



**FOUNTAIN ASSET CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**For the Three and Six Months Ended June 30, 2025**

*The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited condensed interim consolidated financial statements of Fountain Asset Corp. ("Fountain" or the "Company") and notes thereto for the three and six months ended June 30, 2025 (the "Interim Financial Statements") and the annual audited consolidated financial statements as at and for the year ended December 31, 2024, which have been prepared in accordance with IFRS<sup>®</sup> Accounting Standards ("IFRS"). This management discussion and analysis ("MD&A") covers the last completed fiscal quarter and is dated as of August 26, 2025. 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.sedarplus.ca](http://www.sedarplus.ca). 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 and future performance 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.

## **2<sup>nd</sup> Quarter 2025 REVIEW AND RESULTS OF OPERATIONS**

### **Selected Information:**

For the six months ended June 30	2025	2024
Total revenue (losses)	\$3,650,989	(\$544,834)
Operating expenses	292,783	390,933
Annual incentive plan expense	278,796	-
Foreign exchange gain	(4,614)	(2,078)
Stock based compensation	11,504	14,230
Income tax expense	15,850	-
Net income (loss) and comprehensive income (loss)	3,056,670	(947,919)
Earnings (loss) per share, basic and diluted	0.05	(0.02)

For the three months ended June 30	2025	2024
Total revenue (losses)	\$3,257,145	(\$269,311)
Operating expenses	137,622	221,094
Annual incentive plan expense	95,684	-
Foreign exchange gain	(5,166)	(9,193)
Stock based compensation	5,752	7,115
Income tax expense	15,850	-
Net income (loss) and comprehensive income (loss)	3,007,403	(488,327)
Earnings (loss) per share, basic and diluted	0.05	(0.01)

As at	June 30, 2025	December 31, 2024
Total assets	\$8,886,188	\$5,629,426
Total liabilities	305,065	116,477
Net asset value	8,581,123	5,512,949
Weighted average shares outstanding <sup>(1)</sup>	64,414,462	62,087,413
Net asset value per share	0.13	0.09
Adjusted net asset value <sup>(2)</sup>	13,776,212	11,526,045
Adjusted net asset value per share	0.21	0.19

(1) Weighted average shares outstanding has been calculated using the weighted average number of multiple voting shares ("MVS") and subordinated voting shares ("SVS") 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 June 30, 2025 reflects the net asset value plus approximately \$5.1 million of tax loss pools available (December 31, 2024 - \$6.0 million).

### **Revenue**

During the six months ended June 30, 2025, the Company had net gains from its portfolio investments of \$3,650,989 (June 30, 2024 – losses of \$544,834). Net realized gains on portfolio investments during the six months ended June 30, 2025, was \$1,759,092 (June 30, 2024 – net realized losses of \$142,077) relating primarily to gains recognized in the mining and technology sectors. Additionally, the company recorded \$1,815,972 in unrealized gains on portfolio investments during the six months ended June 30, 2025 (June 30, 2024 – unrealized losses of \$405,749).

During the three months ended June 30, 2025, the Company had net gains from its portfolio investments of \$3,257,145 (June 30, 2024 - losses of \$269,311). Net realized gains on portfolio investments during the three months ended June 30, 2025, was \$466,109 (June 30, 2024 – net realized gains of \$173,258) relating primarily to gains recognized in the mining and technology sectors. Additionally, the company recorded \$2,778,724 in net unrealized gains on portfolio investments during the three months ended June 30, 2025 (June 30, 2024 – net unrealized losses of \$443,948).

### **Expenses**

During the six months ended June 30, 2025, the Company reported total expenses of \$578,469 compared to \$403,085 during the prior period six months ended June 30, 2024. Included in the reported total expenses for the current six month period was stock-based compensation expense of \$11,504 compared to \$14,230 for the prior period six months ended June 30, 2024. 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 decreased from \$202,918 during the six months ended June 30, 2024 to \$105,012 during the six months ended June 30, 2025. The decrease is mainly a result of the Company agreeing with its CEO, CFO, and Directors on reduced fees effective August 2024, to alleviate a portion of the Company's administrative costs on a go forward basis. During the six months ended June 30, 2025, the Company recognized \$278,796 as part of the annual incentive bonus plan expense, compared to \$nil during the six months ended June 30, 2024. 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. General and administrative expenses decreased by \$20,695 for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. The decrease was primarily due to the termination of service agreements with certain vendors in the latter half of fiscal 2024. These vendors had been providing administrative support services, and the termination of such agreements resulted in cost savings during the current period. Trading commissions incurred on trading activity during the six months ended June 30, 2025 amounted to \$51,568 compared to the six months ended June 30, 2024 amount of \$30,673. The increase in trading commissions expense is mainly a result of increased trading activity during the six months ended June 30, 2025 compared to the six months ended June 30, 2024.

During the three months ended June 30, 2025, the Company reported total expenses of \$233,892 (June 30, 2024 - \$219,016). Included in the reported total expenses for the current three month period was stock-based compensation expense of \$5,752 compared to \$7,115 for the prior period three months ended June 30, 2024. 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 decreased to \$52,506 during the three months ended June 30, 2025, compared to \$101,780 during the three months ended June 30, 2024. The decrease is mainly a result of the Company agreeing with its CEO, CFO, and Directors on reduced fees effective August 2024, to alleviate a portion of the Company's administrative costs on a go forward basis. During the three months ended June 30, 2025, the Company recognized \$95,684 as part of the annual incentive bonus plan expense, compared to \$nil during the three months ended June 30, 2024. 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. Trading Commissions decreased to \$14,231 during the three months ended June 30, 2025, compared to \$19,391 during the three months ended June 30, 2024. The decrease in trading commissions expenses is due to decreased trading activity during the three months ended June 30, 2025.

### **Net Assets**

Total net assets increased by \$3,068,174 (or approximately 55.7%) as at June 30, 2025 to \$8,581,123 or \$0.13 per share, compared to \$5,512,949 or \$0.09 per share as at December 31, 2024. The increase in net assets was primarily attributable to net realized gains on portfolio investments of \$1,759,092, unrealized gains on portfolio investments

of \$1,815,972 and the purchase of new investments of \$2,633,515. These were partially offset by expenses of \$578,469. As at June 30, 2025, the Company's adjusted net assets were valued at \$13,776,212 or \$0.21 per share, compared to \$11,526,045 or \$0.19 per share as at December 31, 2024. Adjusted net assets reflects net asset value plus approximately \$5.1 million which is reflective of the Company's approximate \$40 million tax loss pools available, multiplied by the applicable corporate income tax rate.

### **SUMMARY OF QUARTERLY RESULTS**

For the quarters ended	2025 Q2	2025 Q1	2024 Q4	2024 Q3
Total revenue (losses)	\$3,257,145	\$393,844	\$566,444	(\$434,059)
Operating expenses	137,622	155,161	215,134	260,334
Stock based compensation	5,752	5,752	29,671	7,116
Annual incentive plan expense	95,684	183,112	-	-
Income tax expense	15,850	-	-	-
Net income (loss) and comprehensive income (loss)	3,007,403	49,267	350,411	(711,707)
Earnings (loss) per share, basic and diluted	\$0.05	\$0.00	\$0.01	(\$0.01)

For the quarters ended	2024 Q1	2024 Q1	2023 Q4	2023 Q3
Total revenue (losses)	(\$269,311)	(\$275,523)	(\$3,323,111)	(\$586,475)
Operating expenses	221,094	169,839	285,037	154,345
Stock based compensation	7,115	7,115	16,602	21,346
Net loss and comprehensive loss	(488,327)	(449,624)	(3,628,789)	(749,796)
Loss per share, basic and diluted	(\$0.01)	(\$0.01)	(\$0.06)	(\$0.01)

No dividends were declared by the Company during any of the periods indicated.

Over the past eight quarters, fluctuations in net income (loss) on a quarter-over-quarter basis have been impacted primarily by unrealized and realized gains (losses) on investments.

The following summarizes the unrealized and realized gains (losses) recognized on investments each quarter:

During the third quarter ("Q3") of 2024, the Company recognized net realized gains on disposal of investments of \$61,227 (Q3 2023 – net realized losses of \$431,966). The Company also recognized a net change in unrealized losses of \$497,302 (Q3 2023 – net unrealized losses of \$169,178).

During the fourth quarter ("Q4") of 2024, the Company recognized net realized losses on disposal of investments of \$1,806,871 (Q4 2023 – net realized losses of \$2,494,514). The Company also recognized a net change in unrealized gains of \$2,372,462 (Q4 2023 – net unrealized losses of \$831,705).

During the first quarter ("Q1") of 2025, the Company recognized net realized gains on disposal of investments of \$1,292,983 (Q1 2024 – net realized losses of \$315,335). The Company also recognized a net change in unrealized losses of \$962,752 (Q1 2024 – net unrealized gains of \$38,199).

During the second quarter ("Q2") of 2025, the Company recognized net realized gains on disposal of investments of \$466,109 (Q2 2024 – net realized gains of \$173,258). The Company also recognized a net change in unrealized gains of \$2,778,724 (Q2 2024 – net unrealized losses of \$443,948).

## **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 six months ended June 30, 2025, the Company's involvement in the U.S. cannabis industry was limited. The Company could be considered to have "indirect" involvement in cannabis activities under the Staff Notice through its investments in Holistics Industries Inc. ("Holistics"), which is or was during the six months ended June 30, 2025, directly or indirectly, a cultivator and/or seller of marijuana in the United States.

As at June 30, 2025, Holistics is the only investee of the Company believed to be involved in U.S. Marijuana-Related Activities, which accounts for less than 1% (December 31, 2024 – less than 1%) of the Company's total investment portfolio. 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. As at June 30, 2025, the Company owns less than 1% of Holistics.

### **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. 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.

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

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

The Company holds 9,505 shares of Holistics as at June 30, 2025, which represents less than 1% of the issued and outstanding shares of Holistics. The Company's investment in Holistic is non-material and represents less than 1% of the Company's total investment portfolio as at June 30, 2025. 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.

During the six months ended June 30, 2025, the net change in unrealized losses on Holistics shares held as at June 30, 2025 was \$639.

### **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		June 30, 2025		December 31, 2024
Cash	\$	597,141	\$	428,869
Short-term investments		40,000		40,000
Accounts receivable and prepaids		9,201		31,081
Loans and convertible debentures due within one year		200,543		58,029
Level 1 categorized portfolio investments		6,247,002		3,321,924
<b>Total Liquid Assets</b>	<b>\$</b>	<b>7,093,887</b>	<b>\$</b>	<b>3,879,903</b>
Accounts payable and accrued liabilities	\$	10,389	\$	116,477
Accrued annual incentive plan		278,796		-
Income taxes payable		15,880		-
<b>Total Short Term Liabilities</b>	<b>\$</b>	<b>305,065</b>	<b>\$</b>	<b>116,477</b>

As of June 30, 2025, Fountain had working capital of \$6,778,822 which increased from \$3,763,426 as at December 31, 2024. The change in working capital for the six months ended June 30, 2025 is due to changes in the Company's level 1 categorized portfolio investments. During the six months ended June 30, 2025, the Company's level 1 portfolio investments increased as a result of net unrealized gains on level 1 portfolio investments of \$1,758,028 and by the purchase of new level 1 investments of \$2,027,078, offset slightly by the recognition of \$1,725,054 in net realized gains on level 1 portfolio investments. Additionally, during the six months ended June 30, 2025, the Company recognized an accrued annual incentive plan expense of \$278,796, causing an increase to the Company's current liabilities as at June 30, 2025 (see 'Related Party Transactions' elsewhere in this MD&A for additional details). On average, Fountain anticipates working capital requirements of approximately \$50,000 per month to cover operating expenses on a go-forward basis before considering any one-time costs.

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 Interim Financial Statements and this MD&A.

## **RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed and explained in Note 10 of the Interim Financial Statements, 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 and six months ended June 30, 2025 and 2024 were as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2025	2024	2025	2024
Salaries, consulting fees, and benefits	\$ 42,471	\$ 74,595	\$ 84,614	\$ 146,586
Director fees	7,500	22,500	15,000	45,000
Annual incentive plan expense	95,684	-	278,796	-
Stock-based compensation expense	5,752	7,115	11,504	14,230
	\$ 151,408	\$ 104,210	\$ 389,914	\$ 205,816

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, 2025, an amount of \$95,684 (June 30, 2024 - \$nil) and \$278,796 (June 30, 2024 - \$nil) respectively was accrued relating to the annual incentive plan bonus on the statements of income (loss) and comprehensive income (loss).

(b) During the three and six months ended June 30, 2025, the Company recorded \$3,000 of rent expense (June 30, 2024 - \$3,000) and \$6,000 of rent expense (June 30, 2024 - \$6,000) respectively, 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 statements of income (loss) and comprehensive income (loss). As at June 30, 2025 a balance of \$nil (December 31, 2024 - \$1,000) remains in accounts payables and accrued liabilities for rent expense owed to the CEO of the Company.

(c) 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, 2025.

Investment	Ownership	Officer/Director Name	Position Held
TRUBAR Inc.	<10%	Michael Galloro	Director

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent liabilities, and the reported amount of revenues and expenses during the reporting 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 of securities not quoted in active markets - The valuation of not quoted securities requires the use of valuation methods and techniques generally recognized as standard within the industry. Information about assumptions and estimation uncertainties involved in the fair value are disclosed in Note 7 of the Interim Financial Statements.

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

## **MATERIAL ACCOUNTING POLICIES**

Refer to Note 3 of the notes to the annual audited consolidated financial statements as at and for the year ended December 31, 2024 for details of the Company’s material accounting policies. The same accounting policies and methods of computation were followed in the preparation of the Interim Financial Statements as were followed in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2024, except for new accounting standards and amendments adopted during the six months ended June 30, 2025, as outline in Note 2(b) of the Interim Financial Statements.

## **CHANGES IN ACCOUNTING POLICIES**

Refer to Note 2(b) of the notes to the Interim Financial Statements for details regarding recent accounting pronouncements adopted by the Company during the six months ended June 30, 2025.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at June 30, 2025, 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 six months ended June 30, 2025.

### ***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 decline, 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, 2025, the Company's financial liabilities are comprised of accounts payable and accrued liabilities and accrued annual incentive plan liabilities. The carrying amount of these financial liabilities approximate their respective fair values due to their short-term maturities. 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 fair value through profit and loss ("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 (loss) and comprehensive income (loss).

The following table shows the estimated sensitivity on the statement of income and comprehensive income for the six months ended June 30, 2025 from a change in closing price of the Company's publicly listed investments, not including share purchase warrants and options, of \$6,247,002 with all other variables held constant as at June 30, 2025:

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%	312,350	(312,350)
10%	624,700	(624,700)

The following table shows the estimated sensitivity on the statement of loss and comprehensive loss for the year ended December 31, 2024 from a change in closing price of the Company's publicly listed investments, not including share purchase warrants and options, of \$3,321,923 with all other variables held constant as at December 31, 2023:

Percentage of change in closing prices	Change in comprehensive loss from % increase in closing price	Change in comprehensive loss from % decrease in closing price
5%	166,096	(166,096)
10%	332,192	(332,192)

### **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 the Company's convertible debentures and term debt investments 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, 2025, if interest rates were higher by 1% per annum, the potential effect to the Company would be a change in net income of approximately \$2,005 (December 31, 2024 – \$580).

### **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, 2025, \$nil of loans (December 31, 2024 - \$nil) were past due.

As at	June 30, 2025	December 31, 2024
Amounts receivable	\$ -	\$ -
Loans and convertible debentures	<b>200,543</b>	58,029
Total Credit Exposure	<b>\$ 200,543</b>	\$ 58,029

### **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, 2025 management estimates that if the United States dollar and Great British Pound 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 \$115,117 (December 31, 2024 - \$128,699).

### **Concentration Risk**

As at June 30, 2025, the Company has one investment (December 31, 2024 – one investment) which comprises 47.3% (December 31, 2024 – 43.3%) of the total balance of investments – FVTPL on the statement of financial position.

### **OUTSTANDING SHARE DATA**

A summary of the Company's outstanding stock options at June 30, 2025 is presented below (each of which entitles the holder to acquire one SVS):

Grant date	Options outstanding	Options exercisable	Exercise price (\$)	Weighted average remaining life (years)
July 16, 2020	950,000	950,000	0.145	0.04
June 3, 2021	850,000	850,000	0.265	0.93
December 19, 2022	1,900,000	1,900,000	0.12	2.47
December 5, 2024	1,950,000	975,000	0.05	4.44
	<b>5,650,000</b>	<b>4,675,000</b>	<b>0.12</b>	<b>2.51</b>

As at the date of this MD&A, the number of MVS and SVS of the Company issued and outstanding and 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	64,414,462
Issuable under the exercise of stock options	4,700,000
	<b>69,202,222</b>

On July 16, 2025, 950,000 stock options, with an exercise price of \$0.145 per share, expired and are no longer outstanding.

## **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 six months ended June 30, 2025 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. cannabis regulatory environment***

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. Nonetheless, state and other federal laws and regulations may limit the cultivation, production, and sale of certain hemp products. On December 20, 2018, 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 Controlled Substances Act of 1970 (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.

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 Strengthening the Tenth Amendment Through Entrusting States Act ("STATES Act"), the Marijuana Opportunity Reinvestment and Expungement Act (the "MORE Act"), the Substance Regulation and Safety Act (the "SRSA") the States Reform Act of 2023, and the Strengthening the Tenth Amendment Through Entrusting State ("STATES 2.0 Act").

Certain 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 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, 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 U.S. cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

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. 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.

Due to 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 current and future U.S. cannabis exposed investments.

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, 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

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.

### ***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.

#### ***Exchange rate fluctuations***

A significant portion of the Company's portfolio is invested in foreign currencies, including U.S. dollars and British pounds. Changes in the value of the foreign currencies in which the Company investments are denominated could have a negative impact on the ultimate return on the Company's investments and overall financial performance.

#### ***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 SVS 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 SVS.

#### ***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](http://www.fountainassetcorp.com) and the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).