Founders Advantage Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016

(unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Founders Advantage Capital Corp. ("Founders Advantage" or the "Corporation") for the three and six month periods ended June 30, 2017 are the responsibility of the Board of Directors and management. These financial statements have been prepared by management in accordance with International Financial Reporting Standards, including International Accounting Standard 34, Interim Financial Reporting. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors has delegated to the Audit Committee the responsibility for reviewing and approving the June 2017 interim condensed financial statements, together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibility. The Audit Committee has met with management to review the financial reporting process and other financial information of the Corporation, including the June 2017 condensed interim financial statements.

Peter C. McRae
(signed) Director

Ron Gratton
(signed) Interim Chief Financial Officer

Calgary, Canada
August 28, 2017

NOTICE TO READER

The condensed interim financial statements for the three and six month periods ended June 30, 2017 are unaudited and prepared by management. These financial statements have not been reviewed by the Corporation's independent external auditor.

Founders Advantage Capital Corp.

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

As at		June 30, 2017		December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	$	33,174	$	7,824
Trade and other receivables (note 5)		11,291		11,742
Prepaids and other assets		1,243		1,340
Notes receivable		295		290
Equity accounted investment		622		-
Financial instruments (note 6)		59		-
Inventories		3,381		-
		50,065		21,196
Trade and other receivables (note 5)		671		671
Investments (note 6)		2,673		2,673
Equity accounted investment		-		609
Intangible assets (note 7)		148,085		137,441
Goodwill		88,735		82,765
Capital assets		12,714		12,816
TOTAL ASSETS	**$**	**302,943**	**$**	**258,171**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	13,512	$	13,916
Loans and borrowings (note 8)		11,368		25,064
Deferred revenue		683		970
Other current liabilities		430		636
Non-controlling interest rights (note 9)		5,100		-
		31,093		40,586
Loans and borrowings (note 8)		56,681		7,391
Other long-term liabilities		230		271
Deferred tax liabilities		28,970		26,480
Non-controlling interest rights (note 9)		3,131		-
		120,105		74,728
EQUITY				
Share capital (note 10)		112,626		111,429
Contributed surplus		15,990		14,859
Accumulated other comprehensive loss		(540)		-
Deficit		(21,044)		(19,439)
TOTAL SHAREHOLDERS' EQUITY		107,032		106,849
NON-CONTROLLING INTEREST		75,806		76,594
TOTAL LIABILITIES AND EQUITY	**$**	**302,943**	**$**	**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 Income (Loss) (unaudited)
(in thousands of Canadian dollars)

	For the three months ended	June 30,	For the six months ended	June 30,
	2017	2016	2017	2016
Revenues (note 13)	$ 19,500	$ 3,018	$ 33,194	$ 3,018
Direct costs	3,325	604	5,557	604
Gross profit	16,175	2,414	27,637	2,414
Acquisition and due diligence costs	63	663	344	1,879
General and administrative	10,383	2,428	20,026	3,197
Share-based payments (note 11)	757	861	1,972	1,819
Depreciation and amortization	2,332	294	4,445	294
	13,535	4,246	26,787	7,189
INCOME (LOSS) FROM OPERATIONS	**2,640**	**(1,832)**	**850**	**(4,775)**
Other income (expenses)				
Finance expense	(889)	(516)	(1,417)	(516)
Foreign exchange gain (loss)	559	-	576	(3)
Gain on financial instruments (note 6)	59	-	59	-
Loss on equity accounted investment	(57)	(15)	(182)	(15)
Loss on sale of investments	-	(214)	-	(1,319)
Net gain on sale of capital and intangible (note 7)	1,722	-	1,722	-
Other expense	(261)	-	(305)	-
Other income	55	58	82	84
	1,188	(687)	535	(1,769)
INCOME (LOSS) BEFORE INCOME TAX	3,828	(2,519)	1,385	(6,544)
Income tax (expense) recovery				
Current tax expense	(834)	(290)	(1,457)	(290)
Deferred tax recovery	97	3,758	1,503	3,758
	(737)	3,468	46	3,468
NET INCOME (LOSS) FOR THE PERIOD	**$ 3,091**	**$ 949**	**$ 1,431**	**$ (3,076)**
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders	975	599	(655)	(3,426)
Non-controlling interest	2,116	350	2,086	350
	$ 3,091	**$ 949**	**$ 1,431**	**$ (3,076)**
NET INCOME (LOSS) PER COMMON SHARE (note 14)				
Basic	$ 0.03	$ 0.03	$ (0.02)	$ (0.21)
Diluted	$ 0.03	$ 0.02	$ (0.02)	$ (0.21)

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

Founders Advantage Capital Corp.

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

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
NET INCOME (LOSS) FOR THE PERIOD	$ 3,091	$ 949	$ 1,431	$ (3,076)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be subsequently reclassified to comprehensive income:				
Unrealized gain/(loss) on available for sale financial assets, net of tax (note 6)	-	236	-	(16)
Foreign exchange translation loss	(517)	-	(540)	-
	(517)	236	(540)	(16)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$ 2,574**	**$ 1,185**	**$ 891**	**$ (3,092)**
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders	458	835	(1,195)	(3,442)
Non-controlling interest	2,116	350	2,086	350
	$ 2,574	**$ 1,185**	**$ 891**	**$ (3,092)**

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	-	1,819	-	-	1,819	-	1,819
Subscription receipts offering	28,790	-	-		28,790	-	28,790
Share issuance costs	(1,143)	-	-		(1,143)	-	(1,143)
Net (loss) income and comprehensive loss	-	-	(16)	(3,426)	(3,442)	350	(3,092)
Fair value of broker warrants issued	(2,178)	2,178	-	-	-	-	-
Shares issued on the acquisition of DLC Group	26,667	-	-	-	26,667	-	26,667
Non-controlling interest on acquisition	-	-	-	-	-	58,703	58,703
Balance at June 30, 2016	**$ 79,163**	**$ 10,727**	**$ -**	**$ (14,187)**	**$ 75,703**	**$ 59,053**	**$ 134,756**
Subscription receipts offering	-	-	-	-	-	-	-
Share issuance costs (net of tax)	(1,116)	-	-	-	(1,116)	-	(1,116)
Share-based payments	-	4,194	-	-	4,194	-	4,194
Net (loss) income	-	-	-	(5,252)	(5,252)	2,165	(3,807)
Non-controlling interests acquired	-	-	-	-	-	16,453	16,453
Common share offering	33,289	-	-	-	33,289	-	33,289
Exercise of broker 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)	-	1,939	-	-	1,939	-	1,939
Exercise of DSUs (note 11)	1,037	(1,862)	-	-	(825)	-	(825)
Exercise of broker warrants (note 11)	160	(106)	-	-	54	-	54
Fair value of lender warrants issued (note 8 & 11)	-	1,160	-	-	1,160	-	1,160
Net (loss) income and comprehensive loss	-	-	(540)	(655)	(1,195)	2,086	891
Distributions to non-controlling interest	-	-	-	-	-	(2,874)	(2,874)
Dividends declared	-	-	-	(950)	(950)	-	(950)
Balance at June 30, 2017	**$ 112,626**	**$ 15,990**	**$ (540)**	**$ (21,044)**	**$ 107,032**	**$ 75,806**	**$ 182,838**

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 six months ended June 30, 2017 and 2016
(in thousands of Canadian dollars)

	For the six months ended June 30 2017	2016
OPERATING ACTIVITIES		
Net Income (loss) for the period	$ 1,431	$ (3,076)
Items not affecting cash:		
Share-based payments (note 11)	1,972	1,819
Depreciation and amortization	4,445	294
Loss on sale of investments	-	1,319
Gain on sale of assets	(1,722)	-
Other non-cash items	711	410
Deferred tax recovery	(1,503)	(3,758)
Changes in non-cash working capital (note 15)	1,217	(428)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**6,551**	**(3,420)**
INVESTING ACTIVITIES		
Contributions to equity accounted investee	(586)	(20)
Proceeds from sale of investments	-	10,087
Expenditures on capital assets	(195)	(20)
Proceeds on disposition of capital and intangible assets (note 7)	1,457	-
Investment in intangible assets (note 7)	(1,293)	-
Distributions to non-controlling interest	(3,162)	-
Investment in DLC, net of cash received	-	(54,770)
Investment in Impact, net of cash received (note 4)	(11,261)	-
Investment in shares	-	(45)
Changes in non-cash investing working capital (note 15)	(1,461)	-
CASH USED IN INVESTING ACTIVITIES	**(16,501)**	**(44,768)**
FINANCING ACTIVITIES		
Proceeds from equity financing, net of transaction costs	-	27,339
Proceeds from debt financing, net of transaction costs (note 8)	67,064	19,378
Repayment of debt (note 8)	(29,993)	(253)
Dividends paid to common shareholders	(474)	-
Exercise of warrants (note 11)	54	-
Exercise of DSUs (note 11)	(825)	-
CASH PROVIDED BY FINANCING ACTIVITIES	**35,826**	**46,464**
Increase (decrease) in cash and cash equivalents	25,876	(1,724)
Impact of foreign exchange on cash and cash equivalents	(526)	-
Cash and cash equivalents, beginning of period	7,824	9,103
Cash and cash equivalents, end of period	**$ 33,174**	**$ 7,379**
Cash flows include the following amounts:		
Interest paid	$ 1,065	$ 411
Interest received	$ 2	$ 65
Income taxes paid	$ 1,949	$ 165

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

(in thousands of Canadian dollars, except share and per share amounts)

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:

	Ownership interest	
	June 30, 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”) (note 4)	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 August 28, 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) Share-based payments

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 liability is measured initially, and at the end of each reporting period until the liability is settled, at the fair value of the SARs by applying an option pricing model, with any changes in fair value recognized in the consolidated statement of income.

c) 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.

d) 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.

e) 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.

f) Intangible assets

Intangible assets related to the Impact acquisition includes customer and supplier relationships, a non-compete agreement 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.

g) Financial instruments

A financial instrument is any instrument that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial assets and liabilities are measured at their fair value, and then subsequently are measured based on their classification. The Corporation classifies its financial assets and liabilities into one of the following categories:

Fair value through profit or loss

A financial asset or liability is classified as fair value through profit or loss ("FVTPL") if it is classified as held-for-trading or is designated as such on initial recognition. The Corporation classifies a financial instrument as held-for-trading if it was acquired principally for the purpose of selling or repurchasing in the short-term. Directly attributable transaction costs are recognized in income as incurred. These financial assets and financial liabilities are measured at fair value, with any gains and losses on revaluation recognized in income as incurred. The Corporation's option agreements related to its investment in Vital Alert is classified as FVTPL.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are initially measured at fair value and subsequently at amortized cost using the effective interest rate method. The Corporation's loans and receivables are comprised of cash and cash equivalents, notes receivable and trade and other receivables.

Available-for-sale assets
Available-for-sale assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other financial asset categories. These assets are measured at fair value, plus transaction costs, and subsequently are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments are transferred from other comprehensive income to earnings for the period. The Corporation's investment in Vital Alert is classified as available-for-sale.

Financial liabilities at amortized cost
This category consists of non-derivative financial liabilities that do not meet the definition of held-for-trading liabilities, and that have not been designated as liabilities at fair value through profit or loss. These liabilities are initially measured at fair value, less any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Corporation's financial liabilities that are measured at amortized cost include trade payables and loans and borrowings.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the Corporation has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets have transferred.

A financial liability is derecognized when its contractual obligations are discharged or expire.

h) 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.

(in thousands of Canadian dollars, except share and per share amounts)

4. ACQUISITIONS

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 designing, manufacturing and retailing of communication products. The aggregate purchase consideration was $12,735, $12,000 of which was funded by the Corporation's existing credit facilities, which were amended to fund the acquisition. The remaining $735 relates to working capital adjustments and is due to the vendors six months subsequent to the closing of the transaction.

The net amount due to vendors in the table below is comprised of a $735 working capital adjustment net of $159 due from the vendor related to sales tax amounts for which the Corporation has been indemnified (note 5).

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
Net amount due to vendors		576
	$	**12,576**
Assets acquired:		
Cash and cash equivalents	$	739
Trade and other receivables		1,085
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)
	$	**12,576**

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 June 30, 2017, Impact contributed revenues of $3,777 and net income of $331 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.

(in thousands of Canadian dollars, except share and per share amounts)

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

		June 30, 2017		December 31, 2016
Trade accounts receivable				
DLC Franchise fees and mortgage brokerage services	$	6,908	$	8,693
Radio and radio accessories		1,045		-
Other		132		672
		8,085		9,365
Other receivables		3,877		3,048
Total trade and other receivables		11,962		12,413
Less current portion		(11,291)		(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 June 30, 2017 includes $1,623 (December 31, 2016 - $1,623) due from the vendors in the DLC transaction (note 18) and $159 (December 31, 2016 - $nil) due from the vendors in the Impact transaction (note 4 and 18), which relates to sales tax amounts payable by the vendors (being the founders of DLC and Impact) 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 and Impact.

(in thousands of Canadian dollars, except share and per share amounts)

6. INVESTMENTS

		June 30, 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 June 30, 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 June 30, 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.

For the three and six months ended June 30, 2016, the Corporation transferred unrealized gain (losses) in the amount of $236 and $(16) from accumulated other comprehensive income to comprehensive loss for the period related to publicly traded investments in which the Corporation no longer holds.

Option agreements
On April 28, 2017, the Corporation entered into two option agreements related to its equity interest in Vital Alert with significant shareholders and a director of Vital Alert. 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. For the three and six months ended June 30, 2017, the Corporation has recorded an unrealized gain on the options of $59 ($2016 - $nil).

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)		-		273		11,685		1,063		13,021
Additions		1,241		-		-		52		1,293
Balance at June 30, 2017		82,131		47,673		18,856		5,610		154,270
Accumulated amortization										
Balance at December 31, 2016		(2,275)		(5)		(42)		(193)		(2,515)
Additions		(2,034)		(104)		(864)		(668)		(3,670)
Balance at June 30, 2017		(4,309)		(109)		(906)		(861)		(6,185)
Carrying value, December 31, 2016		78,615		47,395		7,129		4,302		137,441
Carrying value, June 30, 2017	**$**	**77,822**	**$**	**47,564**	**$**	**17,950**	**$**	**4,749**	**$**	**148,085**

(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 Newton Connectivity Systems ("NCS"), intellectual property rights purchased by DLC, supplier relationships and non-compete agreements acquired on acquisition of Impact.

(in thousands of Canadian dollars, except share and per share amounts)

(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 June 30, 2017.

During the three months ended June 30, 2017, DLC disposed of a division of the NCS operations for total consideration of $1,361, which included cash proceeds of $1,045 and the assumption of liabilities of $316. The division was mainly comprised of software with a carrying value of $nil at June 30, 2017, resulting in an accounting gain of $1,361. During the current quarter DLC also disposed of a book of royalty commissions for total proceeds of $398, resulting in a gain of $398.

8. LOANS AND BORROWINGS

		June 30, 2017		December 31, 2016
Corporate				
$28,000 credit facility	$	-	$	13,050
$42,000 USD credit facility		50,692		-
Subsidiaries				
DLC term loan facility		7,705		10,395
DLC vehicle loan		6		9
DLC - $4,500 operating facility		3,725		2,830
DLC - $2,000 promissory notes		2,000		2,000
Club16 term loans facilities		3,921		4,171
Total loans and borrowings		68,049		32,455
Less current portion		(11,368)		(25,064)
	$	**56,681**	**$**	**7,391**

Corporate credit facilities

Corporate - $28,000 credit facility

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. On June 14, 2017, the Corporation repaid and cancelled this credit facility.

Corporate - $42,000 USD credit facility

On May 31, 2017, the Corporation entered into a $42,000 USD term credit facility (“Corporate Credit Facility”) with Sagard Holdings ULC for the purposes of refinancing its 2017 Amended Credit Agreement, finance future acquisitions and for general corporate purposes. The facility has a five-year term and bears interest at the three-month LIBOR rate plus 7% per annum with interest payable quarterly. The term facility is secured by a general security agreement with first charge over the assets of the Corporation, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a fixed charge coverage ratio of not less than 1:1 and a total leverage ratio of:

- Less than 5.25:1 for the fiscal quarter ending June 30, 2017;
- 4.75:1 for the fiscal quarters ending September 30, 2017 and December 31, 2017;
- 4.25:1 for the fiscal quarter ending March 31, 2018;
- 4.00:1 for the fiscal quarter ending June 30, 2018, September 30, 2018 and December 31, 2018; and
- 3.75:1 the fiscal quarter ending thereafter.

As at June 30, 2017, the Corporation was in compliance with all such covenants.

In connection with entering into the Corporate Credit Facility, the Corporation issued the lender 2,078,568 common share purchase warrants (note 11).

DLC - term loan facility

DLC has a term loan of which they have borrowed an aggregate of $7,705 at June 30, 2017 (December 31, 2016 - $8,575). The facility is held at the DLC subsidiary level. As at June 30, 2017, DLC was in compliance with all such covenants.

During the quarter, DLC repaid the outstanding balance of $1,490 on a term loan facility that was outstanding as of December 31, 2016 (December 31, 2016 - $1,820).

DLC - $2,000 promissory notes
On December 12, 2016, DLC entered into two promissory notes payable totaling $2,000 due to companies that are controlled by key management personnel and significant shareholders of DLC. Subsequent to June 30, 2017, these notes were repaid in full.

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 June 30, 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 June 30, 2017, Club16 was in compliance with all such covenants. This facility is held at the Club16 subsidiary level and is undrawn at June 30, 2017.

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 $8,231 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. Changes in the estimated value of the liability in future periods, as well as the non-controlling interest’s share of net income are reflected in the fair of value of the liability at each reporting date, with the offset recorded in Other Expense in the consolidated statement of loss (note 4). Amounts are adjusted for foreign exchange translation differences from March 1 to June 30, 2017.

(in thousands of Canadian dollars, except share and per share amounts)

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	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)	388,589		1,037
Broker warrants exercised (note 11)	25,675		160
Balance at June 30, 2017	**38,128,606**	$	**112,626**

(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	(188,333)		4.40
Outstanding share options, June 30, 2017	**2,834,745**	**$**	**3.81**

(in thousands of Canadian dollars, except share and per share amounts)

The following table summarizes the share options outstanding and exercisable under the Plan as at June 30, 2017:

Grant Date	Share options outstanding	Exercise price	Years to maturity	Share options exercisable
July 15, 2015	193,333	$ 2.40	8.0	193,333
February 23, 2016	877,245	3.00	3.7	-
July 7, 2016	1,614,167	4.40	4.0	600,834
December 1, 2016	150,000	4.00	1.4	87,500
	2,834,745			**881,667**

The Corporation recorded a share-based payment expense related to share options for the three and six months ended June 30, 2017 of $453 and $1,252 (2016 - $222 and $861).

Warrants
The following table summarizes the total warrants outstanding:

	Warrants outstanding		Exercise price
Outstanding warrants, December 31, 2015	-	$	-
Broker warrants granted	528,691		2.10
Broker warrants exercised	(15,027)		2.10
Outstanding warrants, December 31, 2016	513,664	$	2.10
Lender warrants granted	2,078,568		3.74
Broker warrants exercised	(25,675)		2.10
Outstanding warrants, June 30, 2017	**2,566,557**	**$**	**3.43**

On June 14, 2017, the Corporation issued 2,078,568 common share lender warrants, each of which entitles the holder thereof to acquire one common share of the Corporation for a period of five years. One half of the warrants have an exercise price of $3.508 and one half have an exercise price of $3.965. The warrants vested on the grant date and were issued as non-cash compensation to lenders of the Corporate Credit Facility (note 8). Using a Black-Scholes pricing model, one half of the warrants have been valued at $0.81 and one half at $0.72. The fair value of the warrants has been recognized as a credit to contributed surplus (net of deferred tax of $421), with the offsetting debit to debt issuance costs, which is netted against loans and borrowings on the Corporation's statement of financial position. The Corporation recorded a charge to finance expense related to these warrants for the three and six months ended June 30, 2017 of $23 (2016 - $nil).

The fair value of the lender and broker warrants granted were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions.

	June 30, 2017 (1)	December 31, 2016 (1)
Risk-free interest rate	1.06%	0.51%
Expected volatility	45%	100%
Expected life	5 years	2 years
Expected dividend yield	$0.05	N/A
Estimated forfeiture rate	0%	0%
Share price on grant date	$2.84	$5.60

(1) The lender warrants were grants on June 14, 2017 and the broker warrants were granted on June 3 ,2016.

During the six months ended June 30, 2017, 25,675 of the broker warrants were exercised for total proceeds of $54.

(in thousands of Canadian dollars, except share and per share amounts)

Deferred share units

The following table summarizes the total deferred share units ("DSUs") outstanding:

	DSUs outstanding
Outstanding DSUs, December 31, 2015	580,366
Granted	43,297
Outstanding DSUs, December 31, 2016	623,663
Exercised	(623,663)
Outstanding DSUs, June 30, 2017	**-**

During the six months ended June 30, 2017, 623,663 DSUs were exercised, resulting in the issuance of 388,589 common shares of the Corporation (net of applicable withholding taxes).

The Corporation recorded a share-based payment expense related to DSUs for the three and six months ended June 30, 2017 of $nil (2016 - $nil and $100).

Share appreciation rights

On March 1, 2017, as a part of the Impact acquisition, share appreciation rights ("SARs") 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, and must be exercised by December 31 of the year in which they vest. The SARs have an estimated fair value of $188. As at June 30, 2017, none of these SARs are exercisable.

The fair value of the SARs granted during the three months ended June 30, 2017 were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	June 30, 2017	December 31, 2016
Risk-free interest rate	1.68%	-
Expected volatility	65%	-
Expected life	7 years	-
Expected dividend yield	$2,400	-
Estimated forfeiture rate	0%	-

The Corporation recorded a share-based payment expense related to the share appreciation rights for the three and six months ended June 30, 2017 of $9 and $33 (2016 - $nil).

The Corporation recorded total share-based payment expense for the three and six months ended June 30, 2017 of $757 and $1,972 (2016 - $861 and $1,819). These amounts include share-based payments related to shares held in escrow of $295 and $687 (2016 - $639 and $858) relating to the Advantage transaction.

(in thousands of Canadian dollars, except share and per share amounts)

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 DLC segment includes the net assets and operating results of NCS. 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 June 30, 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	$ 2,877	$ 8,211	$ 127,291	$ 60,726	$ 1,831	$ 200,936	$ 8,902	$ 13,436	$ 30,851	$ 432	$ 53,621
Club16	2,250	38	8,140	22,040	12,464	44,932	1,005	3,921	1,865	505	7,296
Impact	1,420	1,485	12,654	5,969	3,591	25,119	959	-	3,435	3,537	7,931
Corporate	26,627	2,228	-	-	3,101	31,956	2,646	50,692	(7,181)	5,100	51,257
Consolidated	**$ 33,174**	**$ 11,962**	**$ 148,085**	**$ 88,735**	**$ 20,987**	**$ 302,943**	**$ 13,512**	**$ 68,049**	**$ 28,970**	**$ 9,574**	**$ 120,105**

For the three months ended June 30, 2017	Revenue	Direct costs	Acquisition and due diligence costs	General and administrative	Share-based payments	Finance expense	Other expenses	Income (loss) before tax
DLC	$ 8,802	$ 1,542	$ -	$ 4,665	$ -	$ 168	$ (390)	$ 2,817
Club16	7,811	526	-	3,990	-	57	708	2,530
Impact	2,887	1,257	-	651	9	-	542	428
Corporate	-	-	63	1,077	748	664	(605)	(1,947)
Consolidated	**$ 19,500**	**$ 3,325**	**$ 63**	**$ 10,383**	**$ 757**	**$ 889**	**$ 255**	**$ 3,828**

For the six months ended June 30, 2017	Revenue	Direct costs	Acquisition and due diligence costs	General and administrative	Share-based payments	Finance expense	Other expenses	Income (loss) before tax
DLC	$ 16,140	$ 2,805	$ -	$ 8,793	$ -	$ 345	$ 1,046	$ 3,151
Club16	13,277	1,076	-	7,790	-	97	1,380	2,934
Impact	3,777	1,676	-	911	33	-	670	487
Corporate	-	-	344	2,532	1,939	975	(603)	(5,187)
Consolidated	**$ 33,194**	**$ 5,557**	**$ 344**	**$ 20,026**	**$ 1,972**	**$ 1,417**	**$ 2,493**	**$ 1,385**

(in thousands of Canadian dollars, except share and per share amounts)

13. REVENUES

	For the three months ended	June 30,	For the six months ended	June 30,
	2017	2016	2017	2016
Franchising revenue, mortgage brokerage services	$ 8,685	$ 2,983	$ 15,932	$ 2,983
Brokering of mortgages	96	35	163	35
Memberships and dues revenue	6,229	-	10,282	-
Radio and radio accessories	2,853	-	3,745	-
Supplementary services revenue and other revenue	1,637	-	3,072	-
	$ 19,500	**$ 3,018**	**$ 33,194**	**$ 3,018**

The revenues reflect the amounts earned by DLC and Club16 for the six months ended June 30, 2017 and the amounts earned by Impact from the closing date of the Impact acquisition (March 1, 2017) to June 30, 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 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. INCOME PER SHARE

	For the three months ended	June 30,	For the six months ended	June 30,
	2017	2016	2017	2016
Net income (loss) attributable to shareholders	$ 975	$ 599	$ (655)	$ (3,426)
Basic weighted average number of shares	37,172,272	23,169,431	37,065,815	16,561,414
Effect of dilutive securities				
Share options	43,656	72,184	-	-
DSUs	-	623,663	-	-
Warrants	330,573	289,883	-	-
Diluted basic average number of shares	37,546,501	24,155,161	37,065,815	16,561,414
Basic income (loss) per share	$ 0.03	$ 0.03	$ (0.02)	$ (0.21)
Diluted income (loss) per share	$ 0.03	$ 0.02	$ (0.02)	$ (0.21)

(in thousands of Canadian dollars, except share and per share amounts)

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Trade and other receivables	$ 1,695	$ (970)
Prepaid expenses and deposits	164	(650)
Note receivable	(5)	(92)
Inventories	873	-
Accounts payable and accrued liabilities	(1,995)	1,294
Deferred revenue	(287)	(10)
Other current liabilities	(689)	-
	(244)	(428)
Changes in non-cash operating working capital	1,217	(428)
Changes in non-cash investing working capital	(1,461)	-
	$ (244)	**$ (428)**

16. FINANCIAL INSTRUMENT FAIR VALUES

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.

		Fair value as at June 30, 2017		
	Carrying value as at June 30, 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	$ 33,174	$ 33,174	$ -	$ -
Trade and other receivables	11,962	11,962	-	-
Notes receivable	295	295	-	-
Investments (note 6)	2,673	-	-	2,673
Financial Instruments – option agreement (note 6)	59	-	-	59
Financial Liabilities				
Loans and borrowings	(68,049)	-	(68,049)	-
Accounts payable and accrued liabilities	(13,512)	(13,512)	-	-
Other financial liabilities	(430)	(430)	-	-
Non-controlling interest rights (note 4 and 9)	(8,231)	-	-	(8,231)

(in thousands of Canadian dollars, except share and per share amounts)

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

As at June 30, 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 (1)	$	2,268
2018		4,175
2019		3,979
2020		3,955
2021		3,361
	$	**17,738**

(1) For the remaining six months of 2017.

18. RELATED PARTY TRANSACTIONS

Related party transactions and balances as at and for the three and six months ended June 30, 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 of 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 June 30, 2017, the Corporation owed the vendors of Impact $735 for post-closing adjustments (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 for the three and six months ended June 30, 2017 was $92 and $185 (June 30, 2016 - $19 and $19). The lease term maturities range from 2017 - 2020.

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 for the three and six months ended June 30, 2017 was $102 and $200 (June 30, 2016 - $nil and $nil). The lease term maturities range from 2017 - 2020.

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 three and six months ended June 30, 2017 was $28 and $38 (June 30, 2016 - $nil and $nil). The lease term matures in 2021.

The expenses related to these related party leases 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 June 30, 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 June 30, 2017, the Corporation has recorded a receivable due from the Impact founders in the amount of $159 for the US state tax amounts payable 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/from companies that are controlled by key management personnel and both significant and minority shareholders of DLC. Due to amounts of $23 (December 31, 2016 - $31) have been included in accounts payable and accrued liabilities in the Corporation's interim financial statements as at June 30, 2017. Due from amounts of $68 (December 31, 2016 - $24) have been included in trade and other receivables in the Corporation's interim financial statements as at June 30, 2017.

Club16 has loans and advances due to companies that are controlled by key management personnel and significant shareholders of Club16 in the amount of $45 as at June 30, 2017 (December 31, 2016 - $nil). The balance is included in accounts payable and accrued liabilities in the Corporation's interim financial statements.

All related party loans and advances are unsecured, due on demand and are non-interest bearing.

Promissory notes
DLC has entered into two promissory notes payable totaling $2.0 million due to companies that are controlled by key management personnel and significant shareholders of DLC. Subsequent to June 30, 2017, these notes were repaid in full (note 19).

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 three and six months ended June 30, 2017 was $24 and $49 (June 30, 2016 - $nil and $nil). The agreement can be terminated by either party with six months' prior written notice.

19. SUBSEQUENT EVENTS

Issuance of share options
On July 3, 2017, the Corporation granted 75,000 share options to an officer of the Corporation. The share options are exercisable at a price of $3.00 per share. The options have a five-year term, and vest on the date of the grant.

DLC – promissory note repayment

Subsequent to June 30, 2017, DLC repaid the $2,000 in promissory notes due to key management personnel and significant shareholders of DLC (note 8 and 18).

DLC – Sale of Investment in Canadiana Financial Corp. ("Canadiana")

On August 1, 2017, DLC completed the sale of its 20% interest in Canadiana for $2,500. The carrying value of the Investment at the time of disposal was approximately $598 and is expected to result in a gain of $1,902.