



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations of Founders Advantage Capital Corp. ("FAC", "we", "our" or "the Corporation") for the year ended December 31, 2017, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of April 24, 2018, in conjunction with the 2017 audited annual consolidated financial statements. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise indicated, all amounts are presented in Canadian dollars.

Our subsidiaries are referred to herein as Dominion Lending Centres Limited Partnership ("DLC"), Club16 Limited Partnership operating as Club16 Trevor Linden Fitness ("Club16"), Cape Communications International Inc. operating as Impact Radio Accessories ("Impact"), and Astley Gilbert Limited ("AG").

When preparing our MD&A, we consider the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

Continuous disclosure materials are available on our website at www.advantagecapital.com, and on SEDAR at www.sedar.com.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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 2018 outlook and strategic objectives; completing additional acquisitions; our investee entities being able to distribute cash to the corporate head office; revenue from investees in future being greater than revenue from investees for the current period; our business plan and investment strategy; general business strategies and objectives; the new mortgage rules passed by the Canadian federal

government not having a significant long-term effect on DLC's revenues; Club16 successfully opening additional clubs and continuing to offer personal training; and Impact and AG growing organically.

Such forward-looking information is necessarily based on a number of estimates and assumptions, including material estimates and assumptions, related to the factors identified below that, while considered reasonable by the Corporation as at the date of this MD&A in light of management's experience and perception of current conditions and expected developments, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking

statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to, changes in taxes and capital; increased operating, general and administrative, and other costs; changes in interest rates; general business, economic and market conditions; our ability to obtain the required capital to finance our investment strategy and meet our commitments and financial obligations; our ability to source additional investee entities and to negotiate acceptable acquisition terms; our ability to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities; DLC's ability to maintain its existing number of franchisees and add additional franchisees; changes in Canadian mortgage lending and mortgage brokerage laws; material decreases in the aggregate Canadian mortgage lending business; the timely receipt of required regulatory approvals; changes in the fees paid for mortgage brokerage services in Canada; changes in the regulatory framework for the Canadian housing sector; demand for DLC, Club16, Impact and AG's products remaining consistent with historical demand; our ability to realize the expected benefits of the DLC, Club16, Impact and AG transactions; our ability to generate sufficient cash flow from investees and obtain financing to fund planned investment activities and meet current and future commitments and obligations; the uncertainty of

estimates and projections relating to future revenue, taxes, costs and expenses; changes in, or in the interpretation of, laws, regulations or policies; the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made in this MD&A are qualified by these cautionary statements. The foregoing list of risks is not exhaustive. For more information relating to risks, see the Risk Factors section herein and the risk factors identified in our Annual Information Form. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities laws, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

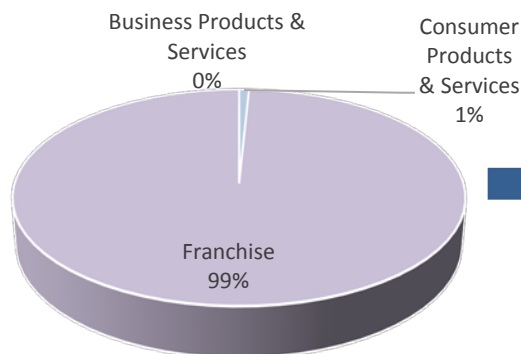
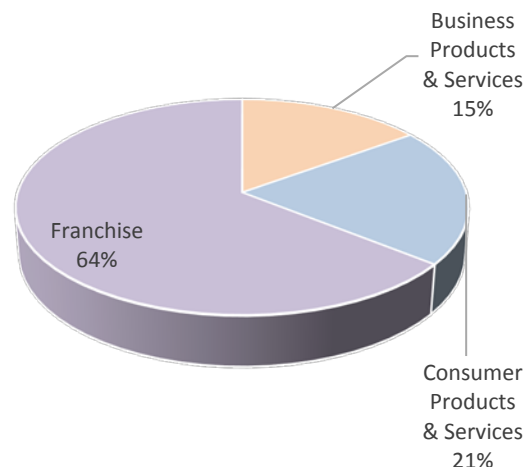
- EBITDA and Adjusted EBITDA

- Adjusted EBITDA margin
- Adjusted EBITDA attributed to shareholders and NCI
- Proportionate share of investee EBITDA

Changes in Presentation of Non-IFRS Financial Performance Measures

In previous MD&As, FAC presented adjusted EBITDA as the only non-IFRS financial performance measure. Starting in this MD&A, we have begun including additional non-IFRS performance measures to provide information that we believe will assist analysts, investors and other stakeholders in better understanding our operations. Please see the Non-IFRS Measures section of this document for more information.

OVERVIEW

2016 FAC Proportionate Share
of Investee EBITDA2017 FAC Proportionate Share
of Investee EBITDA

- (1) See the Consolidated Results section of this MD&A for further information on each of these business segments.
- (2) Please see the Non-IFRS Measures section of this document for the definition of adjusted EBITDA. Annual adjusted EBITDA in the year of acquisition is from the acquisition date to December 31.

OUR PHILOSOPHY

FAC is an investment corporation that pursues controlling or majority interest acquisitions of premium owner-operated companies. Our platform offers a disproportionate share of growth in favour of our partner business owners. This investment platform is designed to appeal to business owners who believe in the sustainable growth of their business and who want the added ability to continue operating their business with a long-term partner.

Our capital is permanent in nature and has no mandated liquidity time frame. The FAC advantage offers the business owner a disproportionate share of growth to create strong alignment and reward them for growing distributable free cash flow performance. The desired result is a diversified portfolio of high growth, strong, and defensive companies with motivated management teams which creates a stable asset-base for our shareholders.

OUR BUSINESS

Through our innovative investment approach, we have unique access to exceptional owner-operated businesses in the middle-market in North America. Our portfolio companies as of December 31, 2017, include the following:

Name (in thousands except share ownership %)	Date of acquisition	Ownership interest	Purchase price
DLC ⁽¹⁾	June 3, 2016 December	60%	\$ 86,432
Club16	20, 2016 March 1,	60%	21,961
Impact	2017 October 31,	52%	12,501
AG	2017	50%	24,700
Total			\$ 145,594

(1) The DLC purchase price included 4,761,905 common shares of FAC at a value of \$5.60 per share. The subscribed price of the shares when the transaction was negotiated was \$2.63. This difference in share value resulted in a \$14.1 million increase in effective purchase price.

We currently operate a corporate head office and three business segments, being Franchise (DLC and its

subsidiaries), Consumer Products and Services (Club16), and Business Products and Services (Impact and AG).

For financial reporting purposes, FAC controls these portfolio companies, and as a result this MD&A and the consolidated financial statements for the year ended December 31, 2017, include 100% of the accounts of the subsidiaries. Also included in the consolidated results is a Corporate and Consolidated segment which contains corporate costs and consolidating accounting entries.

Segment ⁽¹⁾ (in thousands of dollars)	2017 adjusted EBITDA ⁽²⁾	2016 adjusted EBITDA ⁽²⁾
Franchise	\$ 16,078	\$ 11,395
Consumer Products and Services	6,143	95
Business Products and Services	3,396	-
Corporate and consolidated	(7,472)	(8,393)
Total	\$ 18,145	\$ 3,097

(1) Please see the Consolidated Results section of this MD&A for further information on each of these business segments.

(2) Please see the Non-IFRS Measures section of this document for the definition of adjusted EBITDA. Annual adjusted EBITDA in the year of acquisition is from the acquisition date to December 31.

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

OUR PRIORITIES

In 2017 we focused on four key priorities to further our business objectives and deliver on shareholder value. Accomplishments during the year to meet these priorities are described below:

Attention to free cash flow

Maintaining appropriate free cash flow levels allows us to pursue new investment opportunities, reinvest in the existing portfolio and provide consistent dividends to shareholders. During 2017, we started distributing a quarterly dividend of \$0.0125 per share (\$0.05 per share annualized) and declared total dividends of \$1.9 million for the year ended December 31, 2017. In 2017,

payments of \$0.5 million were made on April 12, July 12, and October 12 to shareholders of record as at March 31, June 30, and September 29, respectively. After year end, the quarterly dividend of \$0.0125 per share was paid on January 12, 2018 and April 12, 2018, to shareholders of record on December 29, 2017 and March 30, 2018, respectively.

Portfolio diversification

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

Growth through disciplined investment

On June 14, 2017, we closed a five-year \$75.0 million USD term credit facility (the "Sagard Facility") with Sagard Credit Partners LP ("Sagard"), of which \$42.0 million USD was advanced at closing, to repay our prior credit facility with Alberta Treasury Branches ("ATB"), finance future acquisitions and provide for general corporate purposes (see the Consolidated Liquidity and Capital Resources section of this MD&A for further details).

On October 31, 2017, we acquired a 50% interest in AG, which has 13 locations across Ontario offering non-traditional digital printing and imaging solutions. The aggregate purchase consideration was \$24.7 million, subject to post-closing adjustments. The purchase price was funded through the Sagard Facility and a \$2.5 million promissory note to the non-controlling shareholders. This acquisition expanded our newly formed Business Products and Services segment.

Inside portfolio growth

Through our portfolio reinvestment in 2016 and 2017, the Corporation's investee companies have been successful in organically growing their existing

EBITDA. A few of these initiatives have included the acquisition of Newton Connectivity Systems Inc. ("NCS") within the Franchise segment, the Consumer Products and Services segment's Club16 Coquitlam expansion in 2017 and South Surrey opening in January 2018, and capital deployed for franchise recruiting fees to secure 164 additional brokers and 40 additional franchises in 2017. These organic growth initiatives have further supported our commitment to inside portfolio growth for the continued long-term profitability of our portfolio companies.

2017 FINANCIAL HIGHLIGHTS

Effective in 2016, the Corporation changed its financial year-end from September 30 to December 31 to align its year-end with its subsidiaries and peer group. The change in year-end resulted in the Corporation filing a one-time

15-month transition year covering the period of October 1, 2015 to December 31, 2016. Subsequent to this transition year, the Corporation's financial year covers the period from January 1 to December 31. The year ended information presented includes the 15 months of the prior fiscal period as compared to the 12-month fiscal period ending December 31, 2017. As a result, the information contained in this MD&A may not be comparable to previously reported periods.

Below are the financial highlights of our consolidated results for the three months and year ended December 31, 2017. Readers can find a more detailed discussion in the Consolidated Results section of this MD&A. Due to the 2017 growth from acquisitions, our results may not be directly comparable to prior period balances.

(in thousands except per share amounts)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Revenues	\$ 27,952	\$ 9,277	\$ 82,905	\$ 22,938
Income (loss) from operations	51	(1,606)	5,438	(6,337)
Adjusted EBITDA ⁽²⁾	2,849	998	18,145	3,097
Adjusted EBITDA margin ⁽²⁾	10%	11%	22%	14%
Net loss for the period	(5,699)	(1,916)	(657)	(7,279)
Net (loss) income attributable to:				
Shareholders	\$ (6,697)	\$ (2,410)	\$ (6,212)	\$ (9,794)
Non-controlling interests	\$ 998	\$ 494	\$ 5,555	\$ 2,515
Adjusted EBITDA attributable to: ⁽²⁾				
Shareholders	\$ 333	\$ (211)	\$ 7,592	\$ (1,499)
Non-controlling interests	\$ 2,516	\$ 1,209	\$ 10,553	\$ 4,596
FAC proportionate share of annual				
adjusted EBITDA ^{(2) (3)}	\$ 3,133	\$ 1,812	\$ 15,064	\$ 6,894
Diluted loss per share	\$ (0.18)	\$ (0.07)	\$ (0.17)	\$ (0.42)

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

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

(3) FAC proportionate share of annual adjusted EBITDA comprises of the adjusted EBITDA of all operating segments attributable to FAC without considering FAC corporate costs.

(in thousands)	As at December 31, 2017	As at December 31, 2016
Cash and cash equivalents	\$ 10,316	\$ 7,824
Working capital (deficiency)	\$ (2,402)	\$ (19,390)
Total assets	\$ 354,365	\$ 258,171
Total loans and borrowings	\$ 77,700	\$ 32,455
Shareholders' equity	\$ 101,386	\$ 106,849
Common shares outstanding	38,128,606	37,714,342

Three-month highlights

Our consolidated revenues for the current quarter increased to \$28.0 million, an increase of \$18.7 million over the three months ended December 31, 2016. This variance is reflective of the timing of the acquisitions, as the results for the three months ended December 31, 2016, included only DLC results and a partial month for Club16. Impact and AG were acquired in 2017. Franchise segment (DLC) revenues increased by \$1.1 million over the comparative period, which can be largely attributed to the acquisition of NCS. The revenue increase was achieved for the Franchise segment, despite recent changes to mortgage regulations and reduced volume of funded mortgages over the prior period.

Income from operations for the three months ended December 31, 2017, increased \$1.7 million when compared to the three months ended December 31, 2016. This increase is driven by a \$1.0 million increase in income from Franchise segment operations combined with additional income from recent acquisitions. Improved revenues for the period were partly offset by an increase in operating costs for recent acquisitions. The increase in operating costs is primarily related to additional costs in the operating activities of AG, Impact and Club16 for a full quarter, and higher expenses in the Franchise segment for the acquisition of NCS.

Adjusted EBITDA increased \$1.9 million compared to the three months ended December 31, 2016. This variance is primarily due to a \$1.1 million increase in Franchise segment EBITDA compared to the prior year. The increase in Franchise segment EBITDA was achieved on increases from NCS operations, improving EBITDA in the Franchise segment despite a market decrease in mortgage funded volumes compared to the prior year. EBITDA of Consumer Products and Services, and Business Products and Services, increased \$0.2 million and \$1.3 million, respectively, due to the timing of the acquisition of these entities. The improvements in these segments were partly offset by a decrease in Corporate EBITDA as a decrease in general and administrative costs were more than offset by realized foreign exchange loss on the conversion and settlement of USD cash upon the acquisition of AG.

Net loss for the three months ended December 31, 2017, increased to a loss of \$5.7 million from a \$1.9 million loss in the three months ended December 31, 2016. The increase in net loss is due to several items outside the operating activities of our investee businesses which were offsetting to the improvement in income from operating activities discussed above. During the three months ended December 31, 2017, there was a \$2.5 million loss on impairment of the legacy non-core investment, Vital Alert Communications Inc. ("Vital Alert Legacy"); a \$3.3 million non-cash expense for a fair value adjustment increasing non-controlling interest (NCI) liability for the Impact investment (refer to the Corporate and Consolidated segment for additional detail); and an increase in finance expense of \$0.9 million related mainly to the increase in the corporate head office loans and borrowing from \$13.1 million to \$42.0 million USD (CAD \$52.7 million) and fees incurred for entering into the Sagard Facility.

The Vital Alert Legacy impairment is related to the Corporation's securities held in this private company, a developer and distributor of wireless, through-the-earth communications products. The Corporation holds a non-controlling interest of 18.6% of the voting shares of Vital Alert Legacy, a legacy investment entered into prior to the change in business strategy in 2016. Vital Alert Legacy consolidated the outstanding shares and issued an offering for convertible debenture units, which provides for each debenture unit to be converted into one common share of Vital Alert Legacy at a conversion price of \$7.141 per common share. Based on this issuance, the Corporation has adjusted the carrying value of its investment in Vital Alert Legacy to its fair value of \$7.141 per share.

Annual highlights

Consolidated revenue for the year ended December 31, 2017, has increased by \$60.0 million over the year ended December 31, 2016, to \$82.9 million, compared to revenue of \$22.9 million in the prior period. This variance is reflective of the timing of the acquisitions of each of our subsidiaries, as the December 31, 2016, results included only DLC's results from June 3, 2016, and Club16 results from December 20, 2016. Impact and AG were acquired on March 1, 2017, and October 31,

2017, respectively. See the Franchise Segment in the Segmented Results section of this MD&A for further discussion on the results of DLC.

Income from operations for the year ended December 31, 2017, increased by \$11.8 million over the period ended December 31, 2016, to \$5.4 million, compared to a loss from operations of \$6.3 million in the prior year. As indicated above, this variance is reflective of the timing of the acquisitions of each of our subsidiaries. See the Franchise Segment in the Segmented Results section of this MD&A for further discussion on the results of DLC.

Adjusted EBITDA for the year ended December 31, 2017, has increased to \$18.1 million from adjusted EBITDA of \$3.1 million during the period ended December 31, 2016. This increase is substantially related to the timing of the acquisition of each of our subsidiaries, as well as a \$5.6 million decline in corporate head office operating costs. See the Franchise Segment in the Segmented Results section of this MD&A for further discussion on the results of DLC. Corporate head office costs were higher in 2016 primarily due to severance and restructuring costs, costs associated with the adoption of our new investment model, and higher acquisition and due diligence costs.

Net loss for the year ended December 31, 2017, has decreased \$6.7 million to \$0.6 million from a loss of \$7.3 million for the period ended December 31, 2016. The increase in net income is related to the increase in income from operations generated by our three business segments due to the timing of the transactions; gains on the sale of DLC and NCS assets of \$3.7 million (see the Franchise Segment in the Segmented Results section of this MD&A for further discussion); \$1.3 million foreign exchange gains on the effects of U.S. denominated cash and debt; decreases in corporate head office operating costs (as discussed above); and decreases in share based payment expense. These changes are partly offset by the above-mentioned impairment of Vital Alert Legacy and additional financing costs over the prior year, mainly for fees incurred in conjunction with the Sagard Facility and an increase in interest costs related to the corporate head office's total loans and borrowings increasing from \$13.1 million to \$42.0 million USD.

2018 OUTLOOK AND STRATEGIC OBJECTIVE

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

As previously announced, we currently own a 60% interest in DLC, a 60% interest in Club16, a 52% interest in Impact and a 50% interest in AG. For fiscal 2018, we expect our proportionate share of annual adjusted EBITDA from our four investees to be between \$21.5 million and \$22.5 million. The fiscal 2018 guidance is prior to corporate head office expenses (including general and administrative expenses), assumes existing DLC's funded mortgage volumes are moderately impacted by regulatory changes, and does not reflect any additional acquisitions that the corporate head office intends to complete in 2018.

The outlook for 2018 is based on the following key initiatives of each of the Corporation's three business segments, as follows:

Franchise segment

This segment consists primarily of mortgage brokerage operations. The mortgage industry is currently being impacted by the introduction of changes to mortgage rules by the Canadian federal government. The new rules were effective as of October 17, 2016, and more changes were introduced which were effective January 1, 2018. The new guidelines focus on the minimum qualifying rate for uninsured mortgages and require lenders to enhance their loan-to-value measurements and limits that are responsive to risk. The new rules may result in homebuyers not qualifying for mortgage amounts as high as they may have under the old guidelines. While the Franchise segment is not a lender and does not itself offer mortgages, it does offer mortgage brokerage services, whereby it assists customers in obtaining and negotiating new mortgages and mortgage renewals.

We anticipate the mortgage industry could see some headwinds from these new regulations; however, the greater challenge in qualifying for mortgages may drive more customers to utilize a mortgage broker. Therefore, we expect the regulatory impact to be offset by market

penetration growth. We expect the market penetration growth to be a result of added funded mortgage volumes through expanding the network of mortgage brokers and franchisees with targeted recruiting initiatives. Because of these initiatives, and despite the current regulatory changes to the Canadian mortgage industry, funded volumes are forecasted to decrease only moderately. Further, the Franchise segment will continue to integrate, and is expected to achieve EBITDA growth from, its acquisition of NCS and through growing its franchise and broker network. NCS was acquired in December 2016 and underwent restructuring during 2017. By the second half of the year, it was a key contributor to the segment's 2017 EBITDA growth and this traction is expected to continue into 2018.

Consumer Products and Services segment

Consumer Products and Services has many organic growth initiatives planned for 2018 for its Club16 fitness clubs. These initiatives include the opening of a new Club16 in South Surrey (transitioning from the She's Fit! White Rock) in January 2018, and another in Tsawwassen in late 2018. These clubs together are expected to add at least 10,000 members and contribute to EBITDA growth for the segment. Also, in 2017 personal training was added to select Club16 locations. Based on the significant success of personal training at these clubs, Club16 plans to expand this product offering to more of its clubs. It is anticipated that these initiatives will continue to have a positive impact on 2018 fitness club membership revenues and adjusted EBITDA. In addition to these initiatives, the segment also added regional managers to its management team. The regional managers are expected to improve the clubs, provide additional support as club membership expands, and reduce member attrition rates for existing clubs.

Business Products and Services segment

The Business Products and Services segment includes the operations of Impact and AG. On October 31, 2017, the corporate head office acquired a 50% interest in AG. Historically, AG has experienced significant growth through both acquisitions and organic growth, and it is anticipated that these growth initiatives will have a positive impact on our consolidated results in 2018. Key strategic initiatives for AG for 2018 include sourcing and

securing organic revenue growth on an expected increase in the overall Ontario economy including market share gains and cross-selling of products to its existing customer base, integrating the Litho Color Services (Toronto) Ltd. ("Litho") acquisition and identifying future acquisition opportunities. Litho was acquired by AG on October 27, 2017, just prior to the Corporation acquiring AG. Litho is primarily located in Brampton, Ontario, and offers a large range of print and related services. The organic EBITDA generated from AG, combined with integration of Litho, and the realization of synergies, are anticipated to provide EBITDA growth for the segment.

Impact expects to continue to organically grow its operations by growing its sales team, seeking additional sales opportunities within the Canadian market, adding new distributors for its products and working with existing key distributors to establish long-term partnerships. By establishing new and expanding existing partnerships with certain distributors, Impact expects to generate higher sales by entering into long-term sales contracts and by increasing order quantities through arrangements such as automatic quarterly order quantities.

Corporate and Consolidated segment

Our management team continues to market our investment strategy across Canada and the US and receives inbound proposals from business owners and their advisors each week. We have a robust pipeline of potential transactions that we continue to review and assess for alignment with our investment model.

Our 2018 key priorities will continue to be attention to free cash flow, growth through disciplined investment, portfolio diversification, and inside portfolio growth. These priorities will be accomplished through (i) continuing to target potential investees with consistent historical EBITDA, significant free cash flow generation and expected annual organic growth; (ii) maximizing shareholder value through on-going monitoring of our operating subsidiaries; (iii) continually assessing our expenditures and reducing costs where possible; (iv) and seeking cost-effective sources of capital to finance future acquisition opportunities.

REVIEW OF FINANCIAL RESULTS

CONSOLIDATED RESULTS

Below is selected financial information from our 2017 consolidated financial results.

See the Significant Accounting Policies section of this MD&A and notes to our December 31, 2017, consolidated financial statements for accounting policies and estimates as they relate to the following discussion.

We currently have a Corporate and Consolidated segment and three reportable business segments, being Franchise, Consumer Products and Services, and Business Products and Services. A reconciliation of our reportable segments to our consolidated results presented in this table can be found in the Segmented Results section below.

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Revenues	\$ 27,952	\$ 9,277	\$ 82,905	\$ 22,938
Operating expenses	27,901	10,883	77,467	29,275
(Loss) income from operations	51	(1,606)	5,438	(6,337)
Other expense, net	(7,776)	(304)	(6,851)	(3,283)
Loss before tax	(7,725)	(1,910)	(1,413)	(9,620)
Add back:				
Depreciation and amortization	3,583	1,473	10,882	2,670
Finance expense	1,808	876	4,917	2,896
Other adjusting items ⁽²⁾	5,183	559	3,759	7,151
Adjusted EBITDA⁽³⁾	\$ 2,849	\$ 998	\$ 18,145	\$ 3,097

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

(2) Other adjusting items include share-based payments, gain on sale of assets, unrealized foreign exchange gain, gain on financial instrument, non-cash write down and impairment, (gain) loss on sale of investments, other (income)/expense, corporate start-up costs and professional fees related to arbitration settlement. See the Non-IFRS Financial Measures section for a detailed reconciliation of adjusting items.

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

Revenues

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Revenues	\$ 27,952	\$ 9,277	\$ 82,905	\$ 22,938

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

Three-month highlights

Consolidated revenues for the three months ended December 31, 2017, increased \$18.7 million over the three-month period ended December 31, 2016, from \$9.3 million to \$28.0 million. This variance is reflective of the timing of the acquisitions, as the results from the three months ended December 31, 2016, included only DLC results and a partial month for Club16. Impact and AG were acquired in 2017. Franchise segment revenues increased by \$1.1 million over the comparative period,

which can be largely attributed to the acquisition of NCS, which improved revenue compared to 2016. The revenue increase was achieved despite facing recent changes to mortgage regulations and reduction in the volume of funded mortgages over the prior period.

Annual highlights

Our consolidated revenues for the year ended December 31, 2017, increased \$60.0 million over the year ended December 31, 2016, from \$22.9 million to \$82.9 million.

The significant increase in revenue is attributable to the timing of the acquisitions within each of our three business segments, as the December 31, 2016, results

included only DLC from June 3, 2016, and Club16 revenues from December 20, 2016. Impact and AG were acquired in 2017.

Operating expenses

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Direct costs	\$ 8,637	\$ 2,478	\$ 17,295	\$ 4,589
Acquisition and due diligence costs	599	632	993	3,365
General and administrative	14,726	5,279	45,231	12,586
Share-based payments	356	1,021	3,066	6,065
Depreciation and amortization	3,583	1,473	10,882	2,670
	\$ 27,901	\$ 10,883	\$ 77,467	\$ 29,275

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

Three-month highlights

Direct costs

Our consolidated direct costs relate to the operations of each of the three business segments as at quarter end. The Franchise segment's direct costs comprise franchise recruiting and support costs, and advertising fund expenditures. Consumer Products and Services' direct costs relate primarily to costs of personal training, and Business Products and Services' direct costs relate to the cost of product sales. Our consolidated direct costs have increased by \$6.2 million over the three months ended December 31, 2016, to \$8.6 million. This variance is reflective of the timing of the acquisitions of each of our subsidiaries, as direct costs for the three months ended December 31, 2016, include only those costs related to DLC and a partial month for Club16. Normalizing for investees acquired in 2017, direct costs have decreased by \$0.7 million over the comparative period. This decrease relates to reduced DLC advertising expenses in the fourth quarter of 2017, due to the timing and nature of a few key marketing initiatives that took place in 2016 and that did not occur again in 2017.

Acquisition and due diligence costs

The Corporation incurred \$0.6 million in acquisition and due diligence costs at the corporate head office during the three months ended December 31, 2017, compared to \$0.6 million during the three months ended December 31, 2016. Costs incurred during both the current and comparative quarter relate to the ongoing assessment of acquisition opportunities. All acquisition and due

diligence activities, whether completed or in process, are expensed as incurred. The acquisition and due diligence cost relate to \$0.5 million incurred in AG for the Litho and AG acquisition, and \$0.1 million incurred in Corporate head office. Corporate head office acquisition costs were \$0.1 million, a decrease of \$0.5 million during the fourth quarter as a result of certain due diligence processes now being completed internally at a reduced cost.

General and administrative

Consolidated general and administrative expenses increased by \$9.9 million over the three months ended December 31, 2016, to \$15.2 million. This variance is reflective of the timing of the acquisitions of each of our subsidiaries, as the results from the three months ended December 31, 2016, included only the results of DLC, a partial month for Club16 and the corporate head office. General and administrative expenses for DLC for the three months ended December 31, 2017, compared to December 31, 2016, increased by \$0.7 million, with most of the increase related to NCS operations (acquired in December 2016).

Share-based payments

When compared to the three months ended December 31, 2016, share-based payments decreased \$0.7 million. This was primarily due to forfeiture of 188,333 share options in 2017, reducing the share-based payment expense for the three months ended December 31, 2017.

Depreciation and amortization

Depreciation and amortization primarily relates to the acquisition of, and subsequent additions to, finite life intangible assets acquired as part of the Corporation's acquisition transactions and capital asset amortization for assets held at the subsidiary level. The intangible assets acquired as part of these transactions and being amortized into consolidated income include DLC's and NCS's software; DLC's renewable franchise rights and intellectual property rights; the brand name license and customer relationships of Club16, Impact and AG; and Impact's supplier relationships and non-compete covenants.

Non-cash depreciation and amortization increased \$2.1 million when compared to December 31, 2016. This variance is reflective of the timing of the acquisitions of each of our subsidiaries. Non-cash depreciation and amortization for DLC increased slightly from \$1.3 million in 2016 to \$1.4 million for capital assets acquired during the year and the amortization of intangibles for the NCS acquisition.

Annual highlights

Consolidated operating expenses for the year ended December 31, 2017, increased over the year ended December 31, 2016, from \$29.3 million to \$77.5 million,

Other expenses

	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
(in thousands)				
Other expenses	\$ (7,776)	\$ (304)	\$ (6,851)	\$ (3,283)

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

Three-month highlights

Other expenses increased by \$7.5 million for the three months ended December 31, 2017, compared to the three months ended December 31, 2016. The increase in other expenses is driven by a number of factors, including a \$2.5 million loss on non-cash impairment of the non-core investment, Vital Alert Legacy; a \$3.3 million expense for a fair value adjustment on the non-controlling interest liability for the Impact investment; and an increase in finance expense of \$0.9 million related mainly to the increase in the corporate head office loans and borrowing from \$13.1 million to \$42.0 million USD (CAD—\$52.7

million), and fees incurred for entering into the Sagard Facility.

an increase of \$48.2 million. The significant increases in operating expenses is attributable to each of our three business segments, as the December 31, 2016, results include only DLC operating results from June 3, 2016, and Club16 operating results from December 20, 2016. Impact and AG were both acquired in 2017.

Corporate acquisition and due diligence costs decreased over the period ended December 31, 2017 from \$3.4 million to \$0.5 million, a decrease of \$2.9 million. Year-over-year costs have decreased as certain due diligence processes are now being completed more efficiently and at a reduced cost.

During the year ended December 31, 2017, total non-cash shared-based payments incurred were \$3.1 million, compared to \$6.1 million during the year ended December 31, 2016, a decrease of \$3.0 million. This decrease is primarily related to the issuance of 2,829,745 options during the period ended December 31, 2016, of which 600,833 vested upon issuance, compared to 275,000 options issued during the year ended December 31, 2017. In addition, there was a decrease in the share-based payments related to the shares held in escrow that fully vested in July 2017, partially offset by the issuance of share appreciation rights by Impact during the year ended December 31, 2017.

million), and fees incurred for entering into the Sagard Facility.

Annual highlights

Other income (expense) for the year ended December 31, 2017, decreased by \$3.6 million over the year ended December 31, 2016, to \$6.9 million. The decrease in other income (expense) is primarily due to the above mentioned non-cash impairment of Vital Alert Legacy, a \$4.3 million expense for a fair value adjustment increasing NCI liability for the Impact investment and an increase in the corporate head office finance expense of \$1.5 million. The increase in other expense was offset by

the gain on the sale of DLC's investment in Canadiana Financial Corp. of \$1.9 million, an increase in net gain on sale of DLC capital and intangible assets of \$1.7 million, and an increase in a gain on foreign exchange of \$1.3 million related to the corporate head office's net

debt position. This variance over the 2016 comparative period can also be attributed to a loss of \$1.3 million during the period ended December 31, 2016, related to the corporate office sale of its publicly traded investments, which we no longer hold.

Adjusted EBITDA

(in thousands)	For the three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Adjusted EBITDA ⁽²⁾	\$ 2,849	\$ 998	\$ 18,145	\$ 3,097

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

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

Three-month highlights

Adjusted EBITDA increased \$1.9 million compared to the three months ended December 31, 2016. This variance is primarily due to a \$1.1 million increase in Franchise segment EBITDA compared to the three months ended December 31, 2016. The increase in Franchise segment EBITDA was achieved on increases from NCS operations, improving EBITDA despite a market decrease in mortgage funded volumes compared to the prior year. The EBITDA of Consumer Products and Services, and Business Products and Services, increased \$0.2 million and \$1.3 million, respectively, due to the timing of the acquisition of these entities. The improvements in these segments were partly offset by a decrease in corporate EBITDA, where a decrease in general and administrative costs was more than offset by realized foreign exchange loss on the conversion and settlement of US dollar cash upon the acquisition of AG.

Annual highlights

Adjusted EBITDA increased \$15.0 million for the year ended December 31, 2017, over the period ended December 31, 2016, from \$3.1 million to \$18.1 million. The significant increase in adjusted EBITDA is attributable to the timing of the acquisition of each of our three business segments, as the December 31, 2016,

results included only DLC results from June 3, 2016, and Club16 results from December 20, 2016. Impact and AG were both acquired in 2017.

SEGMENTED RESULTS

We discuss the results of the corporate head office and three reportable segments as presented in our December 31, 2017, annual financial statements: Franchise, Consumer Products and Services, and Business Products and Services. The performance of our reportable segments is assessed based on revenues, income from operations and adjusted EBITDA. Adjusted EBITDA is a supplemental measure of the segments' income from operations in which depreciation and amortization, finance expense, share-based payment expense and unusual or one-time items are added back to the segment's income from operations to arrive at each segment's adjusted EBITDA. Please see the Non-IFRS Measures section of this document for additional information. We also report corporate head office results, which include expenses incurred by the FAC corporate head office. Corporate head office does not qualify as a separate reportable segment, but is presented to reconcile to our consolidated operating results.

Our reportable segment results reconciled to our consolidated results are presented in the table below.

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Revenues				
Franchise	\$ 9,737	\$ 8,644	\$ 38,772	\$ 22,305
Consumer Products and Services	5,258	633	24,468	633
Business Products and Services	12,957	-	19,665	-
Consolidated revenues	27,952	9,277	82,905	22,938
Operating expenses ⁽²⁾				
Franchise	7,252	7,153	28,262	13,670
Consumer Products and Services	5,807	665	21,621	665
Business Products and Services	12,919	-	18,273	-
Corporate	1,923	3,065	9,311	14,940
Consolidated operating expenses	27,901	10,883	77,467	29,275
Income (loss) from operations				
Franchise	2,485	1,491	10,510	8,635
Consumer Products and Services	(549)	(32)	2,847	(32)
Business Products and Services	38	-	1,392	-
Corporate	(1,923)	(3,065)	(9,311)	(14,940)
Consolidated income (loss) from operations	51	(1,606)	5,438	(6,337)
Adjusted EBITDA				
Franchise	4,012	2,926	16,078	11,395
Consumer Products and Services	312	95	6,143	95
Business Products and Services	1,325	-	3,396	-
Corporate	(2,800)	(2,023)	(7,472)	(8,393)
Consolidated Adjusted EBITDA	\$ 2,849	\$ 998	\$ 18,145	\$ 3,097

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

(2) Operating expenses comprise direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.

Franchise segment

	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽²⁾
(in thousands, unless otherwise noted) ⁽¹⁾				
Revenues	\$ 9,737	\$ 8,644	\$ 38,772	\$ 22,305
Operating expenses ⁽³⁾	7,252	7,153	28,262	13,670
Income from operations	2,485	1,491	10,510	8,635
Other income (expense), net	(11)	426	2,775	391
Income before tax	2,474	1,917	13,285	9,026
Add back:				
Depreciation and amortization	1,404	1,341	5,501	2,534
Finance expense	134	130	627	297
Other income (expense) ⁽⁴⁾	-	(462)	(3,335)	(462)
Adjusted EBITDA	\$ 4,012	\$ 2,926	\$ 16,078	\$ 11,395
Adjusted EBITDA margin	41%	34%	41%	51%
Adjusted EBITDA attributable to:				
Shareholders	\$ 2,337	\$ 1,755	\$ 9,692	\$ 6,837
Non-controlling interests	\$ 1,675	\$ 1,171	\$ 6,386	\$ 4,558
Key performance indicators:				
Funded mortgage volumes ⁽⁵⁾	\$ 9,169,282	\$ 9,325,208	\$ 35,365,909	\$ 24,101,391
Number of franchises ⁽⁶⁾	483	443	483	443
Number of brokers ⁽⁶⁾	5,401	5,237	5,401	5,237

(1) Results generally vary from quarter to quarter as a result of seasonal fluctuations in the reporting segment. This means results in one quarter are not necessarily a good indication of results in a future quarter.

(2) The 2016 results presented in this table are from June 3, 2016, the date of acquisition.

(3) Operating expenses comprise direct costs, general and administrative expenses, and depreciation and amortization expense.

(4) Adjustments relate to gains on sale from the disposition of a division of NCS operations, DLC's sale of its investment in Canadiana and other revenue.

(5) Funded mortgage volumes are a key performance indicator for the segment that allows us to measure performance against our operating strategy. Volume for 2016 comparatives are from the June 3, 2016, date of acquisition of DLC.

(6) The number of franchises and brokers are as at the respective balance sheet date.

The Franchise segment includes the operating results of the DLC consolidated group for all periods presented.

Three-month highlights

Revenues have increased by \$1.1 million during the three months ended December 31, 2017, when compared to the three months ended December 31, 2016. Revenues improved despite a decrease in the funded volumes when compared to 2016. The increase in revenue can be largely attributed to the acquisition of NCS, which generated \$1.4 million of revenue for the three months ended December 31, 2017. NCS revenue increased as the prior year results reflect only the results since its acquisition on December 13, 2016.

The segment's operating expenses for the three months ended December 31, 2017, increased slightly by \$0.1 million over the three months ended December 31, 2016. The increase can be primarily attributed to \$1.0 million

in additional expenses related to NCS operations (acquired in December 2016), higher depreciation and amortization expense of \$0.1 million and higher personnel costs related to an increase in salaries. This increase in expenses is partially offset by a \$0.7 million decrease in advertising expenses and slight decreases in other general and administrative expenses. Reduced advertising expenses in the fourth quarter of 2017 were due to the timing and nature of a few key marketing initiatives that took place in 2016 and that did not reoccur in 2017.

Adjusted EBITDA increased by \$1.1 million over the three months ended December 31, 2016, to \$4.0 million. An increase in adjusted EBITDA was achieved despite the new mortgage regulations. This increase can be attributed to adjusted EBITDA from NCS operations (acquired in December 2016) of \$0.4 million combined

with lower advertising expenses, which more than offset the impact of a decrease in volume of funded mortgages.

Annual highlights

Revenues increased by \$16.5 million for the year ended December 31, 2017, to \$38.8 million. The increase in revenue is partially attributable to the timing of the DLC acquisition, as DLC was acquired on June 3, 2016, accounting for \$11.8 million of this variance. The remainder of the variance can be mainly attributed to increased revenues from the acquisition of NCS of \$4.4 million (acquired in December 2016). With the changes to the mortgage rules, the segment has experienced a 1.5% decrease in funded mortgage volumes when compared to the year ended December 31, 2016. This decline in mortgage volume was partly offset by the increase in revenues otherwise achieved within this segment during the year ended December 31, 2017.

Operating expenses for the year ended December 31, 2017, have increased by \$14.6 million over the year ended December 31, 2016. The increase in operating expenses is partially attributable to the timing of the DLC acquisition, as DLC was acquired on June 3, 2016, accounting for \$9.0 million of this variance. The remainder of the increase can be attributed to \$5.6 million in additional expenses related to NCS operations (acquired in December 2016), as well as an increase of \$2.1 million in depreciation and amortization expense related to additions to intangible assets, and an increase of \$0.9 million in general and administration expenses offset by a decrease in direct costs related to the decline in volume of funded mortgages. The increase in general and administrative expenses is due to a bi-annual

advertising and promotion event and higher personnel costs related to severance and bonus payments.

During the year ended December 31, 2017, DLC disposed of its 20% equity investment in Canadiana resulting in an accounting gain of \$1.9 million, as discussed previously. In addition, DLC disposed of a division of NCS operations for total consideration of \$1.4 million and a book of royalty commissions to a DLC salesperson for total proceeds of \$0.4 million. The sales of these assets resulted in a gain equal to the total consideration received. The gains on sale were partially offset by a \$0.3 million write-down of one of the DLC franchise relationships and agreements (intangible asset). These amounts were adjusted in calculating 2017 adjusted EBITDA. These divestitures generated positive cash flow to the segment and served to further focus management on the core business.

Adjusted EBITDA has increased \$4.7 million over the year ended December 31, 2016, to \$16.1 million. This increase is partially attributable to the timing of the DLC acquisition, which accounts for \$4.6 million of this variance. Adjusted EBITDA from the NCS operations was negative \$0.3 million for the year ended December 31, 2017 which included \$0.3 million of non-recurring severance costs. The NCS operations had incurred an adjusted EBITDA loss of \$1.2 million up to undergoing restructuring in Q2, 2017. Since restructuring the operation has generated \$0.9 million of adjusted EBITDA. Adjusted EBITDA from NCS operations were offset by a decline in revenues related to a decrease in the volume of funded mortgages and an increase in operating expenses related to a bi-annual advertising and promotion event.

Consumer Products and Services segment

(in thousands unless otherwise noted)	Three months ended			Period ended	
	December 31, 2017	September 30, 2017	December 31, 2016 ⁽¹⁾	December 31, 2017	December 31, 2016 ⁽¹⁾
Revenues	\$ 5,258	\$ 5,933	\$ 633	\$ 24,468	\$ 633
Operating expenses ⁽²⁾	5,807	5,603	665	21,621	665
Loss from operations	(549)	330	(32)	2,847	(32)
Other income, net	(80)	(79)	(6)	(291)	(6)
Loss before tax	(629)	251	(38)	2,556	(38)
Add back:					
Depreciation and amortization	897	1,163	127	3,405	127
Finance expense	44	41	6	182	6
Adjusted EBITDA	\$ 312	\$ 1,455	\$ 95	\$ 6,143	\$ 95
Adjusted EBITDA margin	6%	25%	15%	25%	15%
Adjusted EBITDA attributable to:					
Shareholders	\$ 187	\$ 873	\$ 57	\$ 3,686	\$ 57
Non-controlling interests	\$ 125	\$ 582	\$ 38	\$ 2,457	\$ 38
Key performance indicators:					
Total fitness club members ⁽³⁾	81,019	80,078	78,316	81,019	78,316

(1) Includes 12 days of Club16 operations as the acquisition was completed on December 20, 2016.

(2) Operating expenses comprise direct costs, general and administrative expenses, and depreciation and amortization expense.

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

The Consumer Products and Services segment includes the operating results of the Club16 entity for all periods presented. Due to the growth in business in 2017, results may not be directly comparable to prior period balances. For this reason, an analysis of results for the current quarter in relation to results from the immediately preceding quarter.

Three-month highlights

Revenues decreased by \$0.7 million when compared to the three months ended September 30, 2017. Bike rental revenue is highly seasonal and is typically earned from mid-March to mid-October of each year. This, combined with a slight decrease in membership revenue, were the primary sources of the decrease in revenue in the quarter. By the end of December 31, 2017, the total number of members increased compared to September 30, 2017, mainly due to the early member commitments for the South Surrey club expansion. The South Surrey location opened on January 26, 2018, and will accommodate up to 8,000 members. Pre-registration began in 2017 driving up member numbers in December.

Operating expenses increased \$0.2 million compared to the three months ended September 30, 2017, on an increase in seasonal advertising and advertising for the opening of the new South Surrey location. A decrease in Club16's depreciation and amortization expense was offset by a \$0.2 million increase due primarily to a rent expense adjustment.

The segment contributed \$0.3 million in adjusted EBITDA for the three months ended December 31, 2017, a decrease of \$1.1 million over the three months ended September 30, 2017. This variance is due primarily to lower revenues of \$0.7 million on seasonal revenue fluctuations combined with higher advertising expenses.

Annual highlights

Club16 comparative results for December 2016 include only 12 days of operations as it was acquired on December 20, 2016. For the year ended December 31, 2017, Club16 contributed \$6.1 million of EBITDA compared to \$95 thousand in the 2016 operating period.

Business Products and Services segment

(in thousands) ⁽¹⁾	Three months ended			Period ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenues	\$ 12,957	\$ 2,931	\$ -	\$ 19,665	\$ -
Operating expenses ⁽²⁾	12,919	2,351	-	18,273	-
Loss from operations	38	580	-	1,392	-
Other income, net	(138)	19	-	(101)	-
Loss before tax	(100)	599	-	1,291	-
Add back:					
Depreciation and amortization	1,271	288	-	1,942	-
Finance expense	52	-	-	52	-
Other adjusting items ⁽³⁾	102	5	-	111	-
Adjusted EBITDA	\$ 1,325	\$ 892	\$ -	\$ 3,396	\$ -
Adjusted EBITDA margin	10%	30%	-	17%	-
Adjusted EBITDA attributable to:					
Shareholders	\$ 609	\$ 464	\$ -	\$ 1,686	\$ -
Non-controlling interests	\$ 716	\$ 428	\$ -	\$ 1,710	\$ -

(1) The results presented in this table include Impact from March 1, 2017, and AG from October 31, 2017, the date of acquisition.

(2) Operating expenses comprise direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.

(3) Other adjusting items include share-based payment expense, unrealized gains on foreign exchange and fair value adjustments on non-controlling interest liability.

The Business Products and Services segment includes the operating results of Impact from March 1, 2017, and AG from October 31, 2017, the dates of acquisition for these companies. Due to the growth in the business in 2017, our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

Three-month highlights

Business Products and Services revenue increased by \$10.0 million compared to the three months ended September 30, 2017. An increase in revenue from AG of \$10.1 million was partly offset by a slight decrease in Impact revenues for the period. AG was acquired on October 31, 2017, so this is the first period of operations.

Operating expenses for the three months ended December 31, 2017, increased \$10.6 million compared to the three months ended September 30, 2017. The

increase in operating costs is related to additional costs incurred for the two months of operating activities of AG and \$0.5 million of acquisition costs for the Litho and AG acquisitions; Impact operating costs were consistent with the third quarter. AG experienced a flood at one of its locations just prior to the acquisition and when combined with higher acquisition costs, these two factors resulted in higher than expected operating costs for this recent period.

The segment contributed \$1.3 million in adjusted EBITDA to the quarterly consolidated results, after adjusting income from operations for depreciation, amortization and other adjusting items.

Annual highlights

From the date of acquisitions, the segment contributed \$3.4 million of EBITDA in 2017. The segment has no comparative period results for 2016 as Impact and AG were both acquired in 2017.

Corporate and Consolidated Segment

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses ⁽²⁾	1,923	3,065	9,311	14,940
Income from operations	(1,923)	(3,065)	(9,311)	(14,940)
Other expense, net	(7,547)	(724)	(9,234)	(3,668)
Income before tax	(9,470)	(3,789)	(18,545)	(18,608)
Add back:				
Depreciation and amortization	11	5	34	9
Finance expense	1,578	740	4,056	2,593
Share-based payments	337	1,021	3,006	6,065
Unrealized foreign exchange gain	(1,116)	-	(2,795)	(136)
Other adjusting items ⁽³⁾	5,860	-	6,772	1,684
Adjusted EBITDA	\$ (2,800)	\$ (2,023)	\$ (7,472)	\$ (8,393)
Adjusted EBITDA attributable to:				
Shareholders	\$ (2,800)	\$ (2,023)	\$ (7,472)	\$ (8,393)
Non-controlling interests	\$ -	\$ -	\$ -	\$ -

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

(2) Operating expenses comprise direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.

(3) Includes (loss) gain on financial instrument, change in fair value of non-controlling interest, non-cash write down and impairment, loss on sale of investments, corporate start-up costs and professional fees related to arbitration.

Included in operating expense are FAC corporate expenses, as follows:

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Acquisition costs	\$ 121	\$ 629	\$ 515	\$ 3,365
General and administrative	1,454	1,410	5,756	5,501
Share-based compensation	337	1,021	3,006	6,065
Depreciation and amortization	11	5	34	9
Corporate general and administrative expenses	\$ 1,923	\$ 3,065	\$ 9,311	\$ 14,940

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

Other expense, net includes the following:

(in thousands)	Three months ended		Period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
Finance expense	\$ 1,578	\$ 740	\$ 4,056	\$ 2,593
Non-cash write down of investment ⁽²⁾	2,546	-	2,487	-
Fair value adjustment on NCI	3,314	-	4,285	-
Foreign exchange loss (gain)	213	(11)	(1,443)	(147)
Loss on sale of investment	-	-	-	1,319
Other	(104)	(5)	(151)	(97)
Other expense, net	\$ 7,547	\$ 724	\$ 9,234	\$ 3,668

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

(2) Related to the Vital Alert Legacy assets.

Corporate head office uses the cash received from the operating subsidiaries to fund its operating expenses and financing costs, and to pay dividends to shareholders.

Three-month results

Operating expenses decreased by \$1.1 million for the three months ended December 31, 2017, compared to the prior year's quarter. The decrease in expenses is primarily due to the forfeiture of 188,333 share options in 2017, reducing share-based payment expense by \$0.7 million, and a decrease in acquisition and due diligence costs of \$0.5 million. The decrease was partly offset by a slight increase in general and administration expense.

Other expense for the three months ended December 31, 2017, compared to the three months ended December 31, 2016, increased by \$6.8 million primarily due to the \$2.5 million loss on impairment of Vital Alert Legacy, a \$3.3 million fair value adjustment for non-controlling interests, combined with higher financing costs, and a \$1.1 million realized foreign currency loss related to converting the Sagard USD funds to CAD to fund the AG acquisition.

The increase in financing costs over the prior quarter relates to an increase in the corporate head office's total loans and borrowings from \$13.1 million to \$42.0 million USD (CAD—\$52.7 million) in June 2017 (see the Consolidated Liquidity and Capital Resources section of this MD&A for additional discussion of our credit facilities). The additional loans and borrowings were used to fund the acquisition of a 50% interest in AG.

During the three months ended December 31, 2017, corporate head office recognized a \$2.5 million impairment loss on its non-core investment in Vital Alert Legacy. Vital Alert Legacy consolidated the outstanding shares and issued an offering for convertible debenture units, which provides for each debenture unit to be converted into one common share of Vital Alert Legacy at a conversion price of \$7.141 per common share. Based on this issuance, the Corporation has adjusted the carrying value of its investment in Vital Alert Legacy to its fair value of \$7.141 per share.

Also included within other expense for the three months ended December 31, 2017, is a \$3.3 million non-cash fair value adjustment related to the fair value of the non-

controlling interest liability for Impact. Impact's non-controlling interest was previously classified as a liability due to liquidation rights that were assigned to the non-controlling interest. As of December 1, 2017, the rights have been amended and the non-controlling interest was reclassified from liability to equity. The amount reclassified was based on the fair value of the non-controlling interest as at December 1, 2017. The fair value adjustment at this date resulted in a \$3.3 million non-cash expense recorded in other expense in the period. Impact's non-controlling interest is presented in equity from the date of the amending agreement, and the non-controlling interest's share of net income and dividends will be applied directly against its equity balance.

Annual results

Corporate operating expenses decreased by \$5.6 million for the year ended December 31, 2017, compared to the prior period. This decrease is attributable to a \$2.9 million decrease in acquisition and due diligence costs as certain due diligence processes are now being completed more efficiently, and a \$3.1 million decrease in share-based compensation related to the issuance of 2,829,745 share options in 2016 compared to 275,000 share options in 2017. This decrease was partially offset by an increase of \$0.3 million in general and administration expense from higher personnel costs primarily due to severance costs incurred in the third quarter.

Other expense increased by \$5.6 million for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is primarily due to the \$2.5 million impairment on Vital Alert Legacy, the \$4.3 million fair value adjustment for the Impact NCI discussed above and a \$1.5 million increase in financing costs. An increase in financing costs over the prior year relates mainly to fees incurred for entering the Sagard Facility and an increase in the corporate head office's total loans and borrowings from \$13.1 million to \$42.0 million USD. These movements were partly offset by a \$1.3 million increase in foreign exchange gains related to our USD debt and cash balances, a loss on sale of investment of \$1.3 million incurred during the prior year and a slight increase in other income.

HISTORICAL QUARTERLY RESULTS

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

(in thousands except per share amounts)	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Revenues	\$ 27,952	21,759	19,500	13,694	9,277	10,643	3,018	-
Income (loss) from operations	51	4,537	2,640	(1,790)	(1,606)	699	(1,832)	(2,940)
Adjusted EBITDA	2,849	8,190	5,666	1,440	998	4,907	(303)	(1,930)
Net (loss) income	(5,699)	3,611	3,091	(1,660)	(1,916)	(1,171)	949	(4,025)
Net (loss) income attributable to:								
Shareholders	(6,697)	1,140	975	(1,630)	(2,410)	(2,842)	599	(4,025)
Non-controlling interests	998	2,471	2,116	(30)	494	1,671	350	-
Net (loss) income per common share:								
Basic	(0.18)	0.03	0.03	(0.04)	(0.07)	(0.08)	0.03	(0.40)
Diluted	(0.18)	0.03	0.03	(0.04)	(0.07)	(0.08)	0.02	(0.40)

Quarterly trends and seasonality

Due to the timing of acquisitions, the prior periods shown in the above table are not necessarily comparable and should not be relied upon as an indication of future performance. Our quarterly results generally vary from quarter to quarter because of seasonal fluctuations in our reporting segments.

Our consolidated revenues for the current quarter increased by \$6.1 million over the three months ended September 30, 2017 mainly attributed to the Corporation's most recent investment, AG. AG's results are included from the date of acquisition (October 31, 2017) and contributed \$10.1 million of revenue during this two-month period. The increase in revenues from AG was partly offset by a decrease from seasonal revenue movement within both the Franchise and Consumer Products and Services segments. The Franchise segment revenue decreased \$3.2 million over the comparative period due to a seasonal decrease in funded mortgage volumes. DLC's operations are subject to seasonal variances that move in line with the normal home buying season, with funded mortgage volumes peaking in the months of June through September.

Income from operations for the three months ended December 31, 2017 decreased to \$51 thousand from \$4.5 million during the three months ended September 30,

2017. The increase in revenues for the period was offset by an increase in operating costs and seasonal advertising expenses. The increase in operating costs is primarily related to additional costs incurred for the two months of operating activities of AG, higher advertising fund expenditures for seasonal print and television advertising for the Franchise segment, and an increase in advertising and \$0.2 million increase due primarily to a rent expense adjustment for Consumer Products and Services segment.

Net income for the three months ended December 31, 2017 decreased to a loss of \$5.7 million from \$3.1 million income in the previous three months. The decrease in net income is due to the \$4.4 million decrease in income from operating activities as well as several items outside the normal course of business. The non-normal items include a \$2.5 million loss on impairment of the investment, Vital Alert Legacy, a \$3.3 million expense for a non-cash NCI fair value adjustment, foreign exchange movement from \$1.1 million gain to a \$0.2 million loss related to the effects of exchange rates on USD denominated net debt position. In addition, during the three months ended September 30, 2017 a gain on sale of \$1.9 million from the sale of Canadiana within the Franchise segment was recognized and a similar gain was not realized in the fourth quarter.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

(in thousands)	As at December 31, 2017	As at December 31, 2016
Cash and cash equivalents	\$ 10,316	\$ 7,824
Trade and other receivables	22,442	11,742
Prepays and other assets	2,410	1,340
Notes receivable	342	290
Inventories	4,834	-
Bank indebtedness	(766)	-
Accounts payable and accrued liabilities	(21,032)	(13,916)
Current portion of loans and borrowing	(16,370)	(25,064)
Deferred revenue	(1,838)	(970)
Other current liabilities	(413)	(636)
Current portion capital lease obligation	(327)	-
Current portion non-controlling interest liability	(2,000)	-
Net working deficit	\$ (2,402)	\$ (19,390)

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

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

As at December 31, 2017, we had a consolidated cash position of \$10.3 million and a net working deficit of \$2.4 million, compared to \$7.8 million and \$19.4 million, respectively, as at December 31, 2016. The decrease in working deficit from the comparative period is primarily the result of the increase in our consolidated cash balance; entering the five-year term facility with Sagard, which is classified as long-term; and the repayment of our ATB demand corporate credit facility, which in the comparative period was classified as current. Our credit facilities are discussed in greater detail in the Capital Resources section below.

At December 31, 2017, we have several financial commitments (see Commitments under the Commitments and Contingencies section of this MD&A for further information), which will require that we have various sources of capital to meet the obligations associated with these commitments.

Working capital within the investee operations may fluctuate from time to time based on seasonality or timing based on the use of cash and cash resources to fund operations. Our subsidiaries have credit facilities to support their operations and working capital needs and fluctuations. These credit facilities reside in the individual subsidiaries; see the Capital Resources section below. The Corporation's ability to maintain sufficient liquidity is driven by the operations of our subsidiaries and judicious allocation of resources. Management continually evaluates potential acquisitions, and such acquisitions will be completed utilizing undrawn balances on existing capital resources, debt, or equity financing as it is available. At this time, management is unaware of any factors that would affect its short- and long-term objectives of meeting the Corporation's obligations as they come due.

At December 31, 2017, and April 24, 2018, we are in compliance with all of our financial covenants.

SOURCES AND USES OF CASH

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

(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.

	December 31,	
(in thousands)	2017	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.

	Carrying value as at December 31, 2017	Fair value as at December 31, 2017	Classification
(in thousands)			
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.

	December 31, 2017	December 31, 2016
(in thousands)		
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.

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

No guaranteed return

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

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.

	Year ended December 31, 2017	Period ended December 31, 2016 ⁽¹⁾
(in thousands)		
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.

(in thousands except per share amounts)	Period ended ⁽¹⁾		
	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	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ⁽¹⁾
(in thousands)					
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.