RICHARDSON Wealth

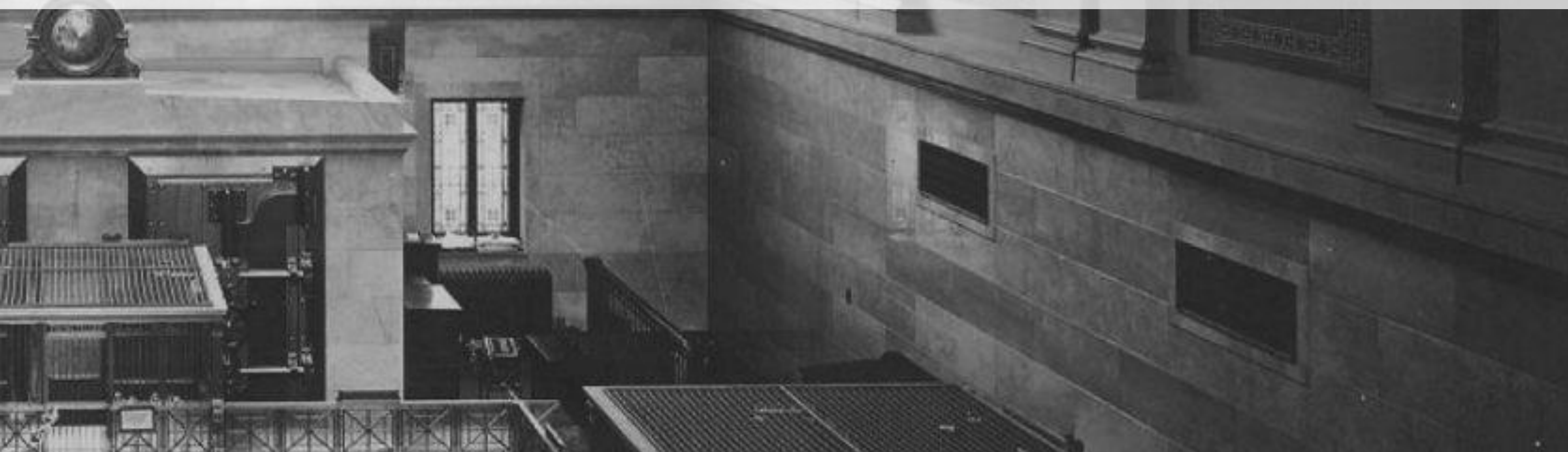
Patrimoine RICHARDSON

The Brand of Choice

For Canada's Top Advisors & Their Clients

RF Capital Group Inc.

Q2 2021 Report to Shareholders



About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company), including its wholly-owned subsidiary Richardson Wealth Limited (Richardson Wealth), for the three and six months ended June 30, 2021.

This MD&A, dated July 29, 2021, should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes as at and for the three and six months ended June 30, 2021 (Second Quarter 2021 Financial Statements). Additional information, including our annual MD&A (2020 MD&A), our latest Annual Information Form (AIF), and our audited consolidated financial statements for the year ended December 31, 2020, is available at *www.rfcapgroup.com* and under our profile at *www.sedar.com.*

Our Board of Directors (Board) approved this document.

Reporting Changes

Business Segments

Commencing in the first quarter of 2021, we began to report our results based on only two segments, down from three in prior periods. Our securities clearing business results are now included in the Wealth Management segment, along with those of Richardson Wealth, because we run those operations as a unified wealth management business. Our second segment is Corporate, and it includes certain corporate support functions and the costs associated with operating a public company. Both segments are described in detail later in this MD&A.

We realigned the comparative operating results in this same manner.

Adjusted Results

We use adjusted results throughout this MD&A. Adjusted results are considered to be a non-GAAP financial measure. Such 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. For further information related to adjusted results and a reconciliation to their nearest IFRS measures, please read the "Presentation of Financial Information and Non-GAAP Measures" at the end of this MD&A.

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 concerning objectives and strategies to achieve those objectives, as well as statements made 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. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

The forward-looking statements included in this MD&A, including statements regarding the nature of our growth strategy going forward and execution of any of our potential plans, are not guarantees of future results and involve numerous risks and uncertainties that may cause actual results to differ materially from the potential results discussed or anticipated in the forward-looking statements, including those described in this MD&A and our AIF. Such risks and uncertainties include, but are not limited to, market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees. In addition, other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, may also influence our results of operations. For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" and "Risk Factors" sections in our 2020 MD&A and the "Risk Factors" section of our AIF.

Although we attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Forward-looking information contained in this MD&A is:

- based on Management's reliance on certain assumptions it considers reasonable; however, there can be no assurance that such expectations will prove correct. Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws. As such, the financial outlook may not be appropriate for purposes other than this MD&A. Readers should not place undue reliance on the forward-looking statements and information contained in this MD&A. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive;

- made as of the date of this MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. Except as required by applicable law, our Management and Board undertake no obligation to update or revise any forward-looking information publicly, whether as a result of new information, future events or otherwise; and

- expressly qualified in its entirety by the foregoing cautionary statements.

Second Quarter 2021 - Select Financial Highlights

($000's, except as otherwise indicated)	Three months ended June 30, 2021	2020	Increase/ (decrease) $	%	Six months ended June 30, 2021	2020	Increase/ (decrease) $	%
Operating Performance - Consolidated Reported Results:								
Revenue	79,064	7,070	71,994	n.m.	162,726	15,898	146,828	n.m.
Variable advisor compensation	34,138	—	34,138	n.m.	69,612	—	69,612	n.m.
Gross margin	44,926	7,070	37,856	n.m.	93,114	15,898	77,216	n.m.
Operating expenses[1]	34,096	8,178	25,918	n.m.	77,796	19,164	58,632	n.m.
EBITDA - consolidated	10,829	(1,581)	12,410	n.m.	15,317	(3,625)	18,942	n.m.
Net loss	(1,858)	(2,351)	493	n.m.	(9,333)	(5,269)	(4,064)	n.m.
Adjusted Results[2]:								
Adjusted operating expenses[1]	31,583	8,069	23,514	n.m.	67,653	17,773	49,880	n.m.
Adjusted EBITDA - consolidated	13,342	(1,472)	14,814	n.m.	25,460	(2,234)	27,694	n.m.
Adjusted net income (loss)	2,403	(2,242)	4,645	n.m.	3,470	(3,878)	7,348	n.m.
Select balance sheet and other information								
Total assets	2,132,221	1,744,326	387,895	22				
Term debt[3]	108,494	11,595	96,899	n.m.				
Shareholders' equity	370,463	193,862	176,601	91				
Net working capital	102,012	126,142	(24,130)	(19)				
Common share information								
Book value per common share ($)	1.62	1.08			1.62	1.08		
Closing share price ($)	2.10	1.31			2.10	1.31		
Common shares outstanding (millions)	159	75			159	75		
Common share market capitalization ($millions)	335	99			335	99		
Operating Performance - Richardson Wealth								
Revenue	76,298	61,680	14,618	24	156,863	131,832	25,031	19
Gross margin	42,160	34,191	7,969	23	87,251	74,289	12,962	17
Adjusted operating expenses	27,072	26,040	1,032	4	58,095	54,676	3,419	6
Adjusted EBITDA - Richardson Wealth[2]	15,088	8,151	6,937	85	29,156	19,613	9,543	49
AUA ($millions) - ending balance	33,991	28,266	5,725	20	33,991	28,266	5,725	20
Asset Yield[4] (%)	0.82	0.79	0.03	4	0.85	0.84	0.01	1
Adjusted EBITDA margin (%)[2]	19.8	13.2	+660 bps		18.6	14.9	+370 bps	
Recurring fee-based revenue as a % of total revenue (%)	77	79	-160 bps		74	77	-300 bps	
Adjusted operating expense ratio[2,5] (%)	64	76	-1200 bps		67	74	-700 bps	

1. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, interest expense in connection with our stock borrowing and lending business and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
2. Considered to be non-GAAP financial measures, which 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. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A. Richardson Wealth's operating results pre-October 20, 2020 are for reference purposes and were not fully consolidated into RF Capital's financial statements.
3. Term debt includes subordinated bank debt, preferred share liability and net promissory note payable.
4. Calculated as commission and fee revenue divided by average AUA.
5. Calculated as adjusted operating expenses divided by gross margin.

Second Quarter 2021 - Operating Highlights

- Record AUA of $34 billion, up $5.7 billion or 20% over same period last year
- Record AUA per advisor team of $217 million, an increase of 25% compared with the $174 million at the end of Q2 2020
- 97% of all advisor teams have grown their AUA in 2021
- Record fee-based revenue of $58.9 million, up $10.3 million or 21% over the same period last year
- Adjusted consolidated EBITDA was $13.3 million, $1.2 million or 10% higher than in Q1 2021
- Adjusted EBITDA – Richardson Wealth grew to $15.1 million, the second highest in seven years
- Adjusted EBITDA Margin – Richardson Wealth was 19.8%, up from 13.2% in Q2 2020
- Average household AUA grew to a record $1.1 million and the number of households with assets in excess of $1 million grew by 10% compared with the same period a year ago
- Connected Wealth AUA was $1.3 billion, up 20% year over year
- The strongest recruiting pipeline in the Company's history, as we are engaged in discussions with advisors representing approximately **$10 billion** of AUA
- Transaction deal flow was up almost 200% in Q2 2021 compared with the same period last year, partly due to strategic partnerships with Cormark and Bloom Burton
- Operating leverage at Richardson Wealth improved by 12 percentage points
- Announced a key strategic partnership with Envestnet, to provide a highly competitive, state-of-the-art portfolio management tool and unified managed account platform to our advisors. A committee of Richardson Wealth advisors across Canada overwhelmingly supported adopting this leading-edge technology. Envestnet currently supports 106,000 investment advisors across 5,100 companies, including 47 of the 50 largest U.S. wealth management and brokerage firms.
- Began to migrate our insurance operations in-house. This change will allow us to capture more of the economics, realize greater penetration rates, and meaningfully increase revenues on our insurance business. Currently, insurance revenue represents 1-2% of total revenue, and we expect that to grow to 7-8% over time
- Achieved a better score than all the Canadian Banks and most of our other competitors on the 2021 Investment Executive Brokerage Report Card, as measured by net promoter score and IE rating
- Recognized by a Great Place to Work™, the global authority on workplace culture, as:
    - A Best Workplace in Ontario
    - A Best Workplace for Women
    - A Best Workplace for Mental Wellness

Business Overview

RF Capital is a Toronto Stock Exchange (TSX) listed wealth management-focused company. Our common and preferred shares trade under the following ticker symbols (TSX: RCG, RCG.PR.B). We operate under the Richardson Wealth and Patrimoine Richardson brand and are one of the largest independent wealth management firms in Canada with total assets under administration (AUA) of over $34 billion. We have 157 advisor teams operating out of 19 offices in eight provinces and serve 31,000 high net worth clients across Canada.

We are proud that Richardson Wealth has been consistently recognized as a Great Place to Work™, by a global authority on workplace culture. These awards are a powerful endorsement of our diverse culture, our Company, and our people.

Update on Growth Strategy

At our annual shareholders' meeting held on May 26, 2021, we unveiled the details of our **bold and audacious growth strategy**. We believe this plan will make Richardson Wealth and Patrimoine Richardson the brand of choice for Canada's top advisors and their high net worth clients.

Aspirational Growth Objectives

	FROM	TO
AUA	$34B	$100B
REVENUE[1]	$325M	$1B
Adj. EBITDA[1]	$51M	$200-300M

1. Annualized June 2021 YTD

Access to a replay of the audio webcast and investor presentation can be found at https://rfcapgroup.com/Investor-Relations/Bold-and-Audacious-Growth-Plan.

Our growth will be supported by a favourable market backdrop. The market for retail financial wealth in Canada is expected to grow from $4.4 trillion today to $7.7 trillion[1] by 2028, creating a considerable opportunity for an independent wealth management firm with national scale. Richardson Wealth currently has a 0.7% share of Canadian retail wealth. Capturing an additional 1.4% of the existing market or 2% of the expected market growth would allow us to triple our assets under administration.

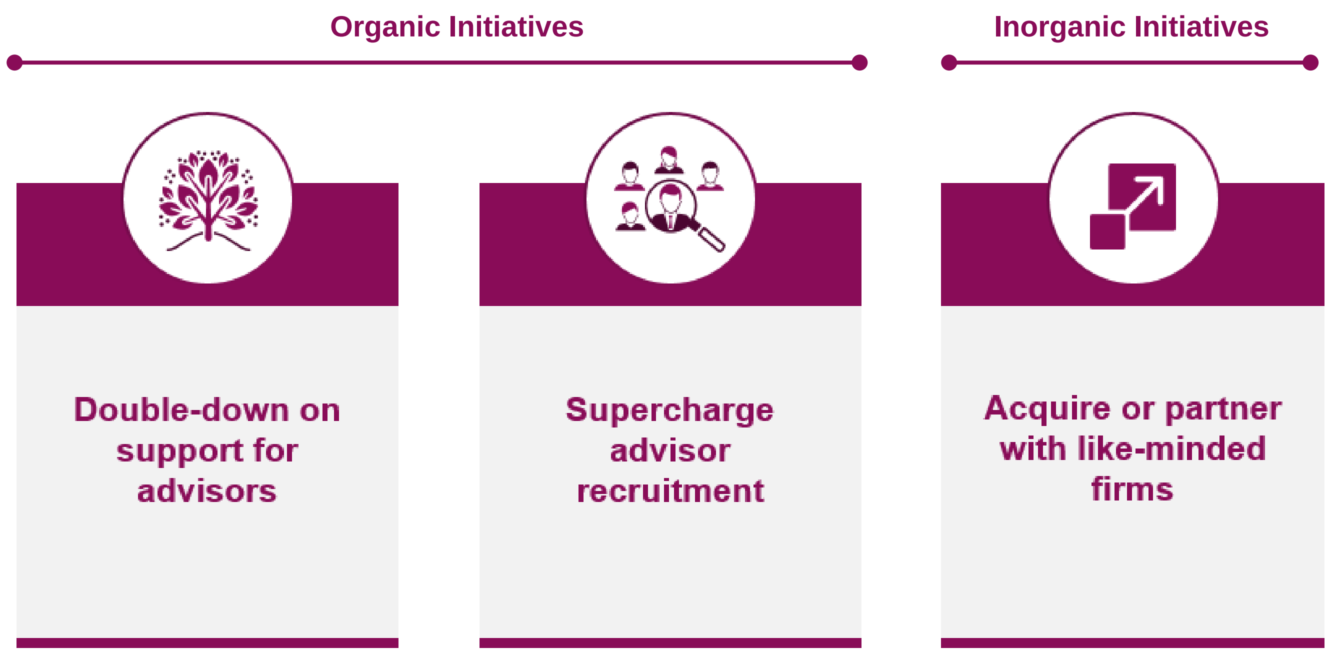
We believe that our goals are ambitious but achievable, as we embark on the next phase of our evolution from a position of strength. With clarity of ownership, a capable team, the country's leading advisors, and an exceptional brand behind us, we are now in the execution phase of our clearly defined five-year actionable plan. We are committed to driving our plan forward with focus, rigour and pace to our execution.

> **"Our progress has deepened our conviction that our transformation was the best path for creating meaningful long-term shareholder value and our new strategy should only accelerate that journey."**
>
> Kish Kapoor, President and CEO

[1] Investor Economics

Our Strategy's Three Key Strategic Pillars

Our growth strategy rests on three key strategic pillars that, we believe, will drive considerable growth, result in operating margin improvement, and generate meaningful shareholder value.



We carefully evaluated the sequencing of each pillar based on opportunity size, advisor and client impact, funding requirements, execution complexity and other inter-dependencies. Based on that assessment, we concluded that our near-term focus should be on organic initiatives. The two organic growth pillars of our strategy represent a meaningful portion of the expected increase in adjusted EBITDA over the next five years. Once those organic growth efforts take hold and our valuation multiple and share price better reflect our business' value, we will embark on a deliberate M&A agenda to acquire or partner with like-minded firms, likely in 2022 or early 2023. In the near-term, we will look at M&A opportunistically and lay the groundwork for future acquisitions.

We are committed to collaborating with our investment advisor partners to do everything possible to make it easier for them to succeed at Richardson Wealth more than anywhere else. As significant shareholders and the Company's key assets, they have a very important voice in our transformation and a significant stake in its outcome. We have actively engaged our investment advisors in our strategy by establishing multiple advisor sub-committees, which helps to ensure that they have the right opportunities to provide input and inform our decision making.

Organic Initiatives – Doubling-down on support for advisors

Our plan begins with strengthening our platform, to enhance support for advisors as they provide a high-touch, boutique experience to their high net worth clients. Preserving our unique and entrepreneurial culture will also be critical to our success.

We are currently undertaking several initiatives aimed at improving the advisor experience. For example, we are investing in digital technology and streamlining processes which will free up advisors to spend their time on deepening relationships and building their practices. We continue to canvass the marketplace and are partnering with the best providers of digital tools and technology to enhance the advisor and client experience.

Any incremental revenue from organic initiatives results in higher operating margins, given that fixed costs have already been covered. This means that a more significant portion of the incremental organic revenue drops to the bottom line and that these extra points of operating margin should result in enhanced shareholder value. Also, growing organically is the strategic pillar that requires the least capital of the three.

Organic Initiatives - Supercharging recruitment

We have invigorated our recruitment mindset and are intent on attracting a significant number of new advisors to our brand every year. To reach that goal we will continue to add top talent to our Corporate Development team, implement a more rigorous recruiting process, and enhance the financial and non-financial elements of the advisor value proposition. We will also better leverage our board, advisors, employees, and partners in promoting our brand with their peers across the country.

These initiatives should attract more entrepreneurial advisors to us from some other institutions that are becoming increasingly less advisor-centric.

Renaissance of a By-gone Era

Independent firms across Canada are enjoying a renaissance of a bygone era, when the name on the door mattered, capturing the imagination of a growing number of advisors and high net worth families opting to leave bank-owned firms for the personal, high-touch experience of a boutique firm.

In the last several years, we have taken bold strides to position ourselves to capitalize on this trend, including associating ourselves with the rich 90-year history of the powerful Richardson brand in financial services. This alignment is an unmatched calling card for our advisors and their high net worth clients.

Many of the country's top advisors are inspired to join our entrepreneurial firm, where their voices matter, where diverse perspectives are always valued, where the culture and architecture is geared toward their success, and where the name on the door is synonymous with integrity and excellence.

Inorganic Initiatives – Acquiring and partnering with like-minded firms

A large part of our growth story involves acquiring like-minded wealth management firms that are aligned with our holistic wealth planning approach, or asset managers that can add to our capabilities. We will also grow through strategic partnerships that augment the advisor value proposition in the areas such as banking, digital lead generation, business succession planning, or capital markets.

Business Segments

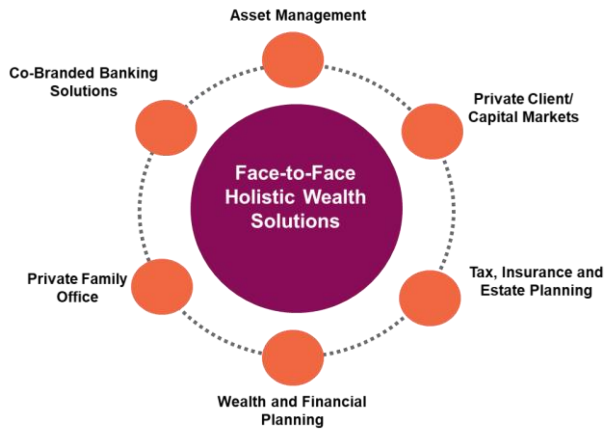
We operate through two business segments: Wealth Management and Corporate.

Wealth Management

Our Wealth Management segment supports our exceptional advisor teams that provide strategic wealth advice and innovative investment solutions to their high net worth clients across Canada. We offer advisors working under our Richardson Wealth and Patrimoine Richardson brands with a comprehensive wealth platform — including technology, carrying broker services, a comprehensive product shelf, and operational support — that enables them to deliver value to existing high net worth clients and to attract new ones.

We are building a platform that will allow our advisors to present a holistic suite of wealth management solutions to their clients:

Holistic Wealth Management Solutions



Our advisors share our entrepreneurial spirit. There is no standard formula for their success; within the boundaries of our compliance regime, they have the flexibility to determine how best to serve their clients individually. We also make a team of tax, estate, and wealth planning experts available to advisors to assist with complex client needs.

We include our carrying broker business in the Wealth Management segment since it focuses on serving the needs of our Richardson Wealth advisors.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. The functions included in the Corporate segment do not directly and entirely support the Wealth Management segment. For example, public company costs include external disclosures, registrations, maintaining a board, external audits, and other corporate services.

For further information on our business segments, please visit our corporate website at *www.rfcapgroup.com*.

Outlook

We have strong momentum heading into the second half of 2021. As a result, we anticipate continued AUA growth throughout the year, subject to broad market conditions.

Adjusted EBITDA

We expect to report adjusted EBITDA in line with Q2 levels in both remaining quarters of 2021. Growth in fee revenue will likely be offset by lower new issue revenue and higher strategic initiative spending.

Revenue

Our strategy will help our advisors build their practices and will attract new advisors to the firm. As a result, we expect to continue growing our AUA and our more stable stream of fee income. While we plan to accelerate our advisor recruiting, our expectation for the remaining two quarters of the year is for a slightly slower rate of AUA growth than we experienced in the first half of 2021 (mainly due to a forecast of lower overall equity market growth).

Commission revenue has tracked at higher than normal levels to date in 2021, as our partnerships with Cormark and Bloom Burton & Co allowed us to capitalize on the elevated level of equity issuances in Canada. Supported by these partnerships, our effective capital markets team should continue to drive activity in the coming quarters, though likely at a lower level than in 1H 2021.

Operating Expenses

We expect adjusted operating expenses in the remaining quarters of the year will be slightly higher than in Q2 2021, as we begin to invest more in support of our key strategic initiatives.

Richardson Wealth currently has enough excess capacity in its offices to absorb new advisors representing $10 billion in AUA with little incremental fixed costs. If we can recruit advisors to fill those vacancies, the operating margin on those incremental assets is almost double what we achieve in our current business.

Balance Sheet

To finance our growth plans and capitalize on the current interest rate environment, we intend to increase the size of our long-term debt facility in Q3 and renegotiate the terms thereof. Our strategic initiatives, including advisor recruiting, all require up-front outlays of cash but will deliver significant EBITDA contributions over a multi-year horizon. This mismatch between the timing of the outlays and the benefits will require us to take on additional debt. In addition, we need to make investments in some of our offices, including building out our new flagship office in downtown Toronto. Our overall appetite for leverage remains low, and we will not expose ourselves to undue financial risk.

Second Quarter 2021 Financial Highlights - Items of Note

Consolidation of Richardson Wealth

Q1 and Q2 2021 are the first full quarters in which Richardson Wealth's financial results were consolidated for a full reporting period. This change reflects the fact that we acquired 100% ownership of Richardson Wealth on October 20, 2020. Prior to this acquisition, we accounted for Richardson Wealth's results using the equity method. The results were included in our income statement under the line item "Share of net income of associate”. As a result, the comparability of results across periods is limited.

Further, prior to the transaction, RF Capital owned just 34% of Richardson Wealth, thus reported only that proportion of its earnings. After the transaction, we began to consolidate a full 100% of its financial results.

To assist readers in understanding the performance of our underlying business over time, we have included supplemental financial information for Richardson Wealth in this MD&A.

Q2 2021

Q2 2021 included:

- $2.5 million of pre-tax ($1.9 million after-tax) transformation charges and other provisions, reported in our Wealth Management segment.

- $3.3 million of pre-tax ($2.4 million after-tax) amortization of intangible assets, reported in our Corporate segment. The amortization arises from intangible assets created on the acquisition of Richardson Wealth in Q4 2020 and will recur quarterly at a similar rate through to 2035.

Q2 2020

Q2 2020 included $0.1 million of transformation charges, reported in our Corporate segment.

We have included a complete list of adjusting items for both quarters in the *Presentation of Financial Information and Non-GAAP Measures* section at the end of this MD&A.

Overall Financial Performance

Q2 2021 results are not comparable with those of Q2 2020 because we began to consolidate the financial results of Richardson Wealth in October 2020, as discussed above.

	Three months ended June 30,		Increase/ (decrease)		**Six months ended June 30,**		Increase/ (decrease)	
($000's, except as otherwise indicated)	**2021**	2020	$	%	**2021**	2020	$	%
Reported Consolidated Results:								
Revenue	**79,064**	7,070	71,994	n.m.	**162,726**	15,898	146,828	n.m.
Variable advisor compensation	**34,138**	—	34,138	n.m.	**69,612**	—	69,612	n.m.
Gross margin	**44,926**	7,070	37,856	n.m.	**93,114**	15,898	77,216	n.m.
Operating expenses	**34,096**	8,178	25,918	n.m.	**77,796**	19,164	58,632	n.m.
EBITDA - consolidated	**10,829**	(1,581)	12,410	n.m.	**15,317**	(3,625)	18,942	n.m.
Net loss	**(1,858)**	(2,351)	493	n.m.	**(9,333)**	(5,269)	(4,064)	n.m.
Adjusted Consolidated Results:								
Adjusted operating expenses	**31,583**	8,069	23,514	n.m.	**67,653**	17,773	49,880	n.m.
Adjusted EBITDA - consolidated	**13,342**	(1,472)	14,814	n.m.	**25,460**	(2,234)	27,694	n.m.
Net income (loss)	**2,403**	(2,242)	4,645	n.m.	**3,470**	(3,878)	7,348	n.m.

Q2 2021 vs. Q2 2020

Net Income

Our reported net loss decreased largely due to improved operating performance at Richardson Wealth. We are also now capturing a more significant share of Richardson Wealth's earnings as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

This improved performance occurred despite the $4.3 million of specified after-tax adjusting items ($5.8 million pre-tax), discussed in the Items of Note section above.

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA improved due to a higher contribution from Richardson Wealth, which resulted from two primary factors:

- The Richardson Wealth business increased its adjusted EBITDA on the strength of all-time high AUA and fee-based revenue; and

- We are now capturing a more significant share of that EBITDA as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

YTD 2021 vs. YTD 2020

Net Income

Our reported net loss increased as improved financial performance at Richardson Wealth was outweighed by $12.8 million of after-tax adjusting items ($16.7 million pre-tax), including transformation charges and intangible asset amortization in the first half of 2021.

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA was up for the same reasons as discussed above when comparing Q2 2021 to Q2 2020.

Segment Results

The following section highlights the financial results of our two business segments for the second quarter and first half of 2021 compared with the second quarter and first half of 2020. These segments reflect how Management evaluates financial performance.

Wealth Management

Q2 and YTD 2021 results are not comparable with those of Q2 and YTD 2020 because we began to fully consolidate the financial results of Richardson Wealth commencing in mid-fourth quarter 2020, as discussed above.

	Three months ended June 30,		% increase/ (decrease)		Six months ended June 30,		% increase/ (decrease)	
($000's, except as otherwise indicated)	2021	2020	$	%	2021	2020	$	%
Investment management and fee income	58,911	—	58,911	100	116,545	—	116,545	100
Commissions	10,131	—	10,131	100	23,149	—	23,149	100
Interest	4,455	2,148	2,307	107	9,028	5,756	3,272	57
Other income	5,463	5,023	440	9	13,931	10,363	3,568	34
Revenue	78,960	7,171	71,789	n.m.	162,653	16,119	146,534	909
Variable advisor compensation	34,138	—	34,138	100	69,612	—	69,612	100
Gross margin	44,822	7,171	37,651	525	93,041	16,119	76,922	477
Employee compensation and benefits	16,507	1,290	15,217	n.m.	35,726	3,358	32,368	n.m.
Selling, general and administrative	12,395	3,276	9,119	278	26,269	6,344	19,925	314
Transformation costs and other provisions	2,513	—	2,513	100	9,013	—	9,013	100
Advisor loan amortization	4,485	—	4,485	100	9,423	—	9,423	100
Interest	1,659	1,526	133	9	3,403	4,491	(1,088)	(24)
Depreciation and amortization	2,968	129	2,839	n.m.	5,787	257	5,530	n.m.
Expenses	40,527	6,221	34,306	551	89,621	14,450	75,171	520
Share of loss of associate[1]	—	(473)	473	(100)	—	(359)	359	(100)
Income before income taxes - reported	4,295	477	3,818	800	3,420	1,310	2,110	161
Interest	1,205	82	133	9	2,369	165	(1,088)	(24)
Depreciation and amortization	2,968	129	2,839	n.m.	5,787	257	5,530	n.m.
Advisor loan amortization	4,485	—	4,485	100	9,423	—	9,423	100
EBITDA	12,953	688	12,265	n.m.	20,999	1,732	19,267	n.m.
Adjusting items:								
Transformation costs and other provisions	2,513	—	2,513	100	9,013	—	9,013	100
Adjusted EBITDA - Wealth Management	15,466	688	14,778	n.m.	30,012	1,732	28,280	n.m.

[1]Share of loss of associate represents our proportionate share of Richardson Wealth's net loss prior to its consolidation by RF Capital.

Financial Performance

Q2 2021 vs. Q2 2020

Wealth Management reported income before taxes of $4.3 million, up from $0.5 million last year. The gross margin was $44.8 million and Adjusted EBITDA – Wealth Management was $15.5 million. The majority of the financial results are related to our Richardson Wealth operations, which are discussed in more detail below.

YTD 2021 vs. YTD 2020

Wealth Management reported income before taxes of $3.4 million up from $1.3 million in 2020. Gross margin was $93.0 million and adjusted EBITDA was $30.0 million.

Supplemental Financial Information – Richardson Wealth

Our consolidated operating results for Q2 and YTD 2021 are not comparable to those of the prior year because of the Richardson Wealth acquisition in late 2020. Due to this lack of comparability and to help the readers understand the performance of our underlying wealth management business, we have included the standalone financial results of Richardson Wealth as a supplemental disclosure below. In addition, we have focused our commentary on these results, to give readers a complete understanding of the performance of our business.

The following table sets forth an overview of the financial results of Richardson Wealth for the periods indicated:

	Three months ended June 30,		Increase/ (decrease)		Six months ended June 30,		Increase/ (decrease)	
($000, except as otherwise indicated)	2021	2020	$	%	2021	2020	$	%
Commissions	10,131	6,558	3,573	54	23,149	15,771	7,378	47
Investment management and fee income	58,911	48,618	10,293	21	116,545	101,919	14,626	14
Interest	3,348	2,741	607	22	6,646	8,583	(1,937)	(23)
Other	3,908	3,763	145	4	10,523	5,559	4,964	89
Revenue	76,298	61,680	14,618	24	156,863	131,832	25,031	19
Variable advisor compensation	34,138	27,489	6,649	24	69,612	57,543	12,069	21
Gross margin	42,160	34,191	7,969	23	87,251	74,289	12,962	17
Employee compensation and benefits	14,890	15,220	(330)	(2)	32,713	32,437	276	1
Non-compensation expenses	16,313	16,338	(25)	(0)	33,480	34,298	(818)	(2)
Transformation costs and other provisions	2,513	—	2,513	100	8,263	—	8,263	100
Advisor loan amortization	4,485	2,614	1,871	72	9,423	4,984	4,439	89
Expenses	38,201	34,172	4,029	12	83,879	71,719	12,160	17
Income before income tax	3,959	19	3,940	n.m.	3,372	2,570	802	31
Net income (loss) - reported	2,779	(387)	3,166	(818)	2,133	1,073	1,060	99
Interest	1,490	1,278	212	17	2,971	3,257	(286)	(9)
Income tax	1,180	406	774	191	1,239	1,497	(258)	(17)
Depreciation and amortization	2,641	2,922	(281)	(10)	5,127	6,238	(1,111)	(18)
Advisor loan amortization	4,485	2,614	1,871	72	9,423	4,984	4,439	89
EBITDA	12,575	6,833	5,742	84	20,893	17,049	3,844	23
Adjusting items:								
Transformation costs and other provisions	2,513	—	2,513	100	8,263	—	8,263	100
Share-based compensation	—	1,318	(1,318)	(100)	—	2,564	(2,564)	(100)
Adjusted EBITDA - Richardson Wealth	15,088	8,151	6,937	85	29,156	19,613	9,543	49

Financial Performance – Richardson Wealth

Q2 2021 vs. Q2 2020

Adjusted EBITDA – Richardson Wealth

Adjusted EBITDA – Richardson Wealth increased as a result of high revenue growth and tight cost control. This is Richardson Wealth's highest quarterly adjusted EBITDA in the past seven years. The Adjusted EBITDA – Richardson Wealth margin was 19.8% in Q2 2021, up from 13.2% in the same period a year ago.

Revenue

Revenue was up by $14.6 million or 24% from Q2 last year, benefiting from record AUA, stable yields, and high new issue activity.

	Three months ended June 30,		Increase/ (decrease)	
	2021	2020	$	%
AUA - ending ($millions)	**33,991**	28,266	5,725	20
AUA - average ($millions)	**33,592**	27,944	5,648	20
New issue participation (# of deals)	**149**	50	99	198
New issue commissions ($000's)	**3,770**	1,426	2,344	164
Asset yield (%)[1] - average AUA	**0.82**	0.79	0.03	4
Adjusted EBITDA margin (%)	**19.8**	13.2	+660 bps	
Advisory teams	**157**	162	(5)	(3)

1. Calculated as commission and fee revenue divided by average AUA.

AUA increased over Q2 2020 largely due to overall market growth. The benefits of recruiting and other organic growth activities were offset by the effects of advisor attrition, most of which occurred during the period of uncertainty prior to our acquisition of Richardson Wealth. The number of advisory teams decreased by a net five teams over the past year, with six recruited teams being offset by 11 departing for competitors. While we deeply regret the loss of any investment advisors, we expected to lose some teams during our transformation journey. We believe that our ownership stability and bold new strategy will allow us to grow Richardson Wealth's AUA by both reducing attrition and increasing recruiting going forward. We are seeing growth of our recruiting pipeline and are in discussions with many top investment advisors who have expressed interest in joining us this summer and fall.

Fee revenue was at an all-time high, up 21% from last year, and represented 77% of total revenue in Q2. Our investment advisors have successfully migrated more of their AUA to a fee-based structure over the past several years, making our revenue base more recurring and predictable.

We also generated high commission revenues in Q2 2021, partly due to our participation in new issue activity. Our strategic partnerships with Cormark Securities and Bloom Burton allowed us to continue capitalizing on the increase in overall capital markets activity.

Variable advisor compensation, an offset to revenue, was up by 24%, commensurate with the increase in fee income and commissions. It remained relatively stable as a percentage of these two revenue lines, at 49% in Q2 2021 compared with 50% in Q2 2020.

Adjusted Operating Expenses

In Richardson Wealth, we define adjusted operating expenses as the aggregate of employee compensation and benefits and selling, general, and administrative expenses: they are the costs that factor into our adjusted EBITDA calculation. Transformation, interest, and amortization costs are excluded from this definition. There is no interest expense related to securities borrowing and lending activity in Richardson Wealth.

Adjusted operating expenses were only 4% higher than last year despite 24% revenue growth, due to the largely fixed nature of our cost base. To that point, we achieved meaningful operating leverage over the year, as our operating expense ratio (adjusted operating expenses/gross margin) declined by 12 percentage points, from 76% to 64%.

The following table provides a reconciliation of Richardson Wealth's reported expenses to adjusted operating expense:

	Three months ended June 30,		Increase/ (decrease)		Six months ended June 30,		Increase/ (decrease)	
($000, except as otherwise indicated)	**2021**	2020	$	%	**2021**	2020	$	%
Expenses - reported	**38,201**	34,172	4,029	12	**83,879**	71,719	12,160	17
Advisor loan amortization	**4,485**	2,614	1,871	72	**9,423**	4,984	4,439	89
Interest	**1,490**	1,278	212	17	**2,971**	3,257	(286)	(9)
Depreciation and amortization	**2,641**	2,922	(281)	(10)	**5,127**	6,238	(1,111)	(18)
Operating expenses	**29,585**	27,358	2,227	8	**66,358**	57,240	9,118	16
Transformation costs and other provisions	**2,513**	-	2,513	100	**8,263**	-	8,263	100
Share-based compensation	**-**	1,318	(1,318)	(100)	**-**	2,564	(2,564)	(100)
Adjusted operating expenses	**27,072**	26,040	1,032	4	**58,095**	54,676	3,419	6

YTD 2021 vs. YTD 2020

Adjusted EBITDA – Richardson Wealth

Adjusted EBITDA – Richardson Wealth increased as a result of high revenue growth and tight cost control. Adjusted EBITDA margin was 18.6% in the first half of 2021, up from 14.9% in the same period a year ago.

Revenue

Revenue was up by $25.0 million or 19% from Q2 last year, benefitting from record AUA, stable yields, and high new issue activity.

	Six months ended June 30,		Increase/ (decrease)	
	2021	2020	$	%
AUA - average ($millions)	**32,759**	27,940	4,819	17
New issue participation (# of deals)	**364**	107	257	240
New issue commissions ($000's)	**8,219**	2,935	5,284	180
Asset yield[1] (%)	**0.85**	0.84	-	-
Adjusted EBITDA margin (%)	**18.6**	14.9	+370 bps	-

1. Calculated as commission and fee revenue divided by average AUA.

Investment management and fee revenue, as well as commissions, increased for the same reasons cited when discussing the Q2 2021 financial results for Richardson Wealth.

Interest revenue was the one element of revenue that declined. The decrease was due to the 150 basis point drop in overnight rates in mid-March of last year. Q1 2020 interest revenue benefited from a higher rate environment, and revenue in all of the following quarters was affected by lower rates.

Variable advisor compensation, an offset to revenue, was up by 21%, commensurate with the increase in fee income and commissions. It remained relatively stable as a percentage of these two revenue lines, at 44% in both the current and comparative period.

Adjusted Operating Expenses

Adjusted operating expenses were only 6% higher than the same period last year even as revenue grew by 19%, which reflects the largely fixed nature of our cost base. Our operating expense ratio (adjusted operating expenses/gross margin) declined by 7 percentage points, from 74% to 67%.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. The following table sets forth the financial results for the Corporate segment.

	Three months ended June 30,		Increase/ (decrease)		**Six months ended June 30,**		Increase/ (decrease)	
($000's)	**2021**	2020	$	%	**2021**	2020	$	%
Revenues	**104**	(101)	205	(203)	**73**	(221)	294	(133)
Employee compensation and benefits	**1,193**	1,200	(7)	(1)	**2,200**	2,173	27	1
Non-compensation expenses	**1,034**	859	175	20	**2,424**	1,572	852	54
Interest	**844**	175	669	382	**1,033**	354	679	192
Transformation costs	**—**	109	(109)	100	**1,130**	1,391	(261)	(19)
Amortization of acquired intangibles	**3,263**	1	3,262	n.m.	**6,526**	1	6,525	n.m.
Expenses	**6,334**	2,344	3,990	170	**13,313**	5,491	7,822	142
Loss before income taxes - reported	**(6,230)**	(2,445)	(3,785)	155	**(13,240)**	(5,712)	(7,528)	132
Transformation costs	**—**	109	(109)	100	**1,130**	1,391	(261)	(19)
Amortization of acquired intangibles	**3,263**	—	3,263	100	**6,526**	—	6,526	100
Loss before income taxes - adjusted	**(2,967)**	(2,336)	(631)	27	**(5,584)**	(4,321)	(1,263)	29
Interest	**844**	175	669	382	**1,033**	354	679	192
Adjusted EBITDA - Corporate	**(2,123)**	(2,161)	38	(2)	**(4,551)**	(3,967)	(584)	15

Financial Performance

Q2 2021 vs. Q2 2020

Net loss before tax

Our reported net loss before tax was higher than in 2020, despite operating expenses being stable. Two factors contributed to this change:

- We recorded $3.3 million of amortization related to intangible assets created on the acquisition of Richardson Wealth in Q4 2020
- We booked dividends related to preferred shares issued directly by Richardson Wealth to Richardson Financial Group Limited (a third party). These preferred shares are reported as debt under IFRS, and the dividends recorded as interest expense, at a consolidated level. The dividends accrue at an annual rate of prime plus 4%.

Adjusted EBITDA

Adjusted EBITDA was consistent with last year, due to stable adjusted operating expenses.

YTD 2021 vs. YTD 2020

Net loss before income tax

Our reported net loss before tax was higher than in 2020 largely for the same reasons as discussed above when comparing Q2 2021 to Q2 2020. In addition, higher non-compensation expenses resulted from a mark-to-market loss on outstanding deferred share units in 1H 2021 compared with the same period last year.

Adjusted EBITDA

Adjusted EBITDA was lower due to higher non-compensation expenses as discussed above.

Quarterly Results

The following table provides selected quarterly financial information for the eight most recently completed financial quarters.

The comparability of our financial results across quarters is limited primarily because we acquired full ownership interest of the Richardson Wealth business on October 20, 2020. Q1 2021 was the first quarter in which we consolidated Richardson Wealth's financial results for a full reporting period.

		2021				2020		2019
($000's, except as otherwise indicated)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Investment management and fee income	**58,911**	57,634	42,427	—	—	—	—	—
Commissions	**10,131**	13,018	6,127	—	—	—	—	—
Investment banking and principal transactions	**—**	—	—	—	—	—	533	999
Interest	**4,455**	4,573	4,271	2,463	2,177	3,639	4,575	6,360
Other income	**5,567**	8,437	7,890	5,043	4,893	5,189	3,259	3,199
Revenue	**79,064**	83,662	60,715	7,506	7,070	8,828	8,367	10,558
Advisor variable compensation	**34,138**	35,474	23,726	—	—	—	—	—
Gross margin	**44,926**	48,188	36,989	7,506	7,070	8,828	8,367	10,558
Expenses	**46,861**	56,073	38,837	12,846	8,566	11,377	11,248	14,220
Share of loss of associate	**—**	—	(1,591)	(415)	(473)	114	603	587
Gain on investment in associate	**—**	—	45,734	—	—	—	—	—
Income (loss) before income taxes	**(1,935)**	(7,885)	42,295	(5,755)	(1,968)	(2,435)	(2,278)	(3,075)
Net income (loss) from continuing operations	**(1,858)**	(7,475)	39,992	(5,760)	(1,787)	(3,038)	(5,288)	(8,123)
Net (loss) income from discontinued operation	**—**	—	—	(217)	(564)	121	(3,175)	(17,284)
Net income (loss)	**(1,858)**	(7,475)	39,992	(5,977)	(2,351)	(2,917)	(8,463)	(25,407)
Net income (loss) per Common Share:								
Basic	**(0.04)**	(0.13)	0.52	(0.08)	(0.05)	(0.06)	(0.13)	(0.38)
Diluted	**(0.04)**	(0.13)	0.26	(0.08)	(0.05)	(0.06)	(0.13)	(0.38)
Adjusted Results:								
Operating expenses	**31,583**	36,070	26,290	8,601	8,069	9,704	10,900	11,086
Income before income taxes	**3,841**	3,008	1,747	(1,854)	(1,860)	(1,153)	(2,214)	(585)
Net income (loss) from continuing operations	**2,403**	1,066	(1,242)	(2,076)	(2,242)	(1,635)	(8,399)	(14,886)
Adjusted consolidated EBITDA	**13,342**	12,118	9,108	(1,510)	(1,472)	(762)	(1,930)	59

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of Q2.

As at ($000's)	June 30, 2021	December 31, 2020	Increase/(decrease) $	%
Selected highlights:				
Total assets	**2,132,221**	2,119,919	12,302	1
Goodwill and intangible assets	**355,147**	356,881	(1,734)	100
Shareholders' equity	**370,463**	379,863	(9,400)	(2)
Term debt[1]	**108,494**	109,494	(1,000)	(1)
Net working capital	**102,012**	87,881	14,131	16

1. Includes subordinated bank debt, preferred share liability and net promissory loan payable.

Total assets increased by $12.3 million from last year, due to the general growth of our business.

Debt

Debt is up year-over-year mainly because we began to consolidate the financial results of Richardson Wealth commencing on October 20, 2020. During Q2 2021, we repaid $1.0 million of our subordinated debt.

	Three months ended June 30,	
($000's, except as otherwise indicated)	**2021**	2020
Subordinated bank debt	**66,000**	—
Promissory note (net)	**12,072**	12,849
Preferred share liability	**30,422**	—
	108,494	12,849
Ratios:		
Total debt/annualized consolidated adjusted EBITDA	**2.0**	n.m.
Annualized adjusted consolidated EBITDA/interest	**14.4**	n.m.

The subordinated bank debt is unsecured, subject to regularly scheduled repayment dates, and bears interest at the prime rate plus 2.5%. It matures in November 2021 and we intend to refinance it at that time or earlier. Promissory notes of $14.8 million are payable to employees of our former capital markets business. They are, in part, offset by promissory notes receivable in the amount of $2.8 million, for a net amount owing of $12.1 million. Both the promissory notes payable and receivable are due in September 2021.

Management and the Board continually assess our dividend policy, expense structure, and capital spending plans in the context of our financial position. As we invest more in strategic initiatives over the coming quarters, we may prudently increase our long-term debt levels to fund these initiatives. The initiatives will create shareholder value, and we will ensure that any increased leverage will not expose us to excessive financial risk.

Liquidity

Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations and future cash payments to shareholders. Management believes that our current working capital provides us with more than enough liquidity for normal operating purposes and to manage through periods of financial stress. If equity markets or other business conditions deteriorate, adversely impacting our expected cash flow, we will take swift action to preserve our liquidity position.

Other Credit Facilities

We supplement the liquidity provided by our working capital with access to a variety of other cost-effective, short-term funding sources. Available credit facilities with Schedule 1 Canadian chartered banks were $399.9 million at June 30, 2021, compared with $710.9 million at June 30, 2020. These credit facilities are available solely to facilitate the day-to-day securities settlement process, primarily for client transactions. Management considers the current level of credit availability to be sufficient. The Company had no amounts outstanding under any of these facilities at June 30, 2021 or 2020.

Liquid Assets

Liquid assets are comprised of cash, cash equivalents, and certain government securities. We hold our cash across several financial institutions, all of which have high credit ratings. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Certain government securities factor into our liquid asset and working capital balances and form an important part of our overall liquidity risk management framework. These securities are classified as inventory on our balance sheet.

Subsidiary Capital Requirements

Certain of our subsidiaries are subject to regulatory capital requirements. These requirements are designed to assess the sufficiency of their liquidity position and to provide indications to the relevant regulatory authority of possible concerns. Regulatory capital levels, which fluctuate based on margin requirements for outstanding trades and other factors, were in compliance with all regulatory requirements during the first half of 2021.

Updated Share Information

At July 29, 2021, we had 159.4 million common shares issued and outstanding. In addition, there were 660 thousand unexercised stock options outstanding, with a weighted average exercise price of $2.635 per share.

We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding. On March 31, 2021, 1.0 million Series C preferred shares automatically converted into Series B shares as a result of preferred shareholder conversion rights. The results of that conversion were press released on March 18, 2021. The Series B preferred shares pay dividends at a fixed annual rate of 3.73%.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by us, (b) key management personnel, which are comprised of our directors and/or officers and those entities that they control (directly or indirectly), and (c) any persons having authority and responsibility for planning, directing and controlling our activities.

For further information on Related-Party Transactions, please refer to Note 14 to the 2020 Annual Financial Statements.

Critical Accounting Policies and Estimates

Our significant accounting policies are essential to an understanding of our reported results of operations and financial position. Accounting policies applied by us in the first half of 2021 interim consolidated financial statements are the same as those applied by us as at and for the year ended December 31, 2020. Please refer to Note 2 to the Q2 2021 interim consolidated financial statements for further discussion.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments, or the types of financial instruments employed in our trading and non-trading activities during the first half of 2021.

For significant assumptions made in determining the valuation of financial and other instruments, refer to the "Critical Accounting Policies and Estimates" section in the 2020 Annual MD&A.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions regarding required public disclosure. As of June 30, 2021, Management evaluated the design of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the design of disclosure controls and procedures was effective.

Changes in Internal Control over Financial Reporting

To the best of the knowledge and belief of our CEO and CFO, no changes were made to our internal controls over financial reporting during the first half of 2021 that materially affected, or are reasonably likely to affect, our internal control over financial reporting. Accordingly, Management concluded that our internal controls over financial reporting were effective as of June 30, 2021.

Risk Management

The financial services industry is, by its nature, subject to numerous and substantial risks, particularly in volatile, uncertain, or illiquid markets.

We have a robust, effective, and continuously evolving enterprise-wide risk management framework designed to address nine core risks identified by us.

This framework ensures that risks impacting our business are identified, classified, assessed, and managed in the best interests of our stakeholders and any changes are promptly communicated to Management and the Board.

Our Board sets risk management direction, including the overall risk appetite and tolerance. Management is accountable for effectively managing areas of significant risk. Robust risk oversight and monitoring ensures governance and risk management effectiveness.

We view our approach to risk management as a key differentiator. Effective risk management is an essential asset that, when managed proactively using qualitative and quantitative evaluation measures, creates opportunities to capture and increase stakeholder value.

Risk Factors

For a complete description of risk factors, please see Note 26 "*Financial Risk Management*" to the 2020 Annual Financial Statements and "*Risk Factors*" in our AIF dated March 4, 2021, both of which can be found under our profile on SEDAR at *www.sedar.com*.

Presentation of Financial Information and Non-GAAP Measures

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our Second Quarter 2021 Financial Statements, which Management has prepared in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is our functional and reporting currency for the purposes of preparing our consolidated financial statements.

Non-GAAP Measures

We use a variety of measures to assess our performance. In addition to GAAP prescribed measures, we use certain non-GAAP measures that we believe provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP measures often do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP measures are reported in addition to, and should not be considered alternatives to, net income or comparable metrics determined according to IFRS as indicators of our performance, liquidity, cash flows, and profitability.

The primary non-GAAP financial measures used in this MD&A are:

Assets Under Administration

Assets under administration (AUA) is a non-GAAP financial measure of client assets common to the wealth management business. AUA represents the market value of client assets managed and administered by us from which we earn commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Our method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies.

EBITDA

The use of EBITDA is common in the wealth management industry. We believe it provides a more accurate measure of our core operating results, is a proxy for operating cash flow, and is a facilitator for enterprise valuation. EBITDA is used to evaluate core operating performance by adjusting net income to exclude:

- Interest expense, which we record primarily in connection with term debt

- Income tax expense/(benefit)

- Depreciation and amortization expense, which we record primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and

- Amortization in connection with investment advisor transition and loan programs. We view these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by Management upfront when the loan is provided rather than over its term.

Operating Expenses and Operating Expense Ratio

Operating expenses include:

- Employee compensation and benefits; and

- Selling, general, and administrative expenses

These are the expense categories that factor into the EBITDA calculation discussed above.

The Operating Expense Ratio is determined by dividing adjusted operating expenses by gross margin. We use this ratio to measure the efficiency of our operations.

Adjusted Results

In periods that we determine non-recurring or unusual specified items have a significant impact on a user's assessment of ongoing business performance, we may present adjusted results in addition to reported results by removing these items from the reported results. Management considers the adjusting items to be outside of our core operating performance. We believe that adjusted results can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how Management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers.

Adjusting items in this MD&A include the following, by reporting segment:

Wealth Management:

- ***Transformation costs and other provisions***: charges in connection with the ongoing transformation of our business and other matters

- ***Share-based compensation costs:*** adjustments for compensation recorded in connection with certain non-cash awards granted to employees and investment advisors. This amount is included in the Employee compensation and benefits expense line on our income statement. These adjustments apply only to the 2020 comparative results and not to 2021 results.

Corporate:

- ***Acquisition and transformation costs***: incremental professional and advisory fees in connection with the acquisition of Richardson Wealth and the development of our go-forward strategy

- ***Amortization of acquired intangible assets****:* amortization for intangible assets created on the acquisition of Richardson Wealth

All of the adjusting items affect reported expenses. The following table itemizes these adjustments and reconciles our reported operating expenses to adjusted operating expenses:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Total consolidated expenses - reported	**46,861**	8,565	**102,934**	19,942
Interest	**2,048**	257	**3,401**	520
Advisor loan amortization	**4,485**	—	**9,423**	—
Depreciation and amortization	**6,231**	130	**12,313**	258
Operating expenses	**34,096**	8,178	**77,796**	19,164
Transformation costs and other provisions	**2,513**	109	**10,143**	1,391
Total consolidated operating expenses - adjusted	**31,583**	8,069	**67,653**	17,773

The following table provides a reconciliation of our reported income before tax to adjusted consolidated EBITDA:

	Three months ended June 30,		Six months ended June 30,	
($000's)	**2021**	2020	**2021**	2020
Income before income taxes - reported	**(1,935)**	(1,968)	**(9,820)**	(4,403)
Advisor loan amortization	**4,485**	—	**9,423**	—
Interest[1]	**2,048**	257	**3,401**	520
Depreciation and amortization	**6,231**	130	**12,313**	258
Consolidated EBITDA - reported	**10,829**	(1,581)	**15,317**	(3,625)
Transformation costs and other provisions	**2,513**	109	**10,143**	1,391
Adjusted EBITDA	**13,342**	(1,472)	**25,460**	(2,234)

1. Excludes interest expense from stock borrow/lend activities of $0.5 million and $1.4 million in Q2 2021 and Q2 2020, respectively, and $1.0 million and $4.3 million in first half 2021 and first half 2020, respectively.

The following table overlays the adjusting expense items on reported net loss and provides a reconciliation of our reported results to adjusted net income/(loss):

	Three months ended June 30,		Six months ended June 30,	
($000's)	**2021**	2020	**2021**	2020
Net loss - reported	**(1,858)**	(2,351)	**(9,333)**	(5,269)
After-tax adjusting items:				
Transformation costs and other provisions	**1,863**	109	**8,006**	1,391
Amortization of acquired intangibles	**2,398**	—	**4,797**	—
Adjusted net income (loss)	**2,403**	(2,242)	**3,470**	(3,878)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

($ thousands)

As at	Note	June 30, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		**520,810**	556,245
Securities owned	4, 15	**67,670**	70,322
Receivable from:			
Clients		**549,809**	455,166
Brokers		**85,662**	128,273
Client funds held in trust		**422,648**	409,648
Promissory note receivable		**2,754**	2,754
Employee and other loans receivable	7	**49,556**	67,475
Equipment and leasehold improvements		**16,061**	13,587
Right-of-use assets		**22,261**	24,234
Other assets	5	**17,676**	12,810
Deferred tax assets		**22,167**	22,524
Goodwill and intangible assets	8	**355,147**	356,881
		2,132,221	2,119,919
LIABILITIES			
Obligations related to securities sold short	4, 15	**14,414**	15,320
Lease liabilities		**25,222**	25,414
Payable to:			
Clients		**1,204,056**	1,183,572
Brokers		**277,411**	264,857
Issuers		**450**	1,114
Accounts payable and accrued liabilities		**53,450**	64,888
Other liabilities		**1,682**	2,112
Provisions	10	**24,433**	19,410
Promissory note liability		**14,826**	14,826
Deferred tax liability		**49,392**	51,121
Subordinated debt and preferred shares	12	**96,422**	97,422
		1,761,758	1,740,056
EQUITY			
Shareholders' equity	9	**370,463**	379,863
		2,132,221	2,119,919

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

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald A. Wright
Chair of the Board

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS

($ thousands)	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
REVENUE					
Investment management and fee income		58,911	—	116,545	—
Commissions		10,131	—	23,149	—
Interest		4,455	2,177	9,028	5,816
Other income	11	5,567	4,893	14,004	10,082
TOTAL REVENUE	3	79,064	7,070	162,726	15,898
Variable advisor compensation		34,138	—	69,612	—
GROSS MARGIN		44,926	7,070	93,114	15,898
EXPENSES					
Employee compensation and benefits		17,700	2,490	37,926	5,531
Selling, general and administrative		13,429	4,135	28,693	7,916
Advisor loan amortization	7	4,485	—	9,423	—
Transformation costs and other provisions		2,513	109	10,143	1,391
Interest		2,503	1,701	4,436	4,846
Depreciation and amortization		6,231	130	12,313	258
		46,861	8,565	102,934	19,942
Share of net loss of associate		—	(473)	—	(359)
Loss before income taxes from continuing operations		(1,935)	(1,968)	(9,820)	(4,403)
Income tax expense (recovery)					
Current		452	(181)	885	422
Deferred		(529)	—	(1,372)	—
		(77)	(181)	(487)	422
Net loss from continuing operations		(1,858)	(1,787)	(9,333)	(4,825)
Net loss from discontinued operations		—	(564)	—	(444)
Net loss		(1,858)	(2,351)	(9,333)	(5,269)
Weighted-average number of common shares outstanding (in thousands):					
Basic	14	65,790	73,064	65,783	73,064
Diluted		159,385	75,434	159,380	75,434
Net loss per common share (dollars) from continuing operations:					
Basic	14	(0.04)	(0.04)	(0.17)	(0.10)
Diluted		(0.04)	(0.04)	(0.17)	(0.10)
Net loss per common share (dollars):					
Basic	14	(0.04)	(0.05)	(0.17)	(0.11)
Diluted		(0.04)	(0.05)	(0.17)	(0.11)

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

($ thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Net loss	**(1,858)**	(2,351)	**(9,333)**	(5,269)
Other comprehensive income:				
Item that may be subsequently reclassified to net loss:				
Foreign currency translation gain (loss)	**—**	(333)	**—**	340
Total other comprehensive income (loss)	**—**	(333)	**—**	340
Total comprehensive loss	**(1,858)**	(2,684)	**(9,333)**	(4,929)
Total comprehensive loss attributable to shareholders				
Continuing operations	**(1,858)**	(2,120)	**(9,333)**	(4,485)
Discontinued operations	**—**	(564)	**—**	(444)

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)	Preferred shares		Common shares		Deferred share-based awards	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Shareholders' equity
	#	$	#	$	$	$	$	$	$
As at December 31, 2019	4,600	112,263	74,162	325,810	(5,525)	45,273	8,287	(283,248)	202,860
Net foreign currency translation gain	—	—	—	—	—	—	365	—	365
Share-based compensation	—	—	—	—	5,525	(5,513)	—	(44)	(32)
Common shares purchased through substantial issuer bid	—	—	(16,529)	(49,178)	—	—	9,178	—	(40,000)
Common shares issued for RGMP Transaction	—	—	100,518	193,999	—	—	—	—	193,999
Common shares forfeited	—	—	(43)	(216)	—	216	—	—	—
Common share dividends	—	—	—	—	—	—	—	(1,886)	(1,886)
Preferred share dividends	—	—	—	—	—	—	—	(4,190)	(4,190)
Net income	—	—	—	—	—	—	—	28,747	28,747
As at December 31, 2020	4,600	112,263	158,108	470,415	—	39,976	17,830	(260,621)	379,863
Share-based compensation	**—**	**—**	**—**	**—**	**—**	**1,999**	**—**	**—**	**1,999**
Preferred share dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,066)**	**(2,066)**
Net loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(9,333)**	**(9,333)**
As at June 30, 2021	**4,600**	**112,263**	**158,108**	**470,415**	**—**	**41,975**	**17,830**	**(272,020)**	**370,463**

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)	Note	Six months ended June 30, 2021	2020
OPERATING ACTIVITIES			
Net loss		**(9,333)**	(5,269)
Add (deduct) items not involving cash:			
Depreciation and amortization		**12,313**	258
Deferred income taxes		**(1,372)**	—
Accretion of lease liability expense		**609**	—
Advisor loan amortization	7	**9,423**	—
Share of net income of associate		**—**	359
		11,640	(4,652)
Net change in non-cash operating items	13	**(31,637)**	148,582
Cash provided by (used in) operating activities		**(19,997)**	143,930
FINANCING ACTIVITIES			
Dividends paid on common shares		**—**	(1,886)
Dividends paid on preferred shares		**(2,066)**	(2,183)
Partial repayment of subordinated debt		**(1,000)**	—
Principal elements of lease payments		**(4,119)**	(682)
Cash provided by (used in) financing activities		**(7,185)**	(4,751)
INVESTING ACTIVITIES			
Common share dividend received from associate		**—**	698
Software and intangibles	8	**(3,809)**	—
Equipment and leasehold improvements		**(4,444)**	(24)
Cash provided by (used in) investing activities		**(8,253)**	674
Effect of foreign exchange on cash balances		**—**	455
Net change in cash and cash equivalents		**(35,435)**	140,308
Cash and cash equivalents, beginning of period		**556,245**	516,601
Cash and cash equivalents, end of period		**520,810**	656,909
Supplemental cash flow information			
Interest paid		**4,245**	4,476
Interest received		**8,806**	4,855
Taxes (paid) received		**(1,130)**	1,395

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

Note 1 - Basis of Preparation

a. Basis of Presentation

These unaudited interim condensed consolidated financial statements (consolidated financial statements) of RF Capital Group Inc. (the Company), formerly GMP Capital Inc., have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed.

These consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2020 (2020 Annual Financial Statements). All defined terms used herein are consistent with those terms as defined in the 2020 Annual Financial Statements. Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

On October 20, 2020, the Company completed the acquisition of all the common shares of Richardson Wealth Limited (Richardson Wealth) that were not previously owned by the Company (the RGMP Transaction). Richardson Wealth's results were accounted for using the equity method prior to the RGMP Transaction and consolidated thereafter. The Company has a period of one year to complete the business combination accounting.

Commencing first quarter 2021, the Company began presenting gross margin on our consolidated statement of income (loss). The Company uses gross margin, which is calculated as gross revenue less variable advisor compensation, as a measure of the operating results of the Wealth Management segment and the Richardson Wealth business. Gross margin deducts from revenue the advisor payments that are directly linked to revenue. As a result, expenses no longer include variable advisor compensation. Expenses for the stub period (October 20, 2020 to December 31, 2020) following the RGMP Transaction, have been reclassified to conform with our 2021 presentation. Prior to its acquisition, the results of Richardson Wealth were accounted for using the equity method and, as such, these presentation changes do not affect our prior year financial statement presentation for the period from January 1, 2020 to October 19, 2020.

Also commencing first quarter 2021, the Company began reporting its results on the basis of two operating segments, down from three in prior periods. The results of the securities clearing business are now included in the Wealth Management segment, along with those of Richardson Wealth, because these operations are run as a unified wealth management business. The second segment is Corporate and includes certain corporate support functions and the costs associated with operating a public company. Operating results in the prior periods have been realigned in this same manner for comparison purposes.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 29, 2021.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

b. Principles of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries, after the elimination of intercompany transactions and balances.

Note 2 - Significant Accounting Policies

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's 2020 Annual Financial Statements. There were no new accounting standards adopted by the Company during 2021.

Note 3 - Revenue from Contracts with Customers

The following table presents disaggregated revenue information for the Company for the three and six months ended June 30, 2021 and 2020.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Major revenue lines				
Investment management and fee income	**58,911**	—	**116,545**	—
Commissions	**10,131**	—	**23,149**	—
Other income	**3,343**	3,320	**7,124**	6,207
Revenue - contracts with customers	**72,385**	3,320	**146,818**	6,207
Other revenue	**6,679**	3,750	**15,908**	9,691
Total revenue	**79,064**	7,070	**162,726**	15,898

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Timing of revenue recognition				
Point in time	**10,131**	—	**23,149**	—
Over time	**62,254**	3,320	**123,669**	6,207
Revenue - contracts with customers	**72,385**	3,320	**146,818**	6,207
Other revenue	**6,679**	3,750	**15,908**	9,691
Total revenue	**79,064**	7,070	**162,726**	15,898

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 4 - Securities Owned and Obligations Related to Securities Sold Short

The following table presents a breakdown of the Company's securities owned and obligations related to securities sold short as at June 30, 2021 and December 31, 2020.

	2021		2020	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Debt securities:				
Canadian and U.S. federal governments	38,648	8,507	37,296	11,851
Canadian provincial and municipal governments	8,188	2,541	10,688	590
Corporate and other	18,619	3,366	19,660	2,879
Equity securities	2,054	—	1,528	—
Derivative financial instruments	161	—	1,150	—
	67,670	14,414	70,322	15,320

As at June 30, 2021, the Company had $17,539 in securities pledged as collateral to central clearing agencies and custodians, compared to $17,630 at December 31, 2020.

Note 5 - Other Assets

The following table presents a breakdown of the Company's other assets as at June 30, 2021 and December 31, 2020.

	2021	2020
Accounts receivable	10,425	5,804
Finance lease receivable	1,054	1,284
Prepaid deposits and other	6,197	5,722
	17,676	12,810

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 6 - Securities Borrowed and Lent

The following table presents a breakdown of the Company's securities borrowed and lent and the corresponding cash delivered and received as collateral, respectively.

	Borrowed		Lent	
	Cash delivered as collateral	Securities borrowed	Cash received as collateral	Securities lent
As at June 30, 2021	**25,116**	**24,629**	**145,363**	**147,069**
As at December 31, 2020	69,836	68,342	157,428	152,750

Note 7 - Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at June 30, 2021 and December 31, 2020.

	2021	2020
Investment advisor loans	**41,687**	58,470
Transition agreement for retirees	**2,191**	2,141
Other loans	**5,678**	6,864
	49,556	67,475

Investment advisor loans

Richardson Wealth advances interest-free funds to newly-recruited investment advisors upon commencement of their employment. Upon the satisfaction of certain conditions over a pre-specified term, Richardson Wealth is obligated to i) pay cash bonuses to the investment advisors of an amount sufficient to repay 100% of the total loans or ii) forgive the loan over a specified term on each applicable anniversary date. The Company records a reduction in the loan as advisor loan amortization over the term of such loan.

For the three and six months ended June 30, 2021, the Company recorded advisor loan amortization of $4,485 and $9,423 (2020 – nil, nil) and a corresponding reduction to loans outstanding.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 8 - Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets.

	Goodwill	Intangibles	Total
Cost			
As at December 31,2020	163,971	195,500	359,471
Additions	986	3,809	4,795
As at June 30, 2021	164,957	199,309	364,266
Accumulated amortization			
As at December 31, 2020	—	2,590	2,590
Amortization	—	6,529	6,529
As at June 30, 2021	—	9,119	9,119
Net book values			
As at December 31, 2020	163,971	192,910	356,881
As at June 30, 2021	**164,957**	**190,190**	**355,147**

Goodwill and finite life intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth.

Goodwill is tested for impairment annually on December 31 and more frequently if events or circumstances indicate that it may be impaired. The Company's finite life intangible assets are tested for impairment only in the event indicators of impairment exist. As at June 30, 2021, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Note 9 - Share Capital

On March 31, 2021, all Series C Preferred Shares automatically converted to Series B Preferred Shares on the basis of one Series B Share for each Series C Share. On March 18, 2021, the Company announced that after having taken into account all election notices received in respect of the Cumulative 5-Year Rate Reset Preferred Shares, Series B (the Series B Shares) and the Cumulative Floating Rate Preferred Shares, Series C (the Series C Shares), if the Company were to give effect to such notices there would be only 905,752 Series C Shares outstanding after the conversation date of March 31, 2021 (the Conversion Date).

The terms of the Series C Shares provided that all remaining outstanding Series C Shares would automatically convert into Series B Shares, on a one-for-one basis, on the Conversion Date, if there would remain outstanding on the Conversion Date fewer than 1,000,000 Series C Shares, after taking into account all election notices at the close of business on March 16, 2021.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend ($ thousands)
March 31, 2021	**0.225700**	**0.181788**	**993**
June 30, 2021	**0.233313**	**—**	**1,073**

On July 29, 2021, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share payable on September 30, 2021, to preferred shareholders of record on September 15, 2021.

Note 10 - Provisions

The Company recognizes provisions when it is probable that it has an obligation arising from a past event which will result in an outflow that can be reliably estimated. The Company assesses the adequacy of its provisions, if any, at each reporting period. A summary of the Company's provisions as at June 30, 2021 and the changes during the period are as follows:

	Transformation and Other Provisions
As at December 31, 2020	19,410
Additions[1]	**7,674**
Payments[2]	**(2,651)**
As at June 30, 2021	**24,433**

[1]Included in additions are $4,108 relating to key management personnel.

[2]Included in payments are $1,908 relating to key management personnel.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 11 - Other Income

The following table presents a breakdown of the Company's other income for the three and six months ended June 30, 2021 and 2020.

	Three months ended June 30,	
	2021	2020
Brokerage services	**765**	3,321
Foreign exchange	**1,630**	628
Other[1]	**3,172**	944
	5,567	4,893

	Six months ended June 30,	
	2021	2020
Brokerage services	**1,519**	6,176
Foreign exchange	**3,782**	2,292
Other[1]	**8,703**	1,614
	14,004	10,082

[1]Included in Other is insurance and private client capital markets commissions as well as certain other income.

Note 12 – Subordinated Debt and Preferred Shares

The following table presents a breakdown of the Company's debt obligations as at June 30, 2021 and December 31, 2020.

	2021	2020
Term debt held by a syndicate of schedule I and II chartered banks	**66,000**	67,000
Preferred Shares	**30,422**	30,422
	96,422	97,422

The Company also borrows money primarily to facilitate the securities settlement process for both client and proprietary transactions. Available credit facilities with Schedule I Canadian chartered banks were $399.9 million at June 30, 2021, compared to $651.8 million at December 31, 2020. The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rate benchmarks. The Company had no amounts outstanding under any of these facilities as at June 30, 2021 or December 31, 2020.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 13 - Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items.

	2021	2020
Securities owned	2,652	8,089
Receivable from clients and brokers	(52,032)	(146,317)
Client funds held in trust	(13,000)	(107,589)
Employee and other loans receivable	8,496	79
Other assets	(2,376)	(1,725)
Obligations related to securities sold short	(906)	4,592
Payable to clients, brokers and issuers	32,374	405,462
Accounts payable and accrued liabilities	(11,438)	(5,591)
Other liabilities	(430)	(118)
Provisions	5,023	(8,300)
	(31,637)	148,582

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 14 - Net Loss Per Common Share

Net loss per common share consists of the following:

	Three months ended June 30,				Six months ended June 30,			
		2021		2020		2021		2020
Net loss from continuing operations		(1,858)		(1,787)		(9,333)		(4,825)
Less: dividends on Preferred Shares		(1,073)		(1,086)		(2,066)		(2,183)
Net loss from continuing operations attributable to common shareholders		(2,931)		(2,873)		(11,399)		(7,008)
Net loss from discontinued operations		—		(564)		—		(444)
Net loss attributable to common shareholders		(2,931)		(3,437)		(11,399)		(7,452)
Weighted-average number of common shares outstanding:								
Basic								
Common shares		159,380		75,434		159,380		75,434
Common shares pledged		(1,861)		—		(1,864)		—
Common shares held by the SIP Trust[1]		(1,263)		(1,272)		(1,267)		(1,272)
Contingently returnable common shares held in escrow		(90,466)		(1,098)		(90,466)		(1,098)
		65,790		73,064		65,783		73,064
Diluted								
Dilutive effect of options		5		—		—		—
Dilutive effect of common shares pledged		1,861		—		1,864		—
Dilutive effect of shares held by the SIP Trust[1]		1,263		1,272		1,267		1,272
Dilutive effect of contingently returnable common shares held in escrow		90,466		1,098		90,466		1,098
		159,385		75,434		159,380		75,434
Net loss per common share - Basic								
Continuing operations	$	(0.04)	$	(0.04)	$	(0.17)	$	(0.10)
Discontinued operations	$	—	$	(0.01)	$	—	$	(0.01)
Total	$	(0.04)	$	(0.05)	$	(0.17)	$	(0.11)
Net loss per common share - Diluted[2]								
Continuing operations	$	(0.04)	$	(0.04)	$	(0.17)	$	(0.10)
Discontinued operations	$	—	$	(0.01)	$	—	$	(0.01)
Total	$	(0.04)	$	(0.05)	$	(0.17)	$	(0.11)

[1]The Company has established a Share Incentive Plan trust (the SIP Trust) for the purposes of purchasing the Company's common shares in the open market and delivering the common shares to the SIP participants upon vesting.

[2]In the case of a net loss, the impact of the shares pledged and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will be not be dilutive, therefore basic and diluted net loss per common share will be the same.

Note 15 - Financial Assets and Liabilities

Financial Instruments – Fair Value Hierarchy

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 into the valuation of a financial asset or financial liability as of the measurement date.

The fair value hierarchy has the following levels:

Level 1. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. They are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange. They also include debt and money market securities that are priced using aggregated trade data or reference prices based on yield, maturity and risk rating. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3. Level 3 equities are broker warrants that are valued using an internal model that uses observable data of the underlying security. The inputs for valuing the asset or liability are not based on observable market data associated with the broker warrants themselves.

The objective of these valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by arm's length market participants.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

As at June 30, 2021	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,788	2,860	—	38,648
Provincial and municipal governments	—	8,188	—	8,188
Corporate and other	—	18,619	—	18,619
Equity securities	2,050	4	—	2,054
Derivative financial assets	—	—	161	161
Financial assets carried at fair value	37,838	29,671	161	67,670
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	—	8,507	—	8,507
Provincial and municipal governments	—	2,541	—	2,541
Corporate and other	—	3,366	—	3,366
Financial liabilities carried at fair value	—	14,414	—	14,414

As at December 31, 2020	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,481	1,815	—	37,296
Provincial and municipal governments	—	10,688	—	10,688
Corporate and other	—	19,660	—	19,660
Equity securities	1,528	—	—	1,528
Derivative financial assets	—	—	1,150	1,150
Financial assets carried at fair value	37,009	32,163	1,150	70,322
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	90	11,761	—	11,851
Provincial and municipal governments	—	590	—	590
Corporate and other	—	2,879	—	2,879
Financial liabilities carried at fair value	90	15,230	—	15,320

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

	Level 3 fair value
As at December 31, 2020	1,150
Net unrealized loss before income taxes	**(28)**
Proceeds from disposition	**(961)**
As at June 30, 2021	**161**

Note 16 – Update on COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruption to businesses globally and led to considerable stress in global equity markets in the early days of the pandemic. Mass vaccination programs are advancing, with many jurisdictions across Canada beginning to relax the strict health and safety protocols that remained largely in place since the initial outbreak. The prospects of our fourth wave of coronavirus infections resulting from the emergence and rapid transmission of the delta and lambda variants may affect the speed and sustainability of economic recovery. As such, it is not possible to reliably estimate the trajectory of the recovery or the impact on the financial results and condition of the Company in future periods. The health and safety of our employees, clients, vendors, and shareholders is the Company's top priority.

Note 17 - Segmented Information

Wealth Management

The Wealth Management segment consists of the Company's wealth management distribution, asset management and carrying broker businesses.

Corporate

The Corporate segment is comprised of certain corporate functions. Amortization of intangibles acquired as a result of the RGMP Transaction is included in the Corporate segment.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table presents selected financial results of the Company's continuing operations by segment for the three and six months ended June 30, 2021 and 2020.

	Three months ended June 30,					
	Wealth Management		Corporate		Total	
	2021	2020	**2021**	2020	**2021**	2020
Total revenue	**78,960**	7,171	**104**	(101)	**79,064**	7,070
Variable advisor compensation	**34,138**	—	**—**	—	**34,138**	—
Gross margin	**44,822**	7,171	**104**	(101)	**44,926**	7,070
Expenses						
Employee compensation and benefits	**16,507**	1,290	**1,193**	1,200	**17,700**	2,490
Selling, general and administrative	**12,395**	3,276	**1,034**	859	**13,429**	4,135
Advisor loan amortization	**4,485**	—	**—**	—	**4,485**	—
Transformation costs and other provisions	**2,513**	—	**—**	109	**2,513**	109
Interest	**1,659**	1,526	**844**	175	**2,503**	1,701
Depreciation and amortization[1]	**2,968**	129	**3,263**	1	**6,231**	130
	40,527	6,221	**6,334**	2,344	**46,861**	8,565
Share of net loss of associate	**—**	(473)	**—**	—	**—**	(473)
Income (loss) before income taxes	**4,295**	477	**(6,230)**	(2,445)	**(1,935)**	(1,968)

[1]Amortization for three months ended June 30, 2021 of $3,263 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Six months ended June 30,					
	Wealth Management		Corporate		Total	
	2021	2020	2021	2020	2021	2020
Total revenue	162,653	16,119	73	(221)	162,726	15,898
Variable advisor compensation	69,612	—	—	—	69,612	—
Gross margin	93,041	16,119	73	(221)	93,114	15,898
Expenses						
Employee compensation and benefits	35,726	3,358	2,200	2,173	37,926	5,531
Selling, general and administrative	26,269	6,344	2,424	1,572	28,693	7,916
Advisor loan amortization	9,423	—	—	—	9,423	—
Transformation costs and other provisions	9,013	—	1,130	1,391	10,143	1,391
Interest	3,403	4,492	1,033	354	4,436	4,846
Depreciation and amortization[1]	5,787	257	6,526	1	12,313	258
	89,621	14,451	13,313	5,491	102,934	19,942
Share of net loss of associate	—	(359)	—	—	—	(359)
Income (loss) before income taxes	3,420	1,309	(13,240)	(5,712)	(9,820)	(4,403)

[1]Amortization for six months ended June 30, 2021 of $6,526 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.