Founders Advantage Capital Corp.

Management's Discussion and Analysis

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

This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations for the three and six months ended June 30, 2017 and 2016 as well as information about our financial condition and future prospects. We recommend you read this MD&A in conjunction with the interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2017 ("interim financial statements"), our 2016 annual consolidated financial statements and our 2016 annual MD&A. The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements.

All amounts are presented in Canadian dollars unless otherwise stated. *We, us, our*, and *Founders Advantage*, refer to Founders Advantage Capital Corp. and our subsidiaries. Dominion Lending Centres Limited Partnership is referred to herein as "DLC", Club16 Limited Partnership is referred to herein as "Club16", and Cape Communications International Inc. (operating as Impact Radio Accessories) is referred to herein as "Impact". This MD&A is current as of August 28, 2017 and was reviewed and approved for issuance by our Audit Committee on behalf of the Board of Directors.

Advisory

This MD&A contains forward-looking statements, which are subject to risk and uncertainties that could cause our actual results to differ materially from the forward-looking statements. For additional information on forward-looking statements and material risks associated with them, please see the "Cautionary Note Regarding Forward-Looking Statements" section of this document.

This MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. Non-IFRS measures are defined and reconciled to the most directly comparable IFRS measure. Please see the "Non-IFRS Measures" section of this document for more information.

Note: all per share figures included throughout this MD&A reflect the results as if the 15:1 common share consolidation that was completed on May 18, 2016 applied to all periods.

We have organized our management's discussion and analysis in the following key sections:

BUSINESS OVERVIEW

Founders Advantage is an investment company that pursues majority (or controlling) interest acquisitions of cash flow positive middle-market privately held entities. Our platform offers contractual incentives for growth in favour of our partner entrepreneurs. This investment platform is designed to appeal to entrepreneurs who believe in the sustainable growth of their business and who want the added ability to continue operating their business with a long-term partner.

Our success depends on the ability of our partner entrepreneurs to continue operating their businesses profitably to the extent they can distribute cash flow to the corporate head office.

The nature of our business has significantly changed since February 2016 as a result of adopting a new investment model and putting in place a new management team. Due to the change in the nature of the business, several of the prior period balances included in the illustrative tables throughout this MD&A may not be directly comparable to the current period balances.

The following table outlines the acquisitions we have completed as of August 28, 2017:

(000's) [1]	Date of acquisition	Ownership interest	Annual distribution threshold [2][3]	Monthly distribution to corporate [3]	Total Adjusted EBITDA - YTD [4]
DLC	June 3, 2016	60%	$ 14,600	$ 540	$ 4,440 [5]
Club16	December 20, 2016	60%	5,850	270	4,376
Impact	March 1, 2017	52%	2,960	104	1,184 [6]
Total				**$ 914**	**$ 10,000**

(1) See the "Consolidated Results of Operations" section of this MD&A for further information on each of these subsidiaries.
(2) Minority interest shareholders of these investee entities receive a greater share of the annual cash distributions from these investees for any amounts paid over the annual distribution threshold.
(3) Distribution amounts from DLC and Impact are received on an after-tax basis; Club16 distributions are received on a pre-tax basis and are taxed at the Founders Advantage corporate head office level.
(4) Adjusted EBITDA is for the six months ended June 30, 2017. For Impact, the adjusted EBITDA is from the date of acquisition on March 1, 2017 to June 30, 2017. Please see the "Non-IFRS Measures" section of this document for the definition of adjusted EBITDA.
(5) Included within DLC's adjusted EBITDA is negative adjusted EBITDA of $1.2 million related the restructuring of Newton Connectivity Systems Inc. ("NCS") operations. Normalizing for the negative adjusted EBITDA from NCS's operations, DLC's adjusted EBITDA for the six months ended June 30, 2017 would have been $5.6 million. See the "Financial Highlights" section of this MD&A for further discussion.
(6) Impact's adjusted EBITDA as set out in our financial statements, and in the Impact segmented section of this MD&A, is $0.9 million as it includes only the corporate head office's 52% share of adjusted EBITDA.

Consolidated financial reporting

We currently operate three reportable business segments, being the operations of DLC, Club16 and Impact. For financial reporting purposes, the Founders Advantage corporate head office controls each of these entities, and as a result this MD&A and the consolidated financial statements for the three and six months ended June 30, 2017 include 100% of the accounts of each of our subsidiaries. In the case of DLC and Club16, we own a 60% interest in these entities and reflect 100% of their accounts in our consolidated results. The Impact business segment is accounted for differently as Impact's non-controlling interest is classified as a liability, rather than equity. The results of Impact reflect 100% of Impact's revenues and operating expenses, however the non-controlling interest's 48% share of net income is reallocated from the income statement (as other expense) to the non-controlling interest liability on the statement of financial position, resulting in income before tax and adjusted EBITDA only being the corporate head office's 52% interest in Impact.

2017 KEY CORPORATE ACCOMPLISHMENTS

We continue to focus on sourcing and completing acquisitions consistent with our investment model. Our key accomplishments during the six months ended June 30, 2017 are as follows:

Acquisition - Impact
On March 1, 2017, we acquired a 52% majority and voting interest in Impact, which is engaged in the business of designing, manufacturing and retailing of two-way radio accessories in the land mobile radio industry. Impact sells to dealers throughout North America, with its products being used in the field by some of the most recognized companies in public safety, military, security, retail and hospitality. The aggregate purchase consideration was $12.7 million. The purchase was funded by our existing credit facilities, which were amended to fund the acquisition.

Dividend declared
During 2017, we started distributing a quarterly dividend of $0.0125 per share ($0.05 per share annualized), which resulted in a payment of $0.5 million on April 12, 2017 and $0.5 million on July 12, 2017 to shareholders of record as at March 31, 2017 and June 30, 2017, respectively.

ATB refinancing
Concurrent with the acquisition of Impact, we amended our corporate credit facilities to increase the revolving acquisition credit facility from $17.0 million to $28.0 million, and cancelled our $5.0 million non-revolving demand acquisition credit facility. This amendment increased our available borrowing limit from $22.0 million to $28.0 million, which was used to fund the acquisition of Impact. On June 14, 2017, we repaid this ATB credit facility in full.

New Sagard credit facility
During Q2 2017, we closed a five-year $75.0 million USD term credit facility (the "Sagard Facility") with Sagard Holdings ULC ("Sagard"), of which $42.0 USD million was advanced at closing, for the purposes of repaying the ATB credit facility, financing future acquisitions and for general corporate purposes (see the "Capital Resources" section of this MD&A for further details).

2017 OUTLOOK AND STRATEGIC OBJECTIVES

The information in this section is forward-looking and should be read in conjunction with the "Cautionary Note Regarding Forward Looking Statements" section found at the end of this MD&A.

Corporate
Our management team continues to market our investment strategy across North America and receives numerous inbound proposals from founders and their advisors each week. We have a robust pipeline of potential transactions that we continue to review and assess. Our 2017 key financial priorities include:

- continuing to focus on acquiring investees with consistent historical EBITDA, significant free cash flows generations, and expected annual organic growth;
- maximizing shareholder value through on-going monitoring of our operating subsidiaries; and
- seeking sources of capital to fund operations and finance future acquisition opportunities.

DLC segment
Throughout 2017, DLC expects to continue its organic growth by expanding its network of mortgage brokers and franchisees through targeted recruiting initiatives. As a result, we anticipate DLC continuing to grow its funded mortgage volumes, resulting in steady growth in revenues and adjusted EBITDA compared to prior periods.

During 2017, DLC's management team will also be focused on integrating and reorganizing NCS, its recently acquired broker connectivity platform, into its operations. Through synergies obtained from DLC's ownership of NCS, it is anticipated that DLC can increase NCS's market share by having additional DLC mortgage brokers switch from a third party connectivity platform to the NCS platform.

Industry commentary

The mortgage brokerage industry is currently being impacted by the introduction of changes to the mortgage rules by the Canadian Federal Government. The new rules were effective as of October 17, 2016, and impact homebuyers' eligibility for new government-backed insured mortgages. These changes result in many homebuyers qualifying for lower mortgage amounts than they would have prior to the introduction of these rules. While DLC is not a lender and does not itself offer mortgages, it does offer mortgage brokerage services, whereby it assists customers in obtaining and negotiating new mortgages and mortgage renewals.

Despite the change in the mortgage rules, during the first six months of 2017, DLC has continued to experience growth in its year-over-year funded mortgage volumes, with a 0.5% increase in volumes over the same period last year. Growth in the funded volumes of mortgages on a per broker basis has seen some declines during the first half of 2017 when compared to the same period last year, which was expected due to the change in the mortgage rules. While there does appear to be some slowdown in growth on a per broker basis, this ease in growth is anticipated to be more than offset by the increase in volumes of funded mortgages as a result of adding new franchisees and mortgage brokers during the same period. This is consistent with management's expectations, as historically, DLC has been able to sustainably grow its revenues in difficult economic times by adding new franchisees and mortgage brokers, and as such, it is not anticipated that the new rules will have a significant long-term effect on DLC's revenues.

Club16 segment

Club16's organic growth initiatives for 2017 include expanding one of its existing clubs to allow for membership growth (set to open mid-September 2017), as well as introducing personal training services into three more of the existing fitness clubs. The offering of personal training is a relatively new service for Club16, which has resulted in continuous adjusted EBITDA growth over the past year. It is anticipated that these initiatives will have a positive impact on 2017 fitness club membership revenues and adjusted EBITDA.

Club16 is also in the process of building out another new fitness club in South Surrey, British Columbia, which is expected to open in January of 2018. This club is expected to accommodate up to 7,500 new members.

Impact segment

Throughout 2017, Impact expects to continue to organically grow their operations by adding new distributors for its products and by working with its existing key distributors to establish long-term partnerships. By establishing these partnerships with certain distributors, Impact expects to generate higher sales by entering into long-term sales contracts, and by increasing order quantities through arrangements such as automatic quarterly order quantities. During Q2 2017, Impact was able to establish or renew its relationships with 32 dealers in the industry. These initiatives are expected to result in adjusted EBITDA growth in the coming year. As a part of this sales growth initiative, Impact has added two new sales staff during the first quarter of 2017.

FINANCIAL HIGHLIGHTS

Below are the financial highlights of our consolidated results for the three and six months ended June 30, 2017. You can find a more detailed discussion in the "Consolidated Results of Operations" section of this MD&A. Due to the change in the nature of our business that resulted from the new investment model and management team in 2016, our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

	For the three months ended			For the six months ended	
(000's except per share amounts)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues	$ 19,500	$ 13,694	$ 3,018	$ 33,194	$ 3,018
Income (loss) from operations	2,640	(1,790)	(1,832)	850	(4,775)
Adjusted EBITDA (1) (2)	5,464	1,396	(302)	6,860	(2,232)
Net income (loss) for the period	3,091	(1,660)	949	1,431	(3,076)
Net income (loss) attributable to:					
Shareholders	$ 975	$ (1,630)	$ 599	$ (655)	$ (3,426)
Non-controlling interests	$ 2,116	$ (30)	$ 350	$ 2,086	$ 350
Adjusted EBITDA attributable to:					
Shareholders	$ 2,789	$ 345	$ (903)	$ 3,134	$ (2,833)
Non-controlling interests	$ 2,675	$ 1,051	$ 601	$ 3,726	$ 601
Income (loss) per share:					
Basic	$ 0.03	$ (0.04)	$ 0.03	$ (0.02)	$ (0.21)
Diluted	$ 0.03	$ (0.04)	$ 0.02	$ (0.02)	$ (0.21)

(1) One of the measures we use to assess our overall performance is adjusted EBITDA, which is a supplemental measure of our income from operations in which depreciation and amortization, finance expense and other unusual or one-time items are added back to income from operations to arrive at adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

(2) Included within consolidated adjusted EBITDA is negative adjusted EBITDA of $0.4 million and $1.2 million for the three and six months ended June 30, 2017 related to the restructuring of NCS. Normalizing for the negative adjusted EBITDA from NCS's operations, consolidated adjusted EBITDA for the three and six months ended June 30, 2017 would have been $5.9 and $8.1 million, respectively.

FINANCIAL POSITION (000's)	As at June 30, 2017	As at December 31, 2016
Cash and cash equivalents	$ 33,174	$ 7,824
Working capital (deficiency)	18,972	(19,390)
Total assets	302,943	258,171
Total loans and borrowings	68,049	32,455
Shareholders' equity	107,032	106,849
SHARE INFORMATION		
Common shares outstanding	38,128,606	37,714,342

Three-month highlights

Consolidated results

Our consolidated revenues for the current quarter have increased by $5.8 million over the three months ended March 31, 2017 to $19.5 million, which can be attributed to the operations of each of our three business segments (see the "Business Overview" section of this MD&A). DLC volumes of funded mortgages increased by $1.7 billion over the prior quarter, resulting in an additional $1.4 million in revenues over the comparative period. This increase in revenues is consistent with management's expectations as DLC's operations are subject to seasonal variances that move with the normal home buying season, with funded mortgage volumes peaking in the months of June through September of each year. The comparative quarter, the months of January through March, typically result in the lowest volumes of funded mortgages each year. The increase in DLC's revenues can also be partially attributed to NCS's operations, which contributed revenues of $0.7 million in the current quarter compared to $0.6 million during the three months ended March 31, 2017, an increase of $0.1 million. NCS's revenues have increased primarily due to signing on new customers during Q2 2017 to use the NCS mortgage deal submission and tracking platform. Revenue from Club16 operations has increased by $2.3 million over the three months ended March 31, 2017 primarily due to an annual club enhancement fee that is charged to members in May of each year. Normalizing for the club enhancement fee, Club16 revenues are up approximately $0.1 million over the comparative quarter primarily due to seasonal bike rental sales. Bikes sales revenues are earned from mid-March to mid-October of each year. This is the first full quarter in which the Impact operations have been included in our consolidated results, adding an additional $2.0 million to our consolidated revenues. The Impact acquisition was completed on March 1, 2017 and therefore the prior quarter included only 31 days of the Impact operating results (see the "2017 Key accomplishments" section of this MD&A for discussion of the Impact acquisition).

Income from operations for the three months ended June 30, 2017 increased to $2.6 million from a loss of $1.8 million during the three months ended March 31, 2017. The increase in consolidated income from operations is due to higher revenues generated by each of our three business segments as discussed above and is partially offset by higher operating costs of $0.6 million, which are significantly related to the inclusion of the first full quarter of Impact's operations into our consolidated results, and higher seasonal advertising and promotion costs from DLC's operations. DLC's advertising campaigns typically incur the highest costs in the spring and fall of each year.

Adjusted EBITDA has increased during the current period to $5.5 million from $1.4 million in the three months ended March 31, 2017. This variance is in part the result of the Impact acquisition, which added $0.5 million to adjusted EBITDA for the quarter. Club16's adjusted EBITDA also increased by $2.1 million driven primarily by the annual club enhancement fee revenue earned during the quarter, and DLC's adjusted EBITDA increased by $1.2 million, which is substantially related to the seasonality of the normal home buying season and is partially offset by higher operating costs related to DLC's seasonal advertising and promotional activities. NCS's operations also added to the positive increase in adjusted EBITDA over the comparative period, as NCS's negative adjusted EBITDA decreased from $0.8 million to $0.4 million in the current quarter. It is management's expectation that NCS will contribute cumulative positive adjusted EBITDA during Q4 2017 as a result of the synergies obtained from DLC's ownership and restructuring of NCS.

Net income for the three months ended June 30, 2017 has increased to $3.1 million from a loss of $1.7 million for the three months ended March 31, 2017. The increase in net income is significantly related to the $5.8 million increase in revenues generated by our three business segments, increases to Other Income of $1.2 million related mainly to gains on sale of DLC and NCS assets (see the "DLC Segment" section of this MD&A for further discussion), offset by higher operating costs related primarily to the timing of the Impact acquisition as the prior quarter included only 31 days of Impact's financial results, as well as higher costs in the DLC segment related to seasonal advertising and promotion costs.

Six-month highlights

Consolidated results

Our consolidated revenue for the six months ended June 30, 2017 has increased by $30.2 million over the six months ended June 30, 2016 to $33.2 million, compared to revenue of $3.0 million in the prior year. This variance is reflective of the timing of the acquisitions of each of our subsidiaries, as the June 30, 2016 results included only 27 days of DLC's results. Club16 and Impact were acquired subsequent to the comparative period balance sheet date, on December 20, 2016 and March 1, 2017, respectively.

Our consolidated income from operations for the six months ended June 30, 2017 has increased by $5.7 million over the six months ended June 30, 2016 to $0.9 million, compared to a loss from operations of $4.8 million in the prior year. As indicated above, this variance is reflective of the timing of the acquisitions of each of our subsidiaries, as the June 30, 2016 results included only 27 days of DLC's results.

Our adjusted EBITDA for the six months ended June 30, 2017 has increased to $6.9 million from negative EBITDA of $2.2 million during the six months ended June 30, 2016. As indicated above, this increase is substantially related to the timing of the acquisition of each of our subsidiaries, as well as a $1.2 million decline in corporate head office operating costs. Corporate head office costs were higher in the comparative period in 2016 primarily due to severance costs for the corporate head office's former management team.

Net income for the six months ended June 30, 2017 has increased to $1.4 million from a loss of $3.1 million for the six months ended June 30, 2016. The increase in net income is significantly related to the increase in income from operations generated by our three business segments due to the timing of the transactions, a decline in corporate head office costs for severance payments made in the comparative period in 2016, as well as one-time gains on the sale of DLC and NCS assets of $1.8 million (see the "DLC Segment" section of this MD&A for further discussion).

CONSOLIDATED RESULTS OF OPERATIONS

Below is selected financial information from our 2017 consolidated interim financial results. Due to the change in the nature of our business in February 2016 (see "Business Overview" section of this MD&A) our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

See the "Accounting Policies" section of this MD&A, notes to our June 30, 2017 interim financial statements and the notes to the December 31, 2016 annual financial statements for significant accounting policies and estimates as they relate to the following discussion.

We currently operate three reportable business segments, being the operations of DLC, Club16 and Impact. While our operating results reflect 100% of DLC's and Club16's results, we own a 60% interest in both entities. The Impact business segment is accounted for differently as Impact's non-controlling interest is classified as a liability, rather than equity. The results of Impact reflect 100% of Impact's revenues and operating expenses, however the non-controlling interest's 48% share of net income is reallocated from the income statement through the other expense line in the table below, resulting in income (loss) before tax and adjusted EBITDA only being the corporate head office's 52% interest in Impact. A reconciliation of our reportable segments to our consolidated results presented in this table can be found in Appendix B.

	For the three months ended			For the six months ended	
(000's)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues	$ 19,500	$ 13,694	$ 3,018	$ 33,194	$ 3,018
Operating expenses	16,860	15,484	4,850	32,344	7,793
Income (loss) from operations	**2,640**	**(1,790)**	**(1,832)**	**850**	**(4,775)**
Other income (expense), net	1,188	(653)	(687)	535	(1,769)
Income (loss) before tax	**3,828**	**(2,443)**	**(2,519)**	**1,385**	**(6,544)**
Add back:					
Depreciation and amortization	2,332	2,113	294	4,445	294
Finance expense	889	528	516	1,417	516
Other adjusting items (1)	(1,585)	1,198	1,407	(387)	3,502
Adjusted EBITDA (2) (3)	**$ 5,464**	**$ 1,396**	**$ (302)**	**$ 6,860**	**$ (2,232)**

(1) Other adjusting items include share-based payments, gain on sale of assets, unrealized foreign exchange gain, loss on sale of investments, corporate start-up costs, and professional fees related to arbitration settlement. See "Appendix A" for a detailed reconciliation of adjusting items.
(2) One of the measures we use to assess our overall performance is adjusted EBITDA, which is a supplemental measure of our loss from operations in which depreciation and amortization, finance expense, certain non-cash items and other unusual or one-time items are added back to income from operations to arrive at adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.
(3) Included within consolidated adjusted EBITDA is negative adjusted EBITDA of $0.4 million and $1.2 million for the three and six months ended June 30, 2017 related to the restructuring of NCS. Normalizing for the negative adjusted EBITDA from NCS's operations, consolidated adjusted EBITDA for the three and six months ended June 30, 2017 would have been $5.9 and $8.1 million, respectively. See the "Financial Highlights" section of this MD&A for further discussion.

Revenues

	For the three months ended			For the six months ended	
(000's)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	$ 19,500	**$ 13,694**	**$ 3,018**	**$ 33,194**	**$ 3,018**

Our consolidated revenues for the three months ended June 30, 2017 increased $5.8 million over the three-month period ended March 31, 2017 from $13.7 million to $19.5 million. This increase can be primarily attributed to the inclusion of a full quarter of Impact's revenue of $2.9 million, higher Club16 revenues of $2.3 significantly due to annual club enhancement fees charged in May of each year, and an increase in DLC's revenues of $1.5 million over the comparative period. The increase in DLC's revenues is due primarily to the expected seasonal variances with the normal home buying season, which typically results in the highest volumes of funded mortgages in the months of June through September of each year.

Our consolidated revenues for the six months ended June 30, 2017 increased $30.2 million over the six-month period ended June 30, 2016 from $3.0 million to $33.2 million. The significant increase in revenue is attributable to the timing of the acquisition of each of our three business segments, as the June 30, 2016 results only included 27 days of DLC revenues. Impact and Club16 were both acquired subsequent to June 30, 2016.

Operating expenses

	For the three months ended			For the six months ended	
(000's)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Direct costs	$ 3,325	$ 2,232	$ 604	$ 5,557	$ 604
Acquisition and due diligence costs	63	281	663	344	1,879
General and administrative	10,383	9,643	2,428	20,026	3,197
Share-based payments	757	1,215	861	1,972	1,819
Depreciation and amortization	2,332	2,113	294	4,445	294
	$ 16,860	**$ 15,484**	**$ 4,850**	**$ 32,344**	**$ 7,793**

Three-month consolidated

Direct costs

Our consolidated direct costs relate to the operations of each of our three business segments. DLC's direct costs are comprised of franchise recruiting and support costs and advertising fund expenditure, Club16's direct costs relate primarily to costs of personal training, and Impact's direct costs relate to the cost of product sales. During the three months ended June 30, 2017, we incurred $3.3 million in direct costs, compared to $2.2 million during the three months ended March 31, 2017, an increase of $1.1 million. The variance is primarily the result of the inclusion a full quarter of Impact's direct costs of $1.3 million compared to $0.4 million in the prior quarter due to the timing of the acquisition. In addition, DLC's direct costs increased by $0.3 million in the current quarter mainly due to increased advertising fund expenditures.

Acquisition and due diligence costs

We incurred $0.1 million in acquisition and due diligence costs at the corporate head office during the three months ended June 30, 2017, compared to $0.3 million during the three months ended March 31, 2017, a decrease of $0.2 million. Quarter-over-quarter costs have decreased as certain due diligence processes are now being completed internally at a reduced cost. The cost of these acquisition and due diligence activities, whether completed or in process, are expensed as incurred.

General and administrative

During the three months ended June 30, 2017, we incurred $10.4 million in consolidated general and administrative expenses compared to $9.6 million during the three months ended March 31, 2017. This variance is driven primarily by Impact, DLC and corporate head office operations. This is the first full quarter in which Impact's expenses have been included within our consolidated results, resulting in an increase of $0.3 million over the prior quarter due to the timing of the acquisition. Further, DLC's general and administrative expenses have increased by $0.5 million over the comparative period primarily due to higher advertising costs related to an annual promotional event that is typically held in the spring of each year. Corporate general and administrative expenses have decreased by $0.4 million over the prior quarter primarily due to reduced professional fees, and advertising, promotion and travel costs incurred.

General and administrative expenses incurred during the three months ended June 30, 2016 related to consulting and professional fees, and salaries and salary-related costs incurred as a results of the change in our business in February 2016.

Share-based payments

During the three months ended June 30, 2017, we incurred $0.8 million in non-cash shared-based payments, compared to $1.2 million during the three months ended March 31, 2017, a decrease of $0.4 million. Share-based payments are lower during the current quarter due to the forfeiture of 188,333 share options during the quarter and revising the length of the vesting period of the shares held in escrow, partially offset by the expense of share appreciation rights related to the Impact acquisition (see the Impact segment discussion under the "Consolidated results of operations" section of this MD&A).

Depreciation and amortization

Depreciation and amortization primarily relates to the acquisition of, and subsequent additions to, finite life intangible assets acquired as a part of the DLC, Club16, NCS and Impact transactions. The intangible assets acquired as a part of these transactions that are being amortized into consolidated income include DLCs and NCS's software, DLC's renewable franchise rights and intellectual property rights, brand name license and customer relationships of Club16 and Impact, and Impact's supplier relationship and non-compete covenants.

We incurred $2.3 million in non-cash depreciation and amortization during the current quarter, compared to $2.1 million during the three months ended March 31, 2017, an increase of $0.2 million. The variance is primarily the result of higher depreciation and amortization related to the inclusion of a full quarter of Impacts' amortization expense, which resulted in an additional $0.2 million in depreciation.

Six-month consolidated
Consolidate operating expenses for the six months ended June 30, 2017 increased over the six-month period ended June 30, 2016 from $7.8 million to $32.3 million, an increase of $24.6 million. The significant increases in operating expenses related to direct costs, general and administrative expenses and depreciation and amortization are attributable to each our three business segments, as the June 30, 2016 results only included 27 days of the DLC operating results. Impact and Club16 were both acquired subsequent to June 30, 2016.

Corporate acquisition and due diligence costs decreased over the six-month period ended June 30, 2016 from $1.9 million to $0.3 million, a decrease of $1.6 million. Year-over-year costs have decreased as certain due diligence processes are now being completed internally at a reduced cost.

During the six months ended June 30, 2017, we incurred $2.0 million in non-cash shared-based payments, compared to $1.8 million during the six months ended June 30, 2016, an increase of $0.2 million. This increase is primarily related to the expense of share options issued subsequent to June 30, 2016, partially offset by revising the length of the vesting period of the shares held in escrow.

Finance expense

(000's)	For the three months ended June 30, 2017	For the three months ended March 31, 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
	$ 889	**$ 528**	**$ 516**	**$ 1,417**	**$ 516**

We incurred $0.9 million in financing costs during the current quarter, compared to $0.5 million during the three months ended March 31, 2017, an increase of $0.4 million. The increase over the prior quarter relates mainly to fees and interest expense incurred in connection with the Sagard Facility and extinguishing the prior corporate head office ATB credit facility (See the "Consolidated Liquidity and Capital Resources" section of this MD&A for additional discussion of our credit facilities).

Adjusted EBITDA

(000's) (1)	For the three months ended June 30, 2017	For the three months ended March 31, 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
	$ 5,464	**$ 1,396**	**$ (302)**	**$ 6,860**	**$ (2,232)**

(1) Included within consolidated adjusted EBITDA is negative adjusted EBITDA of $0.4 million and $1.2 million for the three and six months ended June 30, 2017 related to the restructuring of NCS. Normalizing for the negative adjusted EBITDA from NCS's operations, consolidated adjusted EBITDA for the three and six months ended June 30, 2017 would have been $5.9 and $8.1 million, respectively.

Adjusted EBITDA for the quarter was $5.5 million, compared to $1.4 million during the three months ended March 31, 2017, an increase of $4.1 million. This increase in our consolidated adjusted EBITDA can be attributed to each of our three business segments and the corporate head office. Club16's adjusted EBITDA has increased by $2.1 million which is significantly related to an annual club enhancement fee collected in May of each year, the recent acquisition of Impact which contributed an additional $0.6 million in the quarter, and DLC's adjusted EBITDA has increased $0.7 million over the prior quarter primarily due to expected seasonal increases for revenues on volumes of funded mortgages. NCS's operations also added to the positive increase in adjusted EBITDA over the comparative period, as NCS's negative adjusted EBITDA decreased from $0.8 million to $0.4 million in the current quarter. Additionally, corporate head office's negative adjusted EBITDA has decreased by $0.7 million over the prior quarter primarily due to lower general and administration costs and lower acquisition and due diligence costs. It is management's expectation that NCS will contribute cumulative positive adjusted EBITDA during Q4 2017, as significant synergies are expected to be obtained through DLC's ownership of NCS.

Adjusted EBITDA for the three months ended June 30, 2016 was negative $0.3 million which is primarily related to acquisition and due diligence costs of $0.7 million and general and administration expenses of $2.4 million.

Segmented Results

We discuss the results of our three reportable segments as presented in our June 30, 2017 interim financial statements: DLC, Club16 and Impact. The performance of our reportable segments is assessed based on revenues, income from operations and adjusted EBITDA. Adjusted EBITDA is a supplemental measure of the segment's income from operations in which depreciation and amortization, finance expense, share-based payment expense and unusual or one-time items are added back to the segments' income from operations to arrive at each segment's adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

We also report "Corporate head office", which includes expenses incurred by the Founders Advantage corporate head office. Corporate head office does not qualify as a separate reportable segment, but is presented to reconcile to our consolidated operating results.

A reconciliation of our reportable segments to our consolidated results presented in this table can be found in Appendix B.

DLC segment

	For the three months ended			For the six months ended	
(000's) (1) (2)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues	$ 8,802	$ 7,338	$ 3,018	$ 16,140	$ 3,018
Operating expenses (3)	7,572	6,729	1,813	14,301	1,813
Income from operations	**1,230**	**609**	**1,205**	**1,839**	**1,205**
Other income (expense), net	1,587	(275)	(39)	1,312	(39)
Income before tax	**2,817**	**334**	**1,166**	**3,151**	**1,166**
Add back:					
Depreciation and amortization	1,365	1,338	293	2,703	293
Finance expense	168	177	43	345	43
Gain on sale of assets (4)	(1,759)	-	-	(1,759)	-
Adjusted EBITDA (5)	**$ 2,591**	**$ 1,849**	**$ 1,502**	**$ 4,440**	**$ 1,502**
Adjusted EBITDA attributable to:					
Shareholders	$ 1,220	$ 1,244	$ 901	$ 2,464	$ 901
Non-controlling interests	$ 1,371	$ 605	$ 601	$ 1,976	$ 601
Key performance indicators:					
Funded mortgage volumes (6)	$ 8,530,883	$ 6,786,746	$ 3,562,402	$ 15,317,629	$ 3,562,402
Number of franchises (7)	473	446	431	473	431
Number of brokers (7)	5,396	5,309	5,102	5,396	5,102

(1) DLC's results generally vary from quarter to quarter as a result of seasonal fluctuations in the reporting segment. This means DLC's results in one quarter are not necessarily a good indication of how they will perform in a future quarter.
(2) The 2016 results presented in this table are from June 3, 2016, the date of acquisition.
(3) DLC's operating expenses are comprised of direct costs, general and administrative expenses, and depreciation and amortization expense.
(4) Adjustments relate to gains on sale from the disposition of a division of the NCS operations and a DLC asset sale.
(5) Included within DLC's adjusted EBITDA is negative adjusted EBITDA of $0.4 and $1.2 million related to the restructuring of the NCS operations for the three and six months ended June 30, 2017. Normalizing for the negative adjusted EBITDA from the restructuring of the NCS's operations, DLC's adjusted EBITDA for the three and six months ended June 30, 2017 would have been $3.0 million and $5.6 million. See the "Financial Highlights" section of this MD&A for further discussion.
(6) Funded mortgage volumes are a key performance indicator for the DLC segment that allows us to measure DLC's performance against our operating strategy. Volumes for 2016 comparatives are from the June 3, 2016 date of acquisition. These amounts are stated in thousands.
(7) The number of franchises and brokers are as at the respective balance sheet date.

DLC's volumes of funded mortgages increased by $1.7 billion over the three months ended March 31, 2017, resulting in additional revenues of $1.4 million over the comparative period. This increase in volumes is in line with management's expectations as DLC's operations are subject to seasonal variances, with volumes typically peaking in the months of June through September of each year. The increase in DLC's revenues can also be partially attributed to NCS's operations, which contributed revenues of $0.7

million in the current quarter compared to $0.6 million during the three months ended March 31, 2017, an increase of $0.1 million. NCS's revenues have increased primarily due to signing on new customers during Q2 2017 to use the NCS mortgage deal submission and tracking platform.

Despite the challenges presented from the changes to the Canadian mortgage rules in October 2016 (see the "2017 Outlook and Strategic Objective" section of this MD&A), DLC has been able to increase its year to date mortgage volumes, which are up 0.5% over the same six-month period in 2016.

During the three months ended June 30, 2017, DLC incurred $7.6 million in operating expenses, an increase of $0.8 million over the three months ended March 31, 2017. DLC's increase in operating costs in the current quarter is primarily due to higher direct costs of $0.3 million related to advertising fund expenditures for print and television advertising campaigns, and higher general and administrative costs of $0.5 million related mainly to an annual promotional event that is generally held in the spring of each year, and interest charges on GST amounts assessed for which the corporate head office has been indemnified. Advertising campaigns are seasonal with the highest costs typically incurred in the spring and fall of each year. The increase in the DLC operating costs is partially offset by the impact of NCS's operations, as NCS's operating costs have declined due to the prior quarter including $0.2 million in severance related costs.

During Q2 2017, DLC disposed of a division of the NCS operations for total consideration of $1.4 million, resulting in an accounting gain equal to the total consideration received. DLC also disposed of a book of royalty commissions during the quarter to a DLC salesperson for total proceeds of $0.4 million, resulting in a gain of $0.4 million. These gains have been adjusted out in calculating adjusted EBITDA for the quarter.

Adjusted EBITDA has increased by $0.7 million over the three months ended March 31, 2017 to $2.6 million primarily due to the expected seasonal increases in DLC's revenues of $1.4 million. The higher revenues are partially offset by an increase in adjusted operating costs during the quarter of $0.8 million, which are driven mainly by the seasonality of advertising campaigns and promotional events, net of the impact of NCS's operations. The NCS operations had lower operating costs during the current quarter, as the prior quarter included $0.2 million in severance related costs. Overall, NCS contributed negative adjusted EBITDA of $0.4 million during the current quarter, compared to $0.8 million for the three months ended March 31, 2017. It is management's expectation that significant synergies will be obtained through DLC's ownership and restructuring of NCS, and as such, NCS's revenues are expected increase significantly starting in Q4 2017.

Subsequent to June 30, 2017, DLC sold its 20% ownership interest in Canadiana for total proceeds of $2.5 million, which is expected to result in a gain in Q3 2017 of approximately $1.9 million. Year-to-date losses from Canadiana included within the DLC June 30, 2017 adjusted EBITDA is $0.2 million.

Distributions

DLC began issuing monthly after-tax distributions to its limited partners of $0.9 million in October 2016. As we hold a 60% interest in DLC, the corporate head office receives a monthly after-tax distribution of $0.54 million per month ($6.5 million annually) from DLC. As the DLC entities are taxed at the operating level and distribute income to the DLC limited partnership, no additional taxes are payable on the distributions received from DLC.

Club16 segment

	For the three months ended			For the six months ended	
(000's)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues	$ 7,811	$ 5,466	$ -	$ 13,277	$ -
Operating expenses	5,189	5,022	-	10,211	-
Income from operations	**2,622**	**444**	**-**	**3,066**	**-**
Other (expense) income, net	(92)	(40)	-	(132)	-
Income before tax	**2,530**	**404**	**-**	**2,934**	**-**
Add back:					
Depreciation and amortization	673	672	-	1,345	-
Finance expense	57	40	-	97	-
Adjusted EBITDA	**$ 3,260**	**$ 1,116**	**$ -**	**$ 4,376**	**$ -**
Adjusted EBITDA attributable to:					
Shareholders	$ 1,956	$ 670	$ -	$ 2,626	$ -
Non-controlling interests	$ 1,304	$ 446	$ -	$ 1,750	$ -
Key performance indicators:					
Total fitness club members (1)	80,808	80,296	77,717	80,808	77,717

(1) The number of fitness club members is as at the respective balance sheet date.

Club16's revenues have increased by $2.3 million over the three months ended March 31, 2017 mainly due to an annual club enhancement fee being charged in May of each year. Normalizing for the club enhancement fee, revenues are up $0.1 over the prior quarter which is driven by the increase in the number of members and seasonal bike rental revenues. Bike rental revenue is earned from mid-March to mid-October of each year.

Operating expenses have increased by $0.2 million over the prior quarter. This variance can be attributed to a $0.1 increase in repairs and maintenance costs, with the remainder attributable to higher point of sales system and bank charges incurred for processing the May club enhancement fees charged to members.

Club16 contributed $3.3 million in adjusted EBITDA to the Q2 2017 consolidated results, an increase of $2.1 million over the three months ended March 31, 2017. This variance is due to an increase in revenues of $2.3 million primarily related to the club enhancement fee revenue earned during the quarter, and is offset by a $0.2 million increase in general and administrative costs for increase repairs and maintenance costs and costs related to processing the annual club enhancement fees.

Club16 has no comparative period results for 2016 as it was acquired in December 2016.

Distributions

Club16 began issuing monthly pre-tax distributions to its limited partners of $0.45 million in March 2017. As we hold a 60% interest in Club16, the corporate head office receives a monthly distribution of $0.27 million per month ($3.2 million annually) from Club16. As the distributions received are on a pre-tax basis, income taxes on these amounts will be paid at the Founders Advantage corporate head office level. Expenses incurred by the Founders Advantage corporate head office will be used to offset any income tax liabilities generated by the receipt of distributions from Club16.

Impact segment

(000's) [1]	For the three months ended June 30, 2017	March 31, 2017	June 30, 2016	For the six months ended June 30, 2017	June 30, 2016
Revenues	$ 2,887	$ 890	$ -	$ 3,777	$ -
Operating expenses	2,204	799	-	3,003	-
Income from operations	**683**	**91**	**-**	**774**	**-**
Other expense, net	(255)	(32)	-	(287)	-
Income before tax	**428**	**59**	**-**	**487**	**-**
Add back:					
Depreciation and amortization	287	96	-	383	-
Other adjusting items	(15)	19	-	4	-
Adjusted EBITDA	**$ 700**	**$ 174**	**$ -**	**$ 874**	**$ -**
Adjusted EBITDA attributable to:					
Shareholders	$ 700	$ 174	$ -	$ 874	$ -
Non-controlling interests	$ -	$ -	$ -	$ -	$ -

(1) The results presented in this table are from March 1, 2017, the date of acquisition. As such, the March 31, 2017 results presented above include 31 days of Impact's operating results.
(2) Other adjusting items include share-based payment expense and unrealized gains on foreign exchange.

Impact's income from operations included in our consolidated results for the period is $0.7 million, compared to $0.1 in the prior quarter. This variance is reflective of the March 1, 2017 acquisition date, as only 31 days of Impact's results were included in our consolidated results at March 31, 2017. While the quarter-over-quarter results are not directly comparable, Impact's revenues, which are driven primarily from individual customer sales, have continued to grow over the prior quarter, with total revenues increasing by $0.5 million over the three months ended March 31, 2017. As Impact was acquired on March 1, 2017, only a portion of the Q1 2017 revenue is included in our year-to-date results set out above.

Operating expenses in the current period are made up primarily of direct costs of $1.3 million, general and administrative expenses of $0.6 million, depreciation and amortization of $0.3 million, and share-based payment expense of $8,676, compared to direct costs of $0.4 million, general and administrative expenses of $0.3 million, depreciation and amortization of $0.1 million, and share-based payments of $24,564 for the 31 days in the prior quarter. General and administrative expenses are comprised mainly of occupancy costs, salaries and promotional expenses. Impact's share-based payment costs relate to share appreciation rights ("SARs") which were granted to the management of Impact as a part of the Impact acquisition.

Included within Other expense for the three months ended June 30, 2017, is a $0.3 million (March 31, 2017 - $44,485) expense related to Impact's non-controlling interest shareholder's portion of Impact's net income. Impact's non-controlling interest is classified as a liability, rather than equity on our consolidated statement of financial position, and as a result net income attributable to the non-controlling interest is reallocated from the Impact results to the statement of financial position through the other (expense) income line in the table above, resulting in income (loss) before tax and adjusted EBITDA only being the corporate head office's 52% interest in Impact.

Impact's adjusted EBITDA has been stable or growing on a month-over-month basis during the first half of 2017, and is expected to occasionally benefit from large periodic orders from certain of its regular distributors. Impact has contributed $0.7 million in adjusted EBITDA to the quarterly consolidated results, after adjusting their income from operations for depreciation and amortization and other adjusting items, and is performing in line with management's expectations.

Impact has no comparative period results for 2016 as it was acquired in March 2017.

Dividends
Impact began issuing monthly after-tax dividends to its shareholders of $0.2 million in June 2017. As we hold a 52% interest in Impact, the corporate head office receives a monthly dividend of $0.1 million per month ($1.25 million annually) from Impact. As the Impact entities are taxed at the operating level and pay dividends to the shareholders after-tax income, no additional taxes are payable on the dividends received from Impact.

Corporate head office

(000's)	For the three months ended June 30, 2017	March 31, 2017 [1]	June 30, 2016	For the six months ended June 30, 2017	June 30, 2016
Revenues	$ -	$ -	$ -	$ -	$ -
Operating expenses	1,895	2,934	3,037	4,829	5,980
Income from operations	**(1,895)**	**(2,934)**	**(3,037)**	**(4,829)**	**(5,980)**
Other expense, net	(52)	(306)	(648)	(358)	(1,730)
Income before tax	**(1,947)**	**(3,240)**	**(3,685)**	**(5,187)**	**(7,710)**
Add back:					
Depreciation and amortization	7	7	1	14	1
Finance expense	664	311	473	975	473
Share-based payments	748	1,191	861	1,939	1,819
Unrealized foreign exchange gain	(559)	(12)	-	(571)	-
Other adjusting items [1]	-	-	546	-	1,683
Adjusted EBITDA	**$ (1,087)**	**$ (1,743)**	**$ (1,804)**	**$ (2,830)**	**$ (3,734)**
Adjusted EBITDA attributable to:					
Shareholders	$ (1,087)	$ (1,743)	$ (1,804)	$ (2,830)	$ (3,734)
Non-controlling interests	$ -	$ -	$ -	$ -	$ -

(1) Includes loss on sale of investments, corporate start-up costs and professional fees related to arbitration.

Corporate head office uses the cash received from the operating subsidiaries to fund its operating expenses, financing costs and dividends paid to shareholders. During the three and six months ended June 30, 2017, corporate received distributions from its subsidiaries of $2.7 million and $4.6 million, respectively.

During the three months ended June 30, 2017, corporate head office incurred operating expenses of $1.9 million, compared to $2.9 million during the three months ended March 31, 2017, a decrease of $1.0 million. The decrease in operating costs is primarily due to lower general and administrative costs ($0.4 million decrease from $1.4 to $1.0 million), share-based payments ($0.4 million decrease from $1.1 to $0.7 million), and acquisition costs ($0.2 million decrease from $0.3 to $0.1 million). General and administrative expenses have declined due to a reduction in professional fees, share-based payments have decreased primarily due to forfeitures of share options during the current quarter, and the decline in acquisition and due diligence costs can be attributed to certain due diligences processes now being completed internally at a reduced cost.

Other net expenses for the three months ended June 30, 2017 relate primarily to financing costs net of unrealized foreign exchange gains recorded during the quarter. Financing costs of $0.7 million were incurred during the current quarter, compared to $0.3 million during the three months ended March 31, 2017, an increase of $0.4 million. The increase over the prior quarter relates mainly to fees and interest expense incurred in connection with the Sagard Facility and extinguishing the corporate head office ATB facility. The unrealized foreign exchange gain of $0.6 million relates to the corporate head office's net USD debt position at June 30, 2017.

During Q2 2017, corporate head office paid $0.5 million of dividends to shareholders of record as at March 31, 2017. On June 15, 2017, the corporate head office declared a dividend of $0.5 million, which was paid on July 12, 2017.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows:

(000's)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Revenues	$ 19,500	$ 13,694	$ 9,277	$ 10,643	$ 3,018	$ -	$ -	$ -
Income (loss) from operations	2,640	(1,790)	(1,606)	699	(1,832)	(2,940)	(658)	(848)
Adjusted EBITDA (1)	5,464	1,396	998	4,905	(302)	(1,930)	(574)	(186)
Net income (loss)	3,091	(1,660)	(1,916)	(1,171)	949	(4,025)	(1,116)	(151)
Net income (loss) attributable to:								
Shareholders	975	(1,630)	(2,410)	(2,842)	599	(4,025)	(1,116)	(151)
Non-controlling interests	2,116	(30)	494	1,671	350	-	-	-
Net income (loss) per common share:								
Basic	0.03	(0.04)	(0.07)	(0.08)	0.03	(0.40)	(0.11)	(0.02)
Diluted	0.03	(0.04)	(0.07)	(0.08)	0.02	(0.40)	(0.11)	(0.02)

(1) Included within consolidated adjusted EBITDA is negative adjusted EBITDA related to the restructuring of NCS of \$0.4 million and \$0.8 million for the three months ended June 30, 2017 and March 31, 2017, respectively. Normalizing for the negative adjusted EBITDA from NCS's operations, consolidated adjusted EBITDA for the three months ended June 30, 2017 and March 31, 2017 would have been \$5.9 million and \$2.2 million respectively. See the "Financial Highlights" section of this MD&A for further discussion.

Quarterly trends and seasonality
Due to the significant change in our business in February 2016 and the acquisitions of DLC, Club16, and Impact, the prior periods shown in the above table are not necessarily meaningful and should not be relied upon as an indication of future performance.

Our quarterly results generally vary from quarter to quarter as a result of seasonal fluctuations in our reporting segments. This means our results in one quarter are not necessarily a good indication of how we will perform in a future quarter.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

(000's)	As at June 30, 2017	As at December 31, 2016
Cash and cash equivalents	$ 33,174	$ 7,824
Trade and other receivables	11,291	11,742
Prepaids and other assets	1,243	1,340
Notes receivable	295	290
Equity accounted investment	622	-
Financial instruments	59	-
Inventories	3,381	-
Accounts payable and accrued liabilities	(13,512)	(13,916)
Loans and borrowings	(11,368)	(25,064)
Deferred revenue	(683)	(970)
Other current liabilities	(430)	(636)
Non-controlling interest rights	(5,100)	-
Net working capital (deficit)	**$ 18,972**	**$ (19,390)**

Our capital strategy is aligned with our business strategy and is focused on ensuring that we have sufficient liquidity to fund our operations, service our debt obligations, fund future acquisition opportunities, and drive organic revenue growth in each of our subsidiaries to increase growth in free cash flows in order to return cash to our shareholders.

Our principal sources of liquidity are cash generated from the operations of our subsidiaries, borrowings under credit facilities, related party loans and equity offerings. Our primary uses of cash are for operating expenses, debt repayment, debt servicing costs and acquisitions.

As at June 30, 2017, we had a consolidated cash position of $33.2 million (December 31, 2016 - $7.8 million) and a net working capital of $19.0 million (December 31, 2016 – ($19.4) million). The increase in working capital over the comparative period is primarily the result of entering into the 5-year term facility with Sagard which is classified as long-term and the repayment of our ATB demand corporate credit facility, which in the comparative period was classified as current. See the "capital resources" section below for further discussion of our credit facilities.

As of August 28, 2017, the corporate head office has $23.0 million of available cash to complete additional acquisitions and the ability to draw an additional $33.0 USD million on the Sagard Facility (subject to approval by Sagard).

At June 30, 2017, we have a number of financial commitments (see "Commitments" section of this MD&A for further information), which will require that we have various sources of capital to meet our obligations associated with our commitments.

At June 30, 2017, we are in compliance with all of our financial covenants.

Sources and uses of cash

The following table is a summary of our consolidated statement of cash flow:

		For the six months ended June 30		
(000's)		2017		2016
Cash provided by (used in) operating activities	$	6,551	$	(3,420)
Cash used in investing activities		(16,501)		(44,768)
Cash provided by financing activities		35,826		46,464
Increase (decrease) in cash		25,876		(1,724)
Impact of foreign exchange on cash and cash equivalents		(526)		-
Cash, beginning of period		7,824		9,103
Cash, end of period	**$**	**33,174**	**$**	**7,379**

Operating activities: The net cash provided by operating activities for the six months ended June 30, 2017 was primarily related to cash flows generated by Club16's operations of $4.6 million, cash flows from DLC's operations of $3.5 million, and cash flows from Impact's operations of $1.3 million. Club16's cash flows from operations have increased significantly during the current quarter, as Club16 collected $2.2 million in cash related to the annual club enhancement fee in May 2017. The cash provided by operations is partially offset by cash used by corporate head office of $3.9 million, which is primarily related to general and administration costs, finance expense and acquisition and due diligence costs.

Cash used in operating activities for the six months ended June 30, 2016 was significantly related to salaries and salary related costs paid during the period and acquisition and due diligence costs related to the implementation of the new business plan and the acquisition of DLC.

Investing activities: The net cash used in investing activities for the six months ended June 30, 2017 was significantly impacted by: the corporate head office acquisition of Impact for $11.3 million (net of cash received), $1.5 million paid to the vendors of Club16, DLC's investments in intangible assets of $1.3 million, $3.2 million in distributions paid to non-controlling interest unitholders. Cash used in investing activities is partially offset by cash received from the disposal of assets by DLC for total proceeds of $1.5 million.

Cash used by investing activities for the six months ended June 30, 2016 was significantly impacted by the corporate head office acquisition of DLC for net cash of $54.8 million and sale of our shares in Auryn Resources Inc. and Polaris Infrastructures Inc. for total proceeds of $10.1 million.

Financing activities: Cash provided by financing activities increased for the six months ended June 30, 2017 as a result of the corporate head office entering into the $42.0 million USD credit facility with Sagard, the increase in the ATB corporate senior credit facilities to $28.0 million (see the "Capital Resource" section of this MD&A), and the increase in the amount drawn on DLC's operating facility of $0.9 million. Offsetting the increase in cash from financing activities was the $27.1 million repayment of the ATB corporate facility, the $2.7 million repayments of DLC's term loan facilities, and $0.3 million principal payments on the Club16's term loan facilities.

Cash provided by financing activities for the six months ended June 30, 2016 was impacted by the issuance of subscription receipts for $27.4 million in net proceeds and the receipt of $19.3 million (net cash received) from a bridge facility which was used to partially fund the DLC transaction.

Capital Resources

Our capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes our capital structure at June 30, 2017 and December 31, 2016.

(000's)		June 30, 2017		December 31, 2016
Loans and borrowings	$	68,049	$	32,455
Less: cash and cash equivalents		(33,174)		(7,824)
Net loans and borrowings	$	34,875	$	24,631
Shareholders' equity	$	107,032	$	106,849

Loans and borrowings

Our available credit facilities are comprised of a term credit facility at the corporate head office level, as well as acquisition and operating credit facilities within DLC and Club16. For additional details on each of our credit facilities refer to our 2016 annual consolidated financial statements and our interim financial statements for the three and six months ended June 30, 2017.

Corporate - $28.0 million ATB credit facility

On February 28, 2017, we amended our corporate credit facilities to increase the revolving acquisition credit facility from $17.0 million to $28.0 million and cancel our $5.0 million non-revolving demand acquisition credit facility. On June 14, 2017, this facility was repaid in full from proceeds of the Sagard Facility.

Corporate - $42.0 million USD Sagard Facility

On May 31, 2017, we entered into the $42.0 million USD Sagard Facility for the purposes of repaying our 2017 ATB credit facility, financing 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 our assets, 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, we were in compliance with all such covenants.

DLC term loan facility

DLC has term loans under which they have borrowed an aggregate of $9.6 million at June 30, 2017 (December 31, 2016 - $10.4 million). The facility is held at the DLC subsidiary level. As at June 30, 2017, DLC was in compliance with all covenants.

During the quarter, DLC repaid the remaining balance of $1,490 on one of the term facilities that was outstanding as of December 31, 2016.

Club16 - $7.0 million term loan facility
On January 23, 2017, the Club16 term loan facilities were repaid in full and replaced by a $7.0 million facility, of which $4.1 million was drawn to repay the previous term loan facilities. The available credit remaining will be used to finance equipment purchases and leasehold improvements at future locations. 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. The new facilities lowered Club16's cost of capital as well as provided additional capital to support the growth of the Club16 operations.

Club16 - $1.5 million revolving facility
On January 23, 2017, Club16 entered into a $1.5 million revolving operating facility to finance their 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 and are secured by a general security agreement with first charge over the assets of Club16. 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.

Dividends
During 2017, we started distributing a quarterly dividend of $0.0125 per share ($0.05 per share annualized), which resulted in a payment of $0.5 million on April 12, 2017 and $0.5 million on July 12, 2017 to shareholders of record as at March 31, 2017 and June 30, 2017, respectively.

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See note 17 of the interim consolidated financial statements for more information

(000's)	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 13,512	$ -	$ -	$ -	$ 13,512
Other current liabilities	25		-	-	25
Loans and borrowings	11,368	3,481	57,012	-	71,861
Long-term accrued liabilities	-	58	-	-	58
Leases	4,356	8,044	5,857	826	19,083
	$ 29,261	**$ 11,583**	**$ 62,869**	**$ 826**	**$ 104,539**

We have a potential commitment to purchase an additional 22.2% interest in Impact for total proceeds of $5,100 within one year of the balance sheet date (see note 9 of the interim financial statements).

SHARE CAPITAL

On May 18, 2016, our common shares were consolidated on a 15:1 basis. All figures in this MD&A have been adjusted to reflect the 15:1 consolidation. The number of outstanding share options and deferred share units have also been adjusted proportionately.

As of June 30, 2017, we had 38,128,606 common shares outstanding compared to 37,714,342 at December 31, 2016. As at August 28, 2017, there were 38,128,606 common shares issued and outstanding.

As at August 28, 2017 there were outstanding options to purchase 2,909,745 common shares with exercise prices ranging from $2.40 to $4.40, an aggregate of 487,989 broker warrants with an exercise price of $2.10, and 2,078,568 lender warrants with exercises prices ranging from $3.508 to $3.965.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements at June 30, 2017 and August 28, 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Our financial risk management policies have been established in order to identify and analyze risks that we face, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. We employ risk management strategies to ensure our risks and related exposures are consistent with our business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for our risk management framework, our management has the responsibility to administer and monitor these risks.

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

Our financial instrument classifications as at June 30, 2017 are as follows:

(000's)	Carrying value as at June 30, 2017	Fair value as at June 30, 2017	Classification
Financial Assets			
Cash and cash equivalents	$ 33,174	$ 33,174	FVTPL
Trade and other receivables	11,962	11,962	Loans and receivables
Notes receivable	295	295	Loans and receivables
Investments	2,673	2,673	AFS
Financial instruments – option agreements	59	59	FVTPL
Financial Liabilities			
Loans and borrowings	(68,049)	(68,049)	Loans and receivables
Accounts payable & accrued liabilities	(13,512)	(13,512)	Financial liabilities at amortized cost
Other financial liabilities	(430)	(430)	Financial liabilities at amortized cost
Non-controlling interest rights	(8,231)	(8,231)	FVTPL

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

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. Our exposure to foreign exchange fluctuations relates to the balances in its USD bank accounts, our USD loans and borrowings, as well as the Impact operations as a significant portion of their business is conducted in USD. Changes in the USD exchange rate can increase or decrease revenues, income from operations, net income and the carrying values of Impact's assets and liabilities. At June 30, 2017, the consolidated USD cash balance is USD $21.1 million (CAD $27.4 million) (December 31, 2016 - USD $36,916 (CAD $44,154)), a USD debt balance of $42.0 million and the translation effect from changes in the USD exchange rate resulted in an unrealized foreign exchange gain of $0.5 million and $0.6 million for the three and six months ended June 30, 2017 (June 30, 2016 - $nil and $nil) and net foreign translation losses of $0.5 million and $0.5 million (June 30, 2016 - $nil and $nil) which were recorded within other comprehensive income. Management has assessed that our exposure to foreign exchange risk at June 30, 2017 is moderate and monitors foreign exchange rates on an ongoing basis.

A 10% weakening of the US dollar against the Canadian dollar would result in a $2.8 million and $2.7 increase in net income before tax for the three months ended June 30, 2017 (June 30, 2016 - $nil and $nil).

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk on our variable rate loans and borrowings. A 1% change in the interest

rates on the loans and borrowings would have a $0.1 million and $0.2 million impact on net income for the three and six months ended June 30, 2017 (June 30, 2016 - $38,650 and $38,650).

Price risk - investments

We are exposed to price risk with respect to fluctuations in the prices of our investments. The carrying amounts of our investments are directly related to the current market prices of our investments. As at June 30, 2017, we no longer hold any publicly traded securities.

Credit risk

Credit risk is the risk of financial loss to us if a counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk is mainly attributable to our cash and cash equivalents and trade and other receivables.

We have assessed our exposure to credit risk on our cash and cash equivalents and have determined that such risk is minimal as our cash and cash equivalents are held with financial institutions in Canada.

Our primary source of credit risk relates to DLC's franchisees and agents not repaying receivables owed to DLC. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. Another source of credit risk comes from Impact's customers not paying amounts owed to Impact which is also managed by performing credit risk evaluations and monitoring overdue trade receivables. The management of both DLC and Impact establish an allowance for doubtful accounts based on the specific credit risk of its customers. As at June 30, 2017, $0.2 million (December 31, 2016 - $0.2 million) of our trade receivables are greater than 90 days outstanding, all of which relate to DLC and Impact's operations. Our maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of our interim condensed consolidated statement of financial position.

(000's)		June 30, 2017		December 31, 2016
Cash and cash equivalents	$	33,174	$	7,824
Trade and other receivables		11,962		12,413
Notes receivable		295		290
	$	**45,431**	**$**	**20,527**

Liquidity risk

Liquidity risk is the risk that we will not meet our financial obligations as they fall due. We manage this risk by continually monitoring our actual and projected cash flows to ensure there is sufficient liquidity to meet our financial liabilities when they become due. See the "Consolidated Liquidity and Capital Resources" section of this MD&A for further discussion on our liquidity risk.

RELATED PARTY TRANSACTIONS

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties.

Investment in Vital Alert

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

Due to Impact vendors

At June 30, 2017, the corporate head office owed the vendors of Impact $0.7 million for post-closing adjustments (payable September 1, 2017).

Property leases
DLC leases office space from companies that are controlled by the significant shareholders and founders of DLC. For the three and six months ended June 30, 2017, the total costs incurred under these leases were $0.1 million and $0.2 million (June 30, 2016 - $19,400 and $19,400). 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 the significant shareholders and founders of Club16. For the three and six months ended June 30, 2017, the total costs incurred under these leases for the three and six months ended June 30, 2017 were $0.1 million and $0.2 million (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 period under this lease for the three and six months ended was $28,743 and $38,324 (June 30, 2016 - $nil and $nil). The lease term matures in 2021. The expense is recorded in general and administrative expenses and is paid monthly; as such no amount remains payable within our Interim Consolidated Statement of Financial Position.

Sales tax receivable
On acquisition of DLC, we were indemnified against any sales tax amounts assessed based on DLC's past results. As at June 30, 2017, we have recorded a receivable due from DLC's founders in the amount of $1.6 million for the sales tax amounts payable recorded by DLC.

US state tax receivable
On acquisition of Impact, Founders Advantage was indemnified against any US state sales tax amounts assessed based on Impact's past results. As at June 30, 2017, we have recorded a receivable due from the Impact founders in the amount of $0.2 million for the US state tax amounts receivable recorded by Impact.

Loans and advances
DLC has loans and advances due to/from companies that are controlled by key management and both significant and minority shareholders of DLC. Due to amounts of $23,406 (December 31, 2016 - $30,970) have been included in accounts payable and accrued liabilities in our interim financial statements as at June 30, 2017. Due from amounts of $67,729 (December 31, 2016 - $24,238) have been included in trade and other receivables in our interim financial statements as at June 30, 2017.

Club16 has loans and advances due to companies that are controlled by both key management and significant shareholders of Club16 in the amount of $45,435 as at June 30, 2017 (December 31, 2016 - $nil). The balance is included in accounts payable and accrued liabilities in our 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.

Administrative services
Club16 has entered into an agreement to provide administrative services to a company controlled by the significant shareholders and founders of Club16. During the Q1 2017, the total fees charged for services under this agreement for the three and six months ended June 30, 2017 were $24,600 and $49,200 (June 30, 2016 - $nil and $nil). The agreement can be terminated by either party with six months' prior written notice.

CRITICAL ACCOUNTING ESTIMATES

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

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

Business combinations
We use significant judgement to conclude whether an acquired set of activities and assets are a business, and such differences can lead to significantly different accounting results. The acquisition of a business is accounted for as a business combination. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition.

We account for business combinations using the acquisition method. Significant estimation and judgement is required in applying the acquisition method when identifying and determining the fair values of the acquired company's assets and liabilities. The most significant estimates and assumptions, and those requiring the most judgement, involve the fair values of intangible assets and residual goodwill, if any. Valuation techniques applied to intangible assets are generally based on management's estimate of the total expected future cash flows. Significant assumptions used in determining the fair value of the intangible assets identified include the determination of future revenues and cash flows, discount rates and market conditions at the date of the acquisition. The excess acquisition cost over the fair value of identifiable net assets is recorded as goodwill.

These estimates and assumptions have been used in determining the fair value of the intangible assets acquired and included in the DLC and Club16 reportable segments. The fair value of these intangible assets is subject to uncertainty and if changed could significantly differ from those recognized in the financial statements.

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

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

Intangible assets are held in both the DLC and Club16 reportable segments. For each class of intangible assets with finite lives, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful life period involves the judgement of management, which could have an impact on the amortization charge recorded in the consolidated statement of income.

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

An indefinite life intangible asset (the DLC brand names) are held within the DLC reportable segment and goodwill is held in both the DLC and Club16 reportable segments. We assess for indicators of impairment of goodwill and indefinite life intangible assets at the end of each reporting period. If indicators of impairment exist, we assess the carrying amount of the asset that is considered recoverable.

CGU determination
The determination of CGUs for the purposes of impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, we consider how the operations of each subsidiary generates cash flows and how management monitors the entity's operations. The

determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the consolidated financial statements.

Depreciation of capital assets
Depreciation of capital assets is calculated based on the estimated useful life of the related asset, less its residual value. For each class of capital assets, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful life period involves the judgement of management, which could have an impact on the depreciation charge recorded in the consolidated statement of income.

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

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

ACCOUNTING POLICIES

New accounting policies
As a result of the acquisition of Impact on March 1, 2017 certain new accounting policies have been adopted, which are as follows:

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 us, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

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.

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.

Warranty provision
Our 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 either a two or three-year period, and expects these costs to be incurred over the next one to three years. Actual warranty costs are charged against the provision for warranty.

Foreign currency
The interim financial statements and this MD&A are presented in Canadian dollars, which is our 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 subsidiaries of the corporate head office 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.

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

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. We classify 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. We classify 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. Our 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. Our 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. Our 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. Our 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 we have 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.

Future accounting standards
Standards that are issued but not yet effective and that we reasonably expect to be applicable at a future date are listed below.

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. We intend to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the consolidated 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. We intend to adopt the new standard on the required effective date, and are currently assessing the impact the amendment will have on the consolidated 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. We intend to adopt the new standard on the required effective date, and are currently assessing the impact the amendment will have on the consolidated financial statements.

RISK FACTORS

The corporate head office are our subsidiaries are subject to a number of business risks. These risks relate to the structure of the corporate head office and the operations at the subsidiary entity. There were no changes to our principal risks and uncertainties from those reported in our AIF for the fifteen months ended December 31, 2016, dated April 27, 2017.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "intend", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- the completion of additional acquisitions;
- the ability of our investee entities to distribute cash to the corporate head office;
- the revenue from investees in future quarters being greater than the revenue from investees for the current period;
- our business plan and investment strategy;
- general business strategies and objectives;
- DLC continuing its organic growth by expanding its network of mortgage brokers and franchisees through targeted recruiting efforts;
- DLC continuing to grow its funded mortgage volumes and that such growth will result in increased revenues and adjusted EBITDA;
- DLC will be able to increase NCS's market share by having DLC brokers switch to NCS from a third party;
- that the new mortgage rules passed by the Canadian Federal Government will not have a significant long-term effect on DLC's revenues;
- Club16 will successfully open additional clubs and that the personal training offering will continue to be successful; and

- Impact will grow organically by adding new distributions and that such organic growth will result in increased adjusted EBITDA.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- taxes and capital, operating, general & administrative and other costs;
- interest rates;
- general business, economic and market conditions;
- the ability of Founders Advantage to obtain the required capital to finance our investment strategy and meet our commitments and financial obligations;
- the ability to source additional investee entities and to negotiate acceptable acquisition terms;
- the ability of Founders Advantage to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities;
- that DLC will maintain its existing number of franchisees and will add additional franchisees;
- the continuation of existing Canadian mortgage lending and mortgage brokerage laws;
- the absence of material decreases in the aggregate Canadian mortgage lending business;
- the timely receipt of required regulatory approvals;
- the fees paid for mortgage brokerage services in Canada will remain consistent;
- NCS's operations and product offering will be competitive to that offered by the third party that has the majority market share;
- that the regulatory framework for the Canadian housing sector will remain relatively consistent; and
- that demand for DLC, Club16 and Impact's products will remain consistent with historical demand.

Although we believe that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as we can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those we anticipated and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- the expected benefits of the DLC, Club16 and Impact transactions not being realized;
- the ability to generate sufficient cash flow from investees and obtain financing to fund planned investment activities and meet current and future commitments and obligations;
- general business, economic and market conditions;
- changes in interest rates;
- the uncertainty of estimates and projections relating to future revenue, taxes and costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" herein. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

NON-IFRS MEASURES

In addition to reporting our results in accordance with IFRS, we use certain non-IFRS financial measures as supplemental indicators of our operating performance. We report these non-IFRS measures as we believe their use provides more insight into our performance. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers.

Adjusted EBITDA

Adjusted EBITDA for both our corporate head office and investees is defined as earnings before interest, taxes, non-cash items such as depreciation, amortization and share-based payments and losses recognized on the sale of investments, and any unusual non-operating one-time items such as corporate start-up costs and other revenues. Adjusted EBITDA is also adjusted for expenses relating to prior mineral property impairment reversal and arbitration. See Appendix A of this MD&A for a reconciliation of adjusted EBITDA to loss from operations, the closest IFRS measure.

While adjusted EBITDA is not a recognized measure under IFRS, management believes that adjusted EBITDA is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the corporate office and our investees. Adjusted EBITDA also provides an assessment of the adjusted performance of the company by eliminating certain non-recurring items.

Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine adjusted EBITDA may differ from those utilized by other issuers or companies and, accordingly, adjusted EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net loss or income determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

ADDITIONAL INFORMATION

We are publicly traded on the TSX Venture Exchange under the symbol "FCF". You can find more information about us on SEDAR at www.sedar.com and on our website www.advantagecapital.ca.

APPENDIX A

Reconciliation of adjusted EBITDA

The following tables reconciles adjusted EBITDA to loss from operations, which is the most directly comparable measure calculated in accordance with IFRS.

(000's)	For the three months ended June 30, 2017	For the three months ended March 31, 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
INCOME (LOSS) FROM OPERATIONS	$ 2,640	$ (1,790)	$ (1,832)	$ 850	$ (4,775)
Other items in income (loss) before income tax	1,188	(653)	(687)	535	(1,769)
Income (loss) before income tax	3,828	(2,443)	(2,519)	1,385	(6,544)
Add back:					
Depreciation and amortization	2,332	2,113	294	4,445	294
Finance expense	889	528	516	1,417	516
	7,049	198	(1,709)	7,247	(5,734)
Adjustments to remove:					
Share-based payments	757	1,215	861	1,972	1,819
Gain on sale of asset (1)	(1,759)	-	-	(1,759)	-
Unrealized foreign exchange gain	(583)	(17)	-	(600)	-
Loss on sale of investments	-	-	214	-	1,319
Corporate start-up costs	-	-	332	-	359
Professional fees related to arbitration	-	-	-	-	5
Adjusted EBITDA	**$ 5,464**	**$ 1,396**	**$ (302)**	**$ 6,860**	**$ (2,232)**

(1) Adjustments related to gain on sale from the disposition of a division of the NCS operations and a DLC asset sale.

APPENDIX B

Reconciliation of income from operations revenues, operating income and adjusted EBITDA by operating segment

"Corporate" used in the following segmented tables is not a separate business segment and is only presented to reconcile to the consolidated results.

(000's)	For the three months ended June 30, 2017	For the three months ended March 31, 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
Revenues					
DLC	$ 8,802	$ 7,338	$ 3,018	$ 16,140	$ 3,018
Club16	7,811	5,466	-	13,277	-
Impact	2,887	890	-	3,777	-
Consolidated revenues	**19,500**	**13,694**	**3,018**	**33,194**	**3,018**
Operating expenses					
DLC	7,572	6,729	1,813	14,301	1,813
Club16	5,189	5,022	-	10,211	-
Impact	2,204	799	-	3,003	-
Corporate	1,895	2,934	3,037	4,829	5,980
Consolidated operating expenses	**16,860**	**15,484**	**4,850**	**32,344**	**7,793**
Income (loss) from operations					
DLC	1,230	609	1,205	1,839	1,205
Club16	2,622	444	-	3,066	-
Impact	683	91	-	774	-
Corporate	(1,895)	(2,934)	(3,037)	(4,829)	(5,980)
Consolidated income (loss) from operations	**2,640**	**(1,790)**	**(1,832)**	**850**	**(4,775)**
Adjusted EBITDA					
DLC [(1)]	2,591	1,849	1,502	4,440	1,502
Club16	3,260	1,116	-	4,376	-
Impact	700	174	-	874	-
Corporate	(1,087)	(1,743)	(1,804)	(2,830)	(3,734)
Consolidated adjusted EBITDA	**$ 5,464**	**$ 1,396**	**$ (302)**	**$ 6,860**	**$ (2,232)**

(1) Included within consolidated adjusted EBITDA is negative adjusted EBITDA of $0.4 million and $1.2 million for the three and six months ended June 30, 2017 related to the restructuring of NCS. Normalizing for the negative adjusted EBITDA from NCS's operations, consolidated adjusted EBITDA for the three and six months ended June 30, 2017 would have been $5.9 and $8.1 million. See the "Financial Highlights" section of this MD&A for further discussion.