SOURCES AND USES OF CASH

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

(in thousands)	Year ended December 31, 2017	Period ended December 31, 2016 [(1)]
Cash provided by (used in) operating activities	**$ 8,689**	$ (3,440)
Cash used in investing activities	**(44,416)**	(75,092)
Cash provided by financing activities	**37,552**	74,096
Increase (decrease) in cash	**1,825**	(4,436)
Impact of foreign exchange on cash and cash equivalents	**(99)**	147
Cash and cash equivalents, beginning of period	**7,824**	12,113
Net Cash and cash equivalents, end of period	**$ 9,550**	$ 7,824

(1) For the 15 months ended December 31, 2016.

Operating activities

The net cash provided by operating activities for the year ended December 31, 2017, was primarily related to cash flows generated by cash flows from the Franchise segment operations of $.14.2 million, and the Consumer Products and Services segment of $3.9 million. The cash provided was partially offset by corporate head office requirements of $9.0 million, which are primarily related to general and administration costs, finance expense, acquisition and due diligence costs, and cash used in the Business Products and Services segment of $0.4 million.

Cash used in operating activities for the year ended December 31, 2016, was impacted by cash flows generated by DLC of $5.3 million, offset by corporate general and administrative costs for salaries and salary-related costs, 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 year ended December 31, 2017, consisted primarily of the acquisition of AG for $22.1 million (net of cash received), Impact for $12.0 million (net of cash received), $1.5 million post-closing adjustment paid to the vendors of Club16, DLC's investments in intangible assets of $3.6 million, Club 16's investment in capital assets of $3.9 million and $.5.3 million in distributions paid to non-controlling interest unitholders. Cash used in investing activities is partially offset by cash received from DLC's disposal of intangible assets and sale of its investment in Canadiana for total gross proceeds of $3.6 million.

Cash used by investing activities for the year ended December 31, 2016, was significantly impacted by the corporate head office acquisition of DLC for net cash of $54.8 million, the acquisition of Club16 for net cash of $20.5 million and the acquisition of NCS for $4.2 million. The cash used in investing activities was partly offset by the 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 year ended December 31, 2017, because 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 Resources section of this MD&A), and an increase in the amount drawn on DLC's, AG's and Club16's operating facilities of $5.9 million. Offsetting the increase in cash from financing activities was the $27.0 million repayment of the ATB corporate facility; $6.3 million repayments on DLC, Club16 and AG's term loan facilities, and $1.4 million dividends paid.

Cash provided by financing activities for the year ended December 31, 2016, was impacted by the $59.0 million net proceeds received from equity financing, $36.9 million received from a bridge facility that was used to partially fund the DLC transaction and amounts drawn on senior credit facilities, partly offset by cash repayments on debt facilities.

Distribution from investees

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 year ended December 31, 2017, corporate received distributions and advances from its subsidiaries of $10.4 million (December 31, 2016—$1.6 million).

During the year ended December 31, 2017, total distributions paid to DLC and Impact NCI were $4.3 million (December 31, 2016—$1.1 million) and $1.0 million (December 31, 2016—$nil), respectively, and advances paid to Club16 NCI were $1.8 million (December 31, 2016—$nil).

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 December 31, 2017, and December 31, 2016.

(in thousands)		December 31, 2017		December 31, 2016
Loans and borrowings	**$**	**77,700**	$	32,455
Less: net cash and cash equivalents		**(9,550)**		(7,824)
Net loans and borrowings	**$**	**68,150**	$	24,631
Shareholders' equity	**$**	**101,386**	$	106,849

Loans and borrowings

Our available credit facilities consist of a term facility at the corporate head office level, as well as acquisition and operating credit facilities within DLC, Club16 and AG.

Corporate ATB credit facility

On July 15, 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 ATB to refinance the bridging facility used to acquire DLC, and thereafter to finance future acquisitions and fund general corporate purposes.

On February 28, 2017, the Corporation amended its Corporate ATB credit facilities to increase its revolving acquisition credit facility from $17.0 million to $28.0 million ("2017 Amended Credit Agreement") and cancel its $5.0 million non-revolving demand acquisition credit facility. On June 14, 2017, the Corporation repaid and cancelled this ATB credit facility with the proceeds from the Sagard Facility (discussed below).

Corporate USD Sagard facility

On May 31, 2017, the Corporation entered into a $42.0 million USD term credit facility ("Corporate Credit Facility" or "Sagard Facility") with Sagard Credit Partners LP (formerly Sagard Holdings ULC) to refinance our 2017 Amended Credit Agreement, finance future acquisitions and fund general corporate purposes.

The facility has a five-year term and bears interest at the three-month LIBOR rate plus 7% per annum with interest payable quarterly. The term facility is secured by a general security agreement with first charge over the assets of the Corporation, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of

- 4.75:1.00 for the fiscal quarters ending September 30, 2017; December 31, 2017; and March 31, 2018;
- 4.50:1.00 for the fiscal quarter ending June 30, 2018;
- 4.00:1.00 for the fiscal quarters ending September 30, 2018, and December 31, 2018; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

The above total leverage ratios for the fiscal quarters ending March 31, 2018, and June 30, 2018, were amended effective December 31, 2017. The prior total leverage ratios for such fiscal quarters were previously 4.25:1.00 and 4.00:1.00, respectively.

As at December 31, 2017, the Corporation was in compliance with all such covenants.

The following credit facilities are held at the subsidiary level.

DLC term loan facility

DLC has term loans under which it has borrowed an aggregate of $7.0 million at December 31, 2017 (December 31, 2016—$10.4 million). The facility is held at the DLC subsidiary level. 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 1.20:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at December 31, 2017, DLC was in compliance with all covenants.

DLC operating facility

DLC has a $6.5 million operating facility, under which it has borrowed an aggregate of $5.1 million at December 31, 2017 (December 31, 2016—$2.8 million). Borrowings under the DLC Operating Facility are due with a 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 1.20:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at December 31, 2017, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level.

Club16 demand credit facility

On March 21, 2017, the Club16 demand credit facility was repaid in full and replaced by a $7.0 million facility, of which $4.2 million was drawn at December 31, 2017 (December 31, 2016 - $4.2 million). 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 facility lowered Club16's cost of capital as well as provided additional capital to support the growth of Club16 operations. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.25:1.00 and a maximum debt-to-EBITDA ratio of less than 2.25:1.00. As at December 31, 2017, Club16 was in compliance with all such covenants. Borrowings under the facility bear interest at the prime rate plus 1.25%. This facility is held at the Club16 subsidiary level.

On March 16, 2018, Club16 amended its existing credit facilities. The amendment increased the credit available on term loans from $7,000 thousand to $9,000 thousand. Included in the amendment was a modification in the financial covenant which established a lower requirement for debt service coverage ratio to be greater than 1.05:1:00 (compared to 1.25:1:00 previously) and greater than or equal to 1.50:1:00 excluding distributions. Subsequent to year end, Club16 was notified by its lender that the lender believed it had breached the debt service coverage ratio, included in the demand facility, for the period ended March 31, 2018. The breach constitutes an event of default under the agreement. The lender has taken no action to date and has notified that no further action is required.

Club16 revolving facility

On March 21, 2017, Club16 entered a $1.5 million revolving operating facility to finance its 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 1.25:1.00 and a maximum debt-to-EBITDA ratio of less than 2.25:1.00. As at December 31, 2017, Club16 was in compliance with all such covenants. The facility is held at the Club16 level and has $0.3 million drawn as at December 31, 2017 (December 31,2016 - $nil).

AG operating facility

AG has an operating facility available for the lesser of $6.0 million or 75% of accounts receivable, net of over 90 days and related party accounts. The loan bears interest at the bank's prime rate plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. The AG Operating Facility is secured by a general security agreement with first charge over the assets of AG, subject to customary terms, conditions, covenants and other provisions.

Financial covenants include the requirement to maintain a maximum debt-to-adjusted-EBITDA ratio of less than 2.25:1.00, and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at December 31, 2017, AG was in compliance with all such covenants. The facility is held at the AG level and has $3.5 million drawn as at December 31, 2017.

AG has a 70% investment in Litho. Litho has a $750 thousand operating facility to finance the working capital requirements of day-to-day operations. Borrowings under the facility bear interest at a rate equal to the prime rate plus varying rates of 0.45% to 1.25% per annum, calculated monthly in arrears and payable on the last day of each month. The credit facility is secured by a general security agreement with a first charge over the assets of Litho, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service coverage ratio greater than or equal to 1.15:1.00 and a debt-to-EBITDA ratio of less than or equal to 2.00:1.00. As at December 31, 2017, AG was in compliance with all such covenants and has $nil drawn.

AG term loan facilities

AG has two term loan facilities ("AG Term Loan 1" and "AG Term Loan 2"). AG Term Loan 1 matures in July 2020, is repayable in monthly installments of $82 thousand a month and incurs interest at a fixed rate of 3.48% per annum. AG Term Loan 2 matures in October 2022, is repayable in monthly installments of $30 thousand a month and incurs interest based on a floating rate of prime plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. The committed term debts are secured by a general security agreement with first charge over the assets of AG, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a maximum debt-to-adjusted-EBITDA ratio of less than 2.25:1.00, and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at December 31, 2017, AG was in compliance with all such covenants. The facilities are held at the AG level and have $5.0 million drawn as at December 31, 2017.

AG vehicle and equipment loans

AG has three equipment and automobile financing loans bearing interest between 3.5% and 5.99% per annum repayable in monthly installments and secured by the respective equipment and automobile.

Dividends to FAC shareholders

On November 4, 2016, our Board of Directors approved the implementation of a dividend policy for our common shares. The dividend policy provides that we will pay an annual dividend of $0.05 per common share (payable quarterly). During the year ended December 31, 2017, the Corporation declared quarterly dividends of $0.125 per share totalling $1.9 million. Total dividends paid during the year was $1.4 million.

(in thousands)		December 31, 2017		December 31, 2016
$0.05 per share	$	1,904	$	-

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 other securities have also been adjusted proportionately.

As of December 31, 2017, we had 38,128,606 common shares outstanding compared to 37,714,342 at December 31, 2016. As at April 24, 2018, there are 38,128,606 common shares issued and outstanding.

As at April 24, 2018, there were outstanding options to purchase 3,059,745 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 exercise prices ranging from $3.508 to $3.965.

COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See note 24 of the 2017 audited consolidated financial statements for more information.

(in thousands)	Less than 1 year	1–3 years	4–5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 21,032	$ -	$ -	$ -	$ **21,032**
Loans and borrowings	16,370	8,652	55,237	697	**80,956**
Long-term accrued liabilities	-	1,914	60	-	**1,974**
Capital leases	359	658	-	-	**1,017**
Operating leases	6,368	12,065	8,790	11,433	**38,656**
	$ 44,129	**$** 23,289	**$** 64,087	**$** 12,130	**$ 143,635**

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements at December 31, 2017, or April 24, 2018, not disclosed or discussed previously.

CONTINGENCIES

Former employees have brought claims against AG totalling $0.6 million related to wrongful dismissal and income earned but not paid for. On October 5, 2017, a court order was obtained requiring all claims to be consolidated into one action. The Corporation has been indemnified from these claims. Further, in the opinion of management, the outcome of the unsettled claims is not determinable. As a result, the potential for any obligation is not estimable, and no provision for settlement has been made in the financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Our financial risk management policies have been established 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, investments, and trade payables and accrued liabilities. Because 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 section describes our objectives, policies and processes for managing these risks and the methods used to measure them.

Our financial instrument classifications as at December 31, 2017, is as follows.

(in thousands)	Carrying value as at December 31, 2017	Fair value as at December 31, 2017	Classification
Financial assets			
Cash and cash equivalents	$ 10,316	$ 10,316	Fair value through profit or loss
Trade and other receivables	23,498	23,498	Loans and receivables
Notes receivable	342	342	Loans and receivables
Investments	357	357	Available-for-sale assets
Financial liabilities			
Bank indebtedness	766	766	Fair value through profit or loss
Accounts payable and accrued liabilities	21,032	21,032	Financial liabilities at amortized cost
Loans and borrowings	77,700	77,700	Loans and receivables
Other current liabilities	413	413	Financial liabilities at amortized cost
Other long-term liabilities	2,391	2,391	Financial liabilities at amortized cost
Capital lease obligation	958	958	Financial liabilities at amortized cost
Non-controlling interest liability	12,500	12,500	Fair value through profit or loss

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 risk is comprised of foreign exchange risk and interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate because of changes in foreign exchange rates. Our exposure to foreign exchange fluctuations relates to the balances in USD bank accounts, our USD loans and borrowings, and Impact operations, as a significant portion of its 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 December 31, 2017, the USD cash balance is USD $1.6 million (CAD—$2.0 million) compared to USD $37 thousand (CAD—$44 thousand) at December 31, 2016. The USD loans and borrowing balance is USD $42.0 million (CAD—$.52.7 million); at December 31, 2016, it was USD $nil. The translation effect from changes in the USD exchange rate resulted in a foreign exchange loss on our consolidated USD cash balance of $1.4 million for the year ended December 31, 2017 (December 31, 2016—$0.1 million). Our USD debt balance resulted in an offsetting foreign exchange gain of $2.9 million for the year ended December 31, 2017 (December 31, 2016— $nil). Net foreign translation losses of $1.3 million (December 31, 2016—$nil) were recorded within consolidated other comprehensive income related to Impact's operations.

Management has assessed that our exposure to foreign exchange risk at December 31, 2017, is high and monitors foreign exchange rates on an ongoing basis. A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $5.3 million decrease in net income before tax for the year ended December 31, 2017 (December 31, 2016—$4 thousand gain).

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 $0.6 million impact on net income for the year ended December 31, 2017 (December 31, 2016—$0.2 million).

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 AG customers and DLC's franchisees and agents not repaying receivables. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. AG manages its credit risk through evaluation and by monitoring overdue trade and other receivables. Another source of credit risk comes from Impact's customers not paying amounts owed to Impact, which is also managed by performing credit risk evaluations and monitoring overdue trade receivables. The management teams of AG, DLC and Impact establishes an allowance for doubtful accounts based on the specific credit risk of their customers. As at December 31, 2017, $1.0 million (December 31, 2016—$0.2 million) of our trade receivables are greater than 90 days' outstanding. Our maximum exposure to credit risk, as related to certain financial instruments identified in the following table, approximates the carrying value of the assets of our consolidated statement of financial position.

(in thousands)		December 31, 2017		December 31, 2016
Cash and cash equivalents	**$**	**10,316**	$	7,824
Trade and other receivables		**23,498**		12,413
Notes receivable		**342**		290
	$	**34,156**	$	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.

The Corporation's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it generates returns for Shareholders, expands business relationships with stakeholders, and identifies risk and allocates its capital accordingly. There can be no guarantee that the Corporation will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, the Corporation is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favourable as the terms of its existing indebtedness.

The credit facilities contain a number of financial covenants that require the Corporation to meet certain financial ratios and condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in a reduction or termination of the Corporation's dividends, and may permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay in full that indebtedness.

BUSINESS RISKS AND UNCERTAINTIES

The following is a brief discussion of the factors which may have a material impact on our future business or financial performance. In addition to the factors noted below, additional factors which may have a material impact on our future business or financial performance are set out under the "Risk Factors" section in our Annual Information Form.

Risks relating to our business

Short operating history

We have only a short record of operating as an investment issuer, and as such, we are subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that we will not achieve our financial objectives as estimated by management or at all. Furthermore, past successes of

management or the Board do not guarantee future success.

Available opportunities and competition for investments

Our business plan depends upon, among other things, (i) the availability of appropriate investment opportunities; (ii) our ability to identify, select and acquire successful investments; and (iii) our ability to generate or obtain funds for future investments. We expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as us, have a longer operating history, be better capitalized, have more personnel and have different return targets. As a result, we may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit our ability to secure investments on acceptable terms or to generate desired returns.

There can be no assurance that we will have access to enough suitable investment opportunities or that such investments can be made within a reasonable period. There can also be no assurance that we will be able to complete investments at acceptable prices or on acceptable terms. Identifying attractive opportunities is difficult, is highly competitive and involves a high degree of uncertainty. Potential returns will be diminished to the extent that we are unable to find or make enough investments.

Ability to secure adequate financing

We will have ongoing requirements for capital to support our growth and may seek to obtain additional funds for these purposes through public or private equity, or through the incurrence of indebtedness. There are no assurances that we will be able to secure additional funding at all, on acceptable terms or at an acceptable level. Our liquidity and operating results, and our ability to make additional investments, may be adversely affected if our access to capital markets or other sources of financing is hindered, whether because of a downturn in market conditions generally or to matters specific to us.

Dependence on management and directors

We will be dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and investment opportunities they are able to generate. Accordingly, our success may depend upon the continued service of these individuals to our business. The loss of the services of any of these individuals could have a material and adverse effect on our revenues, net income and cash flows, and could harm our ability to secure investments, maintain or grow our assets, and raise funds.

From time to time, we will also need to identify and retain additional skilled management to efficiently operate our business. Recruiting and retaining qualified personnel is critical to our success, and there can be no assurance of our ability to attract or retain such personnel.

If we are not successful in attracting and training qualified personnel, our ability to execute our business strategy could be affected, which could have a material and adverse impact on our profitability, results of operations and financial condition.

Investment evaluation

The due diligence process undertaken by FAC in connection with investments may not reveal all relevant facts in connection with an investment. Before making investments, we will conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment, and we will be required to rely upon the accuracy and completeness of information supplied by potential investees. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment, and we will be required to rely in part on these advisors' assessments of potential liabilities and risks associated with each investment.

The due diligence investigation carried out by FAC and our advisors with respect to any investment opportunity may not reveal or highlight all relevant risks or liabilities

associated with the investment. Unforeseen risks or liabilities may have a material and adverse impact on our liabilities, profitability, results of operations and financial condition.

Transaction and legal risks

We may be exposed to transaction and legal risks, including potential liability under securities laws or other laws and disputes over the terms and conditions of investment arrangements. We may face legal challenges with seeking remedies under investment agreements, or in administering investments without dispute. These risks are often difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time. We may incur significant legal and other expenses in defending against litigation involved with any of these risks and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against us could have a material and adverse effect on our results of operations and financial condition.

Common shares sensitive to market fluctuations

Our common shares are relatively illiquid due to low trading volumes and, as such, the market price of the common shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in our results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the common shares, even if we are successful in maintaining revenues, cash flows or earnings. This illiquidity and fluctuation in market price may adversely affect our ability to raise additional funds through the issuance of common shares, which could have a material and adverse impact on our profitability, results of operations and financial condition.

Trading price of the common shares relative to net asset value ("NAV")

FAC is neither a mutual fund nor an investment fund, and due to the nature of our business and investment strategy and the composition of our investment portfolio, the market price of the common shares, at any time, may vary significantly from the NAV of the common shares. This risk is separate and distinct from the risk that the market price of the common shares may decrease. The extent to which common shares trade at a value different from the NAV of the common shares may adversely affect our ability to raise additional funds through the issuance of common shares, which could have a material and adverse impact on our profitability, results of operations and financial condition.

Potential conflicts of interest

Certain of our directors and officers are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to FAC. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to FAC or companies in which we may invest; management of investment funds; purchases and sales of securities; and investment and management counselling for other clients. Such conflicts may result in a material and adverse effect on our results of operations and financial condition.

Risks relating to our investments

Exposure to investment portfolio risks

Given the nature of our investment activities, the results of operations and our financial condition are dependent upon the financial condition and performance of the businesses comprising our investments. The performance of these businesses can be affected by the general market conditions that affect a segment and by specific factors that impact the underlying businesses.

Private issuers and illiquid securities

We invest in securities of private issuers. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for many reasons beyond our control, and there is no assurance that an adequate market will exist for the investments we have made. Many of our investments will be relatively illiquid and may decline in price if a significant number

of such investments are offered for sale by FAC or other investors.

No guaranteed return

Our investments are not currently structured to secure a guaranteed return, or any return in the short- or long-term.

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, Impact and AG lease and rent office space from companies that are controlled by minority partners within the subsidiaries. During the year ended December 31, 2017, the total costs incurred under these leases was $0.6 million (December 31, 2016—$0.1 million). The lease term maturities range from 2020–2022.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by key management personnel. The total costs incurred under these leases for the year ended December 31, 2017, was $0.4 million (December 31, 2016—$13 thousand). The lease term maturities range from 2020-2021.

The expenses related to these related party leases are recorded in general and administrative expenses and are paid monthly; as such, no amount remains payable within the Corporation's financial statements.

Sales tax receivable

On acquisition of DLC, the Corporation was indemnified against any sales tax amounts assessed based on DLC's past results. As at December 31, 2017, the Corporation has recorded a receivable due from the DLC founders in the amount of $0.8 million for the sales tax amounts payable recorded by DLC (December 31, 2016—$1.6 million). This receivable has been recorded in trade and other receivables in the Corporation's consolidated statement of financial position.

Corporate tax and U.S. state tax receivable

On acquisition of Impact, the Corporation was indemnified against any U.S. state sales tax and corporate tax amounts assessed based on Impact's past results. As at December 31, 2017, the Corporation has recorded a receivable due from the Impact founders in the amount of $0.2 million (December 31, 2016—$nil) for the U.S. state tax and corporate tax amounts payable recorded by Impact. This receivable has been recorded in trade and other receivables in the Corporation's consolidated financial statements.

Loans and advances

DLC has amounts due to/from companies that are controlled by key management personnel and both significant and minority shareholders of DLC. Due to amounts of $10 thousand (December 31, 2016—$31 thousand) have been included in accounts payable and accrued liabilities in the Corporation's financial statements as at December 31, 2017. Due from amounts of $21 thousand (December 31, 2016—$24 thousand) have been included in trade and other receivables in the Corporation's financial statements as at December 31, 2017.

Club16 has loans and advances due from companies that are controlled by key management personnel of Club16 in the amount of $1.8 million as at December 31, 2017, (December 31, 2016—$nil). The balance is included in accounts receivable in the Corporation's consolidated financial statements.

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

Loan guarantees

AG provided guarantees over loan advances totalling $4.5 million for two related party companies controlled by key management personnel. The guarantees were released subsequent to the December 31, 2017.

Promissory notes

DLC has entered into two promissory notes payable totalling $2.0 million due to companies that are controlled by key management personnel and significant shareholders of DLC. During the year ended December 31, 2017, interest of $0.1 million (December 31, 2016—

$9 thousand) was paid on these promissory notes. These notes were fully paid in 2017.

On October 31, 2017, as part of the purchase of AG, FAC entered a two-year promissory note payable totalling $2.5 million due to vendors of AG. During the year ended December 31, 2017, interest of $25 thousand (December 31, 2016—$nil) was accrued and recorded as an accounts payable and accrued liability.

Administrative services

Club16 has entered into an agreement to provide administrative services to a company controlled by key management personnel of Club16. Total fees charged for services under this agreement for the year ended December 31, 2017, was $0.1 million (December 31, 2016—$4 thousand). The agreement can be terminated by either party with six months' prior written notice.

On October 31, 2017, AG entered into a consulting agreement with a company controlled by key management personnel whereby AG has agreed to incur an annual amount of $0.1 million, paid monthly, for consulting services. From the date of acquisition until December 31, 2017, total fees charged under this agreement was $0.2 million, including one-time charges.

Other

The Corporation has entered into an agreement with the non-controlling shareholders of Impact. The agreement is related to liquidation rights, and if a liquidation event occurs, the Corporation has a possible commitment to pay $1.0 million to these shareholders. As at December 31, 2017, a liability has been recognized for the current fair value of the liability of $0.6 million (December 31, 2016—$nil).

Key management compensation

Key management personnel comprise members of the Board of Directors and key management of the Corporation. Their compensation is as follows.

(in thousands)		Year ended December 31, 2017		Period ended December 31, 2016 (1)
Director fees	**$**	**213**	$	177
Salaries and benefits		**2,933**		1,638
Share-based payments		**2,873**		5,540
	$	**6,019**	$	7,355

(1) For the 15 months ended December 31, 2016.

During the year ended December 31, 2017, termination benefits were awarded to certain management and directors of the Corporation. Total termination benefits included within salaries and benefits in the table above are $700 thousand (December 31, 2016 - $530 thousand).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These include estimates that, by their nature, are uncertain, and actual results could differ materially from these 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.

Areas that require management to make significant estimates, judgments and assumptions are as follows.

Business combinations

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

The Corporation accounts for business combinations using the acquisition method. Significant estimation and judgement are 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.

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

The Corporation's preliminary estimates of expected future cash flows are based on significant management judgements and, as in a business combination, it generally takes time to obtain the information necessary to measure the fair values of assets acquired, and liabilities assumed and the resulting goodwill, if any. Changes to the provisional measurements of assets and liabilities acquired and resulting goodwill may be prospectively adjusted as new information is obtained until the final measurements are determined. The Corporation is still in the process of identifying and valuing intangible assets and fixed assets for AG. Fair value allocations are estimated using the latest available information as at the date of these financial statements. As a result, these preliminary allocations may change.

Control assessment and classification of non-controlling interest

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

Intangible assets

Management has concluded that the DLC brand name has an indefinite useful life. This conclusion was based on many 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, which could have an impact on the amortization charge recorded in the consolidated statement of income.

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 judgement, 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 asset's fair value less cost of disposal or its value in use. The value in use is calculated using a discounted cash flow analysis, which requires management to make many significant assumptions, including those related to future operating plans, discount rates and future growth rates.

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

Cash-generating unit ("CGU") determination

The determination of CGUs for impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generate 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.

Share-based awards

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

Deferred taxes

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

Liquidity

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

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 new requirements for the classification and measurement of financial instruments, a new impairment model for financial assets, and modifications to 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 plans to adopt the new standard on the required effective date and is currently assessing the new standard. While the Corporation does not expect a material impact on its earnings based on its assessment to date, further analysis is being completed.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014. It provides a single comprehensive model to determine how and when an entity should recognize revenue arising from contracts with customers and requires 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 plans to adopt the new standard on the required effective date and is currently assessing the new standard. While the Corporation does not expect a material impact on its earnings based on its assessment to date, further analysis is being completed.

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.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected annual information for 2017, 2016 and 2015.

				Period ended (1)		
(in thousands except per share amounts)		**2017**		2016		2015
Consolidated Income Statement Data:						
Revenues	$	**82,905**	$	22,938	$	-
(Loss) income attributable to shareholders		**(6,212)**		(9,794)		35,709
(Loss) income per share:						
Basic	$	**(0.17)**	$	(0.42)	$	3.61
Diluted	$	**(0.17)**	$	(0.42)	$	3.41
Consolidated Statement of Financial Position Data:						
Total assets		**354,365**		258,171		27,680
Total long-term financial liabilities		**64,352**		7,662		-

(1) For the 12 months ended December 31, 2017, for the 15 months ended December 31, 2016, and the 12 months ended September 30, 2015.

Revenues increased in the current year over the comparative periods due to the acquisitions of DLC in June 2016, Club16 in December 2016, Impact in March 2017, and AG in October 2017. There was a change in our management team and business strategy in February 2016.

Total assets increased over the three-year period primarily due to the above noted acquisitions. The 2015 total assets are primarily related to an investment in publicly traded companies of $14.9 million and cash of $12.0 million; these investments were sold in 2016.

Total long-term financial liabilities increased in the current period over the comparative periods due to the above noted acquisitions. With the change in our business, we have been focused on sourcing and completing acquisitions consistent with the Corporation's new investment model, which has resulted in an increase in loans and borrowings.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

EBITDA AND ADJUSTED EBITDA

Adjusted EBITDA for both our corporate head office and investees is defined as earnings before finance expense, 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.

While adjusted EBITDA is not a recognized measure under IFRS, management believes that it 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 corporation 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.

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

	Three months ended			Period ended	
(in thousands)	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016 [(1)]
INCOME (LOSS) BEFORE INCOME TAX	**$ (7,725)**	$ 4,927	$ (1,910)	**$ (1,413)**	(9,620)
Add back:					
Depreciation and amortization	**3,583**	2,854	1,473	**10,882**	2,670
Finance expense	**1,808**	1,692	876	**4,917**	2,896
EBITDA	**(2,334)**	9,473	439	**14,386**	(4,054)
Adjustments to remove:					
Share-based payments	**356**	738	1,021	**3,066**	6,065
Gain on sale of assets [(2)]	**-**	-	-	**(1,361)**	-
Unrealized foreign exchange gain	**(1,112)**	(1,111)	-	**(2,823)**	(136)
Gain on financial instrument	**2,546**	(2,487)	-	**-**	-
Non-cash write down and impairment	**79**	2,813	-	**2,892**	-
(Gain) loss on sale of investments	**-**	(1,902)	-	**(1,902)**	1,319
Other revenue	**-**	-	(462)	**(398)**	(462)
Change in fair value of non-controlling interest	**3,314**	666	-	**4,285**	-
Corporate start-up costs	**-**	-	-	**-**	360
Professional fees related to arbitration	**-**	-	-	**-**	5
Adjusted EBITDA [(3)]	**$ 2,849**	$ 8,190	$ 998	**$ 18,145**	$ 3,097

(1) For the 15 months ended December 31, 2016.
(2) Adjustments related to gain on sale from the disposition of a division of NCS operations and a DLC asset sale.
(3) Adjusted EBITDA for the 15 months ended December 31, 2016 has been updated from amounts previously reported to include the adjustment for unrealized foreign exchange.

ADJUSTED EBITDA MARGIN

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by gross revenue.

ADJUSTED EBITDA ATTRIBUTED TO SHAREHOLDERS AND NCI

Adjusted EBITDA attributed to shareholders and adjusted EBITDA attributed to NCI are earnings attributable to shareholders and NCI, respectively, before

their proportion of finance expense, 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, discussed above.

Management believes that it 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, and the proportion attributable to shareholders of FAC and the non-controlling interest.

PROPORTIONATE SHARE OF INVESTEE EBITDA

FAC proportionate share of annual adjusted EBITDA comprise the adjusted EBITDA attributable to shareholders without considering FAC corporate costs. Management believes that it is a useful supplemental measure and an indication of performance of the investee companies.