Founders Advantage Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

(unaudited)

Founders Advantage Capital Corp.

Interim Condensed Consolidated Statements of Financial Position (unaudited)
(in thousands of Canadian dollars)

As at		March 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	$	9,141	$	7,824
Trade and other receivables (note 5)		8,713		11,742
Prepaids and other assets		1,258		1,340
Notes receivable		261		290
Inventories		4,075		-
		23,448		21,196
Trade and other receivables (note 5)		671		671
Investments (note 6)		2,673		2,673
Equity accounted investment		614		609
Intangible assets (note 7)		149,741		137,441
Goodwill		88,883		82,765
Capital assets		12,654		12,816
TOTAL ASSETS	**$**	**278,684**	**$**	**258,171**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	12,665	$	13,916
Loans and borrowings (note 8)		38,937		25,064
Deferred revenue		1,513		970
Other current liabilities		771		636
Non-controlling interest rights (note 9)		5,086		-
		58,972		40,586
Loans and borrowings (note 8)		6,625		7,391
Other long-term liabilities		222		271
Deferred tax liabilities		28,646		26,480
Non-controlling interest rights (note 9)		3,236		-
		97,701		74,728
EQUITY				
Share capital (note 10)		112,175		111,429
Contributed surplus		15,091		14,859
Accumulated other comprehensive loss		(23)		-
Deficit		(21,543)		(19,439)
TOTAL SHAREHOLDERS' EQUITY		105,700		106,849
NON-CONTROLLING INTEREST		75,283		76,594
TOTAL LIABILITIES AND EQUITY	**$**	**278,684**	**$**	**258,171**

Commitments (note 17)
Subsequent events (note 19)

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Founders Advantage Capital Corp.

Interim Condensed Consolidated Statements of Loss (unaudited)
(in thousands of Canadian dollars)

	For the three months ended March 31	
	2017	2016
Revenues (note 13)	$ 13,694	$ -
Direct costs	2,232	-
Gross profit	11,462	-
Acquisition and due diligence costs	281	1,215
General and administrative	9,643	767
Share-based payments (note 11)	1,215	958
Depreciation and amortization	2,113	-
	13,252	2,940
LOSS FROM OPERATIONS	**(1,790)**	**(2,940)**
Other income (expenses)		
Finance income	-	26
Finance expense	(528)	-
Foreign exchange gain (loss)	17	(5)
Loss on equity accounted investment	(125)	-
Loss on sale of investments	-	(1,106)
Other income	27	-
Other expense	(44)	-
	(653)	(1,085)
LOSS BEFORE INCOME TAX	(2,443)	**(4,025)**
Income tax recovery		
Current tax expense	(623)	-
Deferred tax recovery	1,406	-
	783	-
NET LOSS FOR THE PERIOD	**$ (1,660)**	**$ (4,025)**
NET LOSS ATTRIBUTABLE TO:		
Shareholders	(1,630)	(4,025)
Non-controlling interest	(30)	-
	$ (1,660)	**$ (4,025)**
NET LOSS PER COMMON SHARE (note 14)		
Basic	$ (0.04)	$ (0.40)
Diluted	$ (0.04)	$ (0.40)

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Founders Advantage Capital Corp.

Interim Condensed Consolidated Statements of Comprehensive Loss (unaudited)
(in thousands of Canadian dollars)

	For the three months ended March 31			
		2017		2016
NET LOSS FOR THE PERIOD	$	(1,660)	$	(4,025)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be subsequently reclassified to comprehensive income:				
Unrealized gain on available for sale financial assets, net of tax (note 6)		-		(252)
Foreign exchange translation gain/(loss)		(23)		-
		(23)		(252)
COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**(1,683)**	**$**	**(4,277)**
COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Shareholders		(1,653)		(4,277)
Non-controlling interest		(30)		-
	$	**(1,683)**	**$**	**(4,277)**

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Founders Advantage Capital Corp.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)
(in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity	Non-controlling interest	Total equity
Balance at December 31, 2015	**$ 27,027**	**$ 6,730**	**$ 16**	**$ (10,761)**	**$ 23,012**	**$**	**$ 23,012**
Shares issued on the acquisition of Advantage Investments (note 10)	2,429	-	-	-	2,429	-	2,429
Shares held in escrow (note 10)	(2,429)	-	-	-	(2,429)	-	(2,429)
Share-based payments	-	958	-	-	958	-	958
Net loss and comprehensive loss	-	-	(252)	(4,025)	(4,277)	-	(4,277)
Balance at March 31, 2016	**$ 27,027**	**$ 7,688**	**$ (236)**	**$ (14,786)**	**$ 19,693**	**$ -**	**$ 19,693**
Subscription receipts offering	28,790	-	-	-	28,790	-	28,790
Share issuance costs (net of tax)	(2,259)	-	-	-	(2,259)	-	(2,259)
Fair value of broker warrants issued	(2,178)	2,178	-	-	-	-	-
Shares issued on the acquisition of DLC (note 4)	26,667	-	-	-	26,667	-	26,667
Share-based payments	-	5,055	-	-	5,055	-	5,055
Net loss and comprehensive loss	-	-	236	(4,653)	(4,417)	2,515	(1,902)
Non-controlling interests acquired	-	-	-	-	-	75,156	75,156
Common share offering	33,289	-	-	-	33,289	-	33,289
Exercise of warrants	93	(62)	-	-	31	-	31
Distributions to non-controlling interest	-	-	-	-	-	(1,077)	(1,077)
Balance at December 31, 2016	**$ 111,429**	**$ 14,859**	**$ -**	**$ (19,439)**	**$ 106,849**	**$ 76,594**	**$ 183,443**
Share-based payments (note 11)	-	1,191	-	-	1,191	-	1,191
Exercise of DSUs (note 11)	586	(853)	-	-	(267)	-	(267)
Exercise of broker warrants (note 11)	160	(106)	-	-	54	-	54
Net loss and comprehensive loss	-	-	(23)	(1,630)	(1,653)	(30)	(1,683)
Distributions to non-controlling interest	-	-	-	-	-	(1,281)	(1,281)
Dividends declared	-	-	-	(474)	(474)	-	(474)
Balance at March 31, 2017	**$ 112,175**	**$ 15,091**	**$ (23)**	**$ (21,543)**	**$ 105,700**	**$ 75,283**	**$ 180,983**

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Founders Advantage Capital Corp.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)
For the three months ended March 31, 2017 and 2016
(in thousands of Canadian dollars)

	For the three months ended March 31 2017	2016
OPERATING ACTIVITIES		
Net loss for the period	$ (1,660)	$ (4,025)
Items not affecting cash:		
Share-based payments (note 11)	1,215	958
Depreciation and amortization	2,113	-
Loss on sale of investments	-	1,106
Other non-cash items	(372)	-
Deferred tax recovery	(1,406)	-
Changes in non-cash working capital (note 15)	3,444	383
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**3,334**	**(1,578)**
INVESTING ACTIVITIES		
Expenditures on capital assets	(84)	(2)
Contributions to equity accounted investee	(130)	-
Changes in non-cash investing working capital (note 4)	(1,461)	-
Purchase of investments	-	(45)
Proceeds from sale of investments	-	8,984
Investment in intangible assets (note 7)	(695)	-
Distributions to non-controlling interest	(1,281)	-
Investment in Impact, net of cash received (note 4)	(11,261)	-
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(14,912)**	**8,937**
FINANCING ACTIVITIES		
Proceeds from debt financing, net of transaction costs (note 8)	19,069	-
Repayment of debt (note 8)	(5,979)	-
Exercise of warrants (note 11)	54	-
Exercise of DSUs (note 11)	(266)	-
CASH PROVIDED BY FINANCING ACTIVITIES	**12,878**	**-**
Increase in cash and cash equivalents	1,300	7,359
Impact of foreign exchange on cash and cash equivalents	17	-
Cash and cash equivalents, beginning of period	7,824	9,003
Cash and cash equivalents, end of period	**$ 9,141**	**$ 16,362**
Cash flows include the following amounts:		
Interest paid	$ 511	$ -
Interest received	$ -	$ 26
Income taxes paid	$ 777	$ -

The accompanying notes form an integral part of these interim condensed consolidated financial statements

1. NATURE OF OPERATIONS

Founders Advantage Capital Corp. ("Founders Advantage" or the "Corporation") is an investment corporation listed on the TSX Venture Exchange ("Exchange") under the symbol "FCF". The Corporation's name was changed from FCF Capital Inc. to Founders Advantage Capital Corp. on May 16, 2016. Previously, the Corporation's name was Brilliant Resources Inc., which changed to FCF Capital Inc. on June 25, 2015. The head office of the Corporation is located at Suite 400, 2207 - 4th Street S.W., Calgary, Alberta T2S 1X1. The Corporation was incorporated under the *Business Corporations Act* (Alberta) on October 1, 1998.

The Corporation's current investment approach is to acquire controlling equity interests in middle-market private companies with strong cash flows, and proven management teams who are driven to grow their underlying business (the "Founders Advantage Investment Approach"). Previously, when operating under the name Brilliant Resources Inc., the Corporation was a junior resource company in the business of acquiring mineral rights. The change of business from a junior resource company to an investment company was approved by the Exchange and the shareholders of the Corporation on June 25, 2015.

On February 23, 2016, the Corporation acquired 100% of the shares of Advantage Investments (Alberta) Ltd. ("Advantage Investments"), which resulted in the Corporation obtaining the resources to pursue the Founders Advantage Investment Approach. This investment approach allows owners of investee companies to continue managing the day to day operations and has no mandated liquidity time frame. As a part of this ongoing investment strategy, Founders Advantage has acquired interests in the following subsidiaries (note 4):

	Ownership interest	
	March 31, 2017	December 31, 2016
Dominion Lending Centers Limited Partnership ("DLC")	60%	60%
Club16 Limited Partnership ("Club16")	60%	60%
Cape Communications International Inc. (operating as Impact Radio Accessories) ("Impact")	52%	-

2. BASIS OF PREPARATION

Statement of compliance
These unaudited interim condensed consolidated financial statements ("interim financial statements") of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard ("IAS") 34, Interim Financial Reporting. They do not include all information required for annual financial statements and, therefore, should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the fifteen months ended December 31, 2016.

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on May 29, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements except those noted below. As a result of the acquisition of Impact on March 1, 2017 certain new accounting policies have been adopted, which are as follows:

a) Revenue recognition
Impact – Radio accessories
Radio accessories revenue relates to revenues earned from the sale of two-way radio products, and is recognized when the risks and rewards of ownership are transferred to the buyer, it is probable the economic benefits will flow to the Corporation, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

b) Inventories

Inventories are comprised of Impact's two-way radio products and are measured at the lower of cost and net realizable value. The cost of inventories is assigned on a weighted average cost formula. Cost of inventories is comprised of the purchase price and costs incurred to bring the inventories to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

c) Warranty provision

The Corporation's warranty provision relates to expected warranty claims on products sold to Impact's customers, and includes the incremental costs related to handling the estimated warranty claims. The provision is estimated based on historical claims and is accrued for as the sale of the product is recognized. Impact provides warranties on its products for six months, two-year or three-year periods, and expects these costs to be incurred over the next one to three years. Actual warranty costs are charged against the provision for warranty, which is included in other current liabilities on the consolidated statement of financial position.

d) Foreign currency

The interim financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

The financial statements of each of our subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional currency of each of the Corporation's subsidiaries is the Canadian dollar, with the exception of Impact whose functional currency is the US dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated into Canadian dollars at the period end exchange rate, and the results of their operations are translated at the average rates for the period. The resulting translation adjustments are included in accumulated other comprehensive income.

e) Intangible assets

Intangible assets related to the Impact acquisition includes customer and supplier relationships, non-compete agreements and the Impact brand name. These intangible assets are amortized on a straight-line basis over their respective useful lives. The customer relationships are amortized over the estimated economic life of 15 years. Supplier relationships and brand name are amortized over five-year terms. The non-compete agreement is amortized over the two-year term of the agreement.

f) Use of estimates and judgments

The preparation of these interim financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the interim financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions are as follows:

Business combinations

The Corporation uses significant judgement to conclude whether an acquired set of activities and assets are a business, and such a determination can lead to significantly different accounting results. The acquisition of a business is accounted for as a business combination. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition or a compensation arrangement.

The Corporation accounts for business combinations using the acquisition method. Significant estimation and judgement is required in applying the acquisition method when identifying and determining the fair values of the acquired company's assets and liabilities.

The most significant estimates and assumptions, and those requiring the most judgement, involve the fair values of intangible assets and residual goodwill, if any. Valuation techniques applied to intangible assets are generally based on management's estimate of the total expected future cash flows. Significant assumptions used in determining the fair value of the intangible assets identified include the determination of future revenues and cash flows, discount rates and market conditions at the date of the acquisition.

The excess acquisition cost over the fair value of identifiable net assets is recorded as goodwill.

These estimates and assumptions used in determining the fair value of the intangible assets acquired are subject to uncertainty and if changed could significantly differ from those recognized in the interim financial statements.

Control assessment and classification of non-controlling interest
The Corporation acquires majority interests in private companies, which requires management to apply significant judgement to assess whether the investment structure results in the Corporation having control, joint control or significant influence over the investee and determine the classification of non-controlling interest. The assessment of whether the Corporation has control, joint control or significant influence over the investee and the classification of non-controlling interest is dependent on such factors as distribution, voting and liquidity rights. Management's assessment of these factors and others will determine the accounting treatment for the investment and may have a significant impact on the Corporation's interim financial statements.

Intangible assets
Management has concluded that the DLC brand name has an indefinite useful life. This conclusion was based on a number of factors, including the Corporation's ability to continue to use the brand and the indefinite period over which the brand name is expected to generate cash flow. Therefore, the determination that the brand has an indefinite useful life involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of loss.

For each class of intangible assets with finite lives, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful life period involves the judgement of management, which could have an impact on the amortization charge recorded in the consolidated statement of loss.

Impairment of goodwill and intangible assets
Goodwill and indefinite life intangible assets are not amortized. Goodwill and indefinite life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the higher of the assets' fair value less cost of disposal or its value in use. The value in use is calculated using a discounted cash flows analysis, which requires management to make a number of significant assumptions, including those related to future operating plans, discount rates and future growth rates.

Finite life intangible assets are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Corporation assesses whether the carrying amount of the asset is considered recoverable. An impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the higher of the assets' fair value less cost of disposal or its value in use.

CGU determination
The determination of cash generating units ("CGUs") for the purposes of impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generates cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the interim financial statements.

Share-based payments
When share-based awards are granted, the Corporation measures the fair value of each award and recognizes the related compensation expense over the vesting period. Management makes a variety of assumptions in calculating the fair value of share-based compensation. An option pricing model is used in determining the fair value, which requires estimating the expected volatility, interest rates, expected life of the awards granted and forfeiture rates. Consequently, share-based payments expense is subject to measurement uncertainty.

Deferred taxes
The determination of the Corporation's income and other tax liabilities requires the interpretation of complex tax regulations. Judgment is required in determining whether deferred tax assets should be recognized on the consolidated statement of financial position. Deferred tax assets require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. These estimates and assumptions are subject to uncertainty and if changed could materially affect the assessment of the Corporation's ability to fully realize the benefit of the deferred tax asset.

Liquidity
As part of its capital management process, the Corporation prepares and utilizes budgets and forecasts to direct and monitor the strategy, ongoing operations and liquidity of the Corporation and its subsidiaries, including ongoing and forecasted compliance with the covenants as set out within the Corporation's lending agreements (note 8) and the Corporation's ability to meet its commitments and obligations as they become due. Budgets and forecasts are subject to significant judgment and estimates relating to future activity levels, future cash flows and the timing thereof, availability of acceptable financing arrangements and other factors which may or may not be within the control of the Corporation (e.g. customer demand, growth rates, access to capital, etc.). See further discussions relating to liquidity in notes 8 and 16.

g) Recent accounting pronouncements
Certain pronouncements are issued by the IASB that are effective for accounting periods beginning on or after January 1, 2018 and have not been applied to these Interim financial statements. Those which are relevant to the Corporation have been set out below. The Corporation is continuing to evaluate the impact of such standards.

IFRS 9 - Financial instruments: classification and measurement
A finalized version of IFRS 9 was issued in July 2014 and supersedes all previous versions, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes impairment requirements for financial assets, the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments, de-recognition and general hedge accounting. This standard is to be applied retrospectively, and is effective for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the interim financial statements.

IFRS 15 - Revenue from contracts with customers
IFRS 15 was issued in May 2014, and provides a single comprehensive model to determine how and when an entity should recognize revenue arising from contracts with customers, and is requiring entities to provide users of financial statements with more informative, relevant disclosures. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the interim financial statements.

IFRS 16 - Leases
IFRS 16 introduces a single accounting model for leases. The standard requires a lessee to recognize assets and liabilities on its statement of financial position for all leases with a term of more than 12 months. IFRS 16 can be applied through a full or modified retrospective approach for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The Corporation intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the interim financial statements.

4. ACQUISITIONS

Advantage Investments

On February 3, 2016, the Corporation entered into an arm's length agreement to purchase 100% of the shares of Advantage Investments. The key terms of the agreement provide for the appointment of Stephen Reid as the Chief Executive Officer of the Corporation and the acquisition of certain investment opportunities, in consideration for 952,380 common shares (with a share price on the closing date of $2.55 per share) of the Corporation (the "Reid Shares") and the assumption of $350 of liabilities. The Reid Shares are held in escrow and will be released if and when investment opportunities, and any other investments made by the Corporation following the closing of the transaction, deliver cumulative earnings before interest, tax, depreciation and amortization ("EBITDA") to the Corporation of not less than $15,000. The transaction closed on February 23, 2016.

The total consideration paid for Advantage Investments is as follows:

Issuance of 952,380 common shares of the Corporation based on fair value on closing date	$	2,429
Liabilities assumed		350
	$	**2,779**

As a result of the performance condition associated with the Reid Shares, the Corporation has determined that the transaction represented a compensation arrangement for accounting purposes; accordingly, reclassifications have been made in the interim financial statements for the period ended March 31, 2016, which includes the liabilities assumed of $350 being reclassified from general and administration expense to acquisition and due diligence costs. Additionally, the Corporation incurred $266 in acquisition and due diligence costs related to the acquisition of Advantage Investments during the three months ended March 31, 2016 which has been reclassified from general and administration expense to acquisition and due diligence costs. The total share consideration of $2,429 is amortized as a charge to income as a share-based payment expense over the period in which management estimates the performance condition will be met. Management currently estimates the performance condition being met in June 2017.

DLC Limited Partnership

On June 3, 2016, the Corporation acquired a 60% majority and voting interest in DLC, which through its subsidiaries is engaged in the business of franchising mortgage brokerage services. The aggregate purchase consideration was $86,432, which included cash of $61,388, 4,761,902 common shares of the Corporation with a fair value of $26,667 as at the closing date (based on the June 3, 2016 share price of $5.60), and post-closing adjustment amounts due from the vendors of $1,623. The cash portion of the purchase price was funded by the Corporation's cash on hand, the net proceeds from the Corporation's April 2016 subscription receipts offering, and a $20,000 loan facility.

The Corporation accounted for the acquisition of DLC as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The purchase price allocation related to the acquisition may be subject to adjustment pending completion of final valuations.

The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given:		
Issuance of 4,761,905 common shares of the Corporation based on fair value on closing date	$	26,667
Cash consideration		61,388
Amount due from vendors		(1,623)
	$	**86,432**

Assets acquired:		
Cash and cash equivalents	$	6,618
Trade and other receivables		6,099
Notes receivable		206
Prepaids and other assets		190
Capital assets		213
Equity accounted investments		603
Intangible assets		126,900
Goodwill		57,097
Liabilities assumed:		
Accounts payable and accrued liabilities		(7,179)
Government agencies payable		(2,594)
Deferred revenue		(372)
Other liabilities		(381)
Loans and borrowings		(12,187)
Deferred tax liabilities		(30,078)
Non-controlling interest [1]		(58,703)
	$	**86,432**

(1) Non-controlling interest has been determined from the proportionate interest in the net assets.

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been recorded as goodwill. The goodwill recorded primarily reflects the existing workforce and the future growth potential of the business.

Of the $126,900 allocated to intangible assets, $79,800 was allocated to franchise rights, relationships and agreements, $45,700 to the brand name and $1,400 to software. All intangible assets are subject to amortization with the exception of brand name, which is considered to have an indefinite life. An indefinite life has been assigned due to the Corporation's assessment of the strength of the brand and the expected future use of the brand name.

The results of operations are included in the Corporation's interim financial statements for the period since the acquisition date.

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired:	*Valuation technique:*
Intangible assets - brand name	Relief-from-royalty method: The relief-from-royalty method values the intangible asset based on the present value of the after-tax royalty payments that are expected to be avoided as a result of the brand name being owned.
Intangible assets - franchise rights, relationships and agreements	Multi-period excess earnings method: The multi-period excess earnings method values the intangible asset based on the present value of incremental after-tax cash flows that are attributable only to the franchise agreements after deducting any contributory asset charges.
Intangible assets - software	Cost approach: This valuation technique values the intangible assets based on the replacement or reproduction cost. The cost to replace the intangible asset includes the cost of constructing a similar intangible asset at prices applicable at the time of the valuation analysis, and is adjusted to reflect loss in value attributable to physical depreciation and obsolescence.

Newton Connectivity Systems Inc. (formerly Marlborough Stirling Canada Ltd.) ("NCS")
On December 13, 2016, the Corporation's subsidiary, DLC, acquired a 70% majority and voting interest in NCS, which is engaged in the business of providing software and services to the Canadian mortgage lending industry. The aggregate purchase consideration for NCS was $4,228. The purchase was funded by DLC's cash on hand, existing credit facilities, and promissory notes payable due to related parties in the amount of $2,000 (note 18). The Corporation owns a 60% interest in DLC, giving the Corporation an indirect interest of 42% in NCS.

The Corporation accounted for the acquisition of NCS as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The purchase price allocation related to the acquisition may be subject to adjustment pending completion of final valuations. The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given:		
Cash consideration	**$**	**4,228**
Assets acquired:		
Cash and cash equivalents	$	18
Trade and other receivables		536
Prepaids and other assets		160
Capital assets		123
Intangible assets		2,900
Goodwill		3,629
Liabilities assumed:		
Accounts payable and accrued liabilities		(185)
Deferred revenue		(305)
Other liabilities		(58)
Deferred tax liabilities		(778)
Non-controlling interest (1)		(1,812)
	$	**4,228**

(1) Non-controlling interest has been determined from the proportionate interest in the net assets.

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been recorded as goodwill. The goodwill recorded primarily reflects the existing workforce and the future growth potential of the business as a result of anticipated synergies with DLC.

The $2,900 allocated to intangible assets relates to software acquired as a result of the transaction. The software acquired is subject to amortization.

The results of operations are included in the Corporation's interim financial statements for the period since the acquisition date.

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired:	*Valuation technique:*
Intangible assets - software	Cost approach: This valuation technique values the intangible assets based on the replacement or reproduction cost. The cost to replace the intangible asset includes the cost of constructing a similar intangible asset at prices applicable at the time of the valuation analysis, and is adjusted to reflect loss in value attributable to physical depreciation and obsolescence.

Club16 Limited Partnership
On December 20, 2016, the Corporation acquired a 60% majority and voting interest in Club16, which is engaged in the business of operating fitness clubs. The aggregate purchase consideration for the fitness clubs was $21,961, which includes cash of $20,500 and amounts due to vendors of $1,461. The purchase was funded by the Corporation's cash on hand and existing credit facilities.

The Corporation accounted for the acquisition of Club16 as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The purchase price allocation related to the acquisition may be subject to adjustment pending completion of final valuations.

The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given:		
Cash consideration	$	20,500
Amount due to vendors (2)		1,461
	$	**21,961**
Assets acquired:		
Cash and cash equivalents	$	2
Trade and other receivables		24
Prepaids and other assets		365
Capital assets		12,480
Intangible assets		8,871
Goodwill		22,039
Liabilities assumed:		
Accounts payable and accrued liabilities		(611)
Deferred revenue		(561)
Loans and borrowings		(4,172)
Deferred tax liabilities		(1,835)
Non-controlling interest (1)		(14,641)
	$	**21,961**

(1) Non-controlling interest has been determined from the proportionate interest in the net assets.
(2) Amount paid in March 2017

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been recorded as goodwill. The goodwill recorded primarily reflects the existing workforce and the future growth potential of the business.

Of the $8,871 allocated to intangible assets, $7,171 was allocated to customer relationships and $1,700 to the Trevor Linden brand name license. All intangible assets are subject to amortization.

The results of operations are included in the Corporation's interim financial statements for the period since the acquisition date.

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired:	*Valuation technique:*
Capital assets	Market comparison and cost approach: This valuation method considers the quoted market prices for similar items and depreciated replacement costs when appropriate. Depreciated replacement cost uses the replacement cost of the assets, adjusted for physical deterioration, as well as functional and economic deterioration.
Intangible assets - brand name license	Relief-from-royalty method: The relief-from-royalty method values the intangible assets based on the present value of the expected after-tax royalty payments that are expected to be avoided as a result of the brand name being owned.
Intangible assets - customer relationships	Multi-period excess earnings method: The multi-period excess earnings method values the intangible asset based on the present value of excess after-tax cash flows that are attributable only to the customer relationships after deducting any contributory asset charges.

Cape Communications International Inc. (operating as Impact Radio Accessories)
On March 1, 2017, the Corporation acquired a 52% majority and voting interest in Impact, which is engaged in the business of manufacturing and selling parts and accessories for two-way radios. The aggregate purchase consideration was $12,735. The purchase was funded by the Corporation's existing credit facilities, which were amended to fund the acquisition.

The Corporation accounted for the acquisition of Impact as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The purchase price allocation related to the acquisition is preliminary and may be subject to adjustments which may be material pending completion of final valuations.

The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given:		
Cash consideration	$	12,000
Amount due to vendors		735
	$	**12,735**
Assets acquired:		
Cash and cash equivalents	$	739
Trade and other receivables		1,244
Prepaids and other assets		67
Inventories		4,254
Capital assets		138
Intangible assets		13,370
Goodwill		6,134
Liabilities assumed:		
Accounts payable and accrued liabilities		(856)
Other current liabilities		(483)
Deferred tax liabilities		(3,572)
Non-controlling interest rights (note 9)		(8,300)
	$	**12,735**

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been recorded as goodwill. The goodwill recorded primarily reflects the existing management team and the future growth potential of the business.

Of the $13,370 allocated to intangible assets, $12,000 was allocated to customer relationships, $1,000 to supplier relationships, $280 to brand and $90 to non-compete covenants.

The results of operations are included in the Corporation’s interim financial statements for the period since the acquisition date. From the closing date of the acquisition on March 1, 2017 to March 31, 2017, Impact contributed revenues of $890 and net income of $92 to the Corporation’s interim financial results. If the acquisition occurred on January 1, 2017, management estimates that revenue and net income would have been increased by approximately $1,532 and $91, respectively.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets and non-controlling interest rights acquired were as follows:

Assets acquired:	*Valuation technique:*
Intangible assets - brand name	Relief-from-royalty method: The relief-from-royalty method values the intangible asset based on the present value of the after-tax royalty payments that are expected to be avoided as a result of the brand name being owned.
Intangible assets – customer relationships	Multi-period excess earnings method: The multi-period excess earnings method values the intangible asset based on the present value of incremental after-tax cash flows that are attributable only to the franchise agreements after deducting any contributory asset charges.
Intangible assets – non-compete	Comparative method: This valuation technique values the intangible assets based on the present value of the after-tax cash flows of the business assuming the intangible asset is in place, compared to the present value of the after-tax cash flows assuming the absence of the intangible asset in order to isolate the value attributable to the intangible asset.
Intangible assets – supplier relationships	Cost savings method: This valuation technique is a specific application of the of the discounted cash flow method, whereby the cash flows associated with the cost savings the intangible asset affords its owner over the next best alternative are taken into account. Any costs savings are estimated over a discrete time period and discounted to present value.
Non-controlling interest rights	The fair value of the non-controlling interest rights has been calculated based on the present value of the after-tax cash flows associated with two separate scenarios, the exercise of the put option and the exercise of the liquidity rights provided to the non-controlling shareholders as a part of the Impact acquisition (note 9). The cash flows associated with each of these scenarios was then assigned a probability rate to determine the fair value of the total liability. Key assumptions used in the fair value calculation include a discount rate of 26.5%, a tax rate of 26% and probability rates of 50% assigned to each of the two possible scenarios.

5. TRADE AND OTHER RECEIVABLES

		March 31, 2017		December 31, 2016
Trade accounts receivable				
DLC Franchise fees	$	2,117	$	1,931
DLC Connectivity fees		3,504		6,762
Radio accessories		947		-
Other		149		672
		6,717		9,365
Other receivables		2,667		3,048
Total trade and other receivables		9,384		12,413
Less current portion		(8,713)		(11,742)
	$	**671**	**$**	**671**

Connectivity fee revenue is recognized on an accrual basis as the volume or activity thresholds are fulfilled, and are primarily collected in the first four months of the following fiscal year.

Other receivables, as at March 31, 2017 includes $1,623 (December 31, 2016 - $1,623) due from the vendors in the DLC transaction (note 18), which relates to sales tax amounts payable by the vendors (being the founders of DLC) for which the Corporation has been indemnified pursuant to the acquisition agreement. A partially offsetting amount is recorded in accounts payable and accrued liabilities which relates to sales tax amounts not yet paid by DLC.

6. INVESTMENTS

		March 31, 2017		December 31, 2016
Vital Alert Communications Inc. (1)	$	2,673	$	2,673

(1) On December 23, 2015, the Corporation made an equity investment of $2,673 in Vital Alert Communications Inc. ("Vital Alert"), a Canadian private company which resulted in the Corporation acquiring 25,999,568 voting preferred shares in the capital of Vital (representing 18.6% of the voting shares of Vital). At March 31, 2017 a director of the Corporation is also a director of Vital Alert (note 18).

The Corporation holds securities in a private company which it has classified as available-for-sale assets, carried at fair value, with unrealized gains and losses held as a component of accumulated other comprehensive income in equity, net of deferred taxes.

The Corporation’s available-for-sale investment in the private enterprise (Vital Alert) is considered a Level 3 investment. At March 31, 2017, management calculated the fair value of the investment in Vital Alert using a discounted cash flow valuation technique, whereby a 75% discount rate was applied. Based on these calculations, management determined a range of possible fair values and concluded that the carrying value of the investment of $2,673 is a reasonable approximation of the fair value of the Corporation’s investment. The investment was initially recorded at fair value, which was calculated using a discounted cash flow valuation technique, whereby a 50-70% discount rate was applied. Subsequent to March 31, 2017, the Corporation entered into a put/call agreement related to this investment (note 19).

For the three months ended March 31, 2016, the Corporation transferred unrealized losses in the amount of $252 from accumulated other comprehensive income to comprehensive loss for the period related to publicly traded investments in which the Corporation no longer holds.

7. INTANGIBLE ASSETS

		Franchise rights, relationships and agreements		Brand names [1]		Customer relationships		Other [2]		Total intangible assets [3]
Cost										
Balance at December 31, 2016	$	80,890	$	47,400	$	7,171	$	4,495	$	139,956
Acquisitions [4] (note 4)		-		279		11,968		1,087		13,334
Additions		695		-		-		-		695
Balance at March 31, 2017		81,585		47,679		19,139		5,582		153,985
Accumulated amortization										
Balance at December 31, 2016		(2,275)		(5)		(42)		(193)		(2,515)
Additions		(1,003)		(47)		(366)		(313)		(1,729)
Balance at March 31, 2017		(3,278)		(52)		(408)		(506)		(4,244)
Carrying value, December 31, 2016		78,615		47,395		7,129		4,302		137,441
Carrying value, March 31, 2017	**$**	**78,307**	**$**	**47,627**	**$**	**18,731**	**$**	**5,076**	**$**	**149,741**

(1) Includes the DLC indefinite life brand names ($45,700), the Club16 brand licensing agreement ($1,700), which is amortized over its useful life of 10 years and Impact brand name ($280), which is amortized over its useful life of 5 years.
(2) Other intangible assets are comprised of software acquired on acquisition of DLC and NCS, intellectual property rights purchased by DLC, supplier relationships and non-compete agreements acquired on acquisition of Impact.
(3) All intangible assets included in the table above relate to DLC, Club16, NCS and Impact.
(4) Amounts are adjusted for foreign exchange translation differences from March 1 to March 31, 2017.

8. LOANS AND BORROWINGS

		March 31, 2017		December 31, 2016
Corporate				
$28,000 credit facility	$	26,601	$	8,050
$5,000 credit facility		-		5,000
Subsidiaries				
DLC term loan facilities		9,630		10,395
DLC vehicle loan		8		9
DLC - $4,500 operating facility		3,215		2,830
DLC - $2,000 promissory notes		2,000		2,000
Club16 term loans facilities		4,108		4,171
Total loans and borrowings		45,562		32,455
Less current portion		(38,937)		(25,064)
	$	**6,625**	**$**	**7,391**

Corporate credit facilities

On February 28, 2017, the Corporation amended its Corporate credit facilities to increase its revolving acquisition credit facility from $17,000 to $28,000 ("2017 Amended Credit Agreement") and cancel its $5,000 non-revolving demand acquisition credit facility. Under the amendments, the revised facility is due on demand and is subject to review on or before August 31, 2017. The Corporation is now required to maintain a fixed charge coverage ratio of not less than 1.25:1, and a net funded debt to EBITDA ratios of:

- Less than 4:00:1, up to and including the fiscal quarter ending June 30, 2017;
- 3:00:1 for the fiscal quarter ending September 30, 2017; and
- 2:00:1 for the fiscal quarter ending thereafter.

As at March 31, 2017, the Corporation had borrowed an aggregate of $26,601 (December 31, 2016 - $13,050) and was in compliance with all covenants.

The Corporation's credit facility continues to be used for the purpose of financing future acquisitions and for general corporate purposes.

Based on management's most recent forecast, the Corporation anticipates it will breach the net funded debt to EBITDA covenant included in the 2017 Amended Credit Agreement for the fiscal quarters ending September 30, 2017, December 30, 2017 and March 31, 2018. An actual breach will constitute an event of default under the amended agreement, which provides the lender several alternatives including the waiver of the breach, or in the unlikely event, a requirement to repay the borrowings. The Corporation is currently in the process of negotiating alternative sources of capital (see further discussions in note 16).

DLC - term loan facilities
DLC has two term loans which they have borrowed an aggregate of $9,630 at March 31, 2017 (December 31, 2016 - $10,395). These facilities are held at the DLC subsidiary level. As at March 31, 2017, DLC was in compliance with all such covenants.

A waiver has been obtained for DLC's debt service covenant at June 30, 2017.

Subsequent to March 31, 2017, DLC repaid the remaining balance of $1,490 on one of these term loan facilities (note 19).

Club16 - $7,000 term loan facility
On January 23, 2017, Club16 entered into a $7,000 term loan facility ("Club16 Term Facility") with a Canadian financial institution for the purposes of refinancing the Club16 term loan facilities, and thereafter to finance the opening of new fitness facilities. The facility matures on the earlier of (i) demand by the lender, or (ii) 60 months from the date of each drawdown, and is secured by a general security agreement with first charge over the assets of Club16, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.25 and a maximum debt-to-EBITDA ratio of less than 2.25:1. As at March 31, 2017, Club16 was in compliance with all such covenants. Borrowings under the facility bear interest at the prime rate, plus 1.25%. This facility is held at the Club16 subsidiary level.

Club16 - $1,500 revolving facility
On January 23, 2017, Club16 entered into a $1,500 revolving operating facility ("Club16 Operating Facility") to finance working capital requirements. Borrowings under the revolving facility are due on demand and bear interest at the bank's prime rate plus 1.25% per annum. This Club16 Operating Facility is provided by the same Canadian financial institution as the Club16 Term Facility. The Club16 Operating Facility is secured by a general security agreement with first charge over the assets of Club16, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.25 and a maximum debt-to-EBITDA ratio of less than 2.25:1. As at March 31, 2017, Club16 was in compliance with all such covenants. This facility is held at the Club16 subsidiary level.

9. NON-CONTROLLING INTEREST RIGHTS

In connection with the Impact acquisition, the Corporation provided the vendor with certain rights which include the right to require the Corporation to purchase an additional 22.2% interest in Impact for total proceeds of $5,100 (the "Option"), as well as the ability to control a future sales process for all outstanding shares of Impact (the "Liquidity Rights"). The Option can be exercised at any time between September 30, 2017 and March 31, 2018 provided Impact has maintained earnings before income taxes, depreciation and amortization of at least $4,000 during the twelve months preceding the date of exercise. The Liquidity Rights can be exercised any time on or after March 1, 2020, which would allow the vendor to control the decision-making process over the sale of both the Corporation's and the vendor's interest in Impact. These rights provided to the vendors are linked in that, in the event the put option is exercised, the liquidity rights transfer to the Corporation, and in turn are no longer available to the vendors.

These rights result in a liability to the Corporation, which is measured at fair value on the date of the Impact acquisition, and any subsequent changes in fair value are recognized in income. The fair value of the liability has been calculated to be $8,277 at the balance sheet date ($8,300 at March 1, 2017), which is determined, in part, by discounting the estimated future payment obligations at each reporting date, and changes in the estimates value of the liability in future periods will be recorded in Other Expense in the consolidated statement of loss (note 4). Amounts are adjusted for foreign exchange translation differences from March 1 to March 31, 2017.

10. SHARE CAPITAL

Share consolidation

Effective May 18, 2016, the Corporation consolidated its common shares on the basis of one (1) post-consolidation common share for every fifteen (15) common shares outstanding. All figures in the interim financial statements have been adjusted to reflect the 15:1 consolidation. The number of outstanding share options and deferred share units have also been adjusted proportionately. The corresponding exercise prices have increased by the same ratio.

Authorized share capital

The Corporation is authorized to issue an unlimited number of Class A common shares without par value and an unlimited number of Class B preferred shares.

A summary of changes in Class A common share capital in the period is as follows:

	Number of Class A common shares		Amount
Balance at December 31, 2015	9,953,397		27,027
Shares held in escrow - issued to Advantage Investments vendor on closing [(1)]	952,380		2,429
Shares held in escrow [(1)]	-		(2,429)
Subscription receipts	13,709,306		28,790
Share issuance costs	-		(2,259)
Broker warrants issued (note 11)	-		(2,178)
Issued to DLC vendors on closing (note 4)	4,761,902		26,667
Common shares issued	8,322,330		33,289
Broker warrants exercised	15,027		93
Balance at December 31, 2016	37,714,342		111,429
DSUs exercised (note 11)	208,682		586
Broker warrants exercised (note 11)	25,675		160
Balance at March 31, 2017	**37,948,699**	$	**112,175**

(1) These shares are issued and outstanding, but are held in escrow until investment opportunities and other investments made by the Corporation deliver cumulative earnings before interest, tax, depreciation and amortization to the Corporation of not less than $15,000.

11. SHARE-BASED PAYMENTS

Share options

Under the Corporation's share option plan (the "Plan"), the Corporation may grant share options to its directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares at the time of the share option grant. The Corporation's directors determine the term and vesting period of the share options at the time of the grant with the maximum term under the Plan being ten years from the grant date. The exercise price of each share option is determined on issuance of the share options, which cannot be less than the market price, less a maximum discount of 15%, as defined by the Exchange.

A summary of share option activity in the periods is as follows:

	Number of share options		Weighted average exercise price
Outstanding share options, December 31, 2015	213,333		2.45
Granted	2,829,745		3.94
Forfeited	(20,000)		3.00
Outstanding share options, December 31, 2016	3,023,078	$	3.85
Forfeited	(68,333)		4.40
Exercisable share options, March 31, 2017	**2,954,745**	**$**	**3.84**

The following table summarizes the share options outstanding and exercisable under the Plan as at March 31, 2017:

Grant Date	Share options outstanding	Exercise price	Years to maturity	Share options exercisable
July 15, 2015	193,333	$ 2.40	8.3	193,333
February 23, 2016	877,245	3.00	3.9	-
July 7, 2016	1,734,167	4.40	4.3	600,834
December 1, 2016	150,000	4.00	1.7	50,000
	2,954,745			**844,167**

The Corporation recorded a share-based payment expense related to share options for the three months ended March 31, 2017 of $798 (2016 - $639).

Broker Warrants
The following table summarizes the broker warrants outstanding:

	Warrants outstanding	Exercise price
Outstanding broker warrants, December 31, 2015	-	$ -
Granted	528,691	2.10
Exercised	(15,027)	2.10
Outstanding broker warrants, December 31, 2016	513,664	$ 2.10
Exercised	(25,675)	2.10
Outstanding broker warrants, March 31, 2017	**487,989**	**$ 2.10**

During the three months ended March 31, 2017, 25,675 of these broker warrants were exercised for total proceeds of $54.

Deferred share units
On June 25, 2015, shareholders of the Corporation approved an amended DSU Plan under which the board may elect to pay out DSUs in either cash or common shares of the Corporation to eligible participants of the DSU Plan. The previous DSU Plan required that DSUs be paid out in cash when a participant ceased to be a director of the Corporation and the liability for such payment was fair valued based upon the market price at every period end and recorded as a current liability with the expense adjusted accordingly.

	DSUs outstanding
Outstanding DSUs, December 31, 2015	580,366
Granted	43,297
Outstanding DSUs, December 31, 2016	623,663
Exercised	(277,683)
Outstanding DSUs, March 31, 2017	**345,980**

During the three months ended March 31, 2017, 277,683 DSUs were exercised, resulting in the issuance of 208,682 common shares of the Corporation.

The Corporation recorded a share-based payment expense related to DSUs for the three months ended March 31, 2017 of $nil (2016 - $100).

Subsequent to March 31, 2017, all remaining DSUs were redeemed and the DSU Plan was terminated. This results in the issuance of 179,907 common shares of the Corporation and the payment of $558 in withholding taxes (note 19).

Share appreciation rights

On March 1, 2017, as a part of the Impact acquisition, share appreciation rights ("SARs") on the Impact shares were granted to the management of Impact. The SARs provide Impact's management with the opportunity to receive a cash payment equal to the growth in the fair market value of the Impact's shares over and above the fair market value of the shares on the grant date. The SARs have no expiry and vest over a five-year period, with one-third of the grant amount vesting on each of the third, fourth and fifth anniversaries of the grant date. The SARs have an estimated fair value of $1,114. As at March 31, 2017, none of these SARs are exercisable.

The fair value of the SARs granted during the three months ended March 31, 2017 were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	March 31, 2017	December 31, 2016
Risk-free interest rate	1.68%	-
Expected volatility	120%	-
Expected life	7 years	-
Expected dividend yield	N/A	-
Estimated forfeiture rate	0%	-

The Corporation recorded a share-based payment expense related to the share appreciation rights of $24 (2016 - $nil).

The Corporation recorded total share-based payment expense of $1,215 for the three months ended March 31, 2017 (2016 - $958). These amounts include share-based payments related to shares held in escrow of $393 (2016 - $219) relating to the Advantage transaction. As a result of the performance condition associated with the issuance of the Reid Shares (note 4), the Corporation reclassified $219 from acquisition and due diligence costs to share-based payments for the three months ended March 31, 2016.

12. SEGMENTED INFORMATION

The Corporation's operating segments represent the components of the business whose operating results are reviewed regularly by the Corporation's chief operating decision makers, which is made up of the Corporation's senior management. The Corporation currently has three operating segments, which consists of business operations conducted through DLC, Club16 and Impact. The DLC segment is engaged in the business of franchising mortgage brokerage services and operates in all 13 Canadian provinces and territories. The Club16 segment is engaged in the business of operating fitness clubs in the Metro Vancouver area. The Impact segment is engaged in the business of designing, manufacturing and retailing of communication products and has sales throughout North America.

"Corporate" used in the following segment tables is not a separate segment and is only presented to reconcile to interim financial statements, revenue earned and expenses incurred at the corporate office of the Corporation (excluding investee).

As at March 31, 2017	ASSETS						LIABILITIES				
	Cash and cash equivalents	Trade and other receivables	Intangible assets	Goodwill	Other assets	Total	Accounts payable and accrued liabilities	Loans and borrowings	Deferred tax	Other liabilities	Total
DLC [1]	$ 5,817	$ 6,476	$ 128,018	$ 60,726	$ 1,904	$ 202,941	$ 8,135	$ 14,853	$ 30,771	$ 1,305	$ 55,064
Club16	1,055	26	8,481	22,039	12,369	43,970	840	4,108	1,894	693	7,535
Impact	1,232	1,228	13,242	6,118	4,302	26,122	1,008	-	3,521	8,830	13,359
Corporate	1,037	1,654	-	-	2,960	5,651	2,682	26,601	(7,540)	-	21,743
Consolidated	**$ 9,141**	**$ 9,384**	**$ 149,741**	**$ 88,883**	**$ 21,535**	**$ 278,684**	**$ 12,665**	**$ 45,562**	**$ 28,646**	**$ 10,828**	**$ 97,701**

For the three months ended March 31, 2017	Revenue	Direct costs	Acquisition and due diligence costs	General and administrative	Share-based payments	Finance expense	Other expenses	Income (loss) before tax
DLC [1]	$ 7,338	$ 1,263	$ -	$ 4,128	$ -	$ 177	$ 1,436	$ 334
Club16	5,466	550	-	3,800	-	40	672	404
Impact	890	419	-	260	24	-	84	103
Corporate	-	-	281	1,455	1,191	311	46	(3,284)
Consolidated	**$ 13,694**	**$ 2,232**	**$ 281**	**$ 9,643**	**$ 1,215**	**$ 528**	**$ 2,238**	**$ (2,443)**

(1) Includes the net assets and operating results of NCS.

13. REVENUES

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
Franchising revenue, mortgage brokerage services	$ 7,247	$ -
Brokering of mortgages	68	-
Memberships and dues revenue	4,053	-
Radio and radio accessories	891	-
Supplementary services revenue and other revenue	1,435	-
	$ 13,694	**$ -**

The revenues reflect the amounts earned by DLC and Club16 for the three months ended March 31, 2017 and the amounts earned by Impact from the closing date of the Impact acquisition (March 1, 2017) to March 31, 2017.

The DLC operating segment is subject to seasonal variances that fluctuate in accordance with the normal home buying season. This typically results in higher revenues in the months of June through September of each year, and results in lower revenues during the months of January through March.

Club16's revenues and adjusted EBITDA increase significantly in the second quarter of each year, as an annual club enhancement fee is charged to its members in May of each year.

14. LOSS PER SHARE

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
Net loss attributable to shareholders	$ (1,630)	$ (4,025)
Basic and dilutive weighted average number of shares	36,958,174	9,953,397
Basic loss per share	(0.04)	(0.40)
Diluted loss per share	(0.04)	(0.40)

As at March 31, 2017, there were 2,954,745 share options (March 31, 2016 - 1,070,578) and 345,980 DSUs (March 31, 2016 - 623,663) outstanding that are anti-dilutive.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are as follows:

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
Trade and other receivables	$ 4,273	$ (37)
Prepaid expenses and deposits	149	(18)
Note receivable	29	-
Inventories	179	-
Accounts payable and accrued liabilities	(2,842)	438
Deferred revenue	543	-
Other current liabilities	(348)	-
	1,983	383
Changes in non-cash operating working capital	3,444	-
Changes in non-cash investing working capital	(1,461)	-
	$ 1,983	**$ 383**

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies, and reviews these policies regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation's financial risk management policies have been established in order to identify and analyze risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Corporation employs risk management strategies to ensure our risks and related exposures are consistent with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

The Corporation is exposed in varying degrees to a variety of risks from its use of financial instruments, which mainly include cash and cash equivalents, trade and other receivables, loans and borrowings, investments, and trade payables and accrued liabilities. As a result of the use of these financial instruments, the Corporation and its subsidiaries are exposed to risks that arise from their use, including market risk, credit risk and liquidity risk. This note describes the Corporation's objectives, policies and processes for managing these risks and the methods used to measure them.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign exchange risk, interest rate risk and price risk.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Corporation's exposure to foreign exchange fluctuations relates to the balances in its USD bank accounts as well as the Impact operations as a significant portion of their business is conducted in USD. Changes in the USD exchange rate can increase or decrease revenues, income from operations, net income and the carrying values of Impact's assets and liabilities. At March 31, 2017, the consolidated USD cash balance is USD $806 (CAD $1,072) (December 31, 2016 - USD $37 (CAD $44)), and the translation effect from changes in the USD exchange rate resulted in net translation losses of $23, which were recorded within other comprehensive income. Management has assessed that the Corporation's exposure to foreign exchange risk at March 31, 2017 is moderate and monitors foreign exchange rates on an ongoing basis.

A 10% weakening of the US dollar against the Canadian dollar would result in a $22 decrease in net income before tax for the three months ended March 31, 2017 (March 31, 2016 - $nil).

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% change in the interest rates on the loans and borrowings would have a $85 impact on net income for the three months ended March 31, 2017 (March 31, 2016 - $nil).

Price risk - investments
The Corporation is exposed to price risk with respect to fluctuations in the prices of its investments. The carrying amounts of the Corporation's investments are directly related to the current market prices of its investments. As at March 31, 2017, the Corporation no longer holds any publicly traded securities.

Credit risk
Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is mainly attributable to its cash and cash equivalents and trade and other receivables.

The Corporation has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal as the Corporation's cash and cash equivalents are held with financial institutions in Canada.

The Corporation's primary sources of credit risk relates to DLC's franchisees and agents not repaying receivables owed to DLC. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other

receivables. Another source of credit risk comes from Impact's customers not paying amounts owed to Impact, which is also managed by performing credit risk evaluations and monitoring overdue trade receivables. The management of DLC and Impact establishes an allowance for doubtful accounts based on the specific credit risk of its customers. As at March 31, 2017, $185 (December 31, 2016 - $165) of the Corporation's outstanding trade receivables are greater than 90 days outstanding, which relates to the DLC and Impact

operations. The Corporation's maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of the Corporation's interim financial statements.

	March 31, 2017	December 31, 2016
Cash and cash equivalents	$ 9,141	$ 7,824
Trade and other receivables	9,384	12,413
Notes receivable	261	290
	$ 18,786	**$ 20,527**

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation utilizes cash and debt management policies and practices to mitigate the likelihood of difficulties in meeting its financial obligations and commitments. These policies and practices include the preparation of budgets and forecasts which are regularly monitored and updated as considered necessary.

As discussed in note 8, the Corporation expects to default certain covenants on demand credit facilities held by the Founders Advantage corporate head office in the fiscal quarters ending September 30, 2017, December 31, 2017 and March 31, 2018. The corporate demand credit facilities are subject to annual review, with the next review date scheduled on August 31, 2017. In the event that the lender demands immediate repayment of amounts outstanding under the facilities, the Corporation currently does not have sufficient capital to repay these amounts. Management is currently negotiating financing and while there can be no guarantee that a future financing will be successful, management is confident that the Corporation will be successful in managing its liquidity needs through securing the financing necessary and obtaining covenant waivers as required. As such, management has concluded that no material uncertainties exist with respect to the Corporation's ability to manage its liquidity requirements.

The assumptions made by management in reaching this conclusion were based on information available as of the date these financial statements were authorized for issuance. Actual circumstances may differ from these assumptions and the impact may be material.

As at March 31, 2017, contractual obligations and their maturities were as follows:

	Contractual cash flow	Within 1 year	Within 5 years
Accounts payable and accrued liabilities	$ 12,665	$ 12,665	$ -
Other current liabilities	39	39	-
Loans and borrowings	45,562	38,937	6,625
Other long-term liabilities	58	-	58
	$ 58,324	**$ 51,641**	**$ 6,683**

The Corporation has a potential commitment to purchase an additional 22.2% interest in Impact for total proceeds of $5,100 within one year of the balance sheet date (note 9).

Capital management
The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital at March 31, 2017 and December 31, 2016.

	March 31, 2017	December 31, 2016
Loans and borrowings	$ 45,562	$ 32,455
Less: cash and cash equivalents	(9,141)	(7,824)
Net loans and borrowings	$ 36,421	$ 24,631
Shareholders' equity	$ 105,700	$ 106,849

The Corporation's objectives when managing capital include maintaining an optimal capital base in order to support the capital requirements of the Corporation and its subsidiaries, including acquisition opportunities.

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements. The Corporation is in compliance with all externally-imposed capital requirements as at March 31, 2017.

Determination of fair value
In accordance with IFRS 13, *Fair value measurement*, the Corporation considers the following fair value hierarchy in measuring the fair values of the financial instruments presented in the Corporation's interim financial statements. The hierarchy reflects the significance of the inputs used in determining the fair values of the Corporation's financial instruments.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair values of the financial assets and liabilities in the Corporation's interim financial statements, and is categorized by hierarchical levels and their related classifications.

	Carrying value as at March 31, 2017	Fair value as at March 31, 2017		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 9,141	$ 9,141	$ -	$ -
Trade and other receivables	9,384	9,384	-	-
Notes receivable	261	261	-	-
Investments (note 6)	2,673	-	-	2,673
Financial Liabilities				
Loans and borrowings	(45,562)	-	(45,562)	-
Accounts payable and accrued liabilities	(12,665)	(12,665)	-	-
Other financial liabilities	(122)	(122)	-	-
Non-controlling interest rights (note 4)	(8,322)	-	-	(8,322)

The fair value of cash, trade and other receivables, note receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term nature.

As at March 31, 2017, management has determined that the fair value of its loans and borrowings approximates its carrying value as the loans and borrowings are subject to floating interest rates and the Corporation and its subsidiary's credit risk profiles have not significantly changed since obtaining each of the facilities.

17. COMMITMENTS

Consulting Agreement
On January 31, 2016, DLC entered into a three-year consulting agreement whereby DLC has agreed to incur an annual amount of $350, paid quarterly, for consulting services related to promotional support.

Leases
The Corporation entered into a lease agreement for the lease of its office space. The lease has a six-year term and expires in 2023.

DLC has entered into six separate lease agreements, two of these with related companies (note 18), for the lease of its office space. The leases are for one to five-year terms, and expire between June 30, 2017 and September 16, 2020.

Club16 has entered into 14 separate lease agreements, two of which are with related companies (note 18). The leases have terms ranging from one to five-year terms, and expire between 2018 and 2022.

Impact has entered into a lease agreement with a related company (note 18). The lease has a five-year term and expires in 2021.

The approximate lease payments remaining for the next five years are as follows:

Year	Lease payments
2017	$ 3,288
2018	4,151
2019	3,964
2020	3,942
2021	3,358
	$ 18,703

18. RELATED PARTY TRANSACTIONS

Related party transactions and balances as at and for the three months ended March 31, 2017 are described below.

Investment in Vital Alert
Founders Advantage holds an investment in Vital Alert. At the time of purchase of the investment on December 23, 2015, two directors of the Corporation were also directors of Vital Alert. In February 2016, one these directors resigned as a director of the Corporation and management determined that as such, Vital Alert was no longer considered a related party of the Corporation from that date forward.

Due to Impact vendors
At March 31, 2017, the Corporation owed the vendors of Impact $735 (note 4).

Property leases
DLC leases office space from companies that are controlled by key management personnel and significant shareholders of DLC. Total costs incurred during the period under these leases was $93 (March 31, 2016 - $nil). The lease term maturities range from 2017 - 2020. The expense is recorded within general and administrative expenses and is paid monthly; as such, no amount remains payable within the Corporation's interim financial statements.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by key management personnel and significant shareholders of Club16. Total costs incurred under these leases was $98 (March 31, 2016 - $nil). The lease term maturities range from 2017 - 2020. The expense is recorded within general and administrative expenses and is paid monthly; as such, no amount remains payable within the Corporation's interim financial statements.

Impact leases office space from a company that is controlled by key management personnel and a significant shareholder of Impact. Total costs incurred during the period under this lease was $10 (March 31, 2016 - $nil). The lease term matures in 2021. The expense is recorded in general and administrative expenses and is paid monthly; as such no amount remains payable within the Corporation's interim financial statements.

Sales tax receivable
On acquisition of DLC, the Corporation was indemnified against any sales tax amounts assessed based on DLC's past results. As at March 31, 2017, the Corporation has recorded a receivable due from the DLC founders in the amount of $1,623 for the sales tax amounts payable recorded by DLC. This receivable has been recorded in trade and other receivables in the Corporation's interim financial statements.

US state tax receivable
On acquisition of Impact, the Corporation was indemnified against any US state sales tax amounts assessed based on Impact's past results. As at March 31, 2017, the Corporation has recorded a receivable due from the Impact founders in the amount of $159 for the US state tax amounts receivable recorded by Impact. This receivable has been recorded in trade and other receivables in the Corporation's interim financial statements.

Loans and advances
DLC has loans and advances due to companies that are controlled by both significant and minority shareholders of DLC in the amount of $23 as at March 31, 2017 (December 31, 2016 - $31). The balance is included in accounts payable and accrued liabilities in the Corporation's interim financial statements. These loans and advances are unsecured, due on demand and are non-interest bearing.

DLC has loans and advances due from companies that are controlled by both significant and minority shareholders in DLC in the amount of $23 as at March 31, 2017 (December 31, 2016 - $24). The balance is included in trade and other receivables in the Corporation's interim financial statements. These loans and advances are unsecured, due on demand and are non-interest bearing.

Club16 has loans and advances due to companies that are controlled by both significant and minority shareholders of Club16 in the amount of $56 as at March 31, 2017 (December 31, 2016 - $nil). The balance is included in accounts payable and accrued liabilities in the Corporation's interim financial statements. These loans and advances are unsecured, due on demand and are non-interest bearing.

Impact has loans and advances due to a company that is controlled by key management personnel and significant shareholder of Impact in the amount of $166 as at March 31, 2017 (December 31, 2016 - $nil). The balance is included in accounts payable and accrued liabilities. These loans and advances are unsecured, due on demand and are non-interest bearing.

Promissory notes

DLC has entered into two promissory notes payable totaling $2,000 due to companies that are controlled by key management personnel and significant shareholders of DLC (note 8). These notes bear interest at a rate of 8.5%, compounded semi-annually. Interest is payable monthly with the principal payable on June 12, 2017 ("Initial Maturity Date"). If the note is not paid in full on the Initial Maturity Date, then the principal becomes repayable on December 12, 2017 ("Final Maturity Date"). From the Initial Maturity Date to the Final Maturity Date the note bears interest at a rate of 12%, compounded semi-annually. The promissory notes were issued for the purpose of financing the NCS acquisition.

Administrative services

Club16 has entered into an agreement to provide administrative services to a company controlled by key management personnel and significant shareholders of Club16. Total fees charged for services under this agreement for the period was $25 (March 31, 2016 - $nil). The agreement can be terminated by either party with six months' prior written notice.

19. SUBSEQUENT EVENTS

Repayment of DLC term facility

On April 10, 2017, DLC repaid the remaining balance of $1,490 on one of the term loan facilities (note 8).

Termination of DSU plan

Subsequent to March 31, 2017, all remaining DSUs were redeemed and the DSU Plan was terminated. This results in the issuance of 179,907 common shares of the Corporation and the payment of $558 in withholding taxes.

Put/Call Agreements

On April 28, 2017, the Corporation entered into two put/call agreements related to its equity interest in Vital Alert with significant shareholders and a director of Vital Alert (note 6). The agreements provide the Corporation with a put option to require the counterparties of the agreement to purchase all of the Corporation's shares in Vital Alert at any time prior to April 28, 2018 for aggregate purchase consideration of $2,732. In return, the Corporation provided the counterparties with a call option which requires the Corporation to sell its Vital Alert shares to the same shareholders and director of Vital Alert at any time prior to April 28, 2018 for an aggregate purchase price of $2,732. A director of the Corporation is also a director of Vital Alert.