GMP Capital Inc.
First Quarter
2019 Report

Q1/2019

GMP | Capital Inc.

GMP CAPITAL INC. REPORTS FIRST QUARTER 2019 RESULTS

- First quarter 2019 results affected by non-cash goodwill impairment charge
- Adjusted net income[1] from continuing operations was $6.8 million in first quarter 2019 and adjusted diluted earnings per share from continuing operations was $0.07
- Board of Directors approved a quarterly cash dividend of $0.025 per common share

For further information about GMP Capital Inc., our results for first quarter 2019 and the meaning of certain references, this earnings release should be read in conjunction with our unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2019 (First Quarter 2019 Financial Statements) and our management's discussion and analysis for the three months ended March 31, 2019 (First Quarter 2019 MD&A) and our annual information form, which can be accessed on our website at gmpcapital.com and on SEDAR at sedar.com. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and have been taken from our First Quarter 2019 Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

FINANCIAL HIGHLIGHTS

Continuing Operations

First Quarter 2019 vs. First Quarter 2018

- Revenue of $37.5 million decreased from $47.0 million.
- Non-cash goodwill impairment charge of $28.5 million recorded in first quarter 2019.
- Net loss of $22.9 million decreased from net income of $5.4 million.
- On an adjusted basis[1], net income of $6.8 million decreased from $8.6 million.
- Diluted loss per share of $0.34 decreased from diluted earnings per share (EPS) of $0.06.
- On an adjusted basis[1], EPS of $0.07 decreased from $0.10.
- Adjusted return on equity (ROE)[1] of 12.6% decreased from 18.3%.

Toronto, May 2, 2019 – GMP Capital Inc. (GMP) (TSX: GMP) today reported a net loss from continuing operations of $22.9 million primarily due to a $28.5 million non-cash goodwill impairment charge in our Capital Markets segment recorded in first quarter 2019. Revenue from continuing operations was $37.5 million in first quarter 2019. On an adjusted basis[1], net income from continuing operations was $6.8 million in first quarter 2019 compared with net income of $8.6 million in first quarter 2018.

On a consolidated basis, GMP recorded a net loss of $15.5 million in first quarter 2019 compared with net income of $4.1 million in first quarter 2018. The decline in performance was primarily due to the non-cash goodwill impairment charge recorded in first quarter 2019. Additionally, first quarter 2019 included an $8.3 million non-cash gain relating to reclassification of cumulative foreign currency translation adjustments in connection with the sale of discontinued operations. On an adjusted basis[1], GMP recorded net income of $14.2 million in first quarter 2019 compared with net income of $7.3 million in first quarter 2018.

"We delivered adjusted earnings from continuing operations of nearly $7 million this quarter despite a challenging business environment for capital raisings in first quarter 2019, which contributed to weaker performance in our underwriting franchise. Revenue from principal transactions rebounded significantly from the immediately preceding quarter and we grew advisory revenue by 8% year-over-year, driven largely by continued momentum in the cannabis sector. In Wealth Management, our partners at Richardson GMP reported another solid quarterly performance, increasing net income by 12% this quarter compared with the first quarter last year," said Harris Fricker, President and CEO of GMP.

Commenting further, Fricker said "We also remain encouraged that our efforts on the cost side of the business continue to benefit our bottom line. In particular, the ratio of employee compensation to revenue is at its lowest level in over a decade. GMP remains on the right path with strong franchises in both Canadian capital markets and wealth management."

Discontinued Operations

In January 2019, GMP completed the sale of its U.S. fixed income business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC to a third party. As required under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results of the disposed U.S. fixed income business are reported as discontinued operations throughout this report. Certain previously reported figures have been retrospectively restated to show the discontinued operations separately from continuing operations. For further information relating to discontinued operations, please refer to Note 8 to the 2018 Annual Financial Statements and Note 5 to the First Quarter 2019 Financial Statements.

Net income from discontinued operations was $7.5 million in first quarter 2019 compared with a net loss of $1.3 million in first quarter 2018. The improvement reflects an $8.3 million non-cash gain relating to reclassification of cumulative foreign currency translation adjustments in connection with the sale of discontinued operations in first quarter 2019.

1. Considered to be a NON-GAAP financial measure. This measure does not have any standardized meaning prescribed by generally accepted accounting principles (GAAP) under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "NON-GAAP Measures" section at the end of this press release and the "Presentation of Financial Information and NON-GAAP Measures" section in the First Quarter 2019 MD&A.

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MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three Months Ended March 31, 2019

About this Management's Discussion and Analysis

Management's discussion and analysis (MD&A) is provided to enable readers to assess the financial condition and results of operations of GMP Capital Inc. (GMP or the Company) as at and for the three months ended March 31, 2019.

This MD&A has been prepared with an effective date of May 1, 2019, and should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes of GMP as at and for the three months ended March 31, 2019 (First Quarter 2019 Financial Statements), GMP's MD&A for fiscal 2018 (2018 Annual MD&A) and GMP's audited consolidated financial statements and related notes as at and for the year ended December 31, 2018 (2018 Annual Financial Statements). These documents as well as additional information relating to GMP, including GMP's annual information form (AIF), can be accessed at *gmpcapital.com* and at *sedar.com*. Certain comparative amounts have been reclassified to conform to the current year's presentation.

In January 2019, GMP completed the sale of its U.S. fixed income business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC, to INTL FCStone Inc. As required under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results of the disposed U.S. fixed income business are reported as discontinued operations throughout this MD&A. Certain previously reported figures have been retrospectively restated to exclude the operating results of discontinued operations, as required. For further information relating to Discontinued Operations, please refer to Note 8 to the 2018 Annual Financial Statements.

All references to we, our, us and GMP Group refer to GMP, together with its consolidated operations controlled by it. All references to shareholders refer collectively to holders of common shares of GMP (Common Shares), holders of Cumulative 5-Year Rate Reset Preferred Shares, Series B of GMP (Series B Preferred Shares), and Cumulative Floating Rate Preferred Shares, Series C of GMP (Series C Preferred Shares). References to Preferred Shares refer to the Series B Preferred Shares and Series C Preferred Shares, collectively.

GMP's audit committee (Audit Committee) has reviewed this document and, prior to its release, the GMP board of directors (Board of Directors) approved it, on the Audit Committee's recommendation.

Certain numbers contained in this MD&A are subject to rounding.

Forward-Looking Information

This MD&A contains "forward-looking information" as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements made in "First Quarter 2019 Financial Highlights", "Segment Results From Continuing Operations", "Liquidity and Capital Resources" and other statements concerning our objectives, our strategies to achieve those objectives as well as statements with respect to management's beliefs, plans, estimates, projections, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking information reflects management's current beliefs and is based on information currently available to management.

Forward-looking information is not a guarantee of future performance and is subject to numerous risks and uncertainties, including those described in this MD&A. GMP's primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational, legal, cyber and regulatory risks and other risk factors including, without limitation: variation in the market value of securities, volatility and liquidity of equity and debt trading markets, volume of new financings and mergers and acquisitions (M&A), dependence on key personnel, and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations and resource commodity prices, may also have an effect on GMP's results of operations. Many of these risks and uncertainties can affect GMP's actual results and could cause its actual results to differ materially from those expressed or implied in any forward-looking information disclosed by management or on its behalf. For a description of additional risks that could cause our actual results to differ materially from our current expectations, see "Risk Management" and "Risk Factors" in this MD&A and "Risk Factors" in GMP's AIF. These risks and uncertainties are not the only ones facing the GMP Group. Additional risks and uncertainties not currently known to us or that we currently consider immaterial, may also impair the operations of the GMP Group. Although forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws and, as such, the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking information contained in this MD&A is made as of the date of this MD&A, and should not be relied upon as representing GMP's views as of any date subsequent to the date of this MD&A.

Except as required by applicable law, management and the Board of Directors undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

About GMP

GMP is a leading independent diversified financial services firm headquartered in Toronto, Canada, providing a wide range of financial products and services to a global client base that includes corporate clients, institutional investors and high-net-worth individuals.

Discontinued Operations
In January 2019, GMP completed the sale of its U.S. fixed income business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC to a third party. As required under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results of the disposed U.S. fixed income business are reported as discontinued operations throughout this MD&A. Certain previously reported figures have been retrospectively restated to show the discontinued operations separately from continuing operations. GMP Securities, LLC no longer forms part of the Capital Markets business segment. For further information relating to Discontinued Operations, please refer to Note 8 to the 2018 Annual Financial Statements.

GMP operates through the following two business segments and a Corporate segment:

CAPITAL MARKETS

Capital Markets' integrated capabilities consist of investment banking, institutional research and sales and trading serving corporate and institutional clients through offices in Canada, the United Kingdom and The Bahamas.

WEALTH MANAGEMENT

Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP Limited (Richardson GMP), Canada's largest independent wealth management firm.

For further descriptions of our business segments and our Corporate segment, refer to "Segment Results From Continuing Operations" in the 2018 Annual MD&A.

GMP's Common Shares, Series B Preferred Shares, and Series C Preferred Shares are listed on the Toronto Stock Exchange (TSX) under the symbols GMP, GMP.PR.B, and GMP.PR.C, respectively.

Presentation of Financial Information and Non-GAAP Measures

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this MD&A, are based on our First Quarter 2019 Financial Statements, which have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is our functional and reporting currency for purposes of preparing the Corporation's consolidated financial statements and accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified herein.

NON-GAAP MEASURES

We use certain measures to assess our financial performance that are not generally accepted accounting principles (GAAP) measures under IFRS. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. NON-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of GMP's performance, liquidity, cash flows and profitability.

Annualized Return on Common Equity
We evaluate the performance of our consolidated operations using annualized return on common equity (ROE) which we calculate based on net income attributable to common shareholders divided by total average common shareholder equity for the period, which are measures derived from information contained in our First Quarter 2019 Financial Statements.

Adjusted Measures
Management believes adjusting certain results and measures by excluding the impact of specified items may be more reflective of ongoing operating results and provides readers with an enhanced understanding of how management views GMP's core performance. Management assesses performance on both a reported and an adjusted basis and considers both bases to be useful in assessing underlying, ongoing business performance. Presenting results on both bases also permits readers to assess the impact of the specified items on the results for the periods presented. Our adjusted measures exclude the following specified items:

Goodwill impairment: In first quarter 2019, GMP recorded a non-cash goodwill impairment charge of $28.5 million to the Capital Markets cash generating unit. For further information, refer to "First Quarter 2019 Financial Highlights" in this MD&A.

Transaction Shares: In first quarter 2019 and 2018, GMP recorded $1.0 million and $3.1 million, respectively, in share-based compensation expense (Transaction Shares) related to its 2016 purchase of FirstEnergy Capital Holdings Corp. (GMP FirstEnergy). Management regards the Transaction Shares as part of the purchase price consideration, notwithstanding the accounting treatment that views the related expense as share-based compensation.

Amortization of intangible asset: In connection with the acquisition of GMP FirstEnergy, GMP recognized a non-competition intangible asset to be amortized over a five-year period. This asset relates to non-competition agreements with key GMP FirstEnergy professionals. Management views the amortization expense as relating to the purchase transaction and not reflective of ongoing operating results. Such expense was $0.2 million pre-tax, in first quarter 2019 and 2018.

The following table provides a reconciliation of GMP's reported results to its adjusted measures including the composition of the adjusted measures for the periods presented.

	Three months ended March 31,	
($000, except as otherwise noted)	**2019**	2018
Reported Results		
(Loss) income before income taxes from continuing operations	**(21,351)**	8,286
Net (loss) income from continuing operations	**(22,935)**	5,374
Net (loss) income	**(15,480)**	4,090
Net (loss) income attributable to common shareholders from continuing operations	**(24,033)**	4,329
Net (loss) income attributable to common shareholders	**(16,578)**	3,045
Reported Measures		
Net (loss) income per Common Share from continuing operations (dollars):		
Basic	**(0.34)**	0.06
Diluted	**(0.34)**	0.06
Net (loss) income per Common Share (dollars):		
Basic	**(0.24)**	0.04
Diluted	**(0.24)**	0.04
ROE[1] – continuing operations	**(58.5)%**	10.6%
Pre-Tax Impact of Adjusting Items:		
Goodwill impairment charge	**28,541**	–
Transaction Shares	**988**	3,100
Amortization of intangible asset	**217**	217
Impact of adjusting items on (loss) income before taxes	**29,746**	3,317
After-Tax Impact of Adjusting Items:		
Goodwill impairment charge	**28,541**	–
Transaction Shares	**988**	3,100
Amortization of intangible asset	**159**	159
Impact of adjusting items on net (loss) income	**29,688**	3,259
Adjusted Results[1]		
Income before income taxes from continuing operations	**8,395**	11,603
Net income from continuing operations	**6,753**	8,633
Net income	**14,208**	7,349
Net income attributable to common shareholders from continuing operations	**5,655**	7,588
Net income attributable to common shareholders	**13,110**	6,304
Adjusted Measures[1]		
Net income per Common Share from continuing operations (dollars):		
Basic	**0.08**	0.11
Diluted	**0.07**	0.10
Net income per Common Share (dollars):		
Basic	**0.19**	0.09
Diluted	**0.17**	0.08
ROE – continuing operations	**12.6%**	18.3%

1. Considered to be Non-GAAP financial measures. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

First Quarter 2019 Financial Highlights

SELECTED FINANCIAL INFORMATION

($000, except as otherwise noted)	Three months ended March 31, 2019	2018	% increase/ (decrease)
Revenue	**37,481**	47,028	(20)
Investment banking	**10,942**	29,618	(63)
Commissions	**5,343**	7,339	(27)
Principal transactions	**12,609**	2,648	376
Interest	**4,040**	3,282	23
Other	**4,547**	4,141	10
Expenses	**59,777**	39,541	51
Employee compensation and benefits	**19,056**	28,066	(32)
Non-compensation expenses	**12,180**	11,475	6
Goodwill impairment charge	**28,541**	–	n.m.
Share of net income of associate	**945**	799	18
(Loss) income before income taxes	**(21,351)**	8,286	(358)
Net (loss) income from continuing operations	**(22,935)**	5,374	(527)
Net income (loss) from discontinued operations	**7,455**	(1,284)	681
Net (loss) income	**(15,480)**	4,090	(478)
Net (loss) income per Common Share (dollars) from continuing operations:			
Basic	**(0.34)**	0.06	(667)
Diluted	**(0.34)**	0.06	(667)
Net (loss) income per Common Share (dollars):			
Basic	**(0.24)**	0.04	(700)
Diluted	**(0.24)**	0.04	(700)
Regular cash dividend declared per Common Shares (dollars):	**0.025**	–	n.m.
ROE[1] from continuing operations	**(58.5)%**	10.6%	(652)
Adjusted results[1]			
Income before income taxes from continuing operations	**8,395**	11,603	(28)
Net income from continuing operations	**6,753**	8,633	(22)
Net income	**14,208**	7,349	
Net income (loss) per Common Share (dollars) from continuing operations:			
Basic	**0.08**	0.11	(27)
Diluted	**0.07**	0.10	(30)
ROE from continuing operations	**12.6%**	18.3%	(31)

n.m.= not meaningful

1. Considered to be Non-GAAP financial measures. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

GOODWILL IMPAIRMENT

Goodwill is tested for impairment annually on October 31 and more frequently if events or circumstances indicate that it may be impaired. When determining whether an impairment test is required at a given balance sheet date, GMP considers factors such as revenue performance compared with forecast and the relationship between the Company's market capitalization and its book value. As at March 31, 2019, following a review of these and other factors, management performed an impairment test for the Capital Markets operating segment, which is the only group of CGUs to which goodwill has been allocated. An impairment is required if the recoverable amount of the Capital Markets operating segment, determined as the greater of the estimated fair value less cost to sell (FVLCS) or its value-in-use (VIU), is less than the carrying value. For purposes of the March 31, 2019 impairment test, the estimated recoverable amount of the Capital Markets operating segment was based on the FVLCS. The FVLCS has been determined from internally developed valuation models which consider various factors and assumptions. While the use of different assumptions and estimates could influence the amount of the goodwill impairment charge, management believes that the assumptions and estimates used are reasonable. This FVLCS estimate is categorized as level 3 in the fair value hierarchy. The impairment test resulted in a goodwill impairment charge of $28.5 million to the Capital Markets operating segment, which reduced total goodwill and intangible assets to $22.6 million as at March 31, 2019 (December 31, 2018 — $51.4 million). Following the recognition of this impairment, the Capital Markets operating segment estimated recoverable amount equals the carrying value. Consequently, any adverse change to a key assumption could result in a further impairment loss. The recoverable amount calculation for the Capital Markets operating segment is most sensitive to revenue generation and the peer market multiple.

FINANCIAL PERFORMANCE

First quarter 2019 vs First quarter 2018

GMP recorded a net loss of $15.5 million in first quarter 2019 compared with net income of $4.1 million in first quarter 2018. The decline in performance was primarily due to a $28.5 million non-cash impairment charge to the carrying value of goodwill in our Capital Markets segment recorded in first quarter 2019. Additionally, first quarter 2019 included an $8.3 million non-cash gain relating to reclassification of cumulative foreign currency translation adjustments in connection with the sale of discontinued operations. On an adjusted basis[1], GMP recorded net income of $14.2 million in first quarter 2019 compared with net income of $7.3 million in first quarter 2018.

Continuing Operations

GMP reported a net loss of $22.9 million in first quarter 2019 from continuing operations compared with net income of $5.4 million in first quarter 2018. The decline in performance reflects the $28.5 million non-cash goodwill impairment charge recorded in first quarter 2019. On an adjusted basis, first quarter 2019 net income from continuing operations was $6.8 million compared with net income of $8.6 million in first quarter 2018.

Total revenues from continuing operations decreased 20% in first quarter 2019 compared with first quarter 2018 primarily due to lower investment banking revenue and lower commission revenue. Partly offsetting these decreases were higher returns on principal inventories and higher interest revenue.

Investment banking revenue decreased 63% compared with the same period a year ago. Underwriting revenue in first quarter 2019 decreased 83% compared with strong client activity during first quarter 2018 largely in the cannabis and blockchain sectors. Partly offsetting this decrease was higher M&A revenue, which rose 8% in first quarter 2019 compared with first quarter 2018. Commission revenue decreased 27% compared with first quarter 2018 largely on lower client trading volumes.

Principal transactions generated net gains of $12.6 million in first quarter 2019 compared with net gains of $2.6 million in first quarter 2018. This increase was largely due to unrealized gains on principal inventories and lower losses in connection with client trade facilitation. Interest revenue increased by 23% in first quarter 2019 compared with first quarter 2018 in connection with increased stock borrowing and lending activity.

Total expenses increased 51% in first quarter 2019 compared with the same period last year largely due to the $28.5 million non-cash goodwill impairment charge recorded in first quarter 2019 and higher non-compensation expenses. Partly offsetting these increases was lower employee compensation and benefits expenses.

Non-compensation expenses increased 6% compared with first quarter 2018 largely due to higher interest expense in connection with increased stock borrowing and lending activity. Partly offsetting this increase was lower selling, general and administrative expenses, which decreased 10% largely due to lower deal-related expenses commensurate with weaker investment banking and trading activity.

Employee compensation and benefits expense decreased 32% compared with the same period last year. This decrease was led largely by lower variable compensation which was commensurate with lower revenue generation this quarter and lower share-based compensation. The Transaction Shares added $1.0 million and $3.1 million, respectively, to share-based compensation in first quarter 2019 and first quarter 2018.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's first quarter 2019 financial performance, refer to the "Supplemental Information" section within this MD&A.

Discontinued Operations

Net income from discontinued operations was $7.5 million in first quarter 2019 compared with a net loss of $1.3 million in first quarter 2018. The improvement reflects an $8.3 million non-cash gain in connection with the sale of discontinued operations in first quarter 2019. For further information relating to Discontinued Operations, please refer to Note 5 to the First Quarter 2019 Financial Statements.

Segment Results from Continuing Operations

The following section highlights the financial results of our two business segments and the Corporate segment, on a continuing basis, for first quarter 2019 compared with first quarter 2018. These segments are based upon the products and services provided and the types of customers served and reflect the manner in which financial information is evaluated by management.

CAPITAL MARKETS

The following table shows the financial results of the Capital Markets segment for the periods presented.

	Three months ended March 31,		
($000, except as otherwise noted)	**2019**	2018	**% increase/ (decrease)**
Revenue	**34,148**	43,240	(21)
Investment banking	**10,942**	29,618	(63)
Commissions	**5,343**	7,339	(27)
Principal transactions	**12,517**	2,572	387
Interest	**4,001**	3,219	24
Other	**1,345**	492	173
Expenses	**53,940**	31,518	71
Employee compensation and benefits	**16,821**	23,664	(29)
Selling, general and administrative	**5,116**	6,014	(15)
Interest	**2,553**	1,384	84
Depreciation and amortization	**909**	456	99
Goodwill impairment charge	**28,541**	–	n.m.
(Loss) income before income taxes – reported	**(19,792)**	11,722	(269)
Pre-tax impact of adjusting items			
Amortization of intangible asset	**217**	217	–
Goodwill impairment charge	**28,541**	–	–
Income (loss) before income taxes – adjusted[1]	**8,966**	11,939	(25)

n.m.= not meaningful

1. Considered to be a Non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

FINANCIAL PERFORMANCE

First quarter 2019 vs First quarter 2018

Capital Markets reported a net loss before income taxes of $19.8 million in first quarter 2019 compared with net income before income taxes of $11.7 million in first quarter 2018. The decline in performance reflects the $28.5 million non-cash goodwill impairment charge recorded in first quarter 2019. On an adjusted basis, Capital Markets generated net income before income taxes of $9.0 million in first quarter 2019 compared with net income before income taxes of $11.9 million in first quarter 2018.

Revenue

The following tables provide breakdowns of Capital Markets' revenue for the periods presented.

Investment banking revenue breakdown:

	Three months ended March 31,		
($000)	**2019**	2018	**% increase/ (decrease)**
Underwriting	**3,962**	23,178	(83)
Advisory	**6,980**	6,440	8
Total investment banking revenue	**10,942**	29,618	(63)

Investment banking revenue by sector:

($000)	Three months ended March 31, 2019	2018	% increase/ (decrease)
Cannabis/Healthcare	**7,005**	12,061	(42)
Energy	**847**	4,595	(82)
Technology/Blockchain	**333**	6,006	(94)
Mining	**444**	3,296	(87)
Special Situations	**2,313**	3,660	(37)
Total investment banking revenue	**10,942**	29,618	(63)

Capital Markets' revenues decreased 21% in first quarter 2019 compared with first quarter 2018 primarily driven by lower investment banking revenue and lower commission revenue. Partly offsetting these decreases were higher returns on principal inventories and higher interest revenue.

Investment banking revenue was $10.9 million in first quarter 2019, down 63% compared with first quarter 2018. Underwriting decreased 83% compared with the same period a year ago largely due to weaker client activity in the cannabis, blockchain and energy sectors. The dollar value of industry-wide common equity underwriting transactions was down 62% over the same period. Partly offsetting this decrease was higher M&A revenue, which increased 8% compared with first quarter 2018 largely due to higher revenue generation in the cannabis sector. Commission revenue decreased 27% compared with the same period last year on weaker client trading activity.

Principal transactions generated net gains of $12.5 million in first quarter 2019 compared with net gains of $2.6 million in first quarter 2018. This increase was primarily driven by higher returns on principal inventories acquired in connection with investment banking mandates and lower losses in connection with client trade facilitation. Interest revenue increased by 24% in first quarter 2019 compared with first quarter 2018 in connection with increased stock borrowing and lending activity.

Expenses

The following table provides a breakdown of Capital Markets' employee compensation and benefits expenses for the periods presented:

($000, except as otherwise noted)	Three months ended March 31, 2019	2018	% increase/ (decrease)
Fixed salaries and benefits	**4,613**	5,880	(22)
Variable incentive-based compensation	**11,676**	17,254	(32)
Share-based compensation	**532**	530	–
Total employee compensation and benefits	**16,821**	23,664	(29)
Ratio of total compensation and benefits to revenue	**49.3**%	54.7%	

Total expenses increased 71% in first quarter 2019 compared with first quarter 2018 led largely by the $28.5 million non-cash goodwill impairment charge recorded in first quarter 2019 and higher interest expense. Partly offsetting these increases was lower employee compensation and benefits expense and lower selling, general and administrative expense.

Interest expense increased 84% in first quarter 2019 compared with first quarter 2018 in connection with increased stock borrowing and lending activity this quarter.

Employee compensation and benefits expenses decreased 29% compared with first quarter 2018 led largely by lower variable compensation expense, which decreased 32% in first quarter 2019 compared with first quarter 2018. This decrease compares favourably with the 21% decline in revenue over the comparable period. Decreased fixed salaries and benefits reflects lower headcount.

Selling, general and administrative expenses decreased 15% in first quarter 2019 compared with first quarter 2018 largely due to lower deal-related costs commensurate with the decreases in investment banking and client trading activity.

WEALTH MANAGEMENT

The following table sets forth an overview of the financial results of the Wealth Management segment for the periods presented.

	Three months ended March 31,		
($000, except as otherwise noted)	**2019**	2018	**% increase/ (decrease)**
Revenue	**601**	592	2
Expenses	**6**	25	(76)
Share of net income of associate[2]	**945**	799	18
Income before income taxes	**1,540**	1,366	13

2. GMP's non-controlling ownership interest in Richardson GMP as at March 31, 2019, was approximately 33% (December 31, 2018 – 33%). Richardson GMP is considered an associate of GMP under IFRS and, accordingly, GMP's share of Richardson GMP's results are accounted for using the equity method.

FINANCIAL PERFORMANCE

First quarter 2019 vs First quarter 2018

Wealth Management reported income before income taxes of $1.5 million in first quarter 2019 compared with income before income taxes of $1.4 million in first quarter 2018. Results in both first quarter 2019 and first quarter 2018 included $0.6 million, respectively, in dividends received on our preferred share investments in Richardson GMP.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's first quarter 2019 financial performance, refer to the "Supplemental Information" section within this MD&A.

CORPORATE

The Corporate segment primarily comprises enterprise-wide items and revenue received in relation to carrying broker and other administrative support services provided by GMP Securities L.P. (GMP Securities) to Richardson GMP. Additionally, related employee compensation and benefits, clearing and execution costs and other expenses associated with providing such services to Richardson GMP are included in this segment.

The following table sets forth the financial results for the Corporate segment for the periods presented.

	Three months ended March 31,		
($000, except as otherwise noted)	**2019**	2018	**% increase/ (decrease)**
Revenue	**2,732**	3,196	(15)
Expenses	**5,831**	7,998	(27)
Employee compensation and benefits	**2,235**	4,402	(49)
Non-compensation expenses	**3,596**	3,596	–
Loss before income taxes — reported	**(3,099)**	(4,802)	35
Pre-tax impact of adjusting items			
Transaction Shares	**988**	3,100	(68)
Loss before income taxes — adjusted[1]	**(2,111)**	(1,702)	(24)

1. Considered to be a Non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

FINANCIAL PERFORMANCE

First quarter 2019 vs First quarter 2018

Total revenues from continuing operations include fees in connection with carrying broker and other administrative services provided to Richardson GMP. Expenses from continuing operations primarily relate to costs incurred in connection with carrying broker and other administrative support services provided to Richardson GMP as well as costs associated with GMP's corporate functions. Expenses also include the Transaction Shares, which added $1.0 million and $3.1 million, respectively, to employee compensation and benefits in first quarter 2019 and first quarter 2018.

Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed fiscal quarters.

($000, except as otherwise noted)	**2019**	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**37,481**	38,327	54,953	37,497	47,027	52,766	28,137	34,140
Investment banking	**10,942**	35,473	35,156	22,313	29,618	32,646	13,392	22,010
Commissions	**5,343**	5,729	4,919	8,854	7,339	8,841	6,197	9,424
Principal transactions	**12,609**	(11,024)	8,175	(300)	2,648	4,732	(2,310)	(3,712)
Interest	**4,040**	3,703	2,804	2,479	3,282	2,273	2,479	3,592
Other	**4,547**	4,446	3,899	4,151	4,140	4,274	8,379	2,826
Expenses	**59,777**	37,032	47,384	35,887	39,540	41,494	29,885	38,487
Impairment charge	**28,541**	–	–	–	–	–	–	52,000
Share of income of associate	**945**	540	476	1,134	799	916	118	797
(Loss) income before income taxes from continuing operations	**(21,351)**	1,835	8,045	2,744	8,286	12,188	(1,630)	(55,550)
Net (loss) income from continuing operations	**(22,935)**	3,727	4,622	1,450	5,374	7,988	(1,250)	(55,534)
Net income (loss) from discontinued operations	**7,455**	(8,679)	(1,733)	(932)	(1,284)	(1,565)	(1,539)	1,288
Net (loss) income	**(15,480)**	(4,952)	2,889	518	4,090	6,423	(2,789)	(54,246)
Net (loss) income per Common Share (dollars) from continuing operations:								
Basic	**(0.34)**	0.04	0.05	0.01	0.06	0.10	(0.03)	(0.81)
Diluted	**(0.34)**	0.03	0.05	–	0.06	0.09	(0.03)	(0.81)
Net (loss) income per Common Share (dollars):								
Basic	**(0.24)**	(0.09)	0.03	(0.01)	0.04	0.08	(0.06)	(0.79)
Diluted	**(0.24)**	(0.09)	0.02	(0.01)	0.04	0.07	(0.06)	(0.79)

QUARTERLY TREND AND ANALYSIS

GMP's revenues and expenses are generated primarily by our Capital Markets segment and can be impacted significantly by global economic conditions, investor appetite for equity and fixed income products, and levels of M&A activity in the sectors that we participate in.

Specified items affecting our reported results from continuing operations

- First quarter 2019 expenses include a $28.5 million non-cash goodwill impairment charge in our Capital Markets business segment.
- Third quarter 2018 expenses include a $5.5 million cost rationalization charge in our Capital Markets business segment.
- Second quarter 2017 expenses include a $52.0 million non-cash goodwill impairment charge in our Capital Markets business segment.
- In second quarter 2017, GMP recognized a non-cash deferred tax expense of $7.7 million in connection with a write-down of certain deferred tax assets.
- Transactions Shares added $1.0 million in costs in first quarter 2019. Prior to that, Transaction Shares amounts added between $3.1 million to $4.3 million in quarterly expenses.

An industry wide slowdown in common equity origination resulted in a multi-year low for investment banking activity in first quarter 2019. The dollar value of industry-wide common equity underwriting transactions in Canada was down 62% in first quarter 2019 compared with first quarter 2018. The Canadian capital markets experienced a surge in listings for cannabis and blockchain companies in 2018, and, given GMP's leadership in these two sectors, our investment banking revenue in 2018 benefited from this increased business activity. Third quarter 2018 also benefited from notable advisory deals in energy and mining. Prior to that, persistent challenging market conditions in the small- to mid-cap resources sectors in Canada, GMP's traditional area of strength, contributed to subdued investment banking and client trading activity levels. Commission revenues continue to face downward pressure which is consistent with the declining trend in client trading activity over the last several years reflecting structural changes in the industry, namely technological disintermediation, and electronic trading. Third quarter 2018 commissions are the lowest quarterly results in the firm's history. Principal transactions add volatility to our results as they include gains and losses on principal investments held, facilitation of client-related transactions and gains/losses recorded in connection with proprietary trading. First quarter 2019 and third quarter 2018 benefited from gains on principal inventories acquired in connection with investment banking mandates. Third quarter 2017 and first quarter 2017 revenues include $5.6 million and $7.7 million, respectively, in dividends received in connection with our preferred share investments in Richardson GMP, recorded in other revenue.

Efficiency gains from restructuring initiatives undertaken over the last several years and the expiration of certain incentive arrangements have contributed to generally lower fixed costs.

Share of net income (loss) of associate reflects our share of Richardson GMP's net income (loss) attributable to common shareholders.

Financial Condition

The table below sets forth select consolidated balance sheet items as at the dates presented and is followed by a discussion of the change in these balances from December 31, 2018 to March 31, 2019.

($000)	**March 31, 2019**	December 31, 2018	**$ increase/ (decrease)**	**% increase/ (decrease)**
TOTAL ASSETS	**1,680,840**	1,723,420	(42,580)	(2)
Selected asset balances:				
Cash and cash equivalents	**514,965**	515,955	(990)	–
Assets held for sale	**–**	18,042	(18,042)	(100)
Securities owned	**120,179**	110,392	9,787	9
Receivable from:				
Clients	**390,316**	421,902	(31,586)	(7)
Brokers	**126,271**	70,494	55,777	79
Other assets	**411,742**	446,097	(34,355)	(8)
Goodwill and intangible assets	**22,645**	51,416	(28,771)	(56)
TOTAL LIABILITIES	**1,417,573**	1,433,390	(15,817)	(1)
Selected liability balances:				
Payable to:				
Clients	**1,148,501**	1,216,385	(67,884)	(6)
Brokers	**159,138**	113,565	45,573	40
Issuers	**20,944**	7,736	13,208	171
Promissory note	**28,896**	28,699	197	1

Total assets decreased $42.6 million or 2% during first quarter 2019. The decrease primarily relates to lower other assets related to a decrease in funds deposited in trust and lower client receivables compared with December 31, 2018. First quarter 2019 included a $28.5 million non-cash goodwill impairment charge recorded in our Capital Markets business segment. The assets of discontinued operations were re-classified as assets held-for-sale as at December 31, 2018, and were recorded at the lesser of their carrying value amount and their FVLCS. Partly offsetting these decreases were higher broker receivables and higher securities owned reflecting higher outstanding underwriting commitments as at March 31, 2019, and increased securities acquired in connection with client trade facilitation. As at March 31, 2019, receivable from clients included loans receivable from clients of $235.1 million (December 31, 2018 – $335.6 million) and open security transactions of $155.2 million (December 31, 2018 – $86.3 million). The level of open security transactions pending settlement with clients may fluctuate significantly on a day-to-day basis based on client trading activity and the balance represents the level of unsettled transactions outstanding. Outstanding balances associated with trading assets may fluctuate significantly on a day-to-day basis based on client-driven and proprietary activities.

Total liabilities decreased $15.8 million or 1% during first quarter 2019 compared with first quarter 2018. Amounts payable to clients decreased 6% compared with December 31, 2018. As at March 31, 2019, amounts payable to clients included client deposits of $1.0 billion (December 31, 2018 — $1.1 billion) and open security transactions of $0.1 billion (December 31, 2018 — $0.1 billion). The level of open security transactions pending settlement with brokers and clients may fluctuate significantly on a day-to-day basis based on trading activity and the balance represents the level of unsettled transactions outstanding.

Liquidity and Capital Resources

GMP requires capital and liquidity to fund existing and future operations, future cash payments to shareholders and to satisfy regulatory requirements. GMP's policy is to maintain sufficient and appropriate levels of capital and liquidity through a variety of sources, at reasonable cost. This serves to maintain balance sheet strength under normal market conditions and through periods of financial stress. Capital and balance sheet strength are always key priorities for GMP.

GMP currently derives liquidity from its working capital and its credit facilities. As at March 31, 2019, GMP has credit facilities with Canadian Schedule I banks and banks in the U.S. of approximately $749 million (December 31, 2018 — $754 million) that are used to facilitate the day-to-day securities settlement process primarily for client transactions. These facilities are collateralized by either unpaid client securities and/or securities owned and do not represent a source of cash to GMP for payment of dividends or funding of business initiatives. There were no amounts outstanding under these facilities as at March 31, 2019, and December 31, 2018.

GMP holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. GMP considers Canadian federal government debt (such as treasury bills) with original maturities from three to six months as highly liquid investments. Although these securities are not classified as cash equivalents on the consolidated balance sheets, they form an important part of GMP's overall cash management practices to address liquidity risk. There were no significant changes made to GMP's cash management practices during first quarter 2019. GMP's inventory of trading assets is recorded at market value. Receivables and payables from brokers and dealers represent open transactions which generally settle within the normal two-day settlement cycle and also include collateralized securities borrowing and/or lending transactions that can be closed on demand within a few days. Client receivables are secured by securities and are reviewed on an ongoing basis for impairment in value and collectability.

Management believes GMP's working capital provides it with an appropriate level of liquidity and capital for existing operating and regulatory purposes for the reasonably foreseeable future assuming no significant adverse changes in the markets in which we operate. We continually assess our dividend policy, initiatives and expense structure. If capital markets deteriorate, adversely impacting our ability to generate cash flow, we will need to assess and potentially make changes to our dividend policy, initiatives and expense structure. We may also seek borrowings and/or equity financing to maintain or increase our productive capacity. There can be no assurance that such borrowings and/or equity financing will be available to GMP or available on terms and in an amount sufficient to meet our needs.

During first quarter 2018, GMP repaid $11.9 million of the Buyer Note to former FirstEnergy shareholders based on certain financial metrics pursuant to the terms of the Purchase Agreement.

SUBORDINATED LOANS

GMP's capital resources include a $17.5 million committed standby subordinated loan facility. The facility is repayable on demand subject to certain conditions. Financial covenants require that regulatory risk adjusted capital be a minimum of $45 million on the day prior to the drawdown request date and a minimum of $50 million, including the drawdown amount, on the drawdown date and each day thereafter. Also, the required shareholder capital to subordinated debt ratio is 3.25:1 in GMP Securities. The facility was undrawn as at March 31, 2019, and December 31, 2018.

Subsidiary Capital Requirements

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the relevant regulatory authority of possible liquidity concerns. Regulatory capital levels fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require GMP to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. During first quarter 2019 and as at March 31, 2019, GMP's subsidiaries were in compliance with all regulatory capital requirements.

Cash Flow Summary

The following table summarizes the consolidated statements of cash flows as presented within our First Quarter 2019 Financial Statements.

	Three months ended March 31,	
($000)	**2019**	2018
Operating activities	**(10,411)**	(66,108)
Financing activities	**(3,388)**	(21,385)
Investing activities	**11,184**	3,138
Effect of foreign exchange on cash balances	**(144)**	531
Net decrease in cash and cash equivalents	**(2,759)**	(83,824)

Operating Activities

Cash used by operating activities was $10.4 million in first quarter 2019 compared with cash used by operations of $66.1 million in first quarter 2018. Excluding non-cash operating items, cash provided by operations was $5.7 million in first quarter 2019 and $10.6 million in first quarter 2018. For further detail on non-cash operating items, please refer to Note 15 of the First Quarter 2019 Financial Statements.

Financing Activities

Financing activities consumed $3.4 million and $21.4 million of cash in first quarter 2019 and first quarter 2018, respectively. Financing activities in first quarter 2019 included $1.9 million in dividends paid on Common Shares and $1.1 million in dividends paid on the Preferred Shares. Financing activities in first quarter 2018 included an $11.9 million repayment on the current portion of the promissory note related to the acquisition of GMP FirstEnergy, $7.8 million in dividends paid on Common Shares, and $1.0 million in dividends paid on Preferred Shares. Additionally, $0.6 million of cash was used to purchase Common Shares under approved normal course issuer bids during first quarter 2018.

Investing Activities

First quarter 2019 investing activities provided $11.2 million of cash largely due to proceeds from the sale of GMP USA. First quarter 2018 investing activities provided $3.1 million of cash largely due to a common share dividend of $3.3 million on our equity investment in Richardson GMP.

Outstanding Share Data and Dividends

GMP is authorized to issue an unlimited number of Common Shares. GMP is also authorized to issue an unlimited number of preferred shares (other than the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares), issuable at any time and from time to time in one or more series.

The following table shows GMP's outstanding equity and securities convertible into equity as of the dates presented.

(# 000)	**March 31, 2019**	December 31, 2018
Common Shares	**72,721**	72,721
Common Shares held by the SIP Trust	**2,725**	2,725
Common Share options — vested	**788**	1,684
Series B Preferred Shares	**3,565**	3,565
Series C Preferred Shares	**1,035**	1,035

There have been no changes to the above table since March 31, 2019.

NORMAL COURSE ISSUER BIDS

During first quarter 2019, GMP did not purchase for cancellation any Common Shares under its approved normal course issuer bid program.

DIVIDENDS

The declaration and payment of dividends is at the sole discretion of the Board of Directors. The Board of Directors reviews GMP's dividend policy periodically in the context of the firm's overall profitability, free cash flow, regulatory capital requirements, legal requirements and other such factors that the Board of Directors determines to be relevant.

On May 1, 2019, the Board of Directors approved the payment of regular quarterly cash dividend of $0.025 per Common Share, payable on July 2, 2019, to common shareholders of record on June 14, 2019.

Dividends, when declared on the Common Shares and Preferred Shares, are designated as "eligible dividends" for purposes of the Income Tax Act (Canada) and any similar provincial and territorial legislation unless indicated otherwise.

For more information on dividends, refer to Note 10 of the First Quarter 2019 Financial Statements.

Related-Party Transactions

Our related parties include the following persons and/or entities: associates, or entities which are controlled or significantly influenced by GMP, which currently include Richardson GMP; and key management personnel, which are comprised of directors and/or officers of GMP and those persons having authority and responsibility for planning, directing and controlling the activities of GMP. Our policies and procedures and the nature of our related-party transactions have not changed materially since December 31, 2018, as described under "Related-Party Transactions" in the 2018 Annual MD&A.

Critical Accounting Policies and Estimates

The preparation of the First Quarter 2019 Financial Statements in accordance with IFRS required management to make estimates and exercise judgment that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are made based on information available as at the date of issuance of financial statements. Accordingly, actual results may differ from these amounts. Accounting policies that require management's estimates and judgments have not changed during first quarter 2019 and are discussed under "Critical Accounting Policies and Estimates" in our 2018 Annual MD&A.

Financial Instruments

A significant portion of the GMP Group's assets and liabilities are composed of financial instruments. There have been no significant changes in GMP's use of financial instruments, or types of financial instruments employed in its trading and non-trading activities during first quarter 2019.

Refer to "Financial Instruments" in the 2018 Annual MD&A and Notes 1 and 13 to the First Quarter 2019 Financial Statements for more information. For significant assumptions made in determining the valuation of financial and other instruments, refer to the "Critical Accounting Policies and Estimates" section in the 2018 Annual MD&A.

Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to GMP is accumulated and communicated to GMP's Chief Executive Officer (CEO) and Chief Financial Officer

(CFO) to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in GMP's annual and interim filings and other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein. As of March 31, 2019, management evaluated the effectiveness of our disclosure controls and procedures as defined under the Canadian Securities Administrators' National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. This evaluation was performed under the supervision of, and with the participation of, GMP's CEO and CFO. Based on the evaluation conducted as at March 31, 2019, the CEO and CFO concluded that GMP's disclosure controls and procedures were effective as of March 31, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

To the best of the knowledge and belief of GMP's CEO and CFO, no changes were made in GMP's internal control over financial reporting in first quarter 2019 that have materially affected, or are reasonably likely to affect materially, GMP's internal control over financial reporting.

Risk Management

The securities business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets. Management believes that effective risk management is of primary importance to the ongoing success of the GMP Group. We have risk management processes in place to monitor, evaluate and manage the principal risks related to the conduct of our activities. These risks include market, credit, liquidity, operational, legal, cyber and regulatory risk.

The Company provides financial advisory, underwriting and other services to, and trade the securities of issuers that are involved with new and emerging industries, including the U.S. cannabis industry. Activities within such industries, including the U.S. cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the U.S. cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the U.S. cannabis industry, cannabis continues to be a controlled substance under the United States Controlled Substances Act and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the United States Currency and Foreign Transactions Reporting Act of 1970 and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the FinCEN Guidance) relating to providing financial services to marijuana related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company takes steps to identify the risks associated with emerging industries, including the U.S. cannabis industry, and only provides services to those issuers where it determines that there is no material risk to the Company or where any risk is unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third-party proceedings, which may have a material adverse effect on the Company's business, revenue, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and compliance processes. GMP's exposure to and management of risk has not changed significantly from that described in the "Risk Management" section of the 2018 Annual MD&A and Note 25 to the 2018 Annual Financial Statements.

Supplemental Information – Richardson GMP

The following supplemental information reflects how Richardson GMP's management assesses the financial performance of Richardson GMP.

Richardson GMP's management assesses performance on both a reported and an adjusted NON-GAAP basis and considers both bases to be useful in assessing underlying, ongoing business performance. Presenting results on both bases also permits readers to assess the impact of specified items on financial results. Richardson GMP presents earnings before interest, income tax, depreciation and amortization (EBITDA) which excludes:

- Interest expense recorded primarily in connection with subordinated loan financing arrangements.
- Income tax expense (benefit) recorded.
- Depreciation and amortization expense recorded primarily in connection with equipment and leasehold improvements.
- Transition assistance loan amortization in connection with investment advisor loan programs. Richardson GMP views these loans as an effective recruiting and retention tool, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Richardson GMP also presents an adjusted EBITDA which excludes the following (adjusted EBITDA):

- Share-based compensation costs recorded in connection with awards granted to employees and investment advisors of Richardson GMP.

EBITDA and adjusted EBITDA do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These NON-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of Richardson GMP's performance, liquidity, cash flows and profitability. Richardson GMP's management believes adjusting results by excluding the impact of the specified items is more reflective of ongoing financial performance and cash generating capabilities and provides readers with an enhanced understanding of how management views Richardson GMP's core performance.

The following table shows the consolidated financial results of Richardson GMP for the periods indicated.

	Three months ended March 31,		
($000, except as otherwise noted)	**2019**	2018	**% increase/ (decrease)**
Revenue	**67,985**	75,299	(10)
Expenses	**62,132**	70,319	(12)
Employee compensation and benefits	**44,007**	50,586	(13)
Non-compensation expenses	**18,125**	19,733	(8)
Income before income tax	**5,853**	4,980	18
Net income — reported	**4,030**	3,602	12
Pre-tax impact of adjusting items			
Interest	**1,644**	1,862	(12)
Income tax	**1,823**	1,378	32
Depreciation and amortization	**1,265**	1,313	(4)
Transition assistance loan amortization	**2,051**	2,753	(25)
EBITDA[1]	**10,813**	10,908	(1)
Share-based compensation	**461**	274	68
Adjusted EBITDA[1]	**11,274**	11,182	1
Number of advisory teams	**160**	176	(9)
AUA at period-end ($ millions)	**28,707**	29,869	(4)

1. Considered to be a Non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers.

FINANCIAL PERFORMANCE

First quarter 2019 vs First quarter 2018

Richardson GMP reported net income of $4.0 million in first quarter 2019 compared with net income of $3.6 million in first quarter 2018.

Richardson GMP reported adjusted EBITDA and net income attributable to common shareholders of $11.3 million and $2.8 million, respectively, in first quarter 2019.

Richardson GMP's revenues in first quarter 2019 decreased 10% compared with first quarter 2018, primarily due to lower commission revenue and lower investment management fees on lower client asset balances. Total expenses decreased 12% in first quarter 2019 compared with first quarter 2018, largely reflecting lower variable compensation expense and lower selling, general and administrative expense.

Unaudited Interim Condensed Consolidated Balance Sheets

As at, (thousands of Canadian dollars)	Note	**March 31, 2019**	December 31, 2018
ASSETS			
Cash and cash equivalents		**514,965**	515,955
Assets held for sale	5	**–**	18,042
Securities owned	3	**120,179**	110,392
Receivable from:			
Clients		**390,316**	421,902
Brokers		**126,271**	70,494
Employee and other loans receivable		**2,402**	2,408
Other assets	4	**411,742**	446,097
Investment in associate		**79,224**	78,953
Equipment and leasehold improvements		**2,722**	2,681
Right of use assets	1	**5,954**	–
Goodwill and intangible assets		**22,645**	51,416
Deferred tax assets		**4,420**	5,080
Total assets		**1,680,840**	1,723,420
LIABILITIES			
Liabilities directly associated with assets held for sale	5	**–**	7,625
Obligations related to securities sold short	3	**11,024**	11,131
Leased liabilities	1	**6,654**	–
Payable to:			
Clients		**1,148,501**	1,216,385
Brokers		**159,138**	113,565
Issuers		**20,944**	7,736
Accounts payable and accrued liabilities		**40,524**	41,510
Other liabilities	7	**1,674**	6,521
Promissory note	8	**28,896**	28,699
Deferred tax liabilities		**218**	218
Total liabilities		**1,417,573**	1,433,390
EQUITY			
Shareholders' equity		**263,267**	290,030
Total liabilities and equity		**1,680,840**	1,723,420

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statements of (Loss) Income

		Three months ended March 31,	
(thousands of Canadian dollars, except as noted)	Note	**2019**	2018
Continuing Operations	5		(Restated)
REVENUE			
Investment banking		**10,942**	29,618
Commissions		**5,343**	7,339
Principal transactions		**12,609**	2,648
Interest		**4,040**	3,282
Other income		**4,547**	4,141
		37,481	47,028
EXPENSES			
Employee compensation and benefits		**19,056**	28,066
Selling, general and administrative		**8,155**	9,031
Interest		**3,110**	1,982
Depreciation and amortization		**915**	462
Goodwill impairment	11	**28,541**	–
		59,777	39,541
Share of net income of associate		**945**	799
(Loss) income before income taxes from continuing operations		**(21,351)**	8,286
Income tax expense (recovery)			
Current		**924**	(31)
Deferred		**660**	2,943
		1,584	2,912
Net (loss) income from continuing operations		**(22,935)**	5,374
Net income (loss) from discontinued operation	5	**7,455**	(1,284)
NET (LOSS) INCOME		**(15,480)**	4,090
Weighted-average number of common shares outstanding (in thousands):	12		
Basic		**69,784**	68,037
Diluted		**75,446**	78,149
Net (loss) income per common share (dollars) from continuing operations:			
Basic		**(0.34)**	0.06
Diluted		**(0.34)**	0.06
Net (loss) income per common share (dollars):	12		
Basic		**(0.24)**	0.04
Diluted		**(0.24)**	0.04

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

	Three months ended March 31,	
(thousands of Canadian dollars)	**2019**	2018
		(Restated)
NET (LOSS) INCOME	**(15,480)**	4,090
Other comprehensive income:		
Item that may be subsequently reclassified to net income (loss):		
Foreign currency translation (loss) gain from continuing operations	**(135)**	1,233
Foreign currency translation gain from discontinued operation	**–**	393
Total other comprehensive (loss) income	**(135)**	1,626
TOTAL COMPREHENSIVE (LOSS) INCOME	**(15,615)**	5,716
Total comprehensive (loss) income attributable to GMP shareholders		
Continuing operations	**(23,070)**	6,607
Discontinued operation	**7,455**	(891)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

(thousands of Canadian dollars and thousands of shares)	Note	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Share purchase loans $	Deferred share-based awards $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated deficit $	Shareholders' equity $
Balance, December 31, 2017		4,600	112,263	75,451	334,972	(1,375)	(36,146)	54,225	14,228	(184,741)	293,426
Net foreign currency translation loss		–	–	–	–	–	–	–	1,626	–	1,626
Share-based compensation		–	–	–	–	44	–	3,648	–	8	3,700
Common shares purchased for cancellation		–	–	(206)	(886)	–	–	–	–	270	(616)
Common share dividends		–	–	–	–	–	–	–	–	(7,812)	(7,812)
Series B Preferred Share dividends		–	–	–	–	–	–	–	–	(805)	(805)
Series C Preferred Share dividends		–	–	–	–	–	–	–	–	(240)	(240)
Net income		–	–	–	–	–	–	–	–	4,090	4,090
Balance, March 31, 2018		4,600	112,263	75,245	334,086	(1,331)	(36,146)	57,873	15,854	(189,230)	293,369
Balance, December 31, 2018		4,600	112,263	72,721	322,848	(327)	(14,598)	48,818	18,395	(197,369)	290,030
Change in accounting policy	1	–	–	–	–	–	–	–	–	(32)	(32)
Restated balance at January 1, 2019		**4,600**	**112,263**	**72,721**	**322,848**	**(327)**	**(14,598)**	**48,818**	**18,395**	**(197,401)**	**289,998**
Net foreign currency translation loss		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(135)**	**–**	**(135)**
Reclassification of cumulative currency translation		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,661)**	**–**	**(9,661)**
Share-based compensation	9	**–**	**–**	**–**	**–**	**9**	**–**	**1,520**	**–**	**–**	**1,529**
Common share dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,886)**	**(1,886)**
Series B Preferred Share dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(805)**	**(805)**
Series C Preferred Share dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(293)**	**(293)**
Net loss		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,480)**	**(15,480)**
Balance, March 31, 2019		**4,600**	**112,263**	**72,721**	**322,848**	**(318)**	**(14,598)**	**50,338**	**8,599**	**(215,865)**	**263,267**

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	Note	Three months ended March 31, **2019**	2018
OPERATING ACTIVITIES			
Net (loss) income		**(15,480)**	4,090
Add (deduct) items not involving cash:			
Depreciation and amortization		**915**	561
Goodwill impairment		**28,541**	–
Change in accounting policy		**(32)**	–
Reclassification of cumulative translation		**(9,661)**	–
Lease inducement amortization		**(54)**	(73)
Deferred tax expense		**660**	2,943
Share–based compensation expense		**1,520**	3,648
Accretion expense		**197**	197
Share of net income of associate		**(945)**	(799)
		5,661	10,567
Net change in non–cash operating items	15	**(16,072)**	(76,675)
Cash provided by (used in) operating activities		**(10,411)**	(66,108)
FINANCING ACTIVITIES			
Partial repayment of promissory note		**–**	(11,912)
Dividends paid on common shares		**(1,886)**	(7,812)
Dividends paid on Series B Preferred Shares		**(805)**	(805)
Dividends paid on Series C Preferred Shares		**(293)**	(240)
Common shares purchased for cancellation		**–**	(616)
Principal elements of lease payments		**(404)**	–
Cash used in financing activities		**(3,388)**	(21,385)
INVESTING ACTIVITIES			
Proceeds from sale of discontinued operation		**10,792**	–
Common share dividend received from associate		**673**	3,290
Equipment and leasehold improvements, net expenditures		**(281)**	(152)
Cash provided by investing activities		**11,184**	3,138
Effect of foreign exchange on cash balances		**(144)**	531
Net decrease in cash and cash equivalents		**(2,759)**	(83,824)
Cash and cash equivalents, beginning of period[1]		**517,724**	642,075
Cash and cash equivalents, end of period		**514,965**	558,251
Supplemental cash flow information			
Interest paid		**2,481**	1,986
Interest received		**4,026**	3,010
Taxes paid		**5,887**	(383)

1. Cash and cash equivalents, beginning of period include $1,769 classified as held for sale at December 31, 2018, refer to Note 5.

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Note 1. Basis of Preparation

A. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of GMP Capital Inc. (GMP or the Company) have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in compliance with International Accounting Standard 34, *Interim Financial Reporting*. Certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

These unaudited interim condensed consolidated financial statements should be read in conjunction with GMP's audited annual financial statements as at and for the year ended December 31, 2018 (2018 Annual Financial Statements). All defined terms used herein are consistent with those terms as defined in the 2018 Annual Financial Statements. Certain comparative amounts have been reclassified to conform to the current period's presentation. Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

These unaudited interim condensed consolidated financial statements were authorized for issuance by GMP's board of directors (Board of Directors) on May 1, 2019.

B. NEW STANDARDS ADOPTED BY THE COMPANY

These unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the accounting policies and methods used and as disclosed in the 2018 Annual Financial Statements, except for the adoption of the following standard effective as of January 1, 2019:

IFRS 16, Leases (IFRS 16)
IFRS 16 was issued in January 2016 replacing the previous lease standard, *IAS 17, Leases*, and related interpretations. The new standard requires lessees to recognize right-of-use assets and lease liabilities for most leases and recognize the associated expenses to depreciation and interest expense respectively.

GMP elected to apply IFRS 16 using the modified retrospective approach using the following practical expedients:

- the election is being taken to not reassess whether a contract is or contains a lease at the date of initial application, and instead to only apply IFRS 16 to contracts that were in the scope of IAS 17;
- the election is being taken to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the election is being taken to rely on the IAS 37 assessment of whether leases are onerous instead of performing an impairment review;
- the election is being taken to exclude leases for which the term ends within 12 months from January 1, 2019;
- the election is being taken to exclude initial direct costs from the measurement of the right of use asset on January 1, 2019;
- the election is being taken to use hindsight to determine lease terms;
- the election is being taken, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The following table reconciles the aggregate future minimum lease payments pertaining to continuing operations as disclosed in Note 22 of the Annual Financial Statements.

Future minimum annual lease payments as at December 31, 2018	**8,431**
Lease payments for renewal options not contractually obligated	1,075
Lease payments for leases not yet commenced	(1,597)
Short-term leases	(260)
Gross lease liabilities as at January 1, 2019	**7,649**
Discount at weighted average rate of 3.87%	(471)
Net lease liabilities as at January 1, 2019	**7,178**

During the three months ended March 31, 2019, GMP recorded $64 in interest expense related to lease liabilities.

The following table shows the right of use assets balance on transition to IFRS 16 and depreciation recorded during the period.

Right of use assets as at January 1, 2019	**6,398**
Accumulated depreciation	444
Right of use assets as at March 31, 2019	**5,954**

Note 2. Revenue from Contracts with Customers

The following table presents disaggregated revenue information for each reportable segment.

	Capital Markets		Wealth Management		Corporate		Total	
Three months ended March 31,	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Investment banking:								
Underwriting	**3,962**	23,178	**–**	–	**–**	–	**3,962**	23,178
Advisory	**6,980**	6,440	**–**	–	**–**	–	**6,980**	6,440
Commissions	**5,343**	7,339	**–**	–	**–**	–	**5,343**	7,339
Carrying broker fees	**–**	–	**–**	–	**2,217**	2,584	**2,217**	2,584
Revenue – contracts with customers	**16,285**	36,957	**–**	–	**2,217**	2,584	**18,502**	39,541
Timing								
Point in time	**16,285**	36,957	**–**	–	**–**	–	**16,285**	36,957
Over time	**–**	–	**–**	–	**2,217**	2,584	**2,217**	2,584
Other revenue	**17,863**	6,283	**601**	592	**515**	612	**18,979**	7,487
Total revenue	**34,148**	43,240	**601**	592	**2,732**	3,196	**37,481**	47,028

Note 3. Securities Owned and Obligations Related to Securities Sold Short

As at,	**March 31, 2019**		December 31, 2018	
	Trading assets	**Securities sold short**	Trading assets	Securities sold short
Debt securities:				
Canadian and U.S. federal government debt	**57,496**	**5,658**	59,169	5,317
Canadian provincial and municipal government debt	**9,158**	**3,926**	8,278	3,938
Corporate and other debt	**19,395**	**1,440**	10,575	1,876
Equity securities	**26,233**	**–**	26,751	–
Derivative financial instruments	**7,897**	**–**	5,619	–
	120,179	**11,024**	110,392	11,131

Note 4. Other Assets

As at,	**March 31, 2019**	December 31, 2018
Accounts receivable	**14,899**	15,146
Income taxes recoverable	**149**	–
Funds deposited in trust	**393,393**	429,211
Prepaid deposits and other	**2,642**	1,740
Finance lease receivable	**659**	–
	411,742	446,097

Note 5. Discontinued Operation

In December 2018, GMP announced that it had entered into a definitive agreement in respect of a transaction that subsequently resulted in the sale of GMP USA, GMP's institutional fixed income trading operations (the transaction). The transaction was completed in January 2019 and allows GMP to sharpen its focus on its Canadian business. A non-cash gain of $8,310 was realized, comprising the reclassification of cumulative foreign currency translation adjustments to net income, recorded in discontinued operation.

The following tables present the financial performance and cash flow information of the discontinued operation:

Three months ended March 31,	**2019**	2018
Revenues	**292**	5,513
Expenses	**1,147**	6,797
Cumulative foreign currency translation adjustments	**8,310**	–
Income (loss) from discontinued operation	**7,455**	(1,284)

The following table shows the assets and liabilities of GMP USA that were classified as held for sale:

As at,	December 31, 2018
Assets held for sale:	
Cash and cash equivalents	1,769
Trading assets	5,012
Receivable from broker	11,236
Other assets	25
Total assets	18,042
Liabilities associated with assets held for sale:	
Obligations related to securities sold short	1,231
Accounts payable and accrued liabilities	6,287
Other liabilities	107
Total liabilities	7,625

Three months ended March 31,	**2019**	2018
Cash used in operating activities	**(12,561)**	(807)
Cash from investing activities	**10,792**	–
Effects of foreign exchange on cash balance	**–**	59
Net decrease in cash and cash equivalents	**(1,769)**	(748)

Note 6. Securities Borrowed and Lent

	Borrowed			Lent		
	Cash delivered as collateral	Securities delivered as collateral	Securities borrowed	Cash received as collateral	Securities received as collateral	Securities lent
As at March 31, 2019	**75,969**	**–**	**76,548**	**84,086**	**–**	**72,376**
As at December 31, 2018	43,430	–	42,733	62,239	–	56,395

Note 7. Other Liabilities

As at,	**March 31, 2019**	December 31, 2018
Income taxes payable	**1,132**	5,915
Deferred lease inducements	**198**	252
Other	**344**	354
	1,674	6,521

Note 8. Promissory Note

In connection with the acquisition of FirstEnergy Capital Holdings Corp. (FirstEnergy), GMP issued to former FirstEnergy shareholders an unsecured promissory note bearing interest at 3.61% compounded annually. The promissory note is subject to adjustments and is to be repaid based upon certain financial metrics over a maximum five-year period pursuant to the terms of the purchase agreement. During the three months ended March 31, 2019, GMP recorded accretion expense of $197 (March 31, 2018 - $197). There were no payments of principal on the promissory note during the three months ended March 31, 2019 (March 31, 2018 — $11,912).

Note 9. Deferred Share-Based Awards

SHARE INCENTIVE PLAN (SIP)

GMP adopted the SIP to provide eligible employees (Participants) with compensation opportunities to encourage ownership of common shares, to attract, retain and motivate key personnel and reward officers and employees of GMP for significant performance. Pursuant to the terms of the SIP, GMP may award restricted share units (RSUs) and performance share units (PSUs) to certain Participants. The RSUs awarded are subject to service vesting conditions. The PSUs awarded are subject to market and non-market performance vesting conditions including both absolute and relative shareholder return, return on equity, and adjusted net income (loss) per common share with a minimum performance factor of zero and maximum performance factor of 150% of the original grant. The expense related to the PSUs varies based on GMP's performance and is determined based on a probability-weighted average of outcomes at each reporting date. During the vesting period, dividend equivalents accrue to the Participants in the form of additional share units.

The fair value of the RSUs is determined based on the five-day average of the closing price of GMP's common shares on the grant date and is amortized over the vesting period of generally three years. There were no RSUs awarded to Participants during each of the three months ended March 31, 2019 and 2018. The compensation expense relating to the RSUs recorded during the three months ended March 31, 2019, was $532 (March 31, 2018 — $536).

The fair value of the PSUs is determined in accordance with IFRS 2, *Share-based Payments*, and is amortized over the vesting period of generally three years. There were no PSUs awarded to Participants during each of the three months ended March 31, 2019 and 2018. The compensation expense relating to the PSUs recorded during the period was nil (March 31, 2018 — nil).

A summary of the status of GMP's SIP as at March 31, 2019, and the changes during the three months then ended is as follows:

	Number of RSUs (thousands) #	Number of PSUs (thousands) #
Balance, December 31, 2018	2,224	–
Dividends credited	–	–
Forfeited	–	–
Balance, March 31, 2019	**2,224**	–

OTHER SHARE-BASED AWARDS

Other share-based awards represent the unamortized value of share awards granted to certain employees of GMP in connection with the acquisition of FirstEnergy. In 2016, GMP issued 11,162 common shares of which 7,442 were subject to vesting conditions with a fair value of $37,433 to former shareholders of FirstEnergy. Holders of these shares are entitled to receive dividends as and when declared by the Board of Directors and have voting rights consistent with those of other common shareholders. Such shares are subject to an escrow agreement with vesting occurring over a four-year period ending in September 2020. The fair value of the common shares issued is expensed over the vesting period with a corresponding increase to contributed surplus. During the three months ended March 31, 2019, GMP recorded $988 (March 31, 2018 – $3,100) in share-based compensation expense with a corresponding increase to contributed surplus.

Note 10. Share Capital

A. SIP TRUST

In connection with the SIP, GMP has established an employee benefit plan trust (the SIP Trust) for the purpose of purchasing GMP common shares in the open market and delivering the common shares to the SIP Participants upon vesting. GMP consolidates the SIP Trust in accordance with IFRS 10, *Consolidated Financial Statements*. Consideration paid for GMP common shares held by the SIP Trust is deducted from shareholders' equity and the common shares are treated as cancelled in GMP's basic income per share calculation.

During the three months ended March 31, 2019, there was no activity related to common shares in the SIP Trust. As at March 31, 2019, the SIP Trust held 2,725 common shares (December 31, 2018 — 2,725).

B. DIVIDENDS

Common Share Dividends

GMP declared the following common share dividend during the three months ended March 31, 2019:

Record date	Payment date	Cash dividend per common share	Total dividend amount
March 15, 2019	April 1, 2019	**$ 0.025**	**$ 1,886**

On May 1, 2019, the Board of Directors approved a cash dividend of $0.025 per common share payable on July 2, 2019, to common shareholders of record on June 14, 2019.

Preferred Share Dividends

The dividend rate for the 3,565 Series B Preferred Shares is $0.2257 for the five-year period commencing April 1, 2016 and ending on March 31, 2021. The quarterly floating dividend rate on the 1,035 Series C Preferred Shares is reset every quarter.

GMP declared and paid the following dividends on its Series B and C Preferred Shares during the three months ended March 31, 2019:

Record date	Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend amount
March 15, 2019	April 1, 2019	**$ 0.2257**	**$ 0.2837**	**$ 1,098**

On May 1, 2019, the Board of Directors approved a cash dividend of $0.2257 per Series B Preferred Share and $0.2850 per Series C Preferred Share payable on July 2, 2019, to preferred shareholders of record on June 14, 2019.

Note 11. Goodwill Impairment

Goodwill is tested for impairment annually on October 31 and more frequently if events or circumstances indicate that it may be impaired. When determining whether an impairment test is required at a given balance sheet date, GMP considers factors such as revenue performance compared with forecast and the relationship between the Company's market capitalization and its book value. As at March 31, 2019, following a review of these and other factors, management performed an impairment test for the Capital Markets operating segment, which is the only group of Cash Generating Units to which goodwill has been allocated. An impairment is required if the recoverable amount of the Capital Markets operating segment, determined as the greater of the estimated fair value less cost to sell (FVLCS) or its value-in-use (VIU), is less than the carrying value. For purposes of the March 31, 2019 impairment test, the estimated recoverable amount of the Capital Markets operating segment was based on the FVLCS. The FVLCS has been determined from internally developed valuation models which consider various factors and assumptions. While the use of different assumptions and estimates could influence the amount of the goodwill impairment charge, management believes that the assumptions and estimates used are reasonable. This FVLCS estimate is categorized as level 3 in the fair value hierarchy. The impairment test resulted in a goodwill impairment charge of $28,541 to the Capital Markets operating segment, which reduced total goodwill and intangible assets to $22,645 as at March 31, 2019 (December 31, 2018 – $51,416). Following the recognition of this impairment, the Capital Markets operating segment estimated recoverable amount equals the carrying value. Consequently, any adverse change to a key assumption could result in a further impairment loss. The recoverable amount calculation for the Capital Markets operating segment is most sensitive to revenue generation and the peer market multiple.

Note 12. Net (Loss) Income Per Common Share

Net (loss) income per common share consists of the following:

	Three months ended March 31, 2019	2018
Net (loss) income from continuing operations	**(22,935)**	5,374
Less: Dividends on Series B Preferred Shares	**(805)**	(805)
Less: Dividends on Series C Preferred Shares	**(293)**	(240)
Net (loss) income attributable to common shareholders from continuing operations	**(24,033)**	4,329
Net income (loss) from discontinued operations	**7,455**	(1,284)
Net (loss) income attributable to common shareholders	**(16,578)**	3,045
Weighted-average number of common shares outstanding		
Basic		
Common shares	**75,446**	78,141
Common shares pledged on share purchase loans	**(35)**	(198)
Common shares held by the SIP Trust	**(2,725)**	(2,725)
Contingently returnable common shares awarded to employees	**(2,902)**	(7,181)
	69,784	68,037
Diluted		
Dilutive effect of common share options	**–**	8
Dilutive effect of common shares pledged on share purchase loans	**35**	198
Dilutive effect of shares held by the SIP Trust	**2,725**	2,725
Dilutive effect of contingently returnable common shares awarded to employees	**2,902**	7,181
	75,446	78,149
Net (loss) income per common share – Basic		
Continuing operations	**$ (0.34)**	$ 0.06
Discontinued operation	**$ 0.11**	$ (0.02)
Total	**$ (0.24)**	$ 0.04
Net (loss) income per common share – Diluted[1]		
Continuing operations	**$ (0.34)**	$ 0.06
Discontinued operation	**$ 0.10**	$ (0.02)
Total	**$ (0.24)**	$ 0.04

1 In the case of a net loss, the impact of shares pledged on share purchase loans and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will be anti-dilutive; therefore, basic and diluted net loss per common share will be the same.

Note 13. Financial Assets and Liabilities

A. FINANCIAL INSTRUMENTS

IFRS 13, *Fair Value Measurement*, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or a liability as of the measurement date.

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange, as well as certain Canadian and U.S. Treasury bills that are highly liquid and are actively traded in over-the-counter markets.

Level 2. Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange.

Level 3. Inputs for the asset or liability that are not based on observable market data.

The following tables present the level within the fair value hierarchy of GMP's financial assets and liabilities carried at fair value:

As at March 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal government debt	**56,197**	**1,299**	**–**	**57,496**
Provincial and municipal government debt	**–**	**9,158**	**–**	**9,158**
Corporate and other debt	**1**	**19,394**	**–**	**19,395**
Equity securities	**23,646**	**2,587**	**–**	**26,233**
Derivatives financial assets	**–**	**–**	**7,897**	**7,897**
Financial Assets at FVPL	**79,844**	**32,438**	**7,897**	**120,179**
Preferred share investments in associate				
Class B Preferred Shares	**–**	**–**	**30,422**	**30,422**
Special preference shares	**–**	**–**	**683**	**683**
Financial Assets at FVOCI	**–**	**–**	**31,105**	**31,105**
Financial assets carried at fair value	**79,844**	**32,438**	**39,002**	**151,284**
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal government debt	**–**	**5,658**	**–**	**5,658**
Provincial and municipal government debt	**–**	**3,926**	**–**	**3,926**
Corporate and other debt	**–**	**1,440**	**–**	**1,440**
Equity securities		**–**	**–**	**–**
Financial liabilities at FVPL	**–**	**11,024**	**–**	**11,024**
Financial liabilities carried at fair value	**–**	**11,024**	**–**	**11,024**

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy:

Balance, December 31, 2018	36,724
Net unrealized gain before income taxes	**4,546**
Dispositions	**(2,268)**
Balance, March 31, 2019	**39,002**

B. CAPITAL MANAGEMENT

GMP requires capital to fund existing and future operations, future dividends and regulatory capital requirements. The liquidity of GMP's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. GMP's policy is to maintain sufficient and appropriate levels of capital through a variety of sources.

The following table sets forth GMP's capital resources at the dates indicated:

As at,	**March 31, 2019**	December 31, 2018
Preferred shares	**112,263**	112,263
Common shares	**322,848**	322,848
Share purchase loans	**(318)**	(327)
Deferred share–based awards	**(14,598)**	(14,598)
Contributed surplus	**50,338**	48,818
Accumulated deficit	**(215,865)**	(197,369)
	254,668	271,635

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. As at and during the three months ended March 31, 2019, GMP's subsidiaries were in compliance with their respective capital requirements.

Note 14. Segmented Information

GMP's operating results are categorized into two business segments, Capital Markets and Wealth Management, and a Corporate segment. The business segments are based upon the products and services provided and the types of clients served. The following table presents selected financial results of continuing operations by segment:

	Capital Markets		Wealth Management		Corporate		Total	
Three months ended March 31,	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	**34,148**	43,240	**601**	592	**2,732**	3,196	**37,481**	47,028
Expenses								
Employee compensation and benefits	**16,821**	23,664	**–**	–	**2,235**	4,402	**19,056**	28,066
Selling, general and administrative	**5,116**	6,014	**6**	25	**3,033**	2,992	**8,155**	9,031
Interest	**2,553**	1,384	**–**	–	**557**	598	**3,110**	1,982
Depreciation and amortization	**909**	456	**–**	–	**6**	6	**915**	462
Goodwill impairment	**28,541**	–	**–**	–	**–**	–	**28,541**	–
	53,940	31,518	**6**	25	**5,831**	7,998	**59,777**	39,541
Share of net income of associate	**–**	–	**945**	799	**–**	–	**945**	799
(Loss) income before income taxes	**(19,792)**	11,722	**1,540**	1,366	**(3,099)**	(4,802)	**(21,351)**	8,286

REVENUE BY GEOGRAPHIC LOCATION

For geographic reporting purposes, GMP's segments are grouped into Canada and International. Transactions are recorded in the location that frequently corresponds with the location of the legal entity through which the business is conducted. The following table presents GMP's revenue by geography:

	Three months ended March 31,	
	2019	2018
Canada	**34,911**	43,522
International	**2,570**	3,506
	37,481	47,028

Note 15. Net Change in Non-Cash Operating Items

Three months ended March 31,	**2019**	2018
Securities owned	**(4,891)**	(25,159)
Receivable from clients and brokers	**(13,211)**	(158,322)
Employee and other loans receivable	**6**	96
Other assets	**35,099**	(45,167)
Deferred tax assets	**–**	–
Obligations related to securities sold short	**(1,310)**	3,726
Payable to clients, brokers and issuers	**(9,101)**	147,062
Net assets held for sale	**(10,417)**	–
Accounts payable and accrued liabilities and other liabilities	**(12,247)**	1,089
	(16,072)	(76,675)

Shareholder Information

TRANSFER AGENT AND REGISTRAR

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SHAREHOLDER INQUIRIES

For all other shareholder inquiries or to request a copy of GMP's 2018 annual report, please contact GMP Investor Relations at *investorrelations@gmpcapital.com* or call (416) 941-0894.

REGULATORY FILINGS

With the Canadian Securities Administrators at *www.sedar.com*.

INDEPENDENT AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Goodmans LLP

FISCAL YEAR-END

December 31

WEBSITE

www.gmpcapital.com

STOCK EXCHANGE LISTINGS

STOCK	LISTING	TICKER	CUSIP
Common Shares	Toronto Stock Exchange	GMP	380134106
Preferred Shares, Series B	Toronto Stock Exchange	GMP.PR.B	380134205
Preferred Shares, Series C	Toronto Stock Exchange	GMP.PR.C	380134304

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1. GMP has a non-controlling ownership interest in Richardson GMP Limited.