	-
Net income (loss) and comprehensive income (loss)	(181,754)	(1,567,783)	111,381	(5,021,335)
Net income (loss) per share, basic and diluted	(\$0.00)	(\$0.03)	\$0.00	(\$0.08)

For the quarters ended	2022 Q1	2021 Q4	2021 Q3	2021 Q2
Total revenue (losses)	(\$1,800,620)	(\$3,015,115)	(\$586,423)	\$953,477
Operating expenses	179,226	541,426	296,177	382,341
Stock based compensation	29,353	28,455	29,353	88,059
Provision for income tax expense	-	32,466	-	-
Net income (loss) and comprehensive income (loss)	(2,033,744)	(3,613,346)	(911,953)	483,077
Net income (loss) per share, basic and diluted	(\$0.03)	(\$0.06)	(\$0.01)	\$0.01

ISSUERS WITH U.S. CANNABIS-RELATED ACTIVITIES

The Company's overall investment strategy is to focus on creating shareholder value by offering various debt and/or equity financing solutions to small and mid-sized companies in North America in both the public and private markets, across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology,

cryptocurrency, marijuana, and biotechnology. As a result, the Company may from time to time invest in companies that carry on, directly or indirectly, marijuana/cannabis businesses or related businesses in the United States.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (the “Staff Notice”), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state’s regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer’s involvement in the U.S. marijuana industry; (ii) disclosure that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.; and (iv) a discussion of the reporting issuer’s ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. marijuana industry, or deemed to have “ancillary industry involvement”, all as further described in the Staff Notice.

During the three months ended March 31, 2023, the Company’s involvement in the U.S. cannabis industry was limited. The Company can be considered to have “indirect” involvement in cannabis activities under the Staff Notice through its investments in Consortium Inc. (“Consortium”), High Tide Inc. (“High Tide”), and Holistic Industries (“Holistic”), each of which is or was during the three months ended March 31, 2023, directly or indirectly, a cultivator and/or seller of marijuana in the United States. The Company does not operate, nor control, any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with a U.S. state license. The Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the United States

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from U.S. federal laws as they relate to the cannabis industry. For each of the Investees involved in the U.S. cannabis industry listed in the summary of investments set out below, to the best of the Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of such Investees’ business and the Company is not aware of: (i) any non-compliance by these Investees with respect to marijuana-related activities or (ii) any notices of violation with respect to any Investees’ marijuana-related activities by its respective regulatory authorities. This belief is based primarily on the public disclosure provided by the Investees as the Company does not generally have access to material non-public information from such Investees, most of which are or were, during the three months ended March 31, 2023, publicly traded companies. Disclosure on the U.S. laws, risks and uncertainties applicable to these Investees may be found in each Investee’s disclosure documents which are publicly available on SEDAR at www.sedar.com. Shareholders are encouraged to review such disclosure.

Nature of Investments with U.S. Cannabis-Related Activities

Consortium Inc. (Florida, Texas, and Pennsylvania)

The Company holds 750,500 shares of Consortium as at March 31, 2023, which represents less than 1% of the issued and outstanding shares of Consortium. In April 2019, the Company acquired 1,220,000 shares for an aggregate price of \$2,834,575. During the year ended December 31, 2022, 457,500 Consortium warrants, that the Company previously held, expired, resulting in a realized loss of \$528,545. The Company acquired the warrants for \$528,545 as a structuring fee pursuant to a convertible loan of \$2,428,410 in February 2019 which debt was later settled for a gain of \$405,953 and converted into shares of Consortium. Additionally, during the year ended December 31, 2022, the Company acquired 300,000 shares for an aggregate price of \$98,335 and sold 500,000 shares during the same period. The Company’s investment in Consortium represents less than 1% of the Company’s total investment portfolio as at March 31, 2023. It is believed that Consortium is a cannabis company with licenses and operations in Florida, Pennsylvania and Texas. Consortium is listed on the CSE and the OTCQB Venture Market.

Changes in unrealized losses on the Company's investment in Consortium for the three months ended March 31, 2023 was \$40,725.

High Tide Inc. (Illinois, Michigan, California, and Ohio)

The Company holds no common shares and 39,166 warrants of High Tide, which represents less than 1% of the issued and outstanding common shares and warrants of High Tide as at March 31, 2023. The Company originally acquired 2,491,896 common shares and 999,948 warrants of High Tide at an aggregate price of \$1,171,735. The Company sold 1,890,000 of the shares of High Tide it held during the year ended December 31, 2019 and 100,000 shares during the year ended December 31, 2020. During the year ended December 31, 2021, the Company purchased 525,000 shares at an aggregate price of \$379,387 and 412,500 warrants at an aggregate price of \$144,578. During the year ended December 31, 2021, the Company sold 1,026,896 shares. The Company's investment in High Tide is non-material and represents less than 1% of the Company's total investment portfolio as at March 31, 2023. It is believed that High Tide is an Alberta-based, retail-focused cannabis company enhanced by the manufacturing and wholesale distribution of consumption accessories and conducts operations in the United States through its subsidiaries within United States in which the manufacture and distribution of branded consumption accessories is permitted under applicable laws, include the states of Illinois, Michigan, California and Ohio. It is believed that in May 2020, High Tide launched CBDCity.com and began conducting additional operations in the United States through its subsidiaries within states in which activities relating to industrial hemp and industrial hemp-based CBD have been legalized under applicable laws. High Tide is listed on the TSXV, the Nasdaq and the Frankfurt Stock Exchange.

The net changes in unrealized loss on the Company's warrants in High Tide as at March 31, 2023 was \$277.

Holistic Industries (California, Massachusetts, Maryland, Michigan, Missouri, Pennsylvania, Washington, D.C. and West Virginia)

The Company holds 12,673 shares of Holistic as at March 31, 2023, which represents less than 1% of the issued and outstanding shares of Holistic. The shares were originally acquired for total aggregate proceeds of \$130,873. The Company's investment in Holistic is non-material and represents approximately 0.6% of the Company's total investment portfolio as at March 31, 2023. It is believed that Holistic is a vertically-integrated multi-state operator in the cannabis industry, involved in the cultivation and distribution of cannabis and cannabis related products.

The net changes in unrealized loss on Holistic shares held as at March 31, 2023 was \$53.

As at March 31, 2023, the Company held the following investments in the cannabis sector in the U.S.

Investee	Investment relationship	Jurisdiction	Industry involvement	Investment type	Cost (\$)	Fair value (\$)	Company's ownership %
Cansortium Inc.	Publicly-listed	Florida Texas Pennsylvania	Indirect ¹	Shares	\$915,484	\$81,252	Under 1%
High Tide Inc.	Publicly-listed	Illinois Michigan California Ohio	Indirect ¹	Warrants	\$144,113	\$916	Under 1%
Holistic Industries	Private	California Massachusetts Maryland Michigan Missouri Pennsylvania Washington, D.C. West Virginia	Indirect ¹	Shares	\$130,873	\$65,686	Under 1%

¹ Under the Staff Notice, this refers to a non-controlling interest in an entity that is a cultivator or distributor of cannabis.

As at December 31, 2022, the Company held the following investments in the cannabis sector in the U.S.:

Investee	Investment relationship	Jurisdiction	Industry involvement	Investment type	Cost (\$)	Fair value (\$)	Company's ownership %
Cansortium Inc.	Publicly-listed	Florida Texas Pennsylvania	Indirect ¹	Shares	\$915,484	\$121,977	Under 1%
High Tide Inc.	Publicly-listed	Illinois Michigan California Ohio	Indirect ¹	Warrants	\$144,113	\$1,194	Under 1%
Holistic Industries	Private	California Massachusetts Maryland Michigan Missouri Pennsylvania Washington, D.C. West Virginia	Indirect ¹	Shares	\$130,873	\$65,739	Under 1%

¹ Under the Staff Notice, this refers to a non-controlling interest in an entity that is a cultivator or distributor of cannabis.

United States Federal Overview

In the United States, the cultivation, manufacturing, importation, distribution, use and possession of cannabis is illegal under U.S. federal law. However, medical and adult-use cannabis has been legalized and regulated by individual states. It is believed that currently in the United States, thirty-seven (37) states plus the District of Columbia and certain U.S. territories recognize, in one form or another, medical use of marijuana, while twenty-one (21) of those states plus the District of Columbia and certain U.S. territories recognize, in one form or another, the full adult-use of marijuana.

Nonetheless, state and other federal laws and regulations may limit the cultivation, production, and sale of certain hemp products. On December 20, 2018, former President Trump signed into law the Agricultural Improvement Act of 2018 (the "2018 Farm Bill"), which changed hemp's legal status by removing hemp and extracts of hemp from the CSA schedules. Accordingly, the production, sale, and possession of hemp or extracts of hemp no longer violate the CSA. Under the 2018 Farm Bill, hemp is defined as "the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis" ("Hemp"). The 2018 Farm Bill allows hemp cultivation under state plans approved by the U.S. Department of Agriculture ("USDA") or under USDA regulations in states that have legalized hemp but not implemented their own regulations. As of January 3, 2023, the USDA had approved approximately 50 state plans and 61 tribal plans.

Notwithstanding the regulatory environment with respect to marijuana at the state level, at the federal level cannabis continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act of 1970 (the "CSA"). Accordingly, the use, possession, or distribution of cannabis violates U.S. federal law. As a result, cannabis businesses in the United States are subject to inconsistent state and federal legislation, regulation and enforcement.

Under former President Barack Obama, in an effort to provide guidance to U.S. federal law enforcement regarding the inconsistent regulation of cannabis at the U.S. federal and state levels, the U.S. Department of Justice ("DOJ") released a memorandum on August 29, 2013 titled "Guidance Regarding Marijuana Enforcement" from former Deputy Attorney General James Cole (the "Cole Memorandum"). The Cole Memorandum acknowledged that, although cannabis is a Schedule I controlled substance under the CSA, the U.S. Attorneys in states that have legalized cannabis should prioritize the use of the U.S. federal government's limited prosecutorial resources by focusing enforcement actions on the following eight areas of concern (the "Cole Priorities"):

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;

- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on U.S. federal property.

In January 2018, under the administration of former President Donald Trump, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. While this did not create a change in U.S. federal law, as the Cole Memorandum was policy guidance and not law, the rescission added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is legal and regulated. Former Attorney General Sessions, concurrent with the rescission of the Cole Memorandum, issued a memorandum (“Sessions Memorandum”) which explained that the Cole Memorandum was “unnecessary” due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney’s Manual (“USAM”). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the U.S. federal government’s limited resources and include law enforcement priorities set by the Attorney General, the seriousness of the alleged crimes, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance under the CSA and states that it is a “dangerous drug and that marijuana activity is a serious crime,” it does not otherwise provide that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly indicates that it is a guide for prosecutorial discretion and that discretion is firmly in the hands of U.S. Attorneys who determine whether to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that permitted under the Cole Memorandum. While certain U.S. Attorneys have publicly affirmed their commitment to proceeding in a manner contemplated under the Cole Memorandum, or otherwise affirmed that their views of U.S. federal enforcement priorities have not changed as a result of the rescission of the Cole Memorandum, others have publicly supported the rescission of the Cole Memorandum.

Under former Attorney General William Barr, the DOJ did not take a formal position on the federal enforcement of laws relating to cannabis. However, prior to his resignation on December 23, 2020, former Attorney General William Barr stated that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach leaving it up to the states to make their own decision. In addition, former Attorney General William Barr indicated that the DOJ was reviewing the Strengthening the Tenth Amendment Through Entrusting States Act (“STATES Act”), which would shield individuals and businesses complying with state cannabis laws from federal intervention.

On March 10, 2021, the Senate confirmed President Joseph R. Biden’s nominee, Merrick Garland, to serve as Attorney General in his administration. Furthermore, two of President Biden’s nominees for top positions at the U.S. Department of Health and Human Services (“HHS”) have strong track records of supporting and defending state-legalized marijuana programs. California Attorney General Xavier Becerra, who was nominated to serve as the head of HHS, vowed to defend California’s legal cannabis market from any potential intervention during the Trump administration. Pennsylvania Secretary of Health Dr. Rachel Levine, who was nominated to serve as the assistant secretary of HHS, played a pivotal role in the implementation of Pennsylvania’s medical marijuana program. In addition, Democrats are generally more supportive of federal cannabis reform than Republicans. In the November 2020 election, the Democrats maintained their majority in the House of Representatives, although at a smaller margin than initially expected, and, as a result of the Georgia runoff elections in January 2021, have gained sufficient seats in the Senate to achieve control in the event of a Vice Presidential tie-breaking vote. Most notably, during the presidential campaign, President Biden stated that he supports decriminalizing marijuana. Despite the growing enthusiasm in the cannabis business community, it remains unclear whether the DOJ under President Biden and Attorney General Garland will re-adopt the Cole Memorandum or announce a substantive marijuana enforcement policy.

Other federal legislation provides or seeks to provide protection to individuals and businesses acting in violation of U.S. federal law but in compliance with state cannabis laws. For example, what is now known as the Joyce Amendment (previously known as the Leahy Amendment, the Rohrabacher-Farr Amendment, and the Rohrabacher-Blumenauer Amendment) has been included in annual spending bills passed by Congress since 2014. The Joyce Amendment restricts the DOJ from using federal funds to interfere with states implementing laws that authorize the use, distribution, possession, or cultivation of medical cannabis. U.S. courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals or businesses engaged in cannabis-related activities to the extent they are operating in compliance with state medical cannabis laws. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should the U.S. Congress choose to appropriate funds to prosecute individuals or businesses acting in violation of the CSA, such individuals or businesses could be prosecuted for violations of U.S. federal law even to the extent/even if they are operating in compliance with applicable state medical cannabis laws.

If Congress declines to include the Joyce Amendment in future fiscal year appropriations bills or fails to pass necessary budget legislation causing a government shutdown, the U.S. federal government will have the authority to spend federal funds to prosecute individuals and businesses acting contrary to the CSA for violations of U.S. federal law.

Furthermore, the appropriations protections only apply to individuals and businesses operating in compliance with a state's medical cannabis laws and provide no protection to individuals or businesses operating in compliance with a state's adult-use cannabis laws. On June 20, 2019, however, the U.S. House of Representatives passed the Blumenauer-Norton-McClintock Amendment, which would expand the protections afforded by the Joyce Amendment to individuals and businesses operating in compliance with applicable state adult-use cannabis laws. The U.S. Senate did not include the Blumenauer-McClintock-Norton Amendment in its appropriations bill, and ultimately, the Blumenauer-McClintock-Norton Amendment was not passed into law. On July 30, 2020, the U.S. House of Representatives again voted to include the Blumenauer-Norton-McClintock Amendment in the Commerce, Justice, Science and Related Agencies Appropriations Act, 2021. However, it is unclear whether the U.S. Senate will include the Blumenauer-McClintock-Norton Amendment in its version of the appropriations bill and whether it will ultimately be included in future appropriations legislation.

Additionally, there are a number of marijuana reform bills that have been introduced in the U.S. Congress that would amend federal law regarding the legal status and permissibility of medical and adult-use cannabis, including the STATES Act, the Marijuana Opportunity Reinvestment and Expungement Act (the "MORE Act"), the Substance Regulation and Safety Act (the "SRSA") and the Medical Marijuana Research Act (the "MMRA"). The STATES Act would create an exemption in the CSA to allow states to determine their own cannabis policies without fear of federal reprisal. The MORE ACT, which was passed by the House Judiciary Committee on November 20, 2019, would remove cannabis from the CSA, expunge federal cannabis offenses, and establish a 5% excise tax on cannabis to fund various federal grant programs. The SRSA, which was introduced by U.S. Senator Tina Smith on July 30, 2020, would remove cannabis from the CSA, grant the U.S. Food and Drug Administration the authority to regulate cannabis and cannabis products, and regulate the safety and quality control of cannabis crops and the import and export of cannabis materials. The MMRA, which was introduced by Representative Earl Blumenauer on July 17, 2019, would amend the CSA to make marijuana more accessible for use by qualified marijuana researchers for medical purposes. On December 4, 2020, the House passed the MORE Act. Nevertheless, it is uncertain which federal marijuana reform bills, if any, will ultimately be signed into law.

Businesses in the U.S. regulated cannabis industry are subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 ("Bank Secrecy Act") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "US PATRIOT Act") and the rules and regulations thereunder and any related or similar rules, regulations, or guidelines, issued, administered, or enforced by governmental authorities in the United States. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering, aiding and abetting, or conspiracy.

Despite these laws, the Financial Crimes Enforcement Network (“FinCEN”), a bureau within the U.S. Department of the Treasury (“U.S. Treasury”), issued a memorandum on February 14, 2014 (the “FinCEN Memorandum”), which provides instructions to banks and other financial institutions seeking to provide services to cannabis-related businesses. The FinCEN Memorandum explicitly references the Cole Priorities and indicates that in some circumstances it is permissible for banks and other financial institutions to provide services to cannabis-related businesses without risking prosecution for violation of U.S. federal money laundering laws. Under these guidelines, financial institutions are subject to a requirement to submit a suspicious activity report in certain circumstances as required by federal money laundering laws. These cannabis related suspicious activity reports are divided into three categories: marijuana limited, marijuana priority and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated, respectively. The FinCEN Memorandum refers to supplementary guidance in the Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA.

The rescission of the Cole Memorandum did not affect the status of the FinCEN Memorandum, and to date, the U.S. Treasury has not given any indication that it intends to rescind the FinCEN Memorandum. While the FinCEN Memorandum was originally intended to work in tandem with the Cole Memorandum, the FinCEN Memorandum appears to remain in effect as standalone guidance. Although the FinCEN Memorandum remains intact, indicating that the U.S. Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the Biden administration will continue to follow the guidelines set forth under the FinCEN Memorandum.

In March 2019, the U.S. House of Representatives Financial Services Committee passed the Secure and Fair Enforcement Banking Act (the “SAFE Banking Act”) and the U.S. Senate held a hearing on the SAFE Banking Act in July 2019. On September 25, 2019, the U.S. House of Representatives passed the SAFE Banking Act. The SAFE Banking Act creates protections for financial institutions that provide banking services to businesses acting in compliance with applicable state cannabis laws, but it is uncertain whether it will be passed by the U.S. Senate and ultimately signed into law. On May 15, 2020, the U.S. House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions Act (the “HEROES Act”), which included the provisions of the SAFE Banking Act. The U.S. House of Representatives passed a more limited version of the HEROES Act on October 1, 2020, which also includes the provisions of the SAFE Banking Act. However, it is unclear whether the version of the HEROES Act to be passed by the U.S. Senate and ultimately signed into law will include the provisions of the SAFE Banking Act.

There can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. In addition, local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it difficult or impossible to operate cannabis businesses in certain jurisdictions.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company’s existing investments in the Investees with operations or investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to invest in the United States or any other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public’s perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis.

There can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. In addition, local and city ordinances may strictly limit and/or restrict the distribution of

cannabis in a manner that could make it extremely difficult or impossible to transact cannabis industry business in certain jurisdictions.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Investees and therefore the Company.

State Level Overview

An overview of regulatory conditions for the marijuana industry in the states in which the Investees have an operating presence can be found in the following documents, which are publicly available on SEDAR at www.sedar.com:

1. The management's discussion and analysis of Consortium for the three and nine months ended September 30, 2022 and 2021, provided as of November 29, 2022. Specifically, shareholders are directed to the disclosure on pages 21 to 29.
2. The annual information form of High Tide dated January 30, 2023. Specifically, shareholders are directed to the disclosure on pages 45 to 52 as well as the risk factors outlined in Schedule "A".

Although the Company has no knowledge that would indicate that any of the above noted disclosure is untrue, incomplete or otherwise misleading, neither the Company nor any of its directors or officers assumes any responsibility for any failure by the Company's investees to ensure the significance or accuracy of such disclosure.

TSXV Requirements

On October 16, 2017, the TSXV issued a bulletin noting that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSXV's listing requirements (the "Requirements"). These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSXV reminded issuers that, among other things, should the TSXV find that a listed issuer is engaging in activities contrary to the Requirements, the TSXV has the discretion to initiate a delisting review. In order to comply with the Requirements, the Company may be required to reorganize, restructure or divest its investment in one or more Investees.

LIQUIDITY AND CAPITAL RESOURCES

In managements' opinion, the Company has sufficient resources to meet its current cash flow requirements based on the following:

As at	March 31, 2023		December 31, 2022	
Cash	\$	714,527	\$	1,469,228
Short-term investments		40,000		40,000
Amounts receivable and sundry assets		-		55,456
Loans and convertible debentures due within one year		172,935		116,052
Investments in public companies		4,138,556		3,883,324
Total Liquid Assets	\$	5,066,018	\$	5,564,060
Accounts payable and accrued liabilities	\$	186,156	\$	158,532
Total Short Term Liabilities	\$	186,156	\$	158,532

As of March 31, 2023, Fountain had working capital of \$4,879,862, which decreased from \$5,405,528 as at December 31, 2022. The decrease in working capital for the period is due to the Company purchasing new investments at a cost of \$1,631,693, which was partially offset by proceeds from the sale of investments totaling \$979,349 for the three months ended March 31, 2023. On average, Fountain anticipates working capital requirements of approximately \$90,000 per month to cover operating expenses on a go-forward basis before considering any one-time costs, not including the annual incentive plan expense.

Fountain frequently invests in small market capitalization (or junior) companies. Due to the somewhat limited size of the public float of such companies and/or any substantial decline in the price of the securities thereof, which can persist for a significant period of time, the liquidity of such securities could be impaired from time to time.

In managements' opinion, the Company has sufficient resources to meet its current cash flow requirements. The Company's accounts payable and accrued liabilities 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.

The Company's primary use of cash is to make investments and to pay for operating expenses. The Company believes that it will be able to generate sufficient capital to support the Company's operations in the long-term. Nonetheless, the Company may procure debt or equity financing from time to time to fund its operations.

Management is not aware of any significant commitments or expected fluctuations with respect to its capital resources at the date of its year end annual audited consolidated financial statements and this MD&A.

CONTINGENCIES AND COMMITMENTS

On September 4, 2017, the Company announced that it was served with a statement of claim by First Global Data Limited ("FGD"). The claim seeks damages of \$20,000,000 against a number of defendants including the Company and its former Chief Executive Officer, alleging breach of contract, conspiracy and various other causes of action (the "FGD Action").

The Company believes the claim against the Company and its former CEO is without merit and frivolous, and was issued in an attempt to delay the outcome of the Company's claims against FGD in existing proceedings commenced by the Company on February 3, 2017 (Ontario Superior Court of Justice Court File No. CV-17-569015, the "Application"). The Company commenced the Application because FGD has refused to honour its contractual obligations to issue certain options and warrants to the Company.

As a result of an August 24, 2017 order of the Ontario Superior Court of Justice, the Company's Application will be pursued as a counterclaim in the FGD Action. The Company will vigorously defend the FGD Action and will vigorously pursue its claims against FGD. Specifically, the Company will seek damages of at least \$6,015,000, equal to the difference between the purchase price per share under the Options/Warrants, and the highest trading value to date, as well as punitive and exemplary damages of \$2,000,000. The counterclaim by the Company against FGD and others is difficult to precisely quantify as the Company's claim is in respect of the enforcement of rights under certain options and warrants, not only pure damages.

No amounts have been accrued in the Company's March 31, 2023 financial statements with respect to this matter.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed and explained in Note 10 to the condensed interim consolidated financial statements for the three months ended March 31, 2023, which accompanies this MD&A.

Related party transactions occur during the normal course of Company operations and have been recorded at the exchange amounts established and agreed to by the related parties.

- a) Compensation to key management personnel and directors during the three months ended March 31, 2023 and 2022 were as follows:

For the three months ended March 31	2023	2022
Salaries, consulting fees, and benefits	\$ 80,914	\$ 70,922
Director fees	22,500	22,500
Stock-based compensation expense	27,876	28,665
	\$ 131,290	\$ 122,087

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 months ended March 31, 2023, \$nil (March 31, 2022 - \$nil) was accrued relating to the annual incentive plan bonus

- b) During the three months ended March 31, 2023, the Company recorded \$3,000 of rent expense (March 31, 2022 - \$3,000), 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 income and comprehensive income.
- c) As at March 31, 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 March 31, 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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim 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 audited consolidated financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment and estimates include:

- Determination of investment entity status – Management exercises judgment in applying criteria in IFRS 10.
- 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.
- Valuation methodology of level 2 and level 3 investments. Refer to Note 7 of the condensed interim consolidated financial statements for the three months ended March 31, 2023 for more details.

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

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 of the notes to the annual audited consolidated financial statements as at and for the year ended December 31, 2022 for details of the Company’s accounting policies. The same accounting policies and methods of computation were followed in the preparation of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023 as were followed in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2022.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new standards during the three months ended March 31, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2023, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS

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

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

The investment operations of the Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest, credit and currency risks.

A discussion of the Company's use of financial instruments and their associated risks is provided below. There has been no change to the Company's risk management policies or processes during the period.

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.

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

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

Market Risk

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

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

The following table shows the estimated sensitivity on the statement of income and comprehensive income for the three months ended March 31, 2023 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options, of \$4,467,239 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%	223,362	(223,362)
10%	446,724	(446,724)

The following table shows the estimated sensitivity on the statement of income and comprehensive income 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)

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 March 31, 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).

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

As at	March 31, 2023	December 31, 2022
Amounts receivable	\$ -	\$ 55,456
Loans and convertible debentures	172,935	181,458
Total Credit Exposure	\$ 172,935	\$ 236,914

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 three months ended March 31, 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 income for the period would have increased or decreased by approximately \$506,234 (December 31, 2022 - \$781,001).

Concentration Risk

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

OUTSTANDING SHARE DATA

A summary of the Company's outstanding stock options at March 31, 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	1.18
June 4, 2018	950,000	950,000	\$0.455	0.17
August 31, 2018	200,000	200,000	\$0.455	0.42
November 29, 2018	475,000	475,000	\$0.505	0.67
July 16, 2020	950,000	950,000	\$0.145	2.30
June 3, 2021	850,000	566,667	\$0.265	3.18
December 19, 2022	2,050,000	683,333	\$0.12	4.72
	5,705,000	4,055,000	\$0.26	2.70

As at the date of this MD&A, the number of common shares of the Company issued and outstanding and the number of common shares issuable pursuant to other outstanding securities of the Company are as follows:

	Number of securities outstanding
Common shares	
Multiple voting shares outstanding	87,760
Subordinate voting shares outstanding	61,776,702
Issuable under the exercise of stock options	5,705,000
	67,569,462

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There has been no change in internal control procedures during the three months ended March 31, 2023 that would materially affect, or reasonably likely to materially affect, the internal control over financial reporting.

Limitations of Controls and Procedures

The Chief Executive Officer and Chief Financial Officer believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

RISK FACTORS

Risks related to the U.S. regulatory environment

The Company has made investments in entities operating in a highly regulated industry which is rapidly evolving. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Certain investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of an investee and may negatively affect the performance of the Company's investment portfolio.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of investees and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce an investee's earnings and could make future capital investments or its operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company is expected to have a portion of its revenues derived from its investments in investees that are engaged, either directly or indirectly, in the cannabis industry in certain states of the U.S., which industry is illegal under U.S. federal law. Fountain is indirectly involved in marijuana-related activities in the U.S. through its investments in Consortium, High Tide, and Holistic, each of which is or was during the three months ended March 31, 2023, engaged in the cultivation or distribution of marijuana in the U.S. The enforcement of relevant laws is a significant risk.

Over half of the states in the U.S. have enacted legislation to regulate the sale and use of medical marijuana without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical marijuana with strict limits on the levels of THC. Other U.S. states had also legalized cannabis for adult use. Notwithstanding the permissive regulatory environment of medical or adult-use marijuana at the state level, marijuana continues to be categorized as a Schedule 1 controlled substance under the CSA. As such, marijuana-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution, are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will not absolve the investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against them. Any such proceedings brought against the investees may adversely affect the Company's financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding marijuana, investments in marijuana businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the CSA with respect to marijuana or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect certain current and future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the U.S.

Regulatory changes and compliance

The activities of the investees are in many cases subject to regulation by governmental authorities. The Company cannot predict the time required for certain of its investees to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on these investees' business and results of operations, which may negatively affect the performance of the Company's investment portfolio.

Certain investees' operations may be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the investees' operations. Changes to such laws, regulations and guidelines due to matters beyond the control of the investees may cause adverse effects to the Company's operations.

Local, state and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require certain investees to incur substantial costs associated with bringing the operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt certain investees' operations and result in a material adverse effect on financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's investment portfolio.

U.S. federal laws on marijuana industry

Marijuana is illegal under U.S. federal laws and enforcement of relevant laws is a significant risk. Therefore, the business operations of certain investees are dependent on U.S. state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the return on the Company's investment portfolio.

The concepts of "medical marijuana" and "retail marijuana" do not exist under U.S. federal law. The CSA classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against investees.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government

or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

There are risks associated with removal of U.S. federal budget rider protections

The U.S. Congress has passed appropriations bills since 2014 to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating compliance with state and local laws. The 2018 Consolidated Appropriations Act was passed by Congress on March 23, 2018 and included the re-authorization of the Rohrabacher-Farr Amendment. It continued in effect up to September 30, 2018, the last day of fiscal year 2018. These protections were subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with a key amendment intact (Section 538).

On June 20, 2019, the House voted 267–165 to approve the Blumenauer-Norton-McClintock Amendment which, in addition to protecting state medical cannabis programs, also protected recreational use. On September 26, 2019, the Senate Appropriations Committee declined to take up the Blumenauer-Norton-McClintock Amendment but did approve the Rohrabacher–Farr Amendment for the 2020 fiscal year spending bill. On September 27, 2019, the amendment was renewed as part of a stopgap spending bill, in effect through November 21, 2019.

On December 20, 2019, the amendment was renewed through the signing of the fiscal year 2020 spending legislation, effective through to September 30, 2020. President Trump added a signing statement regarding the amendment similar to the ones he added in May 2017 and February 2019. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. On October 1, 2020, the amendment was renewed through the signing of a stopgap spending bill, effective through December 2020. The amendment was then renewed again through the signing of the fiscal year 2021 spending legislation, effective through September 30, 2021, renewed again through the signing of the fiscal year 2022 spending legislation effective through September 2022 and renewed again effective through September 2023.

U.S. courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of U.S. federal law. If Congress restores funding, the U.S. federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA’s five-year statute of limitations.

Local regulation could change and negatively impact the U.S. Cannabis Investees’ operations

Most U.S. states that permit marijuana for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where investees have established facilities decide to prohibit marijuana businesses from operating, such investees could be forced to relocate operations at great cost to them, and such investees may have to cease operations in such state entirely if alternative facilities cannot be secured.

Reliance on third-party suppliers, manufacturers and contractors

Some of the investees may intend to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the U.S., these investees’ third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the investees’ operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the investees’ business and operational results, which could have on the Company’s investment portfolio.

Ability to access public and private capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. However, there can be no assurance that additional financing will be available to the Company if, or when, needed or on terms which are favourable.

Dependence on key personnel

The Company is dependent upon the personal efforts, performance and commitment of its senior officers and directors, who are responsible for the development of the Company's business. Investors will be relying upon the business judgment, expertise and integrity of the Company's senior officers and directors. To the extent that the services of any of the senior officers or directors would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. The Company's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel.

Possible volatility of stock price

The market price of the Subordinate Voting Shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the subordinate voting shares.

Competition

The Company operates in an increasingly competitive environment. Both large and small competitors compete with the Company. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than the Company. The Company believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that the Company will be able to compete effectively and retain its existing clients or attract and retain new clients. The Company's current and potential competitors may develop and market new products or services that render the Company's existing and future products and services less marketable or competitive.

Maintenance of client relationships

The ability of the Company to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. The Company's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Strategic relationships

The Company anticipates that, from time to time, it will enter into strategic relationships to syndicate certain bridge loans or similar assets where appropriate, as part of its strategy to diversify and manage risks associated with its fixed income portfolio. Syndication will afford the Company the opportunity to participate in much larger transactions. There can be no assurance that the Company will be able to enter into such relationships in the future, and its inability to do so may adversely affect its ability to continue to service its existing and prospective clients.

ADDITIONAL INFORMATION

Additional information relating to the Fountain may be found on the Company's website at www.fountainassetcorp.com and the Company's profile on SEDAR at www.sedar.com.