Founders Advantage Capital Corp.

Management's Discussion and Analysis

For the fifteen months ended December 31, 2016 and twelve months ended September 30, 2015

This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations for the fifteen months ended December 31, 2016, as well as information about our financial condition and future prospects. We recommend you read this MD&A in conjunction with the 2016 audited annual consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

All amounts are presented in Canadian dollars unless otherwise stated. *We, us, our*, and *Founders Advantage*, refer to Founders Advantage Capital Corp. and our subsidiaries. Dominion Lending Centres Limited Partnership is referred to herein as "DLC" and Club16 Limited Partnership is referred to herein as "Club16". This MD&A is current as of April 28, 2017 and was reviewed and approved for issuance by the Board of Directors.

Advisory

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

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

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

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

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BUSINESS OVERVIEW

Founders Advantage is an investment company that pursues majority interest acquisitions of cash flow positive middle-market privately held entities. We seek to partner with the segment of the market which is not aligned with traditional private equity control, royalty monetization or related structures.

Our platform offers disproportionate incentives for growth in favour of our partner entrepreneurs. This investment platform is designed to appeal to entrepreneurs who believe in the growth of their business and who want the added ability to continue operating their business with a long-term partner.

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

The nature of our business has significantly changed since September 30, 2015 as a result of acquiring Advantage Investments in February of 2016. For additional information on this transaction, please see the "2016 Key Accomplishments" section of this MD&A. Due to the change in the nature of the business, several of the prior period balances included in the illustrative tables throughout this MD&A may not be directly comparable to the current period balances.

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

(000's) (1)	Date of acquisition	Ownership interest	Annual distribution threshold (2)(3)	Monthly distribution (3)	Adjusted EBITDA (4)
Dominion Lending Centres Limited Partnership	June 3, 2016	60%	$ 14,600	$ 540	$ 6,837
Club16 Limited Partnership	December 20, 2016	60%	5,850	270	57
Cape Communications International Inc.	March 1, 2017	52%	2,960	104	-

(1) See the "2016 Key Accomplishments" section of this MD&A for further information on each of these subsidiaries.
(2) Minority interest shareholders receive a disproportionate share of the distributions from the investee companies for any amounts paid over the Annual Distribution Threshold.
(3) Distribution amounts from Dominion Lending Centres Limited Partnership and Cape Communications International Inc. are received on an after-tax basis; Club16 Limited Partnership distributions are received on a pre-tax basis and are taxed at the Founders Advantage corporate head office level.
(4) For acquisitions completed during 2016, the adjusted EBITDA attributable to shareholders is from the date of acquisition to December 31, 2016. The acquisition of a 52% interest in Cape Communications International Inc. was completed subsequent to the December 31, 2016 balance sheet date, as a result their adjusted EBITDA has not been included in our consolidated results. Please see the "Non-IFRS Measures" section of this document for the definition of adjusted EBITDA.

Change in year end

Effective in 2016, our fiscal year-end was changed from September 30 to December 31 to align the year-end of the corporate head office with the year-ends of our investee subsidiaries and peer group. To facilitate the change, we are reporting a one-time, fifteen-month transition year covering the period of October 1, 2015 to December 31, 2016. Subsequent to the transition year, our financial year will cover the period from January 1 to December 31.

The information presented in this MD&A includes the fifteen months of the current fiscal period as compared to the twelve-month fiscal period ended September 30, 2015. As a result, the information contained in this MD&A may not be comparable to previously reported periods.

FINANCIAL HIGHLIGHTS

Below are the financial highlights of our consolidated results for the three months and the fifteen months ended December 31, 2016. You can find a more detailed discussion in the "Consolidated Results of Operations" section of this MD&A. Due to the change in the nature of our business that resulted from the acquisition of Advantage Investments (see "2016 Key Accomplishments" section of this MD&A) our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

(000's except per share amounts)	For the three months ended December 31, 2016	September 30, 2016	December 31, 2015	Year ended [1] December 31, 2016	September 30, 2015
Revenues	$ 9,277	$ 10,643	$ -	$ 22,938	$ -
(Loss) income from operations	(1,606)	699	(658)	(6,337)	(3,282)
Adjusted EBITDA [2]	998	5,041	(574)	3,233	(1,222)
Net (loss) income for the period	(1,916)	(1,171)	(1,116)	(7,279)	35,709
Net (loss) income attributable to:					
Shareholders	$ (2,410)	$ (2,842)	$ (1,116)	$ (9,794)	$ 35,709
Non-controlling interests	$ 494	$ 1,671	$ -	$ 2,515	$ -
Adjusted EBITDA attributable to:					
Shareholders	$ (211)	$ 2,254	$ (574)	$ (1,363)	$ (1,222)
Non-controlling interests	$ 1,209	$ 2,787	$ -	$ 4,596	$ -
(Loss) income per share:					
Basic	$ (0.07)	$ (0.08)	$ (0.11)	$ (0.42)	$ 3.61
Diluted	$ (0.07)	$ (0.08)	$ (0.11)	$ (0.42)	$ 3.41

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.
(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 to arrive at adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

FINANCIAL POSITION (000's)	As at December 31, 2016	As at September 30, 2015
Cash and cash equivalents	$ 7,824	$ 12,113
Working capital (deficiency)	(19,390)	12,575
Total assets	258,171	27,680
Total loans and borrowings	32,455	-
Shareholders' equity	106,849	27,442
SHARE INFORMATION		
Common shares outstanding [1]	37,714,342	9,953,397

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

Three-month highlights

Consolidated results

Revenues for the three months ended December 31, 2016 decreased to $9.3 million from $10.6 million in the prior quarter, a decrease of $1.3 million. The decline in revenues is primarily related to DLC's operations, as they generated lower volumes of funded mortgages during the quarter due to seasonal variances in the normal home buying season. This decline in DLC's mortgage volumes resulted in a $2.0 million decrease in revenues (please see the "Consolidated Results of Operations" section of this MD&A for further discussion), which is partially offset by the inclusion of $0.6 million, or 12 days of Club16 revenues (see the "2016 Key accomplishments" section of this MD&A for discussion of the DLC and Club16 acquisitions). This seasonal decline in DLC's revenues is consistent with management's expectations as DLC's mortgage volumes peak in the months of June through September and are at their lowest point in the months of January through March.

Loss from operations for the three months ended December 31, 2016 increased to a $1.6 million loss from $0.7 million in earnings during the three months ended September 30, 2016, an increase of $2.3 million. The increase in loss is due partially to higher DLC operating costs which significantly relate to higher depreciation and amortization, an increase in advertising fund expenditures for seasonal advertising campaigns, as well as higher advertising and promotion costs for events related to broker retention. The increase in depreciation and amortization resulted from additions to DLC's finite life intangible assets and the acquisition of Newton Connectivity Systems Inc. ("NCS") and Club16. The increase in loss from operations is further impacted by the $2.0 million seasonal decline in DLC's revenues, and is partially offset by a $2.2 million decrease in share-based payment expense over the prior quarter.

Adjusted EBITDA has decreased during the current period to $1.0 million from $5.0 million in the three months ended September 30, 2016, a decrease of $4.0 million. This decline is the result of a $1.4 million decrease in revenue primarily related to seasonal decreases in DLC's revenues and the increase in operating costs after adjusting for unusual and non-cash items, including share-based payments and other revenue (See "Appendix A" for a reconciliation of adjusted EBITDA to loss from operations). The increase of $2.5 million in adjusted operating expenses is driven by higher direct costs and general and administrative expenses significantly related to seasonal advertising expenses as discussed above. The inclusion of Club16's adjusted EBITDA has had little impact on the consolidated results, as only 12 days of their results have been included on consolidation due to the timing of the transaction.

Annual highlights

Consolidated results

Revenues for the fifteen months ended December 31, 2016 increased by $22.9 million from $nil in the comparative period. This increase is due to the acquisitions of DLC in June 2016 and Club16 in December 2016, as 212 days of DLC's financial results and 12 days of Club16 financial results have been included in our consolidated results.

Loss from operations for the fifteen months ended December 31, 2016 increased to $6.3 million from $3.3 million during the twelve months ended September 30, 2015, an increase of $3.0 million. The increase in loss over the prior year is due to higher share-based payments expense of $4.8 million, and higher corporate office costs of $6.8 million related to salaries, professional fees, advertising and promotion, travel expenses and acquisition and due diligence costs. The higher corporate head office costs over the comparative period is primarily due to transitioning to a new investment model over the past year. The overall increase in our consolidated loss from operations is partially offset by $8.6 million in income from operations from the DLC segment.

Adjusted EBITDA for the fifteen months ended December 31, 2016 increased to $3.2 million from a loss of $1.2 million in the prior year, an increase of $4.4 million. This increase is primarily due to the acquisitions of DLC in June 2016, as 212 days, or $11.4 million of adjusted EBITDA have been included in our consolidated results. In determining adjusted EBITDA for the fifteen months ended December 31, 2016, we have adjusted for a number of non-cash and unusual items, including share based payments, losses on sale of investments and corporate start-up costs (see "Appendix A" for a reconciliation of adjusted EBITDA to loss from operations). The overall increase in EBITDA is partially offset by higher corporate office costs of $7.0 million related to salaries, professional fees related to acquisition and due diligence costs and travel expenses that have been incurred as a result of transitioning to a new investment model. The inclusion of Club16's adjusted EBITDA added $0.1 million to our consolidated results.

While this is the first period in which DLC's financial information has been included in our year-end financial statements, revenues and earnings of DLC have realized significant growth during the year compared to prior year periods.

2016 KEY ACCOMPLISHMENTS

With the change in management in February 2016 we have focused on sourcing and completing acquisitions consistent with our new investment model. Our key accomplishments during the 2016 fiscal year are as follows:

Acquisition – Advantage Investments

On February 3, 2016, we entered into an arm's length agreement to purchase 100% of the shares of Advantage Investments (Alberta) Ltd. ("Advantage Investments"). The key terms of the agreement provide for the appointment of Stephen Reid as our Chief Executive Officer and the acquisition of certain investment opportunities, in consideration for 952,380 of our common shares (with a share price on the closing date of $2.55 per share) (the "Reid Shares") and the assumption of $0.4 million of liabilities. The transaction closed on February 23, 2016 and resulted in a change in our business strategy as we obtained the resources to pursue our current investment approach of acquiring controlling interests in cash flow positive, middle-market privately held entities.

The Reid Shares are being held in escrow and will be released if and when investment opportunities, and any other investments made by our corporate head office following the closing of the transaction, deliver cumulative earnings before interest, tax, depreciation and amortization ("EBITDA") from investees of not less than $15.0 million.

On April 28, 2016, Advantage Investments was dissolved and is no longer a subsidiary.

Acquisition – Dominion Lending Centres Limited Partnership
On June 3, 2016, we acquired a 60% majority and voting interest in DLC, the largest mortgage brokerage franchisor in Canada. The aggregate purchase consideration was $86.4 million, which included cash of $61.3 million, 4,761,905 of our common shares (which had a fair value of $26.7 million as at the closing date), and post-closing adjustment amounts due from vendors of $1.6 million. The cash portion of the purchase price was funded by cash on hand, the net proceeds from the April 2016 subscription receipts offering, and a $20.0 million loan facility.

DLC operates through three main subsidiaries, Dominion Lending Centres Inc., MCC Mortgage Centre Canada Inc. and MA Mortgage Architects Inc. DLC has operations in all 13 provinces and territories, and has an extensive network that includes over 5,000 agents, 443 franchises and over 700 locations. DLC was founded in 2006 and since inception has achieved significant growth through organic recruiting efforts and acquisitions.

Due to our controlling interest in DLC, the financial results of DLC are accounted for as an operating subsidiary in the consolidated financial statements from the date of acquisition (June 3, 2016).

Acquisition - Newton Connectivity Systems Inc. (formerly Marlborough Stirling Canada Ltd.)
On December 13, 2016, our subsidiary, DLC, acquired a 70% majority and voting interest in NCS, which is engaged in the business of providing software and services to the Canadian mortgage lending industry. The aggregate purchase consideration for NCS was $4.2 million. The purchase was funded by DLC's cash on hand, existing credit facilities, and promissory notes payable from related parties in the amount of $2.0 million. Our corporate head office owns a 60% interest in DLC, giving us an indirect interest of 42% in NCS.

NCS is one of only two providers in Canada that has been approved to provide a connectivity platform between Canadian lenders and mortgage brokers. NCS earns its revenues through fees paid by Canadian lenders based on the funded volumes of mortgages. To date, a single NCS competitor has dominated the lender connectivity marketplace with NCS only serving a small percentage of the marketplace.

The results of NCS are consolidated in our financial results from the date of the NCS acquisition (December 13, 2016), as DLC holds a controlling interest in NCS.

Acquisition - Club16 Limited Partnership
On December 20, 2016, we acquired a 60% majority and voting interest in Club16, which owns thirteen fitness clubs located in the Metro Vancouver Area. Club16 has a ten-year history, over 80,000 members and offers value pricing and a high-quality experience to their members. The aggregate purchase consideration for the fitness clubs was $22.0 million, which includes cash of $20.5 million and amounts due to vendors of $1.5 million. The purchase was funded by our cash on hand and existing credit facilities.

Due to our controlling interest in Club16, the financial results of Club16 are accounted for as an operating subsidiary in the consolidated financial statements from the date of acquisition (December 20, 2016).

Subsequent to the December 31, 2016 we completed the following acquisition:

Acquisition - Cape Communications International Inc.
Subsequent to year end, on March 1, 2017, we acquired a 52% majority and voting interest in Cape Communications International Inc. (operating as Impact Radio Accessories "Impact"), which is engaged in the business of designing, manufacturing and retailing of two-way radio accessories in the land mobile radio industry. Impact sells to dealers throughout North America, with its products being used in the field by some of the most recognized companies in public safety, military, security, retail and hospitality. The aggregate purchase consideration was $12.7 million. The purchase was funded by our existing credit facility, which was increased in order to fund the acquisition.

At the date of issuance of the financial statements, the Corporation was in the process of determining the accounting for the transaction.

SEGMENT SUMMARY

We are organized into two reportable business segments, which are comprised of DLC and Club16 operations. Effective March 1, 2017, we have acquired a third subsidiary, Impact, which will form its own reportable segment. For more information on each of the segments please see the "2016 Key Accomplishments" section of this MD&A. "Corporate" used throughout this MD&A is not a separate reportable business segment and is used to refer to the corporate head office of Founders Advantage.

2017 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 statements" section found at the end of this MD&A.

Corporate

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

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

DLC segment

Moving into 2017, DLC expects to continue its organic growth initiative of expanding its network of mortgage brokers and franchisees by focusing on recruiting initiatives. As a result, we anticipate DLC having steady growth in its funded mortgage volumes in 2017, resulting in steady growth in revenues and adjusted EBITDA compared to 2016.

During 2017, DLC's management team will also be focused on integrating NCS into its operations. Through synergies obtained from DLC's ownership of NCS, it is anticipated that DLC can increase NCS's market share by having additional DLC mortgage brokers using the NCS platform.

Industry commentary

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

DLC continues to assess the impact of these changes on its business. During the first quarter of 2017 DLC has continued to experience growth in its year-over-year funded mortgage volumes, with a 12.27% increase in volumes over the same period last year. Growth in the funded volumes of mortgages on a per broker basis has seen some leveling off during the first quarter of 2017 when compared to the same period last year, however there has been no decline in overall volumes per broker. While there does appear to be some slowdown in growth on a per broker basis, this ease in growth is more than offset by the increase in volumes of funded mortgages resulting from adding new franchisees and mortgage brokers during the same period. This is consistent with management's expectations, as historically, DLC has been able to maintain its revenues in difficult economic times by adding new franchisees and mortgage brokers, and as such, it is not anticipated that the new rules will have a significant long-term effect on DLC's revenues.

Club16 segment

Club16's organic growth initiatives for 2017 include transitioning one of its underperforming clubs to a new larger co-ed location and the expansion of one of its existing clubs to allow for membership growth. It is anticipated that these initiatives will have a positive impact on 2017 fitness club membership revenues and adjusted EBITDA.

CONSOLIDATED RESULTS OF OPERATIONS

See the "Accounting Policies" section of this MD&A and notes to our 2016 annual consolidated financial statements for important accounting policies and estimates as they relate to the following discussion.

Below is selected financial information from our 2016 consolidated annual financial results. Due to the change in the nature of our business that resulted from the acquisition of Advantage Investments (see "2016 Key Accomplishments" section of this MD&A) our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

We currently operate two reportable business segments, being the DLC and Club16 operations. While our operating results reflect 100% of DLC and Club16's results, we own a 60% ownership interest in DLC and Club16. A reconciliation of our reportable segments to our consolidated results presented in this table can be found in Appendix B.

	For the three months ended			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2015
Revenues	$ 9,277	$ 10,643	$ -	$ $22,938	$ -
Operating expenses	10,883	9,944	658	29,275	3,282
(Loss) income from operations	**(1,606)**	**699**	**(658)**	**(6,337)**	**(3,282)**
Other (expense) income, net	(304)	(1,237)	30	(3,283)	38,503
(Loss) income before tax	**(1,910)**	**(538)**	**(628)**	**(9,620)**	**35,221**
Add back:					
Depreciation and amortization	1,473	902	-	2,670	4
Finance expense	876	1,504	-	2,896	-
Other adjusting items (2)	559	3,173	54	7,287	(36,447)
Adjusted EBITDA (3)	**$ 998**	**$ 5,041**	**$ (574)**	**$ 3,233**	**$ (1,222)**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

(2) Other adjusting items include share-based payments, loss on sale of investments, corporate start-up costs, professional fees related to arbitration costs, other income and impairment and other items from mining operations. See "Appendix A" 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 income from operations in which depreciation and amortization, finance expense and other unusual or one-time items are added back to income from operations to arrive at adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

Revenues

	For the three months ended			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2015
	$ 9,277	**$ 10,643**	**$ -**	**$ $22,938**	**$ -**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

Our consolidated revenues for the three months ended December 31, 2016 decreased over the three-month period ended September 30, 2016 from $10.6 million to $9.3 million, a decrease of $1.3 million. This decrease is due to a $2.0 million decline in DLC's revenues over the comparative period, offset by the inclusion of $0.6 million in revenues from Club16's operations. The decrease in DLC's revenues is due to seasonal variances with the normal home buying season, which typically result in higher revenues in the months of June through September of each year. On December 20, 2016, we acquired Club16, resulting in 12 days of Club16's financial results included in the three months ended December 31, 2016.

Our revenues for the fifteen months ended December 31, 2016 increased by $22.9 million over the twelve months ended September 30, 2015. The increase in revenues is due to the acquisitions of DLC and Club16, which were completed on June 3, 2016 and December 20, 2016, respectively.

Operating expenses

	For the three months ended			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2015
Direct costs	$ 2,478	$ 1,507	$ -	$ 4,589	$ -
Acquisition and due diligence costs	632	858	-	3,365	54
General and administrative	5,279	3,504	606	12,586	2,008
Share-based payments	1,021	3,173	52	6,065	1,216
Depreciation and amortization	1,473	902	-	2,670	4
	$ 10,883	**$ 9,944**	**$ 658**	**$ 29,275**	**$ 3,282**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

Direct costs

Our direct costs relate primarily to DLC's operations and are comprised of franchise recruiting and support costs and advertising fund expenditures. During the three months ended December 31, 2016, we incurred $2.5 million in direct costs, compared to $1.5 million during the comparative period, an increase of $1.0 million. DLC's increase in costs in the current quarter is primarily due to the inclusion of NCS direct costs from the date of acquisition, and increased advertising fund expenditures. The increase in advertising fund expenditures relate to DLC's television advertising campaign, which are seasonal with the majority of costs being incurred in the spring and fall of each year.

Direct costs for the fifteen months ended December 31, 2016 increased by $4.6 million over the twelve months ended September 30, 2015. The increase in direct costs is primarily due to the acquisitions of DLC, which was completed on June 3, 2016.

Acquisition and due diligence costs

We incurred $0.6 million in acquisition and due diligence costs during the three months ended December 31, 2016, compared to $0.9 million during the three months ended September 30, 2016, a decrease of $0.3 million. During the fifteen months ended December 31, 2016 we incurred $3.4 million in acquisition and due diligence costs, compared to $0.1 million during the comparative period. The increase in acquisition and due diligence costs over the comparative annual period is due to transitioning to a new investment model over the past year, and quarter over quarter costs remain relatively consistent as we are continuously evaluating acquisition opportunities to enhance shareholder value. The cost of these acquisition and due diligence activities, whether completed or in process, are expensed as incurred.

General and administrative

During the three months ended December 31, 2016, we incurred $5.3 million in general and administrative expenses compared to $3.5 million during the three months ended September 30, 2016, an increase of $1.8 million. This increase is the result of higher costs related to DLC's operations of $1.2 million and the inclusion of Club16 general and administrative costs for 12 days, or $0.6 million, due to the timing of the transaction. DLC's general and administrative expenses have increased $1.2 million over the prior quarter primarily due to higher advertising and promotion costs for annual broker events held during the quarter and the inclusion of NCS's general and administrative expense from the date of acquisition. Corporate general and administrative expenses have remained relatively consistent quarter over quarter, and are comprised primarily of professional fees, salary and salary-related costs, advertising and promotion and travel.

During the fifteen months ended December 31, 2016, we incurred $12.6 million in general and administrative expenses, compared to $2.0 million during the comparative period, an increase of $10.6 million. The increase over the prior year is due to a $3.5 million increase in corporate head office costs, and the inclusion of expenses related to DLC and Club16 operations, which added general and administrative costs of $6.6 million and $0.6 million, respectively. The increase in corporate head office costs of $3.5 million is primarily due to transitioning to a new investment model over the past year which has resulted in increased personnel costs, professional fees, advertising, promotion and travel costs, severance costs for former management, and one-time non-recurring items related to start-up costs. These one-time items include website development, consulting and legal expenses.

Share-based payments
During the three months ended December 31, 2016, we incurred $1.0 million in non-cash shared-based payments, compared to $3.2 million during the three months ended September 30, 2016, a decrease of $2.2 million. Share-based payments were higher during the prior quarter as we granted 1,802,500 share options in the prior quarter, of which 600,833 options were immediately exercisable and recognized in expense. Share-based payment expenses incurred during the three months ended December 31, 2016 related to the grant of an additional 150,000 share options, in addition we continue to expense the options and escrow shares granted in previous periods over their respective vesting periods.

During the fifteen months ended December 31, 2016, we incurred $6.1 million in non-cash shared-based payments, compared to $1.2 million during the comparative period, an increase of $4.9 million. The increase is primarily the result of 2,829,745 share options being granted during the current period and the issuance of the Reid Shares held in escrow. Of the 2,829,745 share options granted, 600,833 options were immediately exercisable and recognized in expense, and an additional 333,333 of these options granted did not contain any service conditions and as a result were expensed on the date granted. Share-based payments for the twelve months ended September 30, 2015 relate primarily to DSUs issued to past directors.

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

We incurred $1.5 million in non-cash depreciation and amortization during the current quarter, compared to $0.9 million during the three months ended September 30, 2016, an increase of $0.6 million. The increase is primarily the result of higher depreciation and amortization related to DLC's operations of $0.4 million and the inclusion of 12 days of Club16's amortization expense or $0.2 million due to the timing of the transaction. The increase in DLC's costs relates primarily to additions to franchisee non-competition agreements and relationships and intellectual property rights acquired during the period, as well as the acquisition of NCS's finite life intangible assets.

During the fifteen months ended December 31, 2016, we incurred $2.7 million in non-cash depreciation and amortization compared to $4,428 during the comparative period. The increase in amortization primarily relates to the finite life intangible assets acquired as a part of the DLC and Club16 transactions which are discussed above.

Finance expense

	For the three months ended			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2015
	$ 876	**$ 1,504**	**$ -**	**$ 2,896**	**$ -**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

We incurred $0.9 million in financing costs during the current quarter, compared to $1.5 million during the three months ended September 30, 2016, a decrease of $0.6 million. The decrease is the result of lower financing costs at corporate head office due to the refinancing of the $20.0 million bridging loan with senior credit facilities that bear interest at a lower rate. In addition, fees were incurred to repay the bridging loan during the three months ended September 30, 2016. See the Consolidated Liquidity and Capital Resources section of this MD&A for additional discussion of our credit facilities.

During the fifteen months ended December 31, 2016, we incurred financing costs in the amount of $2.9 million, compared to $nil during the comparative period, which is primarily due to interest charges and fees on the credit facilities held by our corporate head office, which were used to partially fund the DLC and Club16 transactions. During the prior year period, we did not have any loans or borrowings.

Adjusted EBITDA

	For the three months ended			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2015
	$ 998	**$ 5,041**	**$ (574)**	**$ 3,233**	**$ (1,222)**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

Adjusted EBITDA for the quarter was $1.0 million, compared to $5.0 million during the three months ended September 30, 2016, a decline of $4.0 million. The main driver for the change in adjusted EBITDA is the $4.0 million decline in DLC's adjusted EBITDA due to lower revenues and higher operating costs after adjusting for non-cash items. The decline in DLC's revenues accounts for $2.0 million of this variance, which corresponds with seasonal variances in the normal home buying season, and is in line with management's expectations. The increase in DLC's adjusted operating costs relates primarily to higher advertising fund expenditures related to DLC's seasonal television advertising campaigns, as well as higher advertising and promotion costs for events related to broker retention. DLC's television advertising campaigns take place in the spring and fall of each year.

Adjusted EBITDA for the fifteen months ended December 31, 2016 was $3.2 million, compared to negative adjusted EBITDA of $1.2 million during the comparative period. The significant drivers for the change over the prior year relate to the inclusion of 212 days of DLC's financial results and 12 days of Club16's financial results in our 2016 consolidated financial statements, and is offset by higher costs related to corporate head office expenditures after adjusting for non-cash and unusual one-time items. Of the $3.2 million in adjusted EBITDA, $11.4 million is from DLC's operations, $0.1 million is from Club16's operations, and negative adjusted EBITDA of $8.3 million from corporate head office. The corporate head office adjusted EBITDA is negative primarily as a result of acquisition and due diligence costs of $3.4 million and general and administration expense of $5.1 million (adjusted for start-up costs and professional fees of $0.4 million). Please see "Appendix A" for a reconciliation of adjusted EBITDA to loss from operations.

Segmented Results

We discuss the results of our two reportable segments as presented in our 2016 annual consolidated financial statements: DLC and Club16. The performance of our reportable segments is assessed based on revenues, income from operations and adjusted EBITDA. Adjusted EBITDA is a supplemental measure of the segment's income from operations in which depreciation and amortization and finance expense are added back to the segments income from operations to arrive at each segment's adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

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

DLC segment

	For the three months ended (3)			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016 (2)	September 30, 2015
Revenues	$ 8,644	$ 10,643	$ -	$ 22,305	$ -
Operating expenses	7,153	4,704	-	13,670	-
Income from operations	**1,491**	**5,939**	**-**	**8,635**	**-**
Other income, net	426	5	-	391	-
Income before tax	**1,917**	**5,944**	**-**	**9,026**	**-**
Add back:					
Depreciation and amortization	1,341	900	-	2,534	-
Finance expense	130	124	-	297	-
Other income	(462)	-	-	(462)	-
Adjusted EBITDA	**$ 2,926**	**$ $6,968**	**$ -**	**$ $11,395**	**$ -**
Adjusted EBITDA attributable to:					
Shareholders	$ 1,755	$ 4,181	$ -	$ 6,837	$ -
Non-controlling interests	$ 1,171	$ 2,787	$ -	$ 4,558	$ -
Key performance indicators:					
Funded mortgage volumes (4)	$ 9,325,208	$ 11,214,504	$ -	$ 24,101,391	$ -
Number of franchises (5)	443	436	-	443	-
Number of brokers (5)	5,237	5,165	-	5,237	-

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.
(2) Includes 212 days of DLC operations as the acquisition was completed on June 3, 2016.
(3) Our results generally vary from quarter to quarter as a result of seasonal fluctuations in our reporting segments. This means our results in one quarter are not necessarily a good indication of how we will perform in a future quarter.
(4) Funded mortgage volumes are a key performance indicator for the DLC segment that allows us to measure DLC's performance against our operating strategy. The funded volumes for the fifteen months ended December 31, 2016 are from June 3, 2016, the date of acquisition.
(5) The number of franchises and brokers are as at the respective balance sheet date.

DLC's revenue has decreased from $10.6 million in the prior quarter to $8.6 million in the current period, a decrease of $2.0 million. This decline in revenues is due to lower volumes of funded mortgage during the quarter, which corresponds with the seasonality of the normal home buying season, and is in line with management's expectations.

DLC's operating expenses are comprised of direct costs, general and administrative expenses, and depreciation and amortization expense. Direct costs relate to franchise recruiting and support costs and advertising fund expenditures; general and administrative expenses are comprised mainly of salaries, professional fees, promotional expenses and occupancy costs; and depreciation and amortization primarily relates to the finite life intangible assets, which includes DLC's franchise rights, software and intellectual property rights.

During the three months ended December 31, 2016, DLC incurred $7.2 million in operating expenses compared to $4.7 million during the three months ended September 30, 2016, an increase of $2.5 million. DLC's increase in operating costs in the current quarter is primarily due to increased advertising fund expenditures, the inclusion of NCS operating expenses and increased advertising and promotion costs. The significant drivers of the higher operating costs are an increase in advertising fund expenditures related to television commercial production and airtime costs, as well as higher advertising and promotion costs related to broker recruitment events. DLC's television advertising campaigns is seasonal with costs generally incurred in the spring and fall of each year.

Adjusted EBITDA for the quarter was $2.9 million, compared to $7.0 million during the three months ended September 30, 2016, a decline of $4.1 million. This decline is the result of the seasonal decrease in DLC's revenues of $2.0 million and the increase in adjusted operating costs (adjusted for non-cash depreciation), which are driven by higher seasonal direct costs and general and administrative expenses as discussed above. (see "Appendix A" for a reconciliation of adjusted EBITDA to loss from operations.)

DLC has no comparative annual period as it was acquired in June 2016, and as such, the 2016 annual consolidated financial statements for the fifteen months ended December 31, 2016 includes only 212 days from DLC's operations. DLC's income from operations for the 212 day period was $8.6 million, which is comprised of $22.3 million of revenues generated on $24.1 billion in funded mortgage volumes, net of $13.7 million in operating expenses. DLC's operating expenses for the 212 day period are primarily made up of direct costs of $4.6 million, general and administrative expenses of $6.6 million, and depreciation and amortization of $2.5 million.

Distributions

DLC began issuing monthly after-tax distributions to its limited partners of $0.9 million in October 2016. As we hold a 60% interest in DLC, the corporate head office receives a monthly after-tax distribution of $0.5 million per month ($6.5 million annually) from DLC. As the DLC entities are taxed at the operating level and distributes income to the limited partnership, no additional taxes are payable on the distributions received from DLC.

Club16 segment

	For the three months ended			Year ended [1]	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016 [2]	September 30, 2015
Revenues	$ 633	$ -	$ -	$ 633	$ -
Operating expenses	665	-	-	665	-
Loss from operations	**(32)**	**-**	**-**	**(32)**	**-**
Other income, net	(6)	-	-	(6)	-
Loss before tax	**(38)**	**-**	**-**	**(38)**	**-**
Add back:					
Depreciation and amortization	127	-	-	127	-
Finance expense	6	-	-	6	-
Adjusted EBITDA	**$ 95**	**$ -**	**$ -**	**$ 95**	**$ -**
Adjusted EBITDA attributable to:					
Shareholders	$ 57	$ -	$ -	$ 57	$ -
Non-controlling interests	$ 38	$ -	$ -	$ 38	$ -
Key performance indicators:					
Total fitness club members [3]	**78,316**	-	-	**78,316**	-

(1) For the fifteen months ended December 31, 2016 and twelve months ended September 30, 2015.
(2) Includes 12 days of Club16 operations as the acquisition was completed on December 20, 2016.
(3) The number of fitness club members is as at the respective balance sheet date.

Club16 has no comparative period as it was acquired in December 2016, and as such, the 2016 annual consolidated financial results for the fifteen months ended December 31, 2016 includes only 12 days from Club16's operations. Club16's loss from operations included in our consolidated results for the period is $32,379, which is comprised of $0.6 million of revenues generated, net of $0.7 million in operating expenses. Club16's operating expenses are made up primarily of general and administrative expenses of $0.6 million and depreciation and amortization of $0.1 million. General and administrative expenses are comprised mainly of salaries, professional fees, promotional expenses and occupancy costs.

Club16 contributed $0.1 million in adjusted EBITDA to the 2016 consolidated results, after adjusting their loss from operations for depreciation and amortization and finance expense.

Distributions
Club16 began issuing monthly pre-tax distributions to its limited partners of $0.5 million in March 2017. As we hold a 60% interest in Club16, the corporate head office receives a monthly distribution of $0.3 million per month ($3.2 million annually) from Club16. As the distributions received are on a pre-tax basis, taxes on these amounts will be paid at the Founders Advantage corporate head office level. Expenses incurred by the Founders Advantage corporate head office will be used to offset any income tax liabilities generated by the receipt of distributions for Club16.

SUMMARY OF QUARTERLY RESULTS

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

(000's)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenues	$9,277	$ 10,643	$ 3,018	$ -	$ -	$ -	$ -	$ -
(Loss) income from operations	(1,606)	699	(1,832)	(2,940)	(658)	(848)	(758)	(1,078)
Adjusted EBITDA	998	5,041	(302)	(1,930)	(574)	(186)	(680)	(176)
Net (loss) income	(1,916)	(1,171)	949	(4,025)	(1,116)	(151)	(904)	37,378
Net (loss) income attributable to:								
Shareholders	(2,410)	(2,842)	599	(4,025)	(1,116)	(151)	(904)	37,378
Non-controlling interests	494	1,671	350	-	-	-	-	-
Net (loss) income per common share:								
Basic	(0.07)	(0.08)	0.03	(0.40)	(0.11)	(0.02)	(0.09)	3.80
Diluted	(0.07)	(0.08)	0.02	(0.40)	(0.11)	(0.02)	(0.09)	3.70

Quarterly trends and seasonality
Due to the significant change in our business since September 30, 2015, and the acquisitions of DLC and Club16, the prior periods shown in the above table are not necessarily meaningful and should not be relied upon as an indication of future performance.

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

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

(000's)	As at December 31, 2016	As at September 30, 2015
Cash and cash equivalents	$ 7,824	$ 12,113
Trade and other receivables	11,742	648
Prepaids and other assets	1,340	52
Notes receivable	290	-
Accounts payable and accrued liabilities	(13,916)	(238)
Loans and borrowings	(25,064)	-
Deferred revenue	(970)	-
Other current liabilities	(636)	-
Net working capital (deficit)	**$ (19,390)**	**$ 12,575**

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

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

As at December 31, 2016, we had a cash position of $7.8 million (September 30, 2015: $12.1 million) and a net working capital deficiency of $19.4 million (September 30, 2015: positive net working capital of $12.6 million). The negative net working capital position is primarily due to the increase in loans and borrowings classified as current. The classification of $25.1 million of loans and borrowings as current is the result of credit facilities held at both the corporate and Club16 levels being due on demand by the lender. At December 31, 2016, we had $9.0 million available to be drawn on the revolving credit facility held at the corporate level.

As at April 28, 2017, we have a cash position of $5.0 million and a net working capital deficiency of $24.4 million. The increase in our net working capital deficiency since the balance sheet date is primarily the result of the acquisition of Impact (see "2016 Key Accomplishments" section of this MD&A for more information) as the transaction was funded by $12.7 million in debt, classified as current, drawn from our amended credit facility discussed below. This increase in our net working capital deficit was partially offset by Impact's positive working capital of $5.6 million.

At December 31, 2016, we have a number of financial commitments (see "Commitments" section of this MD&A for further information), which will require that we have various sources of capital to meet our obligations associated with our commitments.

Based on our most recent forecast, we expect to default certain covenants on loans and borrowings held by DLC during the fiscal quarter ending June 30, 2017 and on the demand credit facilities held by the Founders Advantage corporate head office in the fiscal quarters ending September 30, 2017 and December 31, 2017. The corporate demand credit facilities are subject to annual review, with the next review date scheduled on August 31, 2017 (see "Capital Resources" section below for more information on these credit facilities). Certain of our lending facilities have cross-covenant compliance requirements and as such will also be in default, giving the lenders the right to demand repayment of amounts outstanding under these facilities. In the event that the lenders demand immediate repayment of amounts outstanding under the facilities, we currently do not have sufficient capital to repay these amounts. Management is currently negotiating financing and while there can be no guarantee that a future financing will be successful, management is confident that we will be successful in managing its liquidity needs through securing the financing necessary and obtaining covenant waivers as required. As such, management has concluded that no material uncertainties exist with respect to our ability to manage its liquidity requirements. The assumptions made by management in reaching this conclusion were based on information available as of the date this MD&A was authorized for issuance. Actual circumstances may differ from these assumptions and the impact may be material.

Management is confident in our ability to obtain alternative sources of capital. During the fifteen months ended December 31, 2016 we were able to raise financing from equity issuances aggregating approximately $59.0 million (net of transaction costs) and through debt totaling approximately $36.9 million (net transaction costs). Subsequent to December 31, 2016, we also entered into additional credit facilities and amended existing credit facilities (see "Capital Resources" section below for more information).

At December 31, 2016, and April 28, 2017, we are in compliance with all of our financial covenants.

Sources and uses of cash

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

(000's)	Fifteen months ended December 31, 2016	Twelve months ended September 30, 2015
Cash used in operating activities	$ (3,440)	$ (3,443)
Cash (used in) provided by investing activities	(75,092)	28,668
Cash provided by (used in) financing activities	74,096	(20,939)
(Decrease) increase in cash	(4,436)	4,286
Impact of foreign exchange on cash and cash equivalents	147	-
Cash, beginning of period	12,113	7,827
Cash, end of period	**$ 7,824**	**$ 12,113**

Operating activities: The net cash used in operating activities for the fifteen months ended December 31, 2016 was primarily due to cash used by corporate head office of $9.0 million, which is primarily related to acquisition and due diligence costs, finance expense, and general and administrative costs. The corporate cash used in operations is partially offset by cash flows generated by DLC's operations of $5.4 million and cash flows from Club16's operations of $0.2 million.

Cash used in operating activities for the twelve months ended September 30, 2015 was significantly related to salaries and bonuses paid during the period.

Investing activities: The net cash used in investing activities for the fifteen months ended December 31, 2016 was significantly impacted by the corporate head office acquisition of DLC for $54.8 million (net of cash received), $20.5 million (net of cash received) acquisition of Club16, as well as $3.1 million spent on private and publicly traded securities, which includes the investment in Vital Alert Communications Inc. The $3.1 million in securities relates to investments made prior to the acquisition of Advantage Investments and the transition to our current business model. These cash outflows were partially offset by $10.1 million in cash received on the sale of share investments. Cash used in investing activities by DLC's operations was impacted by the $4.2 million (net of cash received) acquisition of NCS, dividends paid to non-controlling interest shareholders of $1.1 million and investments in intangible assets of $1.3 million.

Cash used in investing activities for the twelve months ended September 30, 2015 was impacted by the $10.9 million purchase of Polaris Infrastructures Inc. common shares offset by the receipt of $39.6 million (US$31.5 million) for settlement related to the mineral concession rights located in Equatorial Guinea, Africa.

Financing activities: Cash provided by financing activities increased for the fifteen months ended December 31, 2016 as a result of the following: the $31.6 million net proceeds received from the July 6, 2016 private placement of common shares, the $27.4 million net proceeds received via subscription receipts offering, closing of a $19.3 million (net cash received) bridge facility to partially fund the DLC transaction, the senior credit facilities totaling $22.0 million, of which we had drawn $12.8 million (net cash received) at December 31, 2016, the $2.0 million promissory notes issued to finance the NCS acquisition, and the increase in DLC's operating facility from $0.5 million to $4.5 million, of which $2.8 million was drawn at December 31, 2016. Offsetting this increase in cash from financing activities was the repayment of the $20.0 million bridge facility by the corporate head office and $1.8 million in principal repayments of DLC's term loan facilities.

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

Capital Resources

Loans and borrowings
Our available credit facilities are comprised of a revolving acquisition and operating facility at the corporate head office level, as well as acquisition and operating credit facilities within DLC and Club16.

Corporate - $17.0 million and $5.0 million credit facilities
At December 31, 2016, we had a $17.0 million revolving acquisition credit facility ("Facility A") and $5.0 million non-revolving demand acquisition credit facility ("Facility B"), which were used to refinance the $20.0 million bridge facility, and thereafter to finance future acquisitions and for general corporate purposes. At December 31, 2016, we had approximately $9.0 million available to be drawn on Facility A.

Subsequent to December 31, 2016, these facilities were amended, which included increasing the credit available under Facility A to $28.0 million, canceling Facility B, as well as modifying the financial covenants. Under the amendments, the revised Facility A is due on demand, and we are required to maintain a fixed charge coverage ratio of not less than 1.25:1, and a net funded debt-to-EBITDA ratio of:

- Less than 4:00:1, up to and including the fiscal quarter ending June 30, 2017
- 3:00:1 for the fiscal quarter ending September 30, 2017
- 2:00:1 for the fiscal quarter ending thereafter

Concurrent with the increase in Facility A, we drew $12.0 million from the facility to fully finance the acquisition of Impact. At April 28, 2017, we have $1.1 million available to be drawn on this facility.

The following credit facilities are held at the subsidiary level:

DLC - term loan facilities
DLC holds two term loan facilities which were used to finance the acquisition of Mortgage Centers Canada Inc. ("MCC") in 2013 and the acquisition of Mortgage Architects Inc. ("MA") in 2015. Both loans were kept in place after we acquired DLC. DLC makes monthly principal and interest payments of $0.3 million. The loans mature in 2018 and 2021, respectively. At December 31, 2016, the balances remaining on the MCC and MA term loan facilities was $1.8 million and $8.6 million, respectively. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 120% and a debt-to-EBITDA ratio of less than 2.5:1. As at December 31, 2016, DLC was in compliance with all covenants.

On April 10, 2017, the DLC repaid the remaining balance of $1,490 on the MCC term loan facility.

DLC - $4.5 million operating facility
DLC established a $0.5 million revolving credit facility in 2013 as an operating loan to finance working capital and fund acquisitions. In October 2016, this facility was increased to $4.5 million. At December 31, 2016, DLC had approximately $1.2 million available to be drawn on this facility.

At April 28, 2017, DLC has $1.4 million available to be drawn on this facility.

DLC - $2.0 million promissory notes
DLC issued two promissory notes payable totaling $2.0 million to the founders of DLC in December 2016 in order to partially finance the NCS acquisition. The notes bear interest at a rate of 8.5%, compounded semi-annually. Interest is payable monthly with the principal payable on June 12, 2017. In the event that the notes are not repaid in June 2017, they then become due on December 12, 2017, and bear interest between June 12, 2017 and December 12, 2017 at a rate of 12%, compounded semi-annually.

Club16 - term loan facilities
Club16 entered into several term loan facilities prior to our acquisition of Club16 for the purposes of financing leasehold improvements and the purchase of fitness equipment for its fitness clubs, all of which mature in 2020. Borrowings under each of the facilities are due on demand and bear interest at a rate equal to the prime rate, plus 1.5% per annum. At December 31, 2016, the balance remaining on the term loan facility was $4.2 million.

Subsequent to December 31, 2016, all the Club16 term loan facilities were repaid in full and replaced by a $7.0 million facility, of which $4.0 million was drawn to repay the previous term loan facilities. The available credit remaining will be used to finance equipment purchases and leasehold improvements at future locations. The facility matures on the earlier of (i) demand by the lender, or (ii) 60 months from the date of each drawdown, and is secured by a general security agreement with first charge over the assets of Club16.

Club16 - $1.5 million revolving facility

Subsequent to December 31, 2016, Club16 entered into a $1.5 million revolving operating facility to finance their working capital requirements. Borrowings under the revolving facility are due on demand and bear interest at the bank's prime rate plus 1.25% per annum and are secured by a general security agreement with first charge over the assets of Club16. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.25 and a maximum debt-to-EBITDA ratio of less than 2.25:1.

At April 28, 2017, Club16 has $1.5 million available to be drawn on this facility.

Equity

During the fifteen months ended December 31, 2016, we completed two private placements of common shares for total gross proceeds of $62.1 million. The proceeds of the April 2016 subscription receipt private placement were used to partially fund the acquisition of DLC, and the funds from the July 2016 common share private placement were used to partially fund the acquisition of Club16 in December 2016. See the "Share Capital" section of this MD&A for more information on the private placements completed during the year.

Dividends

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), and in subsequent years will link quarterly dividends to the distributable cash received from our investee entities, with the intention to distribute up to 80% of the cash flows received. The first quarterly dividend of $0.0125 per share was declared on March 15, 2017 and was paid on April 12, 2017 to shareholders of record as at March 31, 2017.

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See note 23 of the 2016 audited consolidated financial statements for more information

(000's)	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 13,916	$ -	$ -	$ -	$ 13,916
Other current liabilities	56	-	-	-	56
Loans and borrowings	25,064	5,674	1,717	-	32,455
Long-term accrued liabilities	-	117	-	-	117
Leases	4,141	7,541	6,739	-	18,421
	$ 43,177	**$ 13,332**	**$ 8,456**	**$ -**	**$ 64,965**

SHARE CAPITAL

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

As of December 31, 2016, we had 37,714,342 common shares outstanding compared to 9,953,397 at September 30, 2015. As at April 28, 2017, there were 38,128,606 common shares issued and outstanding.

As at April 28, 2017 there were outstanding options to purchase 2,920,578 common shares with exercise prices ranging from $2.40 to $4.40, 487,989 warrants with an exercise price of $2.10 and nil deferred share units.

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements at December 31, 2016 and April 28, 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Our financial instrument classifications as at December 31, 2016 is as follows:

(000's)	Carrying value as at December 31, 2016	Fair value as at December 31, 2016	Classification
Financial Assets			
Cash and cash equivalents	$ 7,824	$ 7,824	FVTPL
Trade and other receivables	12,413	12,413	Loans and receivables
Notes receivable	290	290	Loans and receivables
Investments	2,673	2,673	AFS
Financial Liabilities			
Loans and borrowings	32,455	32,455	Loans and receivables
Accounts payable & accrued liabilities	13,916	13,916	Financial liabilities at amortized cost
Other financial liabilities	753	753	Financial liabilities at amortized cost

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

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. Our exposure to foreign exchange fluctuations is limited to the balances in its USD bank accounts. At December 31, 2016, the USD cash balance is US$36,916 (CAD$44,154) (September 30, 2015 - US$59,800 (CAD$79,802)). Management has assessed that our exposure to foreign exchange risk at December 31, 2016 is low and monitors foreign exchange rates on an ongoing basis.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 $0.2 million impact on net income for the fifteen months ended December 31, 2016 (twelve months ended September 30, 2015 - $nil).

Price risk - investments
We are exposed to price risk with respect to fluctuations in the prices of our investments. The carrying amounts of our investments are directly related to the current market prices of our investments. As at December 31, 2016, we no longer hold any publicly traded securities.

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

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

One of the primary sources of credit risk to DLC is from its franchisees and agents not repaying receivables owed to DLC. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. The management of DLC establishes an allowance for doubtful accounts based on the specific credit risk of its customers. As at December 31, 2016, $0.2 million (2015 - $nil) of our receivables are greater than 90 days outstanding, all of which relate to DLC's operations. Our maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of our consolidated statement of financial position.

(000's)		December 31, 2016		September 30, 2015
Cash and cash equivalents	$	7,824	$	12,113
Trade and other receivables		12,413		648
Notes receivable		290		-
	$	**20,527**	**$**	**12,761**

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

RELATED PARTY TRANSACTIONS

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

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

Property leases
DLC leases office space from companies that are controlled by the significant shareholders and founders of DLC. Between the date of acquisition of DLC and December 31, 2016, the total costs incurred under these leases were $135,800. The lease term maturities range from 2016 - 2020.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by the significant shareholders and founders of Club16. Between the date of acquisition of Club16 and December 31, 2016, the total costs incurred under these leases were $11,347. The lease term maturities range from 2017 - 2020.

Sales tax receivable
On acquisition of DLC, we were indemnified against any sales tax amounts assessed based on DLC's past results. As at December 31, 2016, we have recorded a receivable due from DLC's founders in the amount of $1.6 million for the sales tax amounts payable recorded by DLC.

Loans and advances
DLC has loans and advances due to companies that are controlled by the significant shareholders and founders of DLC in the amount of $30,970 as at December 31, 2016. These loans and advances are unsecured, due on demand and are non-interest bearing.

DLC has loans and advances due from companies that are controlled by the significant shareholders and founders of DLC in the amount of $24,238 as at December 31, 2016. These loans and advances are unsecured, due on demand and are non-interest bearing.

Promissory notes
DLC has issued two promissory notes payable totaling $2.0 million due from companies that are controlled by key management personnel and significant shareholders and founders of DLC. These notes bear interest at a rate of 8.5%, compounded semi-annually. Interest is payable monthly with the principal payable on June 12, 2017 ("Initial Maturity Date"). If the note is not paid in full on the Initial Maturity Date, then the principal becomes repayable on December 12, 2017 ("Final Maturity Date"). From the Initial Maturity Date to the Final Maturity Date the note bears interest at a rate of 12%, compounded semi-annually. The promissory notes were issued for the purpose of financing the NCS acquisition.

Administrative services
Club16 has entered into an agreement to provide administrative services to a company controlled by the significant shareholders and founders of Club16. Between the date of acquisition of Club16 and December 31, 2016, the total fees charged for services under this agreement were $4,133. The agreement can be terminated by either party with six months' prior written notice.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

Control assessment
We acquire majority interests in private companies, which requires management to apply significant judgement to assess whether the investment structure results in Founders Advantage having control, joint control or significant influence over the investee. The assessment of whether we have control, joint control or significant influence over the investee will determine the accounting treatment for the investment and may have a significant impact on our consolidated financial statements.

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

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

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

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

CGU determination
The determination of CGUs for the purposes of impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generates cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the consolidated financial statements.

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

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

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

Liquidity
As part of its capital management process, the Corporation prepares and utilizes budgets and forecasts to direct and monitor the strategy, ongoing operations and liquidity of the Corporation and its subsidiaries, including 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 (e.g. customer demand, growth rates, access to capital, etc.).

ACCOUNTING POLICIES

Changes in accounting policies
As a result of the transition of Founders Advantage to an investment company during the current fiscal year, certain new accounting policies have been adopted. For further information on our accounting policies see note 3 of the 2016 annual consolidated financial statements.

The accounting policies which management considers to be key are as follows:

Basis of consolidation
The 2016 annual consolidated financial statements include the accounts of the Founders Advantage head office and our subsidiaries, DLC and Club16, from their respective dates of acquisition. All intercompany balances and transactions have been eliminated on consolidation. In December 2015, we commenced the process of dissolving Ivory Resources Inc. ("Ivory") and Ivory's subsidiaries, Equatorial Resources Inc., Bissau Phosphate Inc. and Bissau Resources Inc. All of such subsidiaries, each which were governed by the laws of the Cayman Islands, were deemed to be dissolved per the certificates of resolution dated March 30, 2016.

Non-controlling interest
Non-controlling interests represent equity interests owned by outside parties. Non-controlling interests included in the 2016 annual consolidated financial statements relate to the non-controlling equity interests held in DLC, NCS and Club16. Non-controlling interests are measured at the proportionate interest in the recognized amounts of the assets and liabilities on the date acquired plus their proportionate share of subsequent changes in equity.

Business combinations
As a result of our investment approach to pursue majority interests in privately held companies, we have adopted IFRS 3, *business combinations* to account for the acquisition of subsidiaries. We use the acquisition method to account for the acquisition of subsidiaries whereby the consideration transferred for the acquisition is measured as the aggregate of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Acquisition and due diligence costs are expensed as they are incurred. The identifiable assets and liabilities assumed are measured at their fair values at the date of acquisition, and any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is reassessed and any remaining difference is recognized directly in the consolidated statement of income.

Intangible assets and goodwill

Intangible assets
Intangible assets and goodwill have resulted from each of our business combinations completed during the 2016 fiscal year. These identifiable intangible assets are initially recorded at fair value and are carried at cost less accumulated amortization. Identifiable intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The indefinite life intangible assets, which are comprised of the DLC brand names, are tested for impairment annually, or more frequently if there is an indication that the intangible asset may be impaired. The indefinite life assumption is reviewed each reporting period to determine if it continues to be supportable. If the indefinite life assessment is no longer deemed supportable, the change in useful life from indefinite to finite is made. Any change is accounted for prospectively as a change in accounting estimate.

Intangible assets related to DLC operations include renewable franchise rights, franchisee non-competition agreements and relationships, DLC brand names, software and intellectual property rights. The renewable franchise agreements are amortized on over the estimated economic life of 25-years. Franchisee non-competition agreements and relationships are comprised of the cost of acquiring and renewing contracts with DLC franchisees, and are amortized over the life of the related non-competition agreement which ranges from 3 to 10 years. The software is amortized over its 6-year useful life. Intellectual property rights relate to music usage rights purchased by DLC. The music rights are amortized over the 2-year term of the licensing agreement.

Intangible assets acquired on acquisition of NCS relate to three software products used in the mortgage brokerage industry. The software products have a useful life ranging from 3 to 11 years and are amortized over their respective useful lives.

Intangible assets acquired on acquisition of Club16 include customer relationships and a brand name licensing agreement. The customer relationships are comprised of the Club16 fitness club's customer base. The relationships have a 6-year useful life over which they are amortized. The brand name licensing agreement relates to the usage of the Trevor Linden name. The brand name license is amortized over its 10-year useful life.

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

Goodwill
Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination at the date of acquisition. Goodwill has been recorded in the 2016 annual consolidated financial statements as a result of the acquisition of DLC and Club16. When goodwill is acquired through a business combination for the purposes of impairment testing, it is allocated to each cash-generating unit ("CGU"), or group of CGU's, which represents the smallest identifiable group of assets that generate cash inflows. The allocation is made to the CGU's, or group of CGU's, that is expected to benefit from the related acquisition. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Impairment
Long-lived assets with finite useful lives are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, and intangible assets with indefinite useful lives, are tested for impairment annually, or more frequently if an indicator for impairment exists.

To assess for impairment, assets are grouped into CGU's, and an impairment loss is recorded when the carrying value exceeds its recoverable amount. In performing our 2016 annual impairment test of indefinite life assets, we have grouped the assets into 15 CGUs, two related to the DLC operating segment and the 13 related to the Club16 operating segment.

Revenue recognition

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

DLC - Franchising revenue, mortgage brokerage services

Franchising revenue from mortgage brokerages includes income from royalties, advertising fees and connectivity fees.

Royalty income is based on a percentage of the mortgage related revenues earned by the franchises, and is recognized as the franchisees earn their commissions and bonuses from lending contracts. Income from advertising fees relates to advertising and management fees collected from franchisees on a monthly basis. These fees are charged to franchisees for management of the advertising fund, and are also used to fund ongoing advertising expenses. The advertising revenues are recognized each month as amounts become due from franchises based on the terms of the franchise agreement.

Connectivity fee revenue relates to agreements made with certain lenders and suppliers to earn income based on the volume of mortgages funded or broker activity. Connectivity fee revenue is recognized on an accrual basis as the volume or activity thresholds are fulfilled, and are primarily collected in the first four months of the following fiscal year.

DLC - Brokering of mortgages

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

Club16 - Fitness club revenues

Fitness club membership fees and dues revenue is recognized over the period of the membership for which the dues are paid. Fees and dues received in advance are recorded as deferred revenue. Supplementary services revenue relates to optional services that are provided within the fitness clubs. Supplementary services revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable the economic benefits will flow to Club16, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

Future accounting standards

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

IFRS 9 – Financial instruments: classification and measurement

A finalized version of IFRS 9 was issued in July 2014 and supersedes all previous versions, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes impairment requirements for financial assets, the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments, de-recognition and general hedge accounting. This standard is to be applied retrospectively, and is effective for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. We intend to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 was issued in May 2014, and provides a single comprehensive model to determine how and when an entity should recognize revenue arising from contracts with customers, and is requiring entities to provide users of financial statements with more informative, relevant disclosures. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. We intend to adopt the new standard on the required effective date, and are currently assessing the impact the amendment will have on the consolidated financial statements.

IFRS 16 – Leases

IFRS 16 introduces a single accounting model for leases. The standard requires a lessee to recognize assets and liabilities on its statement of financial position for all leases with a term of more than 12 months. IFRS 16 can be applied through a full or modified retrospective approach for annual reporting periods beginning on or after January 1, 2019.

Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. We intend to adopt the new standard on the required effective date, and are currently assessing the impact the amendment will have on the consolidated financial statements.

RISK FACTORS

The following is a brief discussion of the factors which may have a material impact on our future business or financial performance.

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 of 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 does 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, will likely have a longer operating history and may 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 a sufficient number of suitable investment opportunities or that such investments can be made within a reasonable period of time. 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, highly competitive and involves a high degree of uncertainty. Potential returns will be diminished to the extent that we are unable to find and make a sufficient number of investments.

Concentration of investments
Other than as described herein, there are no restrictions or limits on the amount or proportion of our funds that may be allocated to any particular investment. We may participate in a limited number of investments and, as a consequence, our financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly-concentrated investment in a particular company, geographic area or industry resulting in the performance of Founders Advantage depending significantly on the performance of such company, geographic area or industry. Currently, all of our investments are comprised of our investments in DLC, Club16 and Impact.

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 as a result 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 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 and 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 Founders Advantage in connection with investments may not reveal all facts that may be relevant 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 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 such advisors' assessment of potential liabilities and risks associated with each investment.

The due diligence investigation that is carried out by Founder's Advantage 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 remains 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 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 NAV
Founders Advantage 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 net asset value ("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 Founders Advantage. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to Founders Advantage 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.

Exchange rate fluctuations
A proportion of our investments may be made in foreign currencies. Changes in the value of the applicable foreign currency of investments relative to the Canadian dollar could have a negative impact on our return on investments and overall financial performance. Further, for investments made in a foreign currency, a subsequent devaluation in the foreign currency may reduce the anticipated returns that we receive relative to the assumed returns upon which we negotiated the purchase price.

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 is 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 particular sector and by specific factors which 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 a number of 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 Founders Advantage or other investors.

No guaranteed return
Our investments are not currently structured to secure a guaranteed return, or any return in the short-term or long-term.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

- the completion of additional acquisitions;
- that certain start-up costs are not recurring;
- the ability of our investee entities to distribute cash to the corporate head office;
- the revenue from investees in future quarters being greater than the revenue from investees for the current period;
- our existing credit facilities will be renewed at maturity;
- our business plan and investment strategy; and
- general business strategies and objectives.

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

- taxes and capital, operating, general & administrative and other costs;
- interest rates;
- general business, economic and market conditions;
- the ability of Founders Advantage to obtain the required capital to finance our investment strategy and meet our commitments and financial obligations;
- the ability to source additional investee entities and to negotiate acceptable acquisition terms;
- the ability of Founders Advantage to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities;
- that DLC will maintain its existing number of franchisees and will add additional franchisees;
- the continuation of existing Canadian mortgage lending and mortgage brokerage laws;
- the absence of material decreases in the aggregate Canadian mortgage lending business;
- the timely receipt of required regulatory approvals.

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

- the expected benefits of the DLC, Club16 and Impact transactions not being realized;
- the ability to generate sufficient cash flow from investees and obtain financing to fund planned investment activities and meet current and future commitments and obligations;
- general business, economic and market conditions;

- changes in interest rates;
- the uncertainty of estimates and projections relating to future revenue, taxes and costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

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

NON-IFRS MEASURES

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

Adjusted EBITDA

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

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

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

ADDITIONAL INFORMATION

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

APPENDIX A

Reconciliation of adjusted EBITDA

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

	For the three months ended			Year ended (1)	
(000's)	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2015
(LOSS) INCOME FROM OPERATIONS	**$ (1,606)**	**$ 699**	**$ (658)**	**$ (6,337)**	**$ (3,282)**
Other items in (loss) income before income tax	(304)	(1,237)	30	(3,283)	38,503
(Loss) income before income tax	(1,910)	(538)	(628)	(9,620)	35,221
Add back:					
Depreciation and amortization	1,473	902	-	2,670	4
Finance expense	876	1,504	-	2,896	-
	439	1,868	(628)	(4,054)	35,225
Adjustments to remove:					
Share-based payments	1,021	3,173	52	6,065	1,216
Loss on sale of investments	-	-	-	1,319	-
Corporate start-up costs	-	-	2	360	-
Professional fees related to arbitration costs	-	-	-	5	543
Other revenue	(462)	-	-	(462)	-
Net gain on settlement and disposal of mining operations and other	-	-	-	-	(38,206)
Adjusted EBITDA	**$ 998**	**$ 5,041**	**$ (574)**	**$ 3,233**	**$ (1,222)**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

APPENDIX B

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

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

(000's)	For the three months ended December 31, 2016	For the three months ended September 30, 2016	For the three months ended December 31, 2015	Year ended [(1)] December 31, 2016	Year ended [(1)] September 30, 2015
Revenues					
DLC	$ 8,644	$ 10,643	$ -	$ 22,305	$ -
Club16	633	-	-	633	-
Consolidated revenues	9,277	10,643	-	22,938	-
Operating expenses					
DLC	7,153	4,704	-	13,670	-
Club16	665	-	-	665	-
Corporate	3,065	5,240	658	14,940	3,282
Consolidated operating expenses	10,883	9,944	658	29,275	3,282
(Loss) income from operations					
DLC	1,491	5,939	-	8,635	-
Club16	(32)	-	-	(32)	-
Corporate	(3,065)	(5,240)	(658)	(14,940)	(3,282)
Consolidated (loss) income from operations	(1,606)	699	(658)	(6,337)	(3,282)
Adjusted EBITDA					
DLC	2,926	6,968	-	11,395	-
Club16	95	-	-	95	-
Corporate	(2,023)	(1,927)	(574)	(8,257)	(1,222)
Consolidated adjusted EBITDA	**$ 998**	**$ 5,041**	**$ (574)**	**$ 3,233**	**$ (1,222)**

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015.

APPENDIX C

Selected Annual Information

The following table summarizes selected annual information for 2016, 2015 and 2014.

	Year ended (1)		
(000's)	2016	2015	2014
IFRS Consolidated Income Statement Data:			
Revenues	$ 22,938	$ -	$ -
(Loss) income attributable to shareholders	(9,794)	35,709	(19,584)
(Loss) income per share:			
Basic	$ (0.42)	$ 3.61	$ (1.97)
Diluted	$ (0.42)	$ 3.41	$ (1.97)
IFRS Consolidated Statement of Financial Position Data:			
Total assets	258,171	27,680	8,310
Total long-term financial liabilities	7,508	-	-

(1) For the fifteen months ended December 31, 2016 and the twelve months ended September 30, 2015 and September 30, 2014.

Revenues increased in the current year over the comparative periods due to the acquisitions of DLC in June 2016 and Club16 in December 2016, as 212 days of DLC's financial results and 12 days of Club16 financial results have been included in our consolidated financial statements. These acquisitions are the result of the change in our management team and business strategy in February 2016. For further information on the change in our business see the "Business Overview" section of this MD&A.

Loss attributable to shareholders for 2016 has declined over 2015 primarily due to the change in the nature of our business during the current year. The change in our business strategy has resulted in higher corporate head office expenses related to share-based payments of $4.8 million, higher head office costs of $6.8 million (related to salaries, professional fees, advertising and promotion, travel expenses and acquisition and due diligence costs), and higher finance expense of $2.9 million compared to $nil in the comparative periods. 2015 included a net gain on settlement and disposal of mining operations of $38.2 million, and the 2014 loss is comprised of a $17.2 million impairment on mineral properties with the remainder relating to operating costs. The increase in expenses in 2016 over the prior year is partially offset by $3.8 million in net income from DLC attributable to shareholders.

Total assets increased over the three-year period primarily due to the acquisitions of DLC (including NCS) and Club16 in 2016. The significant assets included in our consolidated results related to DLC includes $128.6 million in intangible assets, $60.7 million in goodwill and $9.4 million in trade receivables. The significant Club16 assets are comprised of intangible assets of $8.8 million, capital assets $12.4 million and goodwill of $22.0 million. Corporate head office also purchased a $2.7 million investment in a private company during 2016. 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. 2014 total assets are made up mainly of cash of $7.7 million.

Total long-term financial liabilities increased in the current period over the comparative periods due to the change in our management and business strategy in February 2016 (For further information on the change in our business see the "Business Overview" section of this MD&A). With the change in our business, we have been focused on sourcing and completing acquisitions consistent with our new investment model, which has resulted in an increase in loans and borrowings.