



Founders Advantage Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

(unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands of Canadian dollars)

	As at June 30, 2019	As at December 31, 2018
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 4,958	\$ 5,492
Trade and other receivables	21,733	27,627
Prepaid expenses and deposits	3,122	2,758
Notes receivable	316	299
Inventories	5,310	5,847
<i>Total current assets</i>	35,439	42,023
<i>Non-current assets</i>		
Trade, other receivables and other assets	579	599
Investments	557	557
Equity accounted investment (note 4)	1,137	-
Capital assets	32,047	33,805
Right-of-use assets (note 5)	50,950	-
Intangible assets (note 6)	154,832	159,380
Goodwill (note 6)	103,166	110,257
TOTAL ASSETS	\$ 378,707	\$ 346,621
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Bank indebtedness	\$ 32	\$ 397
Accounts payable and accrued liabilities	17,845	22,970
Loans and borrowings (note 7)	25,538	25,698
Deferred contract liability	832	650
Other current liabilities	889	788
Lease obligations (note 8)	4,641	573
Non-controlling interest liability	2,000	2,000
<i>Total current liabilities</i>	51,777	53,076
<i>Non-current liabilities</i>		
Loans and borrowings (note 7)	57,330	61,007
Deferred contract liability	1,986	2,076
Other long-term liabilities	1,968	3,293
Lease obligations (note 8)	48,712	1,173
Deferred tax liabilities	38,511	39,553
Non-controlling interest liability	11,707	11,621
TOTAL LIABILITIES	211,991	171,799
<i>Equity</i>		
Share capital	115,390	115,390
Contributed surplus	15,288	14,759
Accumulated other comprehensive loss	(152)	332
Deficit	(53,440)	(50,525)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	77,086	79,956
NON-CONTROLLING INTEREST	89,630	94,866
TOTAL LIABILITIES AND EQUITY	\$ 378,707	\$ 346,621

Commitments and contingencies (note 16).

Subsequent events (note 17).

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

Signed on behalf of the Board of Directors,

(signed)
James Bell, Director

(signed)
Dennis Sykora, Director

CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME (unaudited)

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	2019	June 30, 2018	2019	June 30, 2018
REVENUES (note 11)	\$ 37,288	\$ 35,626	\$ 70,283	\$ 65,767
Direct costs	12,211	11,525	24,404	22,371
GROSS PROFIT	25,077	24,101	45,879	43,396
General and administrative	13,336	13,994	27,278	27,574
Share-based payments (note 9)	188	178	278	325
Depreciation and amortization	5,339	4,098	10,733	8,224
	18,863	18,270	38,289	36,123
INCOME FROM OPERATIONS	6,214	5,831	7,590	7,273
OTHER INCOME (EXPENSES)				
Finance expense (note 12)	(2,852)	(2,254)	(5,540)	(4,197)
Dividends paid to non-controlling interest shareholders	-	(500)	-	(1,000)
Foreign exchange gain (loss)	1,122	(1,186)	2,277	(2,646)
Income equity accounted investment (note 4)	12	-	12	-
Net (loss) gain on sale of capital and intangible assets	(10)	(64)	74	(63)
Change in fair value of non-controlling interest liability	(44)	(36)	(86)	(70)
Non-cash impairment (note 6)	(6,832)	-	(6,832)	-
Loss on contract settlement (note 16)	(118)	(1,417)	(236)	(1,417)
Other income	91	228	150	342
	(8,631)	(5,229)	(10,181)	(9,051)
(LOSS) INCOME BEFORE INCOME TAX	(2,417)	602	(2,591)	(1,778)
INCOME TAX (EXPENSE) RECOVERY				
Current tax expense	(1,375)	(1,374)	(2,712)	(2,539)
Deferred tax recovery	293	1,435	909	2,941
	(1,082)	61	(1,803)	402
NET (LOSS) INCOME	\$ (3,499)	\$ 663	\$ (4,394)	\$ (1,376)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	\$ (2,288)	\$ (976)	\$ (3,760)	\$ (3,267)
Non-controlling interest	\$ (1,211)	\$ 1,639	\$ (634)	\$ 1,891
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS (note 13)				
Basic	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ (0.09)
Diluted	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ (0.09)

The accompanying notes form an integral part of these condensed consolidated financial statements. Prior year information has been restated to conform to current year presentation.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	2019	June 30, 2018	2019	June 30, 2018
NET (LOSS) INCOME	\$ (3,499)	\$ 663	\$ (4,394)	\$ (1,376)
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will be subsequently reclassified to comprehensive income:				
Foreign exchange translation (loss) gain (net of tax)	(472)	448	(933)	1,084
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(472)	448	(933)	1,084
COMPREHENSIVE (LOSS) INCOME	\$ (3,971)	\$ 1,111	\$ (5,327)	\$ (292)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	\$ (2,533)	\$ (742)	\$ (4,244)	\$ (2,702)
Non-controlling interest	\$ (1,438)	\$ 1,853	\$ (1,083)	\$ 2,410

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

(in thousands of Canadian dollars)

	Attributable to Shareholders of Founders Advantage Capital Corp.									
	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interest	Total equity			
Balance at January 1, 2018	\$ 115,055	\$ 14,569	\$ (683)	\$ (27,555)	\$ 101,386	\$ 101,862	\$ 203,248			
Share-based payments (note 9)	-	302	-	-	302	-	302			
Exercise of broker warrants	335	(222)	-	-	113	-	113			
Net loss and comprehensive income	-	-	565	(3,267)	(2,702)	2,410	(292)			
Distributions to non-controlling interest	-	-	-	-	-	(4,477)	(4,477)			
Dividends declared	-	-	-	(954)	(954)	-	(954)			
Balance at June 30, 2018	\$ 115,390	\$ 14,649	\$ (118)	\$ (31,776)	\$ 98,145	\$ 99,795	\$ 197,940			
Balance at December 31, 2018	\$ 115,390	\$ 14,759	\$ 332	\$ (50,525)	\$ 79,956	\$ 94,866	\$ 174,822			
Adoption of IFRS 16 (note 3)	-	-	-	845	845	474	1,319			
Balance at January 1, 2019	115,390	14,759	332	(49,680)	80,801	95,340	176,141			
Share-based payments (note 9)	-	79	-	-	79	-	79			
Fair value of lender warrants	-	450	-	-	450	-	450			
Net loss and comprehensive loss	-	-	(484)	(3,760)	(4,244)	(1,083)	(5,327)			
Distributions to non-controlling interest	-	-	-	-	-	(4,627)	(4,627)			
Balance at June 30, 2019	\$ 115,390	\$ 15,288	\$ (152)	\$ (53,440)	\$ 77,086	\$ 89,630	\$ 166,716			

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands of Canadian dollars)

For the six months ended June 30,	2019	2018
OPERATING ACTIVITIES		
Net loss	\$ (4,394)	\$ (1,376)
<i>Items not affecting cash:</i>		
Share-based payments (note 9)	278	325
Depreciation and amortization	10,733	8,224
Net (gain) loss on disposal of capital assets	(74)	63
Change in fair value of non-controlling interest liability	86	70
Dividends paid to non-controlling interest shareholders	-	1,000
Unrealized foreign exchange (gain) loss	(2,181)	2,630
Non-cash impairment (note 6)	6,832	-
Deferred tax recovery	(909)	(2,941)
Income from equity accounted investment	(12)	-
Other non-cash items	2,493	2,323
Changes in non-cash working capital (note 14)	1,282	(2,933)
CASH PROVIDED BY OPERATING ACTIVITIES	14,134	7,385
INVESTING ACTIVITIES		
Expenditures on capital assets	(3,265)	(3,194)
Investment in intangible assets (note 6)	(1,291)	(2,888)
Proceeds on disposal of capital and intangible assets	277	85
Purchase of investments	-	(200)
Investment in equity accounted investee (note 4)	(1,125)	-
Dividends paid to non-controlling interest shareholders	-	(1,000)
Distributions to non-controlling interests	(4,627)	(4,477)
Changes in other non-cash items	-	355
Changes in non-cash investing capital (note 14)	-	75
CASH USED BY INVESTING ACTIVITIES	(10,031)	(11,244)
FINANCING ACTIVITIES		
Proceeds from debt financing, net of transaction costs (note 7)	3,877	4,285
Proceeds from capital lease financing	-	753
Repayment of debt (note 7)	(5,017)	(2,666)
Net lease payments	(2,568)	(218)
Dividends paid to common shareholders	(477)	(954)
Exercise of warrants	-	113
CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(4,185)	1,313
DECREASE IN CASH AND CASH EQUIVALENTS	(82)	(2,546)
Impact of foreign exchange on cash and cash equivalents	(87)	(13)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,095	9,550
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,926	\$ 6,991
Net cash and cash equivalents is comprised of:		
Cash and cash equivalents	4,958	7,071
Bank indebtedness	(32)	(80)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	4,926	6,991
Cash flows include the following amounts:		
Interest paid	\$ 4,771	\$ 3,508
Interest received	\$ 35	\$ 9
Income taxes paid	\$ 3,614	\$ 2,798

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

1. NATURE OF OPERATIONS

Founders Advantage Capital Corp. (“FAC”, “our”, or “the Corporation”) is an investment corporation listed on the TSX Venture Exchange (“Exchange”) under the symbol “FCF”. 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 investment approach is to acquire controlling or majority equity interests in middle-market private companies with strong cash flows and proven management teams who are incentivized to grow their underlying business. This investment approach allows owners of our investee companies to continue managing the day-to-day operations and has no mandated liquidity time frame. As a part of our investment strategy, FAC has acquired interests in the following subsidiaries:

	Ownership interest	
	June 30, 2019	December 31, 2018
Dominion Lending Centres Limited Partnership (“DLC”)	60%	60%
Club16 Limited Partnership (“Club16”)	60%	60%
Cape Communications International Inc. (operating as Impact Radio Accessories; “Impact”)	52%	52%
Astley Gilbert Limited (“AG”) (see note 17)	50%	50%

2. BASIS OF PREPARATION

Statement of compliance

These 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”).

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors on August 26, 2019.

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 in the most recent annual financial statements except those noted below.

a) New standard and interpretations

i. Adoption of IFRS 16 Leases

The Corporation adopted IFRS 16 Leases (“IFRS 16”) at the required effective date of January 1, 2019, using the modified retrospective approach with the cumulative effect of adopting IFRS 16 recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

ii. Definition of a lease

At inception of a contract, the Corporation assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation and our subsidiaries have leases for office and buildings, machinery and equipment and vehicles.

iii. Accounting for lease arrangements

IFRS 16 introduces a single accounting model for leases; the standard eliminates lessee’s classification of leases as either operating leases or finance leases.

Right-of-use assets are measured at costs, which comprises the initial amount of the lease obligation, adjusted for any lease payments made at or before the commencement date of the lease, any direct costs incurred less any lease incentives received. Right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term; right-of-use assets are assessed for impairment losses if any and adjusted for certain remeasurements on the related lease obligation.

Lease obligations are measured at the present value of future lease payments at the lease commencement date discounted using the interest rate implicit in the lease, or if not readily determinable, the Corporation’s incremental borrowing rate. Lease obligations are subsequently measured at amortized costs using the effective interest rate method. Lease obligations

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

are remeasured when there is a lease modification, with a corresponding adjustment made to the carrying amount of the right-of-use asset or is recorded in the statements of loss if the carrying amount of the right-of-use asset has been reduced to zero.

Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of right-of-use assets and lease obligations.

iv. Leases in which the Corporation is Lessee

The Corporation previously classified leases as operating or finance based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use asset and lease obligations for all contracts that are or contain a lease as defined above.

The Corporation elected to apply the following practical expedients upon adoption of IFRS 16:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Adjusted the opening right-of-use asset for provisions of onerous leases recognized as of December 31, 2018
- Applied the exemption to not recognize right-of-use asset and lease obligations for leases that are short-term and of low value
- Used hindsight for determining the lease term for leases that contains options to extend or terminate.

v. Impact on the financial statements

On adoption of IFRS 16, the Corporation recognized an addition of \$52,399 of right-of-use assets and \$53,168 of lease obligations.

The lease obligations payments were discounted using the incremental borrowing rate determined for each portfolio of similar leases as of January 1, 2019. The weighted average incremental borrowing rate is 4.92%. The following table reconciles the Corporations lease commitments outstanding as of December 31, 2018 and the opening lease obligation as at January 1, 2019.

	As at January 1, 2019
Operating lease commitment as at December 31, 2018	\$ 40,836
Operating lease commitment discounted using the weighted average incremental borrowing rate as at January 1, 2019	32,703
Less: Recognition exemption for short term leases	(76)
Add: Lease renewal options reasonably certain to be exercised ⁽¹⁾	20,541
Lease liabilities recognized as at January 1, 2019	\$ 53,168

(1) The impact of renewal options excluded from the calculation of lease obligations is \$8,150.

The following table reconciles the opening transition effect on the Corporations statement of financial position.

	As at January 1, 2019
Opening retained earnings adjustment	\$ (1,319)
<i>Comprised of:</i>	
Addition to lease obligation	53,168
Addition to right-of-use asset	(52,399)
Lease liabilities recorded as of December 31, 2018 ⁽¹⁾	(1,682)
Recognition of lease receivable	(273)
Deferred income tax recognized on transition	(133)
	\$ (1,319)

(1) Lease liabilities as of December 31, 2018 include provisions for an onerous lease liability and straight-line lease liabilities.

b) Classification changes

Effective January 1, 2019, the Corporation changed our classification of certain costs to be classified as direct costs that were previously recognized as general and administrative costs to better reflect the operations of AG. The change in classification resulted in an increase of direct cost and a decrease of general and administration of \$751 and \$1,935 for the three and six months ended June 30, 2018.

Effective January 1, 2019, the Corporation changed how we classify depreciation and amortization of certain Franchise non-competition agreements and relationships to be classified as a charge against revenue instead of being recognized as depreciation and amortization expense. The change in treatment is due to our view that the costs incurred for acquiring and renewing contracts corresponds to securing future revenue, therefore amortization of these payments is a reduction in revenue.

c) Share-based payments

Restricted Share Units ("RSU")

RSUs are cash settle share-based payments awarded to directors and employees. The fair value of the RSUs are recognized as share-based compensation expense, with a corresponding increase in the accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimated number of RSUs expected to vest. RSUs are measured at their fair value at each reporting period, which is determined using the share price at the closing date, plus any dividends paid, less an estimate for expected forfeited shares.

d) Equity accounted investments

Equity accounted investments are investments over which the Corporation has significant influence, or joint control through a joint venture, but not control. Generally, the Corporation is considered to exert significant influence when it holds at least a 20% interest in an entity. The financial results of the Corporation's significantly influenced investments are included in the Corporation's consolidated financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Corporation's share of earnings or losses of the underlying investment. If the Corporation's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Corporation has incurred legal or constructive obligations or has made payments on behalf of the equity accounted investee.

At the end of each reporting period, the Corporation assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Corporation estimates its recoverable amount, and any difference is charged to the consolidated statement of (loss) income.

4. EQUITY ACCOUNTED INVESTMENT

The Corporation owns a 60% interest in DLC. On April 1, 2019, DLC acquired a 50% equity interest in both Real Estate and Mortgage Institute of Canada Inc. and Conversational Artificial Intelligence Technologies Inc., herein collectively referred to as "REMIC". DLC holds joint control of REMIC as each shareholder of REMIC holds a 50% voting interest in the entity. DLC is entitled to the net assets of the REMIC corporation, and therefore, the joint control arrangement is considered a joint venture and accounted for using the equity method. On April 1, 2019, the Corporation recognized an initial cost of \$1,125 and for the three months ended June 30, 2019 recorded its share of net income in the amount of \$12. The carrying value of the investment at June 30, 2019 is \$1,137. The principal place of business of REMIC is Toronto, Ontario, Canada.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

5. **RIGHT-OF-USE ASSET**

	Office and Buildings		Machinery and equipment		Vehicles		Total
Cost							
Balance at December 31, 2018	\$	-	\$	-	\$	-	\$ -
Adoption of IFRS 16		52,273		-		126	52,399
Transfer from capital assets		-		2,261		-	2,261
Additions		-		-		-	-
Disposals		(213)		-		-	(213)
Change in fair value		(43)		-		-	(43)
Balance at June 30, 2019	\$	52,017	\$	2,261	\$	126	\$ 54,404
Accumulated amortization							
Balance at December 31, 2018	\$	-	\$	-	\$	-	\$ -
Transfer from capital assets		-		(521)		-	(521)
Depreciation and amortization expense		(2,608)		(298)		(27)	(2,933)
Balance at June 30, 2019	\$	(2,608)	\$	(819)	\$	(27)	\$ (3,454)
Carrying value							
December 31, 2018	\$	-	\$	-	\$	-	\$ -
June 30, 2019	\$	49,409	\$	1,442	\$	99	\$ 50,950

6. **INTANGIBLE ASSETS AND GOODWILL**

	Franchise rights, relationships and agreements		Brand names		Customer relationships		Other ⁽¹⁾		Total intangible assets
Cost									
Balance at December 31, 2018	\$	89,057	\$	50,585	\$	34,513	\$	6,241	\$ 180,396
Additions		1,288		-		-		3	1,291
Effect of movements in exchange rates		-		(7)		(431)		(24)	(462)
Balance at June 30, 2019	\$	90,345	\$	50,578	\$	34,082	\$	6,220	\$ 181,225
Accumulated amortization									
Balance at December 31, 2018	\$	(11,212)	\$	(1,125)	\$	(5,552)	\$	(3,127)	\$ (21,016)
Depreciation and amortization recognized against revenue		(653)		-		-		-	(653)
Depreciation and amortization expense		(1,844)		(401)		(1,744)		(735)	(4,724)
Balance at June 30, 2019	\$	(13,709)	\$	(1,526)	\$	(7,296)	\$	(3,862)	\$ (26,393)
Carrying value									
December 31, 2018	\$	77,845	\$	49,460	\$	28,961	\$	3,114	\$ 159,380
June 30, 2019	\$	76,636	\$	49,052	\$	26,786	\$	2,358	\$ 154,832

(1) Other intangible assets comprise software acquired on acquisition of DLC and NCS, supplier relationships and non-compete agreements acquired on acquisition of Impact and AG.

The Corporation performs its annual goodwill impairment test in December and when circumstances indicated that the carrying value may be impairment. The Corporation considers internal and external factors when reviewing for indicators of impairment.

The Ontario print industry has faced challenges as the retail and construction sectors both softened considerably impacting demand for the AG CGU. In addition, subsequent to June 30, 2019, the Corporation entered into a binding sale agreement to sell its 50% interest in AG for aggregate proceeds of \$17 million (see note 17), which is below the carrying value of the CGU, indicating a potential impairment of goodwill. As a result, management performed an impairment test as at June 30, 2019 for the AG CGU.

Based on its fair value less costs of disposal, non-cash impairment of \$6,832 was recognized against goodwill in the AG CGU for the period ended June 30, 2019 (2018—\$nil). The non-cash impairment is the difference between the carrying amount of

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

the AG CGU and the recoverable amount. The Corporation used the AG anticipated Purchase Price (see note 17) of the AG CGU to determine the recoverable amount.

No indicators of impairment were identified for any of the Company's other CGU's at June 30, 2019.

The following table shows the carrying amount of goodwill by CGU:

Goodwill by CGU	June 30, 2019	December 31, 2018
DLC Franchise	\$ 57,097	\$ 57,097
NCS	3,340	3,340
Club16	22,431	22,431
Impact ⁽¹⁾	6,100	6,359
AG	14,198	21,030
	\$ 103,166	\$ 110,257

(1) Goodwill acquired upon acquisition of Impact is adjusted for foreign exchange translation differences at the end of each reporting period.

7. LOANS AND BORROWINGS

	June 30, 2019	December 31, 2018
Corporate		
Term credit facility ⁽¹⁾	\$ 51,811	\$ 54,927
Promissory note	2,500	2,500
Subsidiaries		
DLC term loan facility	4,225	5,095
DLC operating facility	9,020	7,340
Club16 demand credit facility	6,471	6,108
Club16 operating facility	-	989
AG term loan facilities	3,023	3,677
AG operating facility	4,120	5,500
AG vehicle and equipment loans	1,698	569
Total loans and borrowings	82,868	86,705
Less current portion	(25,538)	(25,698)
	\$ 57,330	\$ 61,007

(1) Net of debt issuance costs.

Corporate credit facilities

Corporate term credit facility

On March 12, 2019, the Corporation amended its term credit facility ("Corporate Credit Facility") to require the Corporation to repay debt at par with all excess free cashflow as defined in the agreement and to increase the total leverage ratio. In consideration for the amendments, the Corporation agreed to pay a cash fee of 1.5% (\$630 USD, \$816 CAD) of the principal loan balance and reprice the existing 2,078,568 lender warrants to \$1.4375 per share (half of which were previously exercisable at \$3.508 per share and half were exercisable at \$3.965 per share). Financial covenants in the Corporate Credit Facility include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of:

- 4.25:1.00 for the fiscal quarters ending June 30, 2019, September 30, 2019 and December 31, 2019;
- 4.00:1.00 for the fiscal quarters ending March 31, 2020 and June 30, 2020; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

As at June 30, 2019, the Corporation was in compliance with all such covenants.

Subsidiaries credit facilities

AG

On March 22, 2019 AG entered a \$1,354 term loan facility to finance equipment purchases. The term loan matures in April 2024 and bears interest at a fixed rate of 4.61% per annum. The committed term debt is secured by the specific financed capital assets.

DLC and Club16

Subsequent to the period ending June 30, 2019, DLC and Club16 amended their debt facilities (see note 17).

8. LEASE OBLIGATIONS

Balance at December 31, 2018	\$	1,746
Adoption of IFRS 16		53,168
Lease payments		(3,437)
Tenant allowances		869
Change in fair value		(43)
Interest on lease obligations		1,050
Balance at June 30, 2019		53,353
Less current portion		(4,641)
	\$	48,712

9. SHARE-BASED PAYMENTS

Share options

Under the Corporation's share option plan ("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 period is as follows:

	Number of share options	Weighted average exercise price
Outstanding share options, December 31, 2018	2,418,911	\$ 3.81
Expired	(33,333)	4.40
Outstanding share options, June 30, 2019	2,385,578	\$ 3.80

The following table summarizes the share options outstanding and exercisable under the Plan as at June 30, 2019:

Grant date	Share options outstanding	Years to Maturity	Share options exercisable	Weighted average exercise price
July 15, 2015	96,666	6.0	96,666	\$ 2.40
February 23, 2016	743,912	1.7	644,281	3.00
July 7, 2016	1,270,000	2.0	1,270,000	4.40
July 3, 2017	75,000	3.0	75,000	3.00
September 15, 2017	200,000	3.2	200,000	4.00
	2,385,578		2,285,947	\$ 3.84

The Corporation recorded total share-based payment expense of \$188 and \$278 for the three and six months ended June 30 2019 (June 30, 2018—\$178 and \$325). These amounts include share-based payment expense related to the Corporation's share options for the three and six months ended June 30, 2019 of \$4 and \$79 (June 30, 2018—\$174 and \$302), share-based recoveries related to Impact's share appreciation rights ("SARs") of \$(102) and \$(87) (June 30, 2018—\$18 and \$37), and restricted share unit expense of \$286 and \$286 (June 30, 2018 - \$nil and \$nil).

Restricted Share Unit Plan

On May 1, 2019, the Corporation issued restricted share units ("RSUs") to directors and employees. The Corporation's RSU plan provides RSUs to be issued and settled in cash on the vesting date. The Corporation's directors determine at the time of the grant: the vesting period, the number of units issued, and the terms of the RSUs.

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A summary of the RSU activity in the period is as follows:

	Total
Outstanding RSUs, December 31, 2018	-
Granted	371,333
Vested	-
Forfeited	(40,000)
Outstanding RSUs, June 30, 2019	331,333

The fair value of the RSUs are measured using the Corporation's share price at the end of the period.

Warrants

The following table summarizes the warrants outstanding:

	Years to Maturity	Warrants Outstanding	Exercise price
Outstanding lender warrants, December 31, 2018	3.45	2,078,568	\$ 3.74
Outstanding lender warrants, June 30, 2019	2.96	2,078,568	\$ 1.44

The Corporation repriced its outstanding lender warrants to \$1.4375 per warrant from the weighted average of \$3.7365 as consideration for amending our Corporate Credit Facility (see note 7). Using the Black-Scholes pricing model, the warrants have been valued at \$0.24 per warrant, which resulted in an increase in the fair value of the lender warrants of \$450. The increase in fair value was recognized as an increase to contributed surplus, with the offset to debt issuance costs, which is netted against loans and borrowings on the Corporations statements of financial position.

10. 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 the Corporate and Consolidated segment and three operating segments, which consist of business operations conducted through Franchise (DLC), Consumer Products and Services (Club16), and Business Products and Services (Impact and AG). The Franchise segment is engaged in the business of franchising mortgage brokerage services and operates in all ten Canadian provinces. The Consumer Products and Services segment is engaged in the fitness business in the Metro Vancouver area. The Business Products and Services segment is engaged in the business of designing and retailing communication, print and print products and services and has sales throughout North America.

The Corporate and Consolidated segment used in the following segment tables is not a separate operating segment and reflects revenue earned and expenses incurred at the corporate office level and consolidating accounting entries.

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	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at June 30, 2019					
Cash and cash equivalents	\$ 1,264	\$ 1,358	\$ 1,438	\$ 898	\$ 4,958
Trade, other receivables and other assets	8,629	1,614	11,188	881	22,312
Right-of-use assets	332	40,328	10,290	-	50,950
Intangible assets	124,141	5,304	25,387	-	154,832
Goodwill	60,437	22,432	20,297	-	103,166
Capital and other assets	2,764	17,187	21,489	1,049	42,489
Total assets	\$ 197,567	\$ 88,223	\$ 90,089	\$ 2,828	\$ 378,707
Accounts payable and accrued liabilities					
Capital lease obligation	\$ 8,260	\$ 2,174	\$ 6,140	\$ 1,271	\$ 17,845
Loans and borrowings	335	41,767	10,579	672	53,353
Deferred tax	13,245	6,471	8,841	54,311	82,868
Other liabilities	28,004	1,641	9,670	(804)	38,511
	2,933	278	15,038	1,165	19,414
Total liabilities	\$ 52,777	\$ 52,331	\$ 50,268	\$ 56,615	\$ 211,991

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Corporate and Consolidated
For the three months ended June 30, 2019					
Revenue	\$ 10,440	\$ 9,270	\$ 17,578	\$ -	\$ 37,288
Direct costs	1,985	892	9,334	-	12,211
General and administrative	4,759	3,876	4,089	612	13,336
Share-based payments	-	-	(101)	289	188
Depreciation and amortization	1,261	1,877	2,192	9	5,339
Finance expense	199	594	224	1,835	2,852
Non-cash impairment	-	-	6,832	-	6,832
Other expenses	29	10	23	(1,115)	(1,053)
Income (loss) before tax	\$ 2,207	\$ 2,021	\$ (5,015)	\$ (1,630)	\$ (2,417)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Corporate and Consolidated
For the six months ended June 30, 2019					
Revenue	\$ 18,519	\$ 15,827	\$ 35,937	\$ -	\$ 70,283
Direct costs	2,997	1,678	19,729	-	24,404
General and administrative	9,335	7,575	8,285	2,083	27,278
Share-based payments	-	-	(86)	364	278
Depreciation and amortization	2,557	3,770	4,382	24	10,733
Finance expense	359	1,024	417	3,740	5,540
Non-cash impairment	-	-	6,832	-	6,832
Other expenses	121	10	(8)	(2,314)	(2,191)
Income (loss) before tax	\$ 3,150	\$ 1,770	\$ (3,614)	\$ (3,897)	\$ (2,591)

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	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at December 31, 2018					
Cash and cash equivalents	\$ 2,452	\$ 613	\$ 356	\$ 2,071	\$ 5,492
Trade, other receivables and other assets	12,636	2,217	12,670	703	28,226
Intangible assets	125,929	5,969	27,482	-	159,380
Goodwill	60,437	22,431	27,389	-	110,257
Capital and other assets	1,689	16,158	24,594	825	43,266
Total assets	\$ 203,143	\$ 47,388	\$ 92,491	\$ 3,599	\$ 346,621
Accounts payable and accrued liabilities					
Loans and borrowings	\$ 11,887	\$ 2,012	\$ 7,592	\$ 1,479	\$ 22,970
Deferred tax	12,435	7,097	9,746	57,427	86,705
Other liabilities	28,338	2,102	10,279	(1,166)	39,553
	2,748	1,534	17,067	1,222	22,571
Total liabilities	\$ 55,408	\$ 12,745	\$ 44,684	\$ 58,962	\$ 171,799

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the three months ended June 30, 2018					
Revenue	\$ 10,035	\$ 8,246	\$ 17,345	\$ -	\$ 35,626
Direct costs	1,631	623	9,271	-	11,525
General and administrative	3,790	4,556	4,677	971	13,994
Share-based payments	-	-	18	160	178
Depreciation and amortization	1,512	887	1,690	9	4,098
Finance expense	325	80	114	1,735	2,254
Other expenses	1,226	21	522	1,206	2,975
Income (loss) before tax	\$ 1,551	\$ 2,079	\$ 1,053	\$ (4,081)	\$ 602

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the six months ended June 30, 2018					
Revenue	\$ 18,155	\$ 14,143	\$ 33,469	\$ -	\$ 65,767
Direct costs	2,698	1,199	18,474	-	22,371
General and administrative	7,257	9,111	9,057	2,149	27,574
Share-based payments	-	-	37	288	325
Depreciation and amortization	2,984	1,682	3,541	17	8,224
Finance expense	464	144	211	3,378	4,197
Other expenses	1,278	27	1,029	2,520	4,854
Income (loss) before tax	\$ 3,474	\$ 1,980	\$ 1,120	\$ (8,352)	\$ (1,778)

11. REVENUES

	For the three months ended		For the six months ended	
	2019	June 30, 2018	2019	June 30, 2018
Franchising revenue, mortgage brokerage services	\$ 10,330	\$ 9,733	\$ 18,320	\$ 17,580
Brokering of mortgages	110	126	199	220
Memberships and dues revenue	7,342	6,595	12,388	11,075
Radio and radio accessories	3,694	3,204	9,408	5,715
Print and print services	13,709	13,945	26,104	27,398
Supplementary services revenue and other revenue	2,103	2,023	3,864	3,779
	\$ 37,288	\$ 35,626	\$ 70,283	\$ 65,767

The quarterly results may vary from quarter to quarter because of seasonal fluctuations in our reporting segments. The Franchise 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. The Consumer Products and Services segment revenues increase significantly in the second quarter of each year, as an annual club enhancement fee is charged to Club16 members in May of each year. The Business Products and Services segment revenues can fluctuate due to customer purchasing patterns and due to the cyclical nature of advertising campaigns, revenues tend to be somewhat higher in the second and fourth quarters. Further, large one-time orders, can and have occurred at various times throughout the year, causing irregular increases in revenues in some quarters.

Revenue earned from contracts with customers included in the above for the Franchise and Consumer Products and Service segment for the three and six months ended June 30, 2019 is \$10,406 and \$9,032; and \$18,380 and \$15,468 (June 30, 2018—\$9,879 and \$7,893; and \$17,799 and \$13,522).

12. FINANCE EXPENSE

	For the three months ended		For the six months ended	
	2019	June 30, 2018	2019	June 30, 2018
Interest expense on debt obligations	\$ 1,984	\$ 1,975	\$ 3,969	\$ 3,598
Interest on lease obligations	627	-	1,050	-
Amortization of debt issuance costs	200	279	442	599
Accretion expense	41	-	79	-
	\$ 2,852	\$ 2,254	\$ 5,540	\$ 4,197

13. LOSS PER SHARE

	For the three months ended		For the six months ended	
	2019	June 30, 2018	2019	June 30, 2018
Net loss attributable to shareholders	\$ (2,288)	\$ (976)	\$ (3,760)	\$ (3,267)
Basic and diluted weighted average number of shares	38,182,542	38,150,053	38,182,542	38,139,389
Basic loss per share	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ (0.09)
Diluted loss per share	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ (0.09)

As at June 30, 2019, there were 2,385,578 share options (June 30, 2018—2,568,911) and 2,078,568 warrants outstanding (June 30, 2018—2,078,568) that were considered anti-dilutive (see note 9).

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the six months ended June 30,	2019	2018
Trade and other receivables	\$ 5,894	\$ 1,068
Prepaid expenses and deposits	(364)	(301)
Notes receivable	(17)	30
Inventories	537	56
Accounts payable and accrued liabilities	(5,051)	(3,774)
Deferred contract liability	182	120
Other current liabilities	101	(57)
	\$ 1,282	\$ (2,858)
Changes in non-cash working capital	1,282	(2,933)
Changes in non-cash investing capital	-	75
	\$ 1,282	\$ (2,858)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Corporation's financial risk management policies have been established 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. Because 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 comprise foreign exchange risk and interest rate risk.

Foreign exchange risk

The Corporation's exposure to foreign exchange fluctuations is limited to our balances in USD bank accounts, USD loans and borrowings, and Impact's operations, as a significant portion of its business is conducted in USD. At June 30, 2019, the USD cash balance is USD \$685 (CAD \$896), compared to USD \$242 (CAD \$330) at December 31, 2018. Our USD loans and borrowings balance is USD \$42,000 (CAD \$54,965); at December 31, 2018 it was USD \$42,000 (CAD \$57,296). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a \$2 increase and \$5,401 decrease of net income before tax for the three and six months ended June 30, 2019 (June 30, 2018—\$4 increase and \$5,260 decrease).

Interest rate risk

The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% change in interest rates on loans and borrowings would have an \$215 and \$428 increase of net loss for the three and six months ended June 30, 2019 (June 30, 2018—\$207 and \$409).

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.

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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.

Our primary source of credit risk relates to AG customers and DLC's franchisees and agents not repaying receivables. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. AG manages its credit risk through evaluation 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 teams of AG, DLC and Impact establish an allowance for doubtful accounts based on the specific credit risk of their customers. As at June 30, 2019, \$2,621 (December 31, 2018—\$2,100) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at June 30, 2019 is \$11 (December 31, 2018—\$19). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

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

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 4,958	\$ 5,492
Trade, other receivables and other assets	22,312	28,226
Notes receivable	316	299
	\$ 27,586	\$ 34,017

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 at June 30, 2019, contractual cash flow obligations and their maturities were as follows:

	Contractual cash flow	Within 1 year	Within 5 years	Thereafter
Bank indebtedness	\$ 32	\$ 32	\$ -	\$ -
Accounts payable and accrued liabilities	17,845	17,845	-	-
Lease obligations	33,346	10,290	17,772	5,284
Loans and borrowings	86,023	25,538	60,485	-
Long-term liabilities	1,968	-	1,968	-
Non-controlling interest liability	13,707	2,000	11,707	-
	\$ 152,921	\$ 55,705	\$ 91,932	\$ 5,284

Capital management

The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less net cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital at June 30, 2019, and December 31, 2018.

	June 30, 2019	December 31, 2018
Loans and borrowings	\$ 82,868	\$ 86,705
Less: net cash and cash equivalents	(4,926)	(5,095)
Net loans and borrowings	\$ 77,942	\$ 81,610
Shareholders' equity	\$ 77,086	\$ 79,956

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

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The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally imposed capital requirements as at June 30, 2019.

Determination of fair value

The Corporation considers the following fair value hierarchy in measuring the fair value of the financial instruments presented in the Corporation's consolidated statements of financial position. The hierarchy reflects the significance of the inputs used in determining the fair values of the Corporation's financial instruments.

- i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. 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
- iii. 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 consolidated statements of financial position, categorized by hierarchical levels and their related classifications.

	Carrying value as at June 30, 2019	Fair value as at June 30, 2019		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Financial assets</i>				
Cash and cash equivalents	\$ 4,958	\$ 4,958	\$ -	\$ -
Trade, other receivables and other assets	22,312	-	-	-
Notes receivable	316	316	-	-
Investments	557	-	-	557
Equity accounted investment	1,137	-	-	1,137
<i>Financial liabilities</i>				
Bank indebtedness	(32)	(32)	-	-
Accounts payable and accrued liabilities	(17,845)	-	-	-
Loans and borrowings	(82,868)	-	(82,868)	-
Other current liabilities	(889)	(708)	(181)	-
Other long-term liabilities	(1,968)	-	(1,968)	-
Lease obligation	(53,353)	-	(53,353)	-
Non-controlling interest liability	(13,707)	-	-	(13,707)

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	Carrying value as at December 31, 2018	Fair value as at December 31, 2018		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Financial assets</i>				
Cash and cash equivalents	\$ 5,492	\$ 5,492	\$ -	\$ -
Trade, other receivables and other assets	28,226	-	-	-
Notes receivable	299	299	-	-
Investments	557	-	-	557
<i>Financial liabilities</i>				
Bank indebtedness	(397)	(397)	-	-
Accounts payable and accrued liabilities	(22,970)	-	-	-
Loans and borrowings	(86,705)	-	(86,705)	-
Other current liabilities	(788)	(486)	(302)	-
Other long-term liabilities	(3,293)	-	(3,293)	-
Lease obligation	(1,746)	-	(1,746)	-
Non-controlling interest liability	(13,621)	-	-	(13,621)

The fair value of trade, other receivables and other assets, notes receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these financial instruments. As at June 30, 2019 management has determined that the fair value of its loans and borrowings approximate their carrying value. The majority of loans and borrowings are subject to floating interest rates, and the Corporation and its subsidiaries' credit risk profiles have not significantly changed since obtaining each of the facilities.

16. COMMITMENTS AND CONTINGENCIES

Consulting agreement

In January 2019, DLC renewed a consulting agreement whereby DLC has agreed to incur an annual amount of \$100, paid quarterly, for consulting services related to promotional support. The consulting agreement expires in January 2020.

Service agreement

In March 2017, Impact entered into an inventory management service agreement with a third party to provide for the administration and maintenance of inventory held in its warehouse for an annual amount of \$456 USD. The service agreement expires in August 2021.

In March 2018, DLC entered into an agreement with a software development company to develop and support a customized mortgage application (“app”) for an annual amount of \$660. The agreement is a related party transaction due to common management between DLC and the service provider. The service agreement expires in March 2023.

DLC has contracts with external dealers to recruit franchises. DLC has a commitment to pay these dealers a commission for the franchise royalties earned by such franchises. Commissions are earned based on a percentage of franchise revenue earned and are accrued at the date it is earned. During 2018, a contract with a dealer was terminated, resulting in a loss on contract settlement of \$118 and \$236 for the three and six months ended June 30, 2019 (June 30, 2018—\$1,417). As of June 30, 2019, \$1,460 is outstanding (December 31, 2018—\$2,300).

Contingencies

Certain of the Corporations subsidiaries has outstanding legal claims, some of which the Corporation has been indemnified from certain losses. As the outcomes of the claims are not determinable, no provision for settlement has been made in the condensed consolidated financial statements.

17. SUBSEQUENT EVENTS

Sale of AG

On July 31, 2019 the Corporation entered into a sales agreement to sell the Corporation's 50% interest in AG for proceeds of \$17,000 ("the Purchase Price"). AG is reported in the Corporation's Business Products and Services operating segment. The purchase price is comprised of: (i) a cash payment of \$14.2 million; and (ii) the cancellation of the interest-bearing promissory note, which has a principal balance owing of \$2.5 million and accrued interest of \$0.3 million owing at the anticipated closing date. The sales transaction is scheduled to close on September 30, 2019. The Corporation will use the cash proceeds from the transaction to repay Corporate debt.

The Corporation recognized an impairment loss for the period ending June 30, 2019 of \$6,832 (see note 6) to reflect the fair value of AG based on the Purchase Price.

DLC Debt Amendment

On July 23, 2019 DLC entered into a \$1,100 term loan facility to refinance the acquisition of REMIC. The term loan matures 60 months from the date of drawdown and bears interest at prime + 1.00%. The loan requires annual covenants of a senior net debt to EBITDA ratio of less than 2:50:1 and a debt service coverage ratio equal or greater than 105%.

On July 23, 2019, DLC amended its existing demand operating facility. The amendment decreased the frequency of the financial covenants for the debt service charge ratio and senior net debt to EBITDA from quarterly to annually.

Club16 Debt Amendment

On August 12, 2019, Club16 amended its existing demand credit facility. The amendment decreased the frequency of the financial covenant for the debt service charge ratio from quarterly to annually and amended the interest rate. The interest rate is calculated based on prime plus a variable rate of 0.5% to 2.0% (from prime plus 1.25% previously), lowering the current interest rate calculated quarterly on the total debt to EBITDA ratio.

Cancellation of Share Options

On August 22, 2019, the Corporation entered into an agreement with a former employee to cancel 200,000 share options having an exercise price of \$3.00 and expiring on February 23, 2021; 100,000 stock options having an exercise price of \$4.40 and expiring on July 7, 2021; and 200,000 stock options having an exercise price of \$4.00 expiring on September 15, 2022. As such, an aggregate of 500,000 share options have been cancelled.