Founders Advantage Capital Corp.

Management's Discussion and Analysis

For the three and twelve months ended September 30, 2016 and 2015

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for Founders Advantage Capital Corp. ("Founders Advantage" or the "Corporation") relates to the financial condition and results of operations for the three and twelve months ended September 30, 2016 and 2015. Past performance may not be indicative of future performance. All amounts are presented in Canadian dollars, the functional currency of all entities within the Corporation, unless otherwise stated. This MD&A was reviewed and approved for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on November 10, 2016.

This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements, and related notes for the year ended September 30, 2015 and the interim condensed consolidated financial statements ("interim financial statements") and related notes for the three and twelve months ended September 30, 2016 and 2015 which have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Additional information relating to Founders Advantage is available on SEDAR at www.sedar.com and on the Corporation's website www.advantagecapital.ca.

Statements are subject to the risks and uncertainties identified in the "Cautionary Note Regarding Forward-Looking Statements" section of this document. The Corporation has included the non-IFRS performance measures of EBITDA and Normalized EBITDA throughout this document. For further information and detailed calculations of these measures, see the "Non-IFRS Measures" section of this document.

Effective in 2016, the Corporation's fiscal year-end has been changed from September 30 to December 31 to align the Corporation's year-end with the year-ends of its investee subsidiaries and peer group. To facilitate the change, the Corporation will report a one-time, fifteen-month transition year covering the period October 1, 2015 to December 31, 2016. Subsequent to the transition year, the Corporation's first full financial year will cover the period January 1, 2017 to December 31, 2017.

As a result of the two investments mentioned in the "Acquisitions" section below, the nature of the business of Founders Advantage has significantly changed since September 30, 2015. As a result, 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.

NON-IFRS MEASURES

Management believes that disclosing certain non-IFRS financial measures provides readers of this MD&A with important information regarding the Corporation's financial performance. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Corporation than investors would have if they simply considered IFRS measures alone. 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.

Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to applicable generally accepted accounting principle measures as determined in accordance with IFRS.

EBITDA and Normalized EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The tables within the "Results of Operations" section reconciles the net loss for the three and twelve months ended September 30, 2016 and 2015 to the EBITDA of the corporate office and Dominion Lending Centers Limited Partnership ("DLC"), currently the Corporation's sole investee.

Normalized EBITDA is defined as EBITDA before non-cash items such as 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 acquisition and due diligence costs. Further, Normalized EBITDA is adjusted for expenses relating to prior mineral property impairment reversal and arbitration. The table within the "Reconciliation of EBITDA and Normalized EBITDA" section below reconciles the net (loss) income for the three and twelve months ended September 30, 2016 and 2015 to EBITDA and Normalized EBITDA.

While EBITDA and Normalized EBITDA are not recognized measures under IFRS, management of the Corporation believes that, in addition to net income, EBITDA and Normalized EBITDA are useful supplemental measures as they provide management and investors with an insightful indication of the performance of the corporate office and its sole investee (DLC). Management further believes that Normalized EBITDA provides an assessment of the normalized performance of the company by eliminating certain non-recurring items. The closest IFRS measure to EBITDA and Normalized EBITDA is earnings (loss) from operations.

Investors should be cautioned, however, that EBITDA and Normalized EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies used by the Corporation to determine EBITDA and Normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, EBITDA and Normalized EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that EBITDA and Normalized EBITDA should not be construed as an alternative to net income or loss 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.

Note: the 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.

BUSINESS OVERVIEW

Founders Advantage is an investment company listed on the TSX Venture Exchange ("Exchange") under the symbol "FCF". The Corporation has developed an investment approach to create long-term value for its shareholders and partner entrepreneurs (investees) by pursuing majority interest acquisitions of cash flow positive middle-market privately held entities. The Corporation seeks to partner with the segment of the market which is not aligned with traditional private equity control, royalty monetization or related structures.

The Corporation's platform offers disproportionate incentives (contractually) for growth in favour of its partner entrepreneurs. This unique platform is designed to appeal to entrepreneurs who believe in the growth of their businesses and who want the added ability to continue operating their business with a long-term partner.

The success of the Corporation depends on the ability of its partner entrepreneurs to continue operating their businesses profitably to the extent they can distribute cash flow to the corporate office. Subsequent to September 30, 2016, the corporate office began receiving $0.5 million per month from its sole investee DLC.

ACQUISITIONS

Acquisition – Advantage Investments

On February 3, 2016, the Corporation entered into an arm's length agreement to purchase 100% of the shares of Advantage Investments. The key terms of the agreement provide for the appointment of Stephen Reid as the Chief Executive Officer of the Corporation and the acquisition of certain investment opportunities, in consideration for 952,381 common shares (with a share price on the closing date of $2.55 per share) of the Corporation (the "Reid Shares") and the assumption of $0.4 million of liabilities. The Reid Shares are held in escrow and will be released if and when investment opportunities, and any other investments made by the Corporation following the closing of the transaction, deliver cumulative earnings before interest, tax, depreciation and amortization ("EBITDA") to the Corporation of not less than $15.0 million. The transaction closed on February 23, 2016. This transaction resulted in the Corporation obtaining the resources to pursue its current investment approach of acquiring controlling interests in cash flow positive, middle-market privately held entities.

On April 27, 2016, Advantage Investments was dissolved and is no longer a subsidiary of the Corporation.

Acquisition – Dominion Lending Centers

On June 3, 2016, the Corporation acquired a 60% majority and voting interest in DLC, which through its subsidiary is engaged in the business of franchising mortgage brokerage services. The aggregate purchase consideration was $86.1 million, which included cash of $6.1 million, 4,761,905 common shares of the Corporation with a fair value of $26.7 million as at the closing date, and amounts due from vendors of $2.0 million. The cash portion of the purchase price was funded by the Corporation's cash on hand, the net proceeds from the Corporation's April 2016 subscription receipts offering, and a $20.0 million loan facility.

Due to the Corporation's controlling interest in DLC, the financial results of DLC are accounted for as an operating subsidiary in the Corporation's consolidated financial statements from the date of acquisition on June 3, 2016. As a result, the accounts of the operating subsidiary are consolidated with those of the Corporation on a line-by-line basis. For example, the revenue generated by an operating subsidiary is reported as revenue of the Corporation in the consolidated statement of net (loss) income and comprehensive (loss) income.

SEGMENT SUMMARY

The operating segments of the Corporation are the components of the business whose operating results are reviewed regularly by the Corporation's chief operating decision makers. The Corporation currently operates in one reportable business segment, which is comprised of the DLC operations.

FINANCIAL HIGHLIGHTS

	For the three months ended September 30,		For the twelve months ended September 30,	
FINANCIAL PERFORMANCE	2016	2015	2016	2015
Revenues	$ 10,642,963	$ -	$ 13,660,734	$ -
Normalized EBITDA [i]	5,899,559	(242,734)	4,972,975	(1,238,573)
EBITDA [i]	1,868,756	(638,330)	(4,491,716)	35,225,336
Earnings (loss) from operations	699,024	(847,901)	(4,733,540)	(3,281,749)
Net (loss) income for the period	(1,171,147)	(149,886)	(5,362,936)	35,709,351
Net (loss) income attributable to:				
Shareholders	(2,842,354)	(149,886)	(7,383,992)	35,709,351
Non-controlling interests	1,671,207	-	2,021,056	-
(Loss) income per share:				
Basic	$ (0.08)	$ (0.02)	$ (0.38)	$ 3.61
Diluted	$ (0.08)	$ (0.02)	$ (0.38)	$ 3.57

(i) Please refer to the "Non-IFRS measures" section for the definition and use of this non-IFRS performance measure.

	As at September 30,	
FINANCIAL POSITION	2016	2015
Cash and cash equivalents	$ 35,785,843	$ 12,113,085
Working capital	15,644,974	12,574,790
Total assets	233,999,939	27,679,286
Total loans and borrowings	28,978,373	-
Shareholders' equity	108,210,271	27,441,386
SHARE INFORMATION		
Common shares outstanding [i]	37,699,315	9,953,397

(i) Common shares outstanding at September 30, 2015 are on a post-consolidation basis.

Three-month highlights

Consolidated results

The Corporation's revenues for the three months ended September 30, 2016 increased by $10.6 million over the comparative three months ended September 30, 2015. The increase in revenues is due to the acquisition of DLC, which was completed on June 2016. The three months ended September 30, 2016 is the first full quarter in which the financial results of DLC have been included in the Corporation's consolidated financial statements.

The Corporation's earnings from operations increased to $0.7 million for the three months ended September 30, 2016 from a loss during the comparative period of $0.8 million. The Corporation's Normalized EBITDA and EBITDA for the three months ended September 30, 2016 has increased to $5.9 million and $1.9 million, respectively. Similar to revenues for the quarter, the increase in earnings from operations, Normalized EBITDA and EBITDA are primarily due to the acquisition of DLC, which have no comparative period due to the timing of the acquisition. The increase in earnings from operations, Normalized EBITDA and EBITDA that resulted from the DLC acquisition is partially offset by an increase in corporate office costs primarily related to higher personnel costs, professional fees and travel expenses. The increase in these costs is the result of the Corporation transitioning to a new investment model over the past year. The increases in earnings from operations, Normalized EBITDA and EBITDA are further offset by higher share-based payment and acquisition and due diligence costs.

While this is the first full quarter in which DLC's financial information has been included in the Corporation's interim financial statements, revenues and earnings of DLC have realized significant growth for the quarter compared to the prior year periods.

Twelve-month highlights

Consolidated results

The Corporation's revenues for the twelve months ended September 30, 2016 increased by $13.7 million and Normalized EBITDA increased to $5.0 million. This increase is due to the acquisition of DLC in June 2016, and is partially offset by higher corporate office costs related to salaries, professional fees and travel expenses. For the twelve months ended September 30, 2016, 120 days of DLC's financial results have been included in the Corporation's consolidated financial statements.

Loss from operations for the twelve months ended September 30, 2016 increased to $4.7 million from $3.3 million during the comparative period. The increase is due to higher corporate office costs related to salaries, professional fees and travel expenses, as well as higher acquisition and due diligence costs.

EBITDA for the twelve months ended September 30, 2016 decreased to negative EBITDA of $4.5 million from EBTIDA of $35.2 million during the comparative period. The decrease over the comparative period is mainly due to the recognition of a $22.4 million gain on arbitration settlement and $17.2 million mineral property impairment reversal regarding former mineral rights of the Corporation during the comparative period.

RECONCILATION OF EBITDA AND NORMALIZED EBITDA

	For the three months ended September 30, 2016	2015	For the twelve months ended September 30, 2016	2015
EARNINGS (LOSS) FROM OPERATIONS	**$ 699,024**	**$ (847,901)**	**$ (4,733,540)**	**$ (3,281,749)**
Other items before income tax	(1,237,370)	209,571	(2,975,407)	38,502,656
(Loss) income before income tax	(538,346)	(638,330)	(7,708,947)	35,220,907
Current tax expense	(1,488,837)	-	(1,779,137)	-
Deferred tax recovery	856,036	488,444	4,125,148	488,444
Net (loss) income for the period	(1,171,147)	(149,886)	(5,362,936)	35,709,351
Current tax expense	1,488,837	-	1,779,137	-
Deferred tax recovery	(856,036)	(488,444)	(4,125,148)	(488,444)
Depreciation and amortization	902,395	-	1,196,515	4,429
Finance expense	1,504,707	-	2,020,716	-
EBITDA	**1,868,756**	**(638,330)**	**(4,491,716)**	**35,225,336**
Share-based payments	3,173,053	395,596	5,044,018	1,215,596
Acquisition and due diligence costs	857,750	-	2,736,408	54,196
Loss on sale of investments	-	-	1,319,184	-
Corporate start-up costs	-	-	360,406	-
Professional fees related to arbitration costs	-	-	4,675	543,251
Mineral property impairment reversal	-	-	-	(17,196,763)
Gain on arbitration settlement	-	-	-	(22,380,189)
Special bonus for arbitration settlement	-	-	-	1,300,000
Normalized EBITDA	**$ 5,899,559**	**$ (242,734)**	**$ 4,972,975**	**$ (1,238,573)**

Please refer to the "Non-IFRS measures" section for the definition and use of this non-IFRS performance measure.

RESULTS OF OPERATIONS

The Corporation currently operates one reportable business segment, being the DLC operations. While the table below reflects 100% of the DLC's results, the Corporation owns 60% of the outstanding voting shares of DLC.

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

THREE-MONTH OPERATING RESULTS

	For the three months ended September 30, 2016			For the three months ended September 30, 2015		
	DLC	Corporate	Consolidated	DLC	Corporate	Consolidated
Revenues	$ 10,642,963	$ -	$ 10,642,963	$ -	$ -	$ -
Direct costs	(1,506,591)	-	(1,506,591)	-	-	-
General and administrative	(2,297,757)	(1,206,393)	(3,504,150)	-	(452,305)	(452,305)
Other operating expenses	(899,711)	(4,033,487)	(4,933,198)	-	(395,596)	(395,596)
EARNINGS (LOSS) FROM OPERATIONS	**5,938,904**	**(5,239,880)**	**699,024**	-	**(847,901)**	**(847,901)**
Depreciation and amortization	899,711	2,684	902,395	-	-	-
Share-based payments	-	3,173,053	3,173,053	-	395,596	395,596
Acquisition and due diligence costs	-	857,750	857,750	-	-	-
Other income, net	128,619	138,718	267,337	-	209,571	209,571
Normalized EBITDA	**6,967,234**	**(1,067,675)**	**5,899,559**	**-**	**(242,734)**	**(242,734)**
Share-based payments	-	(3,173,053)	(3,173,053)	-	(395,596)	(395,596)
Acquisition and due diligence costs	-	(857,750)	(857,750)	-	-	-
EBITDA	**$ 6,967,234**	**$ (5,098,478)**	**1,868,756**	**$ -**	**$ (638,330)**	**(638,330)**
Depreciation and amortization			(902,395)			-
Finance expense			(1,504,707)			-
LOSS BEFORE INCOME TAX			**(538,346)**			**(638,330)**
Current tax expense			(1,488,837)			-
Deferred tax recovery			856,036			488,444
NET LOSS FOR THE PERIOD			**$ (1,171,147)**			**$ (149,886)**

DLC segment:

Earnings from operations, income before income tax, EBITDA, and Normalized EBITDA

	For the three months ended September 30, 2016	2015	Variance ($)
Revenue	$ 10,642,963	$ -	$ 10,642,963
Operating expenses	(4,704,059)	-	(4,704,059)
EARNINGS FROM OPERATIONS	**5,938,904**	**-**	**5,938,904**
Other income	4,851	-	4,851
INCOME BEFORE INCOME TAX	**5,943,755**	**-**	**5,943,755**
Add back:			
Depreciation and amortization	899,711	-	899,711
Finance expense	123,768	-	123,768
EBITDA and Normalized EBITDA	**$ 6,967,234**	**$ -**	**$ 6,967,234**

DLC has no comparative period as it was acquired in June 2016, and as such, this is the first full quarter in which the financial results have been included in the Corporation's consolidated financial statements. DLC's operating expenses for the three months ended September 30, 2016 are made up primarily of direct costs of $1.5 million and general and administrative expenses of $2.3 million. Direct costs relate to franchise recruiting and support costs and advertising fund expenditures; general and administrative expenses are comprised mainly of salaries, professional fees, promotional expenses and occupancy costs.

DLC's results for the quarter were consistent with the expectations of management.

Corporate:

General and administrative

	For the three months ended September 30, 2016	2015	Variance ($)
General and administrative	$ 1,206,393	$ 452,305	$ 754,088

Corporate general and administrative costs for the three months ended September 30, 2016 increased by $0.8 million, to $1.2 million compared to $0.5 million during the comparative period. This increase is primarily the result of an increase in personnel costs as additional staff were hired as the Corporation transitioned to a new investment model over the last year. Also included in the current quarter are $0.2 million related to one-time personnel costs and $0.1 million related to one-time legal costs. The remainder of the increase is attributable to higher professional fees and travel costs also associated with the change in business model over the past year.

Share-based payments

	For the three months ended September 30, 2016	2015	Variance ($)
Share-based payments	$ 3,173,053	$ 395,596	$ 2,777,457

Corporate incurred $3.2 million in non-cash share-based payments during the current quarter, compared to $0.4 million during the comparative period. The increase over the comparative period is primarily the result of 1.8 million share options being granted during the quarter, with one-third, or 600,833 share options, that were immediately exercisable recognized in expense. Share-based payment expense for the three months ended September 30, 2015 relates to Deferred Share Units ("DSUs") and share options issued to past directors of the Corporation. Of the 193,333 share options issued during the comparative period, one-half were exercisable on the grant date and recognized in expense.

Acquisition and due diligence costs

	For the three months ended September 30, 2016	2015	Variance ($)
Acquisition and due diligence costs	$ 857,750	$ -	$ 857,750

The Corporation incurred $0.9 million in acquisition-related costs during the three months ended September 30, 2016, compared to $nil during the comparative period. The Corporation is continuously evaluating acquisition opportunities to enhance shareholder value. The cost of these acquisition and due diligence activities, whether completed or in process, are expensed as incurred.

Other items:

Depreciation and amortization

	For the three months ended September 30, 2016	2015	Variance ($)
Depreciation and amortization of intangible assets	$ 872,772	$ -	$ 872,772
Depreciation and amortization of capital assets	29,623	-	29,623
Total depreciation and amortization	**$ 902,395**	**$ -**	**$ 902,395**

The Corporation incurred $0.9 million in non-cash depreciation and amortization during the current quarter, compared to $nil during the comparative period. The increase in amortization primarily relates to the finite life intangible assets acquired as a part of the DLC Transaction. The intangible assets acquired as a part of this transaction are being amortized into income include software and renewable franchise rights.

Finance expense

	For the three months ended September 30, 2016	2015	Variance ($)
Finance expense	$ 1,504,707	$ -	$ 1,504,707

During the three months ended September 30, 2016, the Corporation incurred financing costs of $1.5 million, compared to $nil during the comparative period. The increase in financing costs relate primarily to interest charges and fees on the bridging loan used to partially fund the DLC Transaction and senior credit facilities. The bridging loan was repaid during the current quarter. During the prior year period, the Corporation did not have any loans or borrowings.

Net loss

	For the three months ended September 30, 2016	2015	Variance ($)
Net loss	$ (1,171,147)	$ (149,886)	$ (1,021,261)

Net loss for the current quarter was $1.2 million, compared to $0.1 million during the comparative period. The significant drivers for the change over the comparative period relate to the inclusion of DLC's financial results during the quarter, offset by higher costs related to corporate head office expenditures, share-based payments, acquisition and due diligence costs, amortization of DLC intangible assets and finance expense on newly obtained credit facilities.

TWELVE-MONTH OPERATING RESULTS

	For the twelve months ended September 30, 2016			For the twelve months ended September 30, 2015		
	DLC	Corporate	Consolidated	DLC	Corporate	Consolidated
Revenues	$ 13,660,734	$ -	$ 13,660,734	$ -	$ -	$ -
Direct costs	(2,110,438)	-	(2,110,438)	-	-	-
General and administrative	(3,214,029)	(4,092,866)	(7,306,895)	-	(2,007,528)	(2,007,528)
Other expenses	(1,192,929)	(7,784,012)	(8,976,941)	-	(1,274,221)	(1,274,221)
EARNINGS (LOSS) FROM OPERATIONS	**7,143,338**	**(11,876,878)**	**(4,733,540)**	**-**	**(3,281,749)**	**(3,281,749)**
Depreciation and amortization	1,192,929	3,586	1,196,515	-	4,429	4,429
Share-based payments	-	5,044,018	5,044,018	-	1,215,596	1,215,596
Acquisition and due diligence costs	-	2,736,408	2,736,408	-	54,196	54,196
Other income, net	132,661	596,913	729,574	-	768,955	768,955
Normalized EBITDA	**8,468,928**	**(3,495,953)**	**4,972,975**	-	**(1,238,573)**	**(1,238,573)**
Share-based payments	-	(5,044,018)	(5,044,018)	-	(1,215,596)	(1,215,596)
Acquisition and due diligence costs	-	(2,736,408)	(2,736,408)	-	(54,196)	(54,196)
Loss on sale of investments	-	(1,319,184)	(1,319,184)	-	-	-
Corporate start-up costs	-	(360,406)	(360,406)	-	-	-
Professional related to arbitration cost	-	(4,675)	(4,675)	-	(543,251)	(543,251)
Mineral property impairment reversal	-	-	-	-	17,196,763	17,196,763
Gain on arbitration settlement	-	-	-	-	22,380,189	22,380,189
Special bonus for arbitration settlement	-	-	-	-	(1,300,000)	(1,300,000)
EBITDA	**$ 8,468,928**	**$ (12,960,644)**	**(4,491,716)**	**$ -**	**$ 35,225,336**	**35,225,336**
Depreciation and amortization			(1,196,515)			(4,429)
Finance expense			(2,020,716)			-
(LOSS) INCOME BEFORE INCOME TAX			**(7,708,947)**			**35,220,907**
Current tax expense			(1,779,137)			-
Deferred tax recovery			4,125,148			488,444
NET (LOSS) INCOME FOR THE PERIOD			**$ (5,362,936)**			**$ 35,709,351**

DLC segment:

Earnings from operations, income before income tax, EBITDA, and Normalized EBITDA

	For the twelve months ended September 30, 2016	2015	Variance ($)
Revenue	$ 13,660,734	$ -	$ 13,660,734
Operating expenses	(6,517,396)	-	(6,517,396)
EARNINGS FROM OPERATIONS	**7,143,338**	**-**	**7,143,338**
Other expenses	(34,557)	-	(34,557)
INCOME BEFORE INCOME TAX	**7,108,781**	**-**	**7,108,781**
Add back:			
Depreciation and amortization	1,192,929	-	1,192,929
Finance expense	167,218	-	167,218
EBITDA and Normalized EBITDA	**$ 8,468,928**	**$ -**	**$ 8,468,928**

DLC has no comparative period as it was acquired in June 2016, and as such, the Corporation's consolidated financial statements for the twelve months ended September 30, 2016 include 120 days of revenues from DLC's operations. DLC's operating expenses included in the consolidated financial statements for the twelve month period are made up primarily of direct costs of $2.1 million and general and administrative expenses of $3.2 million. Direct costs relate to franchise recruiting and support costs and advertising fund expenditures; general and administrative expenses are comprised mainly of salaries, professional fees, promotional expenses and occupancy costs.

Corporate:

General and administrative

	For the twelve months ended September 30, 2016	2015	Variance ($)
General and administrative	$ 4,092,866	$ 2,007,528	$ 2,085,338

During the twelve months ended September 30, 2016, corporate incurred $4.1 million in general and administrative expenses, compared to $2.0 million during the comparative period. Consistent with the three-month analysis, the increase over the comparative period is primarily due to the Corporation transitioning to a new investment model over the past year. The higher costs relate to increased personnel costs, professional fees and travel costs, with the remainder attributable to severance costs for former management, and $0.6 million in one-time non-recurring items related to start-up costs. These items include website development, consulting and legal expenses.

Share-based payments

	For the twelve months ended September 30, 2016	2015	Variance ($)
Share-based payments	$ 5,044,018	$ 1,215,596	$ 3,828,422

During the twelve months ended September 30, 2016, the Corporation incurred $5.0 million in non-cash shared-based payments, compared to $1.2 million during the comparative period. The increases over the twelve months ended September 30, 2015 is primarily the result of 2.6 million share options being granted during the current period, with 600,833 options that were immediately exercisable recognized in expense, and an additional 333,333 of these options granted did not contain any service conditions and as a result were expensed on the date granted. Share-based payments for the twelve months ended September 30, 2015 relate primarily to DSUs issued to past directors of the Corporation.

Acquisition and due diligence costs

	For the twelve months ended September 30,		
	2016	2015	Variance ($)
Acquisition and due diligence costs	$ 2,736,408	$ 54,196	$ 2,682,212

The Corporation incurred $2.7 million in acquisition-related costs during the twelve months ended September 30, 2016, compared to $54,196 during the comparative period. The Corporation is continuously evaluating acquisition opportunities to enhance shareholder value. The cost of these acquisition and due diligence activities, whether completed or in process, are expensed as incurred.

Other items:

Depreciation and amortization

	For the twelve months ended September 30,		
	2016	2015	Variance ($)
Depreciation and amortization of intangible assets	$ 1,158,217	$ -	$ 1,158,217
Depreciation and amortization of capital assets	38,298	4,429	33,869
Total depreciation and amortization	**$ 1,196,515**	**$ 4,429**	**$ 1,192,086**

The Corporation incurred $1.2 million in non-cash depreciation and amortization during the current quarter, compared to $4,429 during the comparative period. The increase in amortization primarily relates to the finite life intangible assets acquired as a part of the DLC transaction. The intangible assets acquired as a part of this transaction are being amortized into income include software and renewable franchise rights.

Finance expense

	For the twelve months ended September 30,		
	2016	2015	Variance ($)
Finance expense	$ 2,020,716	$ -	$ 2,020,716

During the twelve months ended September 30, 2016, Corporate incurred financing costs in the amount of $2.0 million, compared to $nil during the comparative period. The increase in financing costs relates to interest charges and fees on the bridging loan used to partially fund the DLC Transaction and senior credit facilities. During the prior year period, the Corporation did not have any loans or borrowings.

Net (loss) income

	For the twelve months ended September 30,		
	2016	2015	Variance ($)
Net (loss) income	$ (5,362,936)	$ 35,709,351	$ (41,072,287)

Net loss for the twelve months ended September 30, 2016 was $5.4 million, compared to net income of $35.7 million during the comparative period. The significant drivers for the change over the prior year relate to the inclusion of 120 days of DLC's financial results in the Corporation's financial results, offset by higher costs related to corporate head office expenditures, share-based payments, acquisition and due diligence costs, amortization of DLC intangible assets and finance expense on newly obtained credit facilities. Net income for the twelve months ended 2015, included a $17.2 million impairment reversal and a $22.4 million non-cash accounting gain related to an arbitration settlement regarding former mineral rights of the Corporation.

SUMMARY OF QUARTERLY RESULTS

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

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Revenues	$ 10,642,963	$ 3,017,771	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) from operations	699,024	(1,831,748)	(2,939,826)	(658,471)	(847,668)	(757,693)	(1,078,430)	(597,958)
Normalized EBITDA	5,899,559	416,321	(1,368,111)	(573,191)	(185,678)	(679,914)	(175,973)	(126,224)
EBITDA	1,868,756	(1,927,607)	(3,805,345)	(627,520)	(638,330)	(903,938)	37,377,659	(610,055)
Net (loss) income	(1,171,147)	948,730	(4,024,555)	(1,115,964)	(149,886)	(903,938)	37,377,658	(614,483)
Net (loss) income attributable to:								
Shareholders	(2,842,354)	598,881	(4,024,555)	(1,115,964)	(149,886)	(903,938)	37,377,658	(614,483)
Non-controlling interests	1,671,207	349,849	-	-	-	-	-	-
Net (loss) income per common share:								
Basic	(0.08)	0.03	(0.40)	(0.11)	(0.02)	(0.09)	3.80	(0.06)
Diluted	(0.08)	0.03	(0.40)	(0.11)	(0.02)	(0.09)	3.71	(0.06)

Due to the significant change in the Corporation's business since September 30, 2015 and recent acquisition of DLC, the prior periods shown in the above table are not necessarily meaningful and should not be relied upon as an indication of future performance.

Three months ended September 30, 2016 compared to three months ended June 30, 2016

The Corporation's revenues for the three months ended September 30, 2016 increased over the comparative three month period ended June 30, 2016 from $3.0 million to $10.6 million. The increase in revenue is due to the consolidated financial statements incorporating a full quarter of DLC's financial results, compared to the inclusion of only 28 days of DLC's results in the prior quarter. Additionally, DLC realized an increase in its monthly funded mortgage volumes during the current quarter, which increases its revenues.

The Corporation's Normalized EBITDA and EBITDA for the three months ended September 30, 2016 has increased to $5.9 million and $1.9 million, respectively from $0.4 million and ($1.9) million, respectively, mainly due to additional revenues of DLC being recognized during the quarter. The increase in both Normalized EBITDA and EBITDA that resulted from the DLC acquisition is partially offset by an increase in corporate office costs, and the increase in EBITDA is further offset by higher share-based payments and acquisition and due diligence costs.

OUTLOOK

This section should be read in conjunction with the "*Cautionary note regarding forward looking statements"* found at the end of this MD&A.

Corporate

The Corporation's management team continues to market the Corporation's investment strategy across North America and receives numerous inbound proposals from founders and their advisors each week. The Corporation continues to have a robust pipeline of potential transactions that it continues to review and assess. On November 2, 2016, the Corporation announced that it entered into a letter of intent to acquire a 60% majority interest in a limited partnership ("Club16 LP") holding eight (8) Club16 Trevor Linden Fitness Clubs and five (5) She's Fit! Health Clubs. The total cash purchase price for the fitness clubs is $20.0 million, subject to adjustments. The founders of the fitness clubs will retain a 40% interest in Club16 LP and will continue to manage the day-to-day operations.

The intended acquisition of Club16 LP is part of the Corporation's ongoing business plan to acquire controlling interests in well-managed, mid-market companies with strong cash flows.

DLC
The Corporation is currently determining the impact on DLC of the recent changes to the mortgage rules introduced by the Canadian Federal Government. These new rules came into effect starting October 17, 2016, and impact homebuyers' eligibility for new government-backed insured mortgages. These changes are likely to result in many homebuyers qualifying for lower mortgage amounts than they would have prior to the introduction of these rules. DLC is responding to these changes in the mortgage rules by educating the marketplace on the potential implications of the new mortgage rules, providing direct feedback/input to policy makers and continuing to grow its business through acquisitions of mortgage brokers. Historically, DLC has been able to maintain its revenues in difficult economic times given their geographical and operational diversification and by adding new franchisees. It is anticipated that the new rules will not have a significant long-term effect on DLC's revenues.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of capital available for financing its acquisitions and day-to-day operations are existing working capital, funds generated from the operations of its subsidiaries, equity from the capital markets and draws on its credit facilities.

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity risk is to prudently manage its financial position, cash generated from operations and credit facilities in such a manner so as to ensure it will have sufficient liquidity to pay its obligations when due.

Management believes that the Corporation is presently able to meet its working capital requirements, including obligations as they become due, and currently knows of no reason why this should not continue to be the case.

Liquidity

				As at September 30,
		2016		2015
Cash and cash equivalents	$	35,785,843	$	12,113,085
Trade and other receivables		10,448,213		647,690
Prepaid expenses and deposits		1,039,188		51,915
Notes receivable		318,315		-
Accounts payable and accrued liabilities		(10,498,637)		(237,900)
Loans and borrowings		(20,849,289)		-
Deferred revenue		(348,659)		-
Other current liabilities		(250,000)		-
Working capital	**$**	**15,644,974**	**$**	**12,574,790**
Overview of capital structure				
Equity	$	108,210,271	$	27,441,386
Loans and borrowings		28,978,373		-
Total capital	**$**	**137,188,644**	**$**	**27,441,386**

Working capital
As at September 30, 2016, the Corporation had a cash position of $35.8 million (September 30, 2015: $12.1 million) and net working capital of $15.6 million (September 30, 2015: $12.6 million). The change in net working capital position was primarily due to the increase in cash and cash equivalents, partially offset by the addition of $20.9 million in loans and borrowings. These balances are offset by an increase in both accounts receivable and accounts payable.

Equity
During the current quarter, the Corporation completed a private placement of common share for total net proceeds of $31.7 million.

Loans and borrowings
The Corporation's available credit facilities are comprised of a committed revolving acquisition and operating facility as well as operating and acquisition credit facilities within DLC, the Corporation's subsidiary. At September 30, 2016, the Corporation and its subsidiary (DLC) held the following loan facilities:

Corporate - $17.0 million and $5.0 million credit facilities
On July 19, 2016, the Corporation entered into a $17.0 million revolving acquisition credit facility ("Facility A") and $5.0 million non-revolving demand acquisition credit facility ("Facility B") with a Canadian financial institution for the purposes of refinancing the DLC Acquisition Facility, and thereafter to finance future acquisitions and for general corporate purposes.

Pursuant to the terms of the Facility A, the Corporation can borrow up to $17.0 million Canadian dollars, or the equivalent amount in U.S. dollars. Canadian dollars borrowings under the Facility A are available by way of prime-based loans and guarantee notes. Loans denominated in Canadian dollars bear interest at the Canadian dollar prime rate, plus an applicable margin of 3.00 to 3.75%, and guarantee notes in Canadian dollars bear interest at an applicable margin of 4.00 to 4.75%. For borrowings denominated in U.S. dollars, the Corporation may elect to have amounts outstanding bear interest at either the U.S. dollar prime rate plus an applicable margin of 3.00 to 3.75%, or a LIBOR rate plus an applicable margin of 4.00% to 4.75%. The applicable margin is determined based on the Corporation's net funded debt to EBITDA ratio, as defined by the Acquisition Facility.

The Facility B is available by way of prime-based loans in Canadian dollars and guaranteed notes in Canadian dollars. Loans denominated in Canadian dollars bear interest at the Canadian dollar prime rate, plus an applicable margin of 3.00 to 3.75%, and guarantee notes in Canadian dollars bear interest at an applicable margin of 4.00 to 4.75%. The applicable margin is determined based on the Corporation's net funded debt to EBITDA ratio, as defined by the Facility B.

Facility A and Facility B mature on the earlier of (i) demand by the lender, or (ii) December 31, 2016, and are secured by a general security agreement with first charge over the assets of the Corporation, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a fixed charge coverage ratio of not less than 1.4:1, a net funded debt to EBITDA ratio of less than 4.0:1, a minimum cash balance, including forecasted cash flows, of not less than $10.0 million, and aggregate borrowings of less than 33% of the total consideration paid for an investee subsidiary using the proceeds under both the Acquisition Facility and Demand Facility. As at September 30, 2016, the Corporation was in compliance with all such covenants.

Subsequent to September 30, 2016, the Corporation repaid the Facility A in full.

DLC - $6.5 million term loan facility
On June 12, 2013, DLC established a $6.5 million credit facility that matures on June 12, 2018. The credit facility was for the purpose of financing the acquisition of Mortgage Centers Canada Inc., a company in the business of franchising of mortgage brokerage services. Borrowings under the facility bear interest at a rate equal to the prime rate, plus 1.5% per annum. The credit facility is secured by a general security agreement with first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 120% and a debt-to-EBITDA ratio of less than 2.5:1. As at September 30, 2016, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level.

DLC - $10.3 million term loan facility
On November 20, 2015, DLC established a $10.3 million term loan facility that matures on December 30, 2021. The loan facility was for the purpose of financing the acquisition of MA Mortgage Architects Inc., a company in the business of franchising of mortgage brokerage services. Borrowings under the facility bear interest at a rate equal to the prime rate plus 1.5% per annum. The loan facility is secured by a general security agreement with first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 120% and a debt-to-EBITDA ratio of less than 2.5:1. As at September 30, 2016, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level.

DLC - $0.5 million operating facility
On June 12, 2013, DLC established a $0.5 million revolving credit facility ("Operating Facility"), as an operating loan to finance working capital and fund acquisitions. Borrowings under the revolving facility are due on demand and bear interest at the bank's prime rate plus 1.5% per annum. The credit facility is secured by a general security agreement with first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions.

Financial covenants include the requirement to maintain a debt service charge ratio of not less than 120% and a debt-to-EBITDA ratio of less than 2.5:1. As at September 30, 2016, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level.

As at September 30, 2016, DLC had not drawn on this operating loan.

Sources and uses of cash

	Twelve months ended September 30, 2016	Twelve months ended September 30, 2015
Cash used in operating activities	$ (3,186,753)	$ (3,442,958)
Cash (used in) provided by investing activities	(48,655,486)	28,667,990
Cash provided by (used in) financing activities	75,379,380	(20,938,654)
Increase in cash	23,537,141	4,286,378
Impact of foreign exchange on cash and cash equivalents	135,617	-
Cash, beginning of period	12,113,085	7,826,707
Cash, end of period	**$ 35,785,843**	**$ 12,113,085**

Cash used in operating activities for the twelve months ended September 30, 2016 was impacted by cash flows generated by DLC of $3.6 million, offset by increased corporate general and administrative and acquisition and due diligence costs compared to the comparative period due to the change in business of the Corporation. Cash used in operating activities for the twelve months ended September 30, 2015 was significantly related to salaries and bonuses paid during the period.

Cash used in investing activities for the twelve months ended September 30, 2016 was significantly impacted by the $54.8 million net cash acquisition of DLC as well as $3.1 million spent on an investment in Vital Alert Communications Inc. ("Vital Alert"), partially offset by $10.1 million in cash received on the sale of share investments.

Cash used in investing activities for the comparative period was impacted by the $10.1 million purchase of Polaris Infrastructures Inc. common shares offset by the receipt of $39.6 million (US$31.5 million) for settlement related to the mineral concession rights located in Equatorial Guinea, Africa.

Cash provided by financing activities for the twelve months ended September 30, 2016 was impacted by the $31.7 million net proceeds received from the July 6, 2016 private placement of common shares, the $27.4 million net proceeds received via subscription receipts offering, along with the closing of a $20.0 million bridge facility to partially fund the DLC Transaction purchase consideration, and the senior credit facilities totaling $22.0 million, of which the Corporation had drawn $18.4 million at September 30, 2016. Offsetting this inbound cash was repayment of the $20.0 million bridge facility.

Cash used in financing activities for the twelve months ended September 30, 2015 resulted from a return of capital distribution of $21.6 million offset by $0.7 million cash being received upon share option exercises.

COMMITMENTS

Effective February 23, 2016, the Corporation acquired the shares of Advantage Investments, assuming its obligations under an office sublease that expires November 30, 2016. The obligations total $7,903 on a monthly basis.

DLC has entered into two separate lease agreements with related companies for the lease of its office space. The leases are for a five-year term, and expire on September 16, 2020. The minimum rental charges under the two leases is $94,800 and $84,000 per annum.

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

Year	Lease payments
2016	$ 69,791
2017	212,845
2018	178,800
2019	178,800
2020	119,200
	$ 759,436

FINANCIAL INSTRUMENTS

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

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale assets ("AFS"), or financial liabilities at amortized cost. Refer to the table below for financial instrument classifications as at September 30, 2016:

	Carrying value as at September 30, 2016	Classification
Financial Assets		
Cash and cash equivalents	$ 35,785,843	FVTPL
Trade and other receivables	10,448,213	Loans and receivables
Notes receivable	318,315	Loans and receivables
Investments	2,673,000	AFS
Financial Liabilities		
Loans and borrowings	28,978,373	Loans and receivables
Accounts payable & accrued liabilities	10,498,637	Financial liabilities at amortized cost
Other financial liabilities	376,932	Financial liabilities at amortized cost

The Corporation has an available-for-sale investment in a private enterprise (Vital Alert) that is considered a Level 3 investment. The fair value of the investment is equal to its cost, as this is the most reliable measure of fair value at September 30, 2016. The cost of the investment was initially calculated using a discounted cash flow valuation technique, whereby a 5% discount rate was applied. The investment was recently purchased by the Corporation, in December 2015, and as such the Corporation considers the purchase price to be representative of fair value.

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

As at September 30, 2016, management has determined that the fair value of its loans and borrowings approximates its carrying value as the loans and borrowings are subject to floating interest rates and the Corporation and its subsidiary's credit risk profiles have not significantly changed since obtaining each of the facilities.

RISK MANAGEMENT

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

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

Market risk

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Corporation's exposure to foreign exchange fluctuations is limited to the balances in its USD bank accounts. At September 30, 2016, the USD cash balance is USD $20.0 million ($26.2 million) (2015 - USD $59,800 ($79,802)). Management has assessed that the Corporation's exposure to foreign exchange risk at September 30, 2016 is low and monitors foreign exchange rates on an ongoing basis.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% change in the interest rates on the loans and borrowings would have a $0.2 million impact on net income for the twelve months ended September 30, 2016 (2015 - $nil).

Price risk - investments

The Corporation is exposed to price risk with respect to fluctuations in the prices of its investments. The carrying amounts of the Corporation's investments are directly related to the current market prices of its investments.

Credit risk

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

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

One of the primary sources of credit risk to DLC is from its 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. The management of DLC establishes an allowance for doubtful accounts based on the specific credit risk of its customers. As at September 30, 2016, $0.2 million (2015 - $nil) of the Corporation's outstanding receivables are greater than 90 days outstanding, all of which relates to the DLC operations. The Corporation's maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of the Corporation's consolidated statement of financial position.

		September 30, 2016		September 30, 2015
Cash and cash equivalents	$	35,785,843	$	12,113,085
Trade and other receivables		10,448,213		647,690
Notes receivable		318,315		-
	$	**46,552,371**	**$**	**12,760,775**

Liquidity risk

Liquidity risk is the risk that the Corporation will not meet its financial obligations as they fall due. The Corporation manages this risk by continually monitoring its actual and projected cash flows to ensure there is sufficient liquidity to meet its financial liabilities when they become due.

At September 30, 2016, the following are the contractual maturities of financial liabilities, including estimated interest payments (on a consolidated basis):

	Contractual Cash Flow	Within 1 year	Within 5 years
Accounts payable and accrued liabilities	$ 10,498,637	$ 10,498,637	$ -
Other current liabilities	250,000	250,000	-
Loans and borrowings	29,551,698	21,422,614	8,129,084
Long-term accrued liabilities	126,932	-	126,932
	$ 40,427,267	**$ 32,171,251**	**$ 8,256,016**

The Corporation anticipates settling accounts payable and accrued liabilities through the regular course of business operations. The loans and borrowings will be settled via repayment or re-financing prior to maturity.

Founders Advantage and its subsidiaries may become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and amount of liability can be reasonably estimated and which would materially affect the financial position or results of operations of the Corporation. In addition, Founders Advantage or its subsidiaries may provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Corporation from making a reasonable estimate of the maximum potential amounts that may likely be required to be paid.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements other than those noted elsewhere in the MD&A.

SHARE CAPITAL

Common shares

As at September 30, 2016, there were 37,699,315 common shares issued and outstanding, compared to 9,953,397 (pre-consolidation: 149,301,065) at September 30, 2015. As at November 10, 2016, there were 37,700,800 common shares issued and outstanding.

On April 14, 2016, the Corporation completed a private placement offering of 13,709,306 (post consolidation) subscription receipts, including subscription receipts pursuant to the partial exercise of an over-allotment option, for gross proceeds of $28.8 million. After deducting the underwriters' fees of $1.2 million and expenses of $0.2 million, the total net proceeds from the sale of the subscription receipts under this private placement were $27.4 million. The funds received from this offering were used to partially fund the DLC Transaction, as described under the "Business Overview" section. Concurrent with the closing of the DLC Transaction, the subscription receipts automatically converted to common shares.

On May 18, 2016, the common shares of the Corporation were consolidated on a 15:1 basis.

On June 3, 2016, the Corporation closed the DLC Transaction and issued 4,761,902 common shares to the founders of DLC as part of the purchase consideration. These shares had a value of $26.7 million ($5.60/share) on the closing date of the DLC Transaction.

On July 6, 2016, the Corporation completed a brokered and non-brokered private placement of common shares at a price of $4.00 per common share for a total gross proceeds of $33.3 million. Pursuant to the brokered offering, the Corporation issued an aggregate of 5,027,500 common shares of the Corporation at a price of $4.00 per common share, for aggregate gross proceeds of $20.1 million, and pursuant to the non-brokered offering issued 3,294,830 common shares for gross proceeds of $13.2 million. In connection with the brokered offering, the Corporation paid the underwriters a cash commission equal to 6% of the aggregate gross proceeds of the brokered offering, plus expenses and disbursements.

Share options
As at September 30, 2016, there were 2,873,078 share options outstanding, compared to 213,333 (pre-consolidation: 3,199,995) as at September 30, 2015. As at November 10, 2016, there were 2,873,078 share options outstanding.

On May 18, 2016, the common shares of the Corporation were consolidated on a 15:1 basis. This share consolidation also reduced the number of share options, broker warrants and deferred share units outstanding by the same 15:1 ratio.

Broker warrants
As at September 30, 2016, there were 528,691 broker warrants outstanding, compared to nil as at September 30, 2015. As at November 10, 2016 there were 527,206 broker warrants outstanding.

Deferred share units
As at September 30, 2016, there were 623,663 deferred share units outstanding, compared to 580,366 (pre-consolidation: 8,705,490) as at September 30, 2015. As at November 10, 2016, there were 623,663 deferred share units outstanding.

On May 18, 2016, the common shares of the Corporation were consolidated on a 15:1 basis. This share consolidation also reduced the number of deferred share units outstanding by the same 15:1 ratio.

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.

Property leases
DLC leases office space from companies that are controlled by key management personnel and significant shareholders of DLC. Between the date of acquisition of DLC and September 30, 2016, the total costs incurred under these leases was $77,600. The lease term maturities range from 2016 - 2020. The expense is recorded within general and administrative expenses and is paid monthly; as such, no amount remains payable within the Corporation's consolidated statement of financial position.

Sales tax receivable
On acquisition of DLC, the Corporation was indemnified against any sales tax amounts assessed based on DLC's past results. As at September 30, 2016, the Corporation has recorded a receivable due from the DLC founders in the amount of $2.0 for the sales tax amounts payable recorded by DLC. This receivable has been recorded in trade and other receivables in the Corporation's consolidated statement of financial position.

Loans and advances
DLC has loans and advances due to companies that are controlled by both significant and minority shareholders of DLC in the amount of $10,266 as at September 30, 2016. The balance is included in other current liabilities in the Corporation's consolidated statement of financial position. These loans and advances are unsecured, due on demand and are non-interest bearing.

DLC has loans and advances due from companies that are controlled by both significant and minority shareholders in DLC in the amount of $137,413 as at September 30, 2016. The balance is included in trade and other receivables in the Corporation's consolidated statement of financial position. These loans and advances are unsecured, due on demand and are non-interest bearing.

SUBSEQUENT EVENTS

DLC - operating facility
On October 14, 2016, DLC increased its operating facility from $0.5 million to $4.5 million. This facility continues to be used by DLC to finance working capital and future acquisitions.

Letter of Intent to Acquire Club16 Trevor Linden Fitness and She's Fit! Health Clubs
On November 2, 2016, the Corporation announced that it entered into a letter of intent to acquire a 60% majority interest in a limited partnership ("Club16 LP") holding eight (8) Club16 Trevor Linden Fitness Clubs and five (5) She's Fit! Health Clubs. The total cash purchase price for the fitness clubs is $20.0 million , subject to adjustment. The founders of the fitness clubs will retain a 40% interest in Club16 LP and will continue to manage the day-to-day operations.

The intended acquisition of Club16 LP is part of the Corporation's ongoing business plan to acquire controlling interests in well-managed, mid-market companies with strong cash flows. Completion of the transaction is subject to a number of conditions and is expected to close on December 31, 2016.

Dividend policy
On November 4, 2016, the Corporation's Board of Directors approved the implementation of a new dividend policy. In 2017, the Corporation will pay an annual dividend of $0.05 per common share (payable quarterly), and in subsequent years will link quarterly dividends to the distributable cash received from its investee entities, with the intention to distribute up to 80% of the cash flows received. The first quarterly dividend of $0.0125 per share is expected to be declared in mid-March 2017.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated 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
The Corporation uses 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.

The Corporation accounts for business combinations using the acquisition method. Significant 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 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 an estimate of the total expected future cash flows.

Significant assumptions include the determination of future revenues, cash flows, franchise retention rates, 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.

Intangible assets
The Corporation has concluded that the DLC brand name has an indefinite useful life. This conclusion was based on a number of factors, including the Corporation's ability to continue to use the brand and the indefinite period over which the brand name is expected to generate cash flow. The determination that the brand has an indefinite useful life involves judgement and is reassessed each year.

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 quarterly basis by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the higher of the assets' fair value less cost of disposal or its value in use.

The value in use is calculated using a discounted cash flows analysis, which requires management to make a number of significant assumptions, including those related to future operating plans, discount rates and future growth rates. Finite life intangible assets are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Corporation assesses whatever the carrying amount of the asset is considered recoverable.

Share-based payments
When share-based awards are granted, the Corporation measures the fair value of each award and recognizes the related compensation expense over the vesting period. Management makes a variety of assumptions in calculating the fair value of share-based 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 payments expense is subject to measurement uncertainty.

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

ACCOUNTING POLICIES

As a result of the transition of the Corporation to an investment company during the current fiscal year, certain new accounting policies have been adopted. The accounting policies which management considers to be key are as follows.

Basis of consolidation
The interim condensed consolidated financial statements include the accounts of the Corporation and its subsidiary DLC from June 3, 2016, the date of acquisition. All intercompany balances and transactions have been eliminated on consolidation.

In December 2015, the Corporation commenced the process of dissolving Ivory Resources Inc. ("Ivory") and Ivory's subsidiaries, Equatorial Resources Inc., Bissau Phosphate Inc. and Bissau Resources Inc. All of such subsidiaries of the Corporation, each which were governed by the laws of the Cayman Islands, were deemed to be dissolved per the certificates of resolution dated March 30, 2016.

Subsidiaries are those entities over which the Corporation has control. The Corporation controls an entity when it is exposed to or has the rights to variable returns from its involvement with the investment, and has the ability to affect those returns through its power over the investee. The existence and effect of voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation, and are deconsolidated from the date control ceases.

Non-controlling interest
Non-controlling interests represent equity interests owned by outside parties. Non-controlling interests are measured at fair value on the date acquired plus their proportionate share of subsequent changes in equity.

Business combinations
The Corporation uses the acquisition method to account for the acquisition of subsidiaries. The consideration transferred for the acquisition is measured as the aggregate of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Acquisition and due diligence costs are expensed as they are incurred. The identifiable assets and liabilities assumed are measured at their fair values at the date of acquisition, and any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is reassessed and any remaining difference is recognized directly in the consolidated statement of income.

Contingent consideration, if any, is recognized at fair value on the date of the acquisition, with subsequent changes in the fair values recorded in the consolidated statement of income. Contingent consideration is not re-measured when it is an equity instrument and its subsequent settlement is accounted for within equity.

Intangible assets and goodwill
Intangible assets
Identifiable intangible assets acquired through a business combination are initially recorded at fair value and are carried at cost less accumulated amortization. Identifiable intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The indefinite life intangible assets, which are comprised of brand names, are tested for impairment annually, or more frequently if there is an indication that the intangible asset may be impaired. The indefinite life assumption is reviewed each reporting period to determine if it continues to be supportable. If the indefinite life assessment is no longer deemed supportable, the change in useful life from indefinite to finite is made. Any change is accounted for prospectively as a change in accounting estimate.

Franchise rights includes renewable franchise agreements and franchisee non-competition agreements and relationships. The renewable franchise agreements were acquired on acquisition of DLC, and are amortized on a straight-line basis over the estimated economic life of 25-years. Franchisee non-competition agreements and relationships are comprised of the cost of acquiring and renewing contracts with DLC franchisees, and are amortized on a straight-line basis over the life of the related non-competition agreement which ranges from 2 to 10 years.

Software was acquired on acquisition of DLC. The software has a 6-year useful life and is amortized over its useful life on a straight-line basis.

The amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period and adjusted if appropriate. Any change is accounted for prospectively as a change in accounting estimate.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination at the date of acquisition. When goodwill is acquired through a business combination for the purposes of impairment testing, it is allocated to each cash-generating unit ("CGU"), or group of CGU's, which represents the smallest identifiable group of assets that generate cash inflows. The allocation is made to the CGU's, or group of CGU's, that is expected to benefit from the related acquisition. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Impairment
Long-lived assets with finite useful lives are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, and intangible assets with indefinite useful lives, are tested for impairment annually, or more frequently if an indicator for impairment exists. To assess for impairment, assets are grouped into CGU's, and an impairment loss is recorded when the carrying value exceeds its recoverable amount.

At the end of each reporting period, an assessment is made as to whether there is any indication that impairment losses previously recognized, other than those that relate to goodwill impairment, may no longer exist or have decreased. If such indications exist, the Corporation makes an estimate of the recoverable amount, and if appropriate, reverses all or part of the impairment. If an impairment is reversed, the carrying amount will be revised to equal the newly estimated recoverable amount. The revised carrying amount may not exceed the carrying amount that would have resulted after taking depreciation into account had no impairment loss been recognized in prior periods. The amount of any impairment reversal is recorded directly to consolidated net (loss) income.

Revenue recognition
Revenue is comprised of fees earned on the franchising of mortgage brokerage services and commissions generated on the brokering of mortgages. Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable the economic benefits will flow to the Corporation, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

Franchising of mortgage brokerage services
Franchising revenue from mortgage brokerages includes income from royalties, advertising fees and volume bonus income.

Royalty income is based on a percentage of the mortgage related revenues earned by the franchises, and is recognized as the franchisees earn their commissions and bonuses from lending contracts. Income from advertising fees is collected on a monthly basis from the franchises to fund the costs of advertising brokerage services, and is recognized each month as amounts become due from franchises based on the terms of the franchise agreement. Volume bonus revenue relates to agreements made with certain lenders and suppliers to earn bonuses based on the volume of mortgages funded or broker activity. Volume bonus revenue is recognized on an accrual basis as the volume or activity thresholds are fulfilled.

Brokering of mortgages
Commission income relates to income earned on the brokering of mortgages within the corporately owned mortgage franchise, and is earned when the mortgage deal has closed.

FUTURE ACCOUNTING STANDARDS

Standards that are issued but not yet effective and that the Corporation reasonably expects 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. The Corporation intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the 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. The Corporation intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the 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. The Corporation intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the consolidated financial statements.

RISK FACTORS

The Corporation and its subsidiary are subject to a number of business risks. These risks relate to the structure of the Corporation and the operations at the subsidiary entity. There were no changes to the Corporation's principal risks and uncertainties from those reported in the Corporation's AIF for the year ended September 30, 2015, dated September 9, 2016.

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 by the Corporation;
- that certain start-up costs are not recurring;
- the ability of the Corporation's investee entities to distribute cash to the Corporation;
- the revenue from DLC in future quarters being greater than the revenue from DLC for the current period;
- the Corporation's existing credit facilities will be renewed at maturity;
- the Corporation's business plan and investment strategy; and
- general business strategies and objectives.

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 its investment strategy and meet its commitments and financial obligations;
- the ability of the Corporation 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 its 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.

Although the Corporation believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as the Corporation 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 anticipated by the Corporation and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- the expected benefits of the DLC Transaction 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 the Corporation's 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, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.