

Lorne Park Capital Partners Inc.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2021



LORNE PARK
CAPITAL PARTNERS INC.

Management's Discussion and Analysis For the Three and Nine Months Ended September 30, 2021

In \$000s, Except Share Data and Unless Otherwise Specified

Introduction

This Management's Discussion and Analysis ("MD&A") document, prepared on October 26, 2021, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Lorne Park Capital Partners Inc. ("LPCP" or "the Company") as at September 30, 2021 and with the audited consolidated financial statements as at December 31, 2020.

This MD&A and the consolidated financial statements are expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information in this MD&A is presented on a consolidated basis. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in thousands of Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the quarter and year-to-date ended September 30, 2020.

The offices of LPCP are at 1295 Cornwall Road, Unit A3, Oakville, Ontario, L6J 7T5 and further inquiries regarding the Company may be directed to its Chief Executive Officer, Robert Sewell, at (905) 337-2227 or by email at investor.relations@lpcp.ca.

Forward-Looking Statements

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to LPCP and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest rates, global financial markets, changes in government regulations, industry competition, technological developments and other factors described under "Risk Management" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that interest rates will remain relatively stable.

Non-IFRS Measures

The Company uses certain measures to evaluate and assess the performance of its business, which are not defined within IFRS. These measures are EBITDA, Adjusted EBITDA, and Adjusted EBITDA per share. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. However, the Company believes that most shareholders, creditors, investment analysts and other stakeholders prefer to utilize these measures in their analysis of our results.

We define EBITDA as net income (loss) before financing costs, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA, adjusted for acquisition, restructuring, integration, and share-based compensation expenses. Adjusted EBITDA per share is calculated using the same average shares outstanding that are used in calculating income per share. The Company believes these are important measures as they allow management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, the amount of net earnings attributable to non-controlling interests and the level of capital expenditures. The most comparable IFRS measure is "Net income (loss)", which is disclosed in the Company's Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), and a reconciliation to that measure is provided within the section below entitled Net Income, Comprehensive Income, and Adjusted EBITDA.

Business Overview and Highlights

Lorne Park Capital Partners Inc. is a public company listed on the TSX-V as "LPC-V".

LPCP and its wholly-owned subsidiaries, Bellwether Investment Management Inc. ("Bellwether") and Bellwether Estate and Insurance Services Inc. ("Bellwether Estate"), are incorporated and domiciled in Canada. As at September 30, 2021, the Chief Executive Officer and a member of the Board of Directors held 50.3% of LPCP's common shares. Bellwether is registered with the Ontario Securities Commission as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager, and its principal business is the provision of discretionary portfolio management services to affluent Canadian investors, estates, trusts, endowments and foundations. Bellwether Estate was formed on February 14, 2018 and is registered as an insurance agent corporation with the Financial Services Commission of Ontario.

COVID-19

COVID-19 continues to have an impact on stock markets and the economy around the world. Efforts by governments to control the spread of COVID-19 have continued to disrupt normal economic activity both domestically and globally. Uncertainty related to the extent, duration and severity of the pandemic contributes to significant volatility in the financial markets. To control the spread of COVID-19, many governments at all levels continue to impose severe restrictions on business activity and travel. Although certain of these restrictions were eased, and vaccines continue to be administered, there can be no certainty when these restrictions will be fully lifted or that they will not be expanded.

We activated our business continuity plan in early March 2020 to mitigate risks, maintain operational efficiency and service levels, and address the health and safety concerns of our employees, clients, and advisors. With few exceptions, all the business operations continue to be carried out remotely. The extensive use of remote communication tools and third-party services may lead to heightened cybersecurity and privacy risks. Stress on technology resources, new workplace constraints, personal stress and health concerns may all lead to higher operational risks. As part of the plan, we implemented enhanced monitoring of network assets and management oversight of our business processes, active employee engagement and client communication, and built redundancy for critical services and infrastructure, however there can be no guarantee that this will be effective to mitigate these risks.

We continue to review the financial impact of the COVID-19 pandemic and market risk to our capital position and profitability should the duration, spread or intensity of the pandemic further develop. Our revenues are directly correlated to the market value of our AUM. During the first quarter in the prior year, we experienced a market depreciation in our AUM of 12.9%, however, this decline was recovered during the remainder of 2020, and we ended the year with a market appreciation in our AUM of 5.8%. During the nine months ended September 30, 2021, we experienced a market appreciation of 10.6%. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 both in the short- and long-term and, as a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

We proactively lowered the overall volatility risk in client portfolios and regularly evaluate exposure to higher volatility investments, and we continue to closely monitor the markets and client portfolios and risk tolerances to identify ways to protect capital and to take advantage of any opportunities that this market provides. However, we may face declines in our AUM as a result of client redemptions related to a variety of COVID-19 related factors including general market pessimism, poor fund performance, or clients' needs for immediate cash. Refer to Risks Related to Assets Under Management within the Risk Management section of this MD&A for further details.

We maintain sufficient liquidity to satisfy all of our financial obligations for the foreseeable future. Despite this liquidity, we may see an impact to the cost of capital in the future as a result of disrupted credit markets or potential credit rating actions in relation to our debt. Furthermore, a sustained period of significant market volatility could result in a write-down of our goodwill and intangible assets in subsequent periods, and provide a higher level of uncertainty with respect to management's judgments and estimates.

Dividend Policy

On March 30, 2021, the Company's Board adopted a quarterly cash dividend policy. Such quarterly dividends are only payable as and when declared by the Board and there is no entitlement to any dividends prior thereto.

On March 30, 2021, the Board declared a dividend of \$0.005 per share on each of its common shares, totaling \$259. This dividend was paid on April 27, 2021 to the shareholders of record on April 13, 2021.

On July 2, 2021, the Board declared a dividend of \$0.005 per share on each of its common shares, totaling \$259. This dividend was paid on July 30, 2021 to the shareholders of record on July 16, 2021.

On October 1, 2021, the Board declared a dividend of \$0.005 per share on each of its common shares, totaling \$259. This dividend will be paid on October 29, 2021 to the shareholders of record on October 15, 2021.

Employee Share Savings Plan

On June 25, 2021 the Company received approval for an Employee Share Savings Plan ("ESSP"), and it became effective for eligible employees on July 1, 2021. We believe the ESSP will help us to attract and retain talent as we continue our growth, incentivize our employees to save for their future, and allow employees to be more involved in the future development and results of the Company.

The key terms of the ESSP are as follows:

The aggregate number of common shares of the Company reserved for issuance from treasury under the ESSP shall not exceed 2,000,000 common shares, provided, however, the number of common shares reserved for issuance from the treasury pursuant to all security-based compensation arrangements shall, in the aggregate, not exceed 20% of the number of common shares issues and outstanding.

Eligible employees can elect to have a percentage of their earnings withheld, subject to a maximum, to allocate into a registered account (the "Employee Contribution"). The employee can elect all or a portion of the Employee Contribution to be used to acquire common shares of the Company. The Company matches the Employee Contribution, subject to a maximum, which will be used to acquire common shares of the Company (the "Company Contribution").

The ESSP trustee is Bellwether (the "Trustee"). The Trustee, on behalf of the employees, will acquire common shares of the Company from treasury, at a purchase price which is the lesser of:

- i. the closing market price of the common shares traded on the TSX Venture Exchange (the "TSX Venture") on the previous business day; and
- ii. the greater of:
 - a. the trailing 30-day volume weighted average price of the common shares traded on the TSX Venture; and
 - b. 85% of the closing market price of the common shares traded on the TSX Venture on the previous business day.

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The Company, in its sole discretion, shall determine the timing of the treasury issuance, which will be dependent on various factors, including the aggregate amount of funds available for the purchase of common shares.

The common shares issued to an employee may be subject to a four-month resale restriction imposed by the TSX Venture. In addition, all common shares purchased with Company Contributions are subject to a hold period of twelve-months following the receipt of such shares in the account of the employee, subject to certain exceptions.

During the nine-month and three-month periods ended September 30, 2021, \$36 was expensed, and no shares have been issued under the ESSP.

Corporate Head Office

On June 1, 2021, the Company moved its corporate head office to a larger facility to accommodate our future growth, provide for increased interoffice collaborations, and to provide better client and advisor experiences. We moved from 1265 Cornwall Road, Suite 202, Oakville, Ontario, L6J 7T5 to 1295 Cornwall Road, Unit A3, Oakville, Ontario, L6J 7T5.

Senior Leadership

On September 7, 2021, the Company appointed Julianna Varpalotai-Xavier as Chief Operating Officer of Bellwether. Julianna is a CPA, CA, has an MBA from the University of Cambridge, and has more than 20 years of experience in the portfolio management industry. Over the course of her career, she has had extensive experience working with affluent families, institutional clients and advisors. Julianna replaced Susan Schulze, who resigned from that role effective September 7, 2021. Susan has assumed a new role for Bellwether as VP of Practice Management. In her new role, Susan will focus on all aspects of practice management, including training and education, advisor development, and creating a consistent client experience.

Business Outlook

The Company has established an excellent long-term investment track record in its core investment solutions and is positioned to continue to rapidly accelerate its business growth. Our primary focus for the remainder of 2021 is on the continued development of our portfolio management team and business development. The priorities include four objectives in this context:

1. Continue to make strides in the performance, management, and marketing of our branded investment solutions via our existing network.
2. Continue to provide our affluent clients with excellent investment returns through our tailored investment solutions approach.
3. Continue to actively pursue the addition of established Portfolio Managers and their client bases to further enhance the depth of the portfolio management team and accelerate AUM growth.
4. Develop alternative distribution channels to market our established investment solutions and rapidly accelerate AUM growth.

Financial Highlights

- AUM as at September 30, 2021 was \$1,791,573, an increase of \$204,481 or 12.9% compared to \$1,587,092 as at December 31, 2020. This increase resulted primarily from market appreciation during the period, as well as net additions from clients. AUM also increased \$298,013 or 20.0% compared to \$1,493,561 as at September 30, 2020. During the first quarter in the prior year, coinciding with the start of COVID-19, we experienced a market depreciation in our AUM of 12.9%, which was subsequently recovered during the remainder of 2020. The increase in AUM from September 30, 2020 to September 30, 2021 was due to market appreciation, as well as net additions from clients.
- Revenues increased \$3,095 or 22.6% and \$1,180 or 25.2% during the nine months and three months ended September 30, 2021, respectively, compared to the same periods in the prior year, due to higher average AUM and higher AUM within our pooled funds during the current year periods.
- Total expenses increased \$1,988 or 14.6% and \$788 or 17.3% during the nine months and three months ended September 30, 2021 compared to the same periods in the prior year. This was primarily due to higher expenses relating to increased AUM and revenues, higher amortization resulting from additional intangible assets, and higher professional fees.
- Net income and comprehensive income improved to income of \$549 during the nine months ended September 30, 2021 compared to income of \$86 during the same period in the prior year. Net income and comprehensive income improved to income of \$286 during the three months ended September 30, 2021 compared to \$134 during the same period in the prior year. Adjusted EBITDA¹ also improved to \$3,482 and \$1,293, during the nine-month and three-month periods ended September 30, 2021, respectively.
- Cash and cash equivalents and short-term investments increased \$2,598 or 77.7% during the nine months ended September 30, 2021, with an ending balance of \$5,942. This increase was primarily due to net cash generated from operating activities, with partial offset from dividends paid, interest paid, payments on lease obligations and acquisition of property and equipment.

¹ Refer to 'Non-IFRS Measures'

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Summary Financial Information

<i>Key Performance Indicators</i>	As at and for the nine months ended		As at and for the three months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Assets under management	\$ 1,791,573	\$ 1,493,561	\$ 1,791,573	\$ 1,493,561
Revenue	16,783	13,689	5,874	4,693
Expenses	15,587	13,599	5,347	4,559
Net income and comprehensive income	549	86	286	134
Net income and comprehensive income attributable to Company's shareholders	1,267	452	527	258
Income per common share:				
Basic	0.024	0.009	0.010	0.005
Diluted	0.024	0.009	0.010	0.005
EBITDA ¹	3,263	1,603	1,220	639
Adjusted EBITDA ¹	3,482	1,844	1,293	683
Adjusted EBITDA per common share ¹ :				
Basic	0.067	0.036	0.025	0.013
Diluted	0.065	0.035	0.024	0.013

Summary Balance Sheet

	As at	
	September 30, 2021	December 31, 2020
Cash, cash equivalents and short-term investments	\$ 5,942	\$ 3,344
Total assets	26,646	24,581
Total liabilities	10,676	8,810
Total shareholders' equity	15,970	15,771

¹ Refer to 'Non-IFRS Measures'

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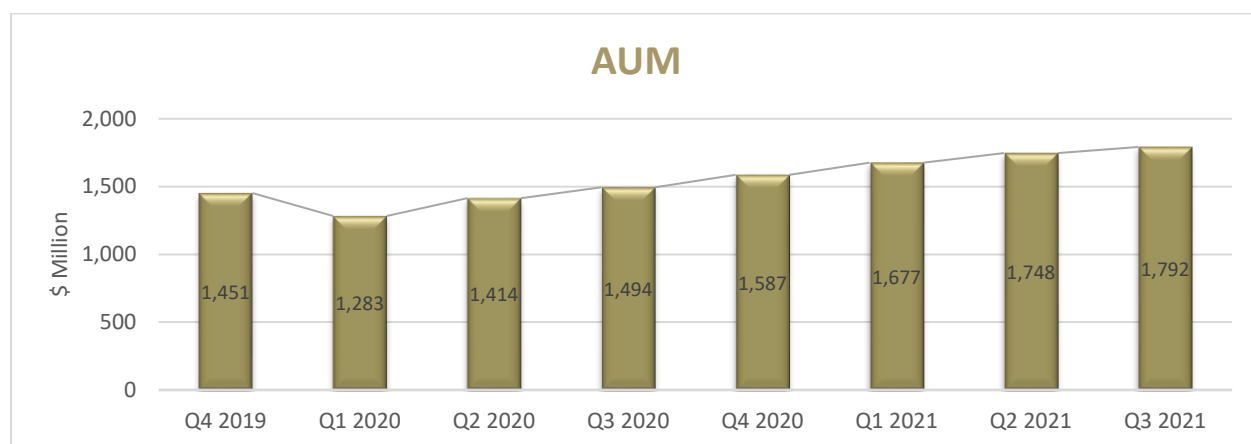
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Results of Operations

Assets Under Management and Revenues

AUM was \$1,791,573 as at September 30, 2021, for an increase of \$204,481 or 12.9% compared to \$1,587,092 as at December 31, 2020. The main reason for this increase was due to market appreciation during the nine months ended September 30, 2021, as well as net additions from clients.

AUM also increased \$298,013 or 20.0% compared to \$1,493,561 as at September 30, 2020. During the first quarter in the prior year, coinciding with the start of COVID-19, we experienced a market depreciation in our AUM of 12.9%, which was subsequently recovered during the remainder of 2020. The increase in AUM from September 30, 2020 to September 30, 2021 was due to market appreciation, as well as net additions from clients.



The following is a summary of the change in AUM during the nine-month and three-month periods ended September 30, 2021 and 2020, as well as the average AUM during the respective periods:

	Nine months ended		Three months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
AUM, beginning of period	\$ 1,587,092	\$ 1,451,309	\$ 1,747,681	\$ 1,413,736
Net additions	35,658	45,829	27,438	17,614
Market appreciation (depreciation)	168,823	(3,578)	16,455	62,211
AUM, end of period	\$ 1,791,573	\$ 1,493,561	\$ 1,791,573	\$ 1,493,561
Average AUM	\$ 1,718,167	\$ 1,424,313	\$ 1,795,084	\$ 1,487,150

The net additions from clients were \$35,658 during the nine months ended September 30, 2021 compared to net additions of \$45,829 during the same period in the prior year. During the three months ended September 30, 2021, the net additions from clients were \$27,438 compared to net additions of \$17,614 during the same period in the prior year. The net additions from clients were attributable to the addition of new clients, and existing clients entrusting the Company with additional assets to manage.

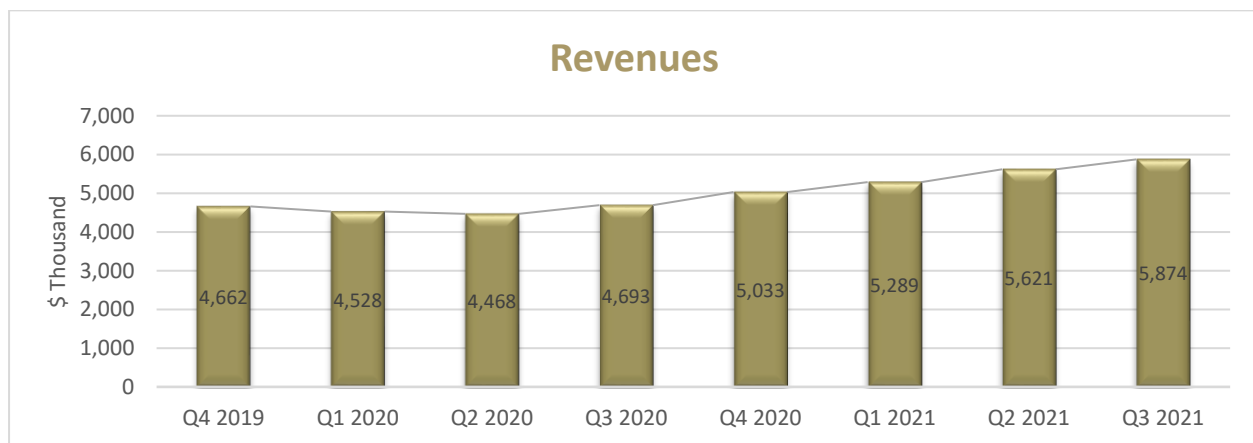
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The market appreciation was \$168,823 during the nine months ended September 30, 2021 compared to a depreciation of \$3,578 during the same period in the prior year. The prior year period included the impact resulting from the start of COVID-19 in the first quarter. During the three months ended September 30, 2021, the market appreciation was \$16,455 compared to an appreciation of \$62,211 during the same period in the prior year.

The average AUM was \$1,718,167 during the nine months ended September 30, 2021, an increase of \$2943,854 or 20.6% compared to \$1,424,313 during the same period in the prior year. During the three months ended September 30, 2021, the average AUM was \$1,795,084, an increase of \$307,934 or 20.7% compared to \$1,487,150 during the same period in the prior year.

Revenues were \$16,783 during the nine months ended September 30, 2021, an increase of \$3,095 or 22.6% from \$13,689 during the same period in the prior year. Revenues were \$5,874 during the three months ended September 30, 2021, an increase of \$1,180 or 25.2% from \$4,693 during the same period in the prior year. The main reasons for the increase were due to the growth in average AUM, and higher AUM within our pooled funds.



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Expenses

Expenses consist of the following:

	Nine months ended		Three months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Operating Expenses				
Salaries and benefits	\$ 11,467	\$ 10,204	\$ 4,006	\$ 3,440
Professional fees	304	235	97	74
Investment research fees	241	191	79	65
Direct fund costs	815	713	264	245
Rent and facility	93	117	30	35
Marketing and client retention	133	135	31	57
Depreciation and amortization	1,636	1,087	539	362
Other administrative costs	260	245	95	79
	14,950	12,927	5,140	4,357
Other Expense (Income)				
Public company expenses	62	57	19	17
Financing costs	431	427	154	143
Interest income	(2)	(13)	(1)	(2)
Share-based compensation	147	201	35	44
	\$ 15,587	\$ 13,599	\$ 5,347	\$ 4,559

Total expenses increased \$1,988 or 14.6% from \$13,599 for the nine months ended September 30, 2020 to \$15,587 for the nine months ended September 30, 2021, with the main variances as follows:

- An increase in salaries and benefits of \$1,263. Included in salaries and benefits are salaries, wages, bonuses, and commissions owing to employees, contractors, and consultants. The main reason for the increase was due to increased variable compensation resulting from higher revenues.
- An increase in professional fees of \$69. Professional fees include audit, regulatory, IT, recruiting, advisory and legal expenses. The increase was primarily due to higher recruiting and legal expenses.
- An increase in direct fund costs of \$102 resulting from increased AUM in our pooled funds, as well as additional pooled funds during the current period.
- An increase in depreciation and amortization of \$549. As a result of the investment in a partnership in the latter part of 2020, additional client relationship intangible assets were identified and are being amortized in the current period.
- A decrease in share-based compensation of \$54. The main reason for the decrease was due to a larger grant of stock options in the prior year.

Total expenses increased \$788 or 17.3% from \$4,559 for the three months ended September 30, 2020 to \$5,347 for the three months ended September 30, 2021, with the main variances as follows:

- An increase in salaries and benefits of \$566, mainly due to increased variable compensation resulting from higher revenues.

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- An increase in depreciation and amortization of \$177 due to additional client relationship intangible assets being amortized.

Net Income, Comprehensive Income, and Adjusted EBITDA¹

Net income and comprehensive income increased \$463 to income of \$549 during the nine months ended September 30, 2021, compared to income of \$86 during the same period in the prior year. Net income and comprehensive income also increased \$152 to income of \$286 during the three months ended September 30, 2021, compared to income of \$134 during the same period in the prior year. The main reason for the increase was due to increased revenues, with a partial offset from increased expenses, as detailed above, and increased income tax expense.

Historically, Bellwether had non-capital income tax losses which were available to offset taxable income. In 2021, it is expected that Bellwether will have utilized all the available losses and will be in a taxes payable position, and this is reflected in income tax expense of \$647 and \$240 during the nine months and three months ended September 30, 2021, respectively.

The following table outlines how EBITDA¹ and Adjusted EBITDA¹ were determined:

	Nine months ended		Three months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net income and comprehensive income	\$ 549	\$ 86	\$ 286	\$ 134
Adjustments				
Financing costs	431	427	154	143
Depreciation and amortization	1,636	1,087	539	362
Income tax expense	647	3	240	-
EBITDA ¹	3,263	1,603	1,220	639
Other adjustments				
Non-cash share-based compensation	147	201	35	44
Non-recurring expenses related to:				
Acquisitions	(9)	40	(9)	-
Employees	81	-	47	-
Adjusted EBITDA ¹	\$ 3,482	\$ 1,844	\$ 1,293	\$ 683

During the nine-month and three-month periods ended September 30, 2021, we incurred \$147 and \$35 in non-cash share-based compensation, respectively, and \$81 and \$47 in non-recurring employee related expenses, respectively.

During nine-month and three-month periods ended September 30, 2020, we incurred \$201 and \$44 in non-cash share-based compensation, respectively. During the nine-month period ended September 30, 2020, we also incurred \$40 in non-recurring acquisition related expenses.

¹ Refer to 'Non-IFRS Measures'

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After adjusting for non-recurring and non-cash expenses, Adjusted EBITDA¹ for the nine months ended September 30, 2021 improved \$1,638 to earnings of \$3,482 compared to \$1,844 during the same period in the prior year. Adjusted EBITDA¹ also improved \$610 to earnings of \$1,293 for the three months ended September 30, 2021 compared to \$683 during the same period in the prior year.

Statement of Financial Position

Cash and cash equivalents and short-term investments increased \$2,598 or 77.7% from \$3,344 as at December 31, 2020 to \$5,942 as at September 30, 2021. The main contributors were as follows:

Net cash generated from operating activities	\$	3,820
Dividends paid		(517)
Interest paid		(455)
Payments of lease obligations		(145)
Acquisition of property and equipment		(128)
Proceeds on exercise of options		20
Interest received		2
	\$	2,598

Accounts receivable increased \$222 or 10.8% from \$2,050 as at December 31, 2020 to \$2,271 as at September 30, 2021. The main reason for this increase was due to increased revenues.

Property and equipment increased \$109 or 210.6% from \$52 as at December 31, 2020 to \$161 as at September 30, 2021. The main reason for this increase was due to the addition of leasehold improvements on our relocated head office, with partial offset from the depreciation recognized during the nine months ended September 30, 2021.

Right-of-use assets increased \$586 or 703.7% from \$83 as at December 31, 2020 to \$669 as at September 30, 2021. The main reason for this increase was due to the relocation of our head office and the related lease obligation and corresponding right-of-use asset that arose, with partial offset from the depreciation recognized during the nine months ended September 30, 2021.

Intangible assets decreased \$1,500 or 8.7% from \$17,298 as at December 31, 2020 to \$15,798 as at September 30, 2021. Included in intangible assets is the cost of acquired client relationships, net of accumulated amortization. The reason for this decrease was due to the amortization recognized during the nine months ended September 30, 2021.

Accounts payable and accrued liabilities increased \$1,312 or 65.1% from \$2,016 as at December 31, 2020 to \$3,328 as at September 30, 2021, mainly due to accrued provisions for estimated current income taxes and bonuses, as well as due to the timing of payments of various other accounts payable and accrued amounts.

Lease liability increased \$575 or 547.6% from \$105 as at December 31, 2020 to \$680 as at September 30, 2021. The main reason for this increase was due to the relocation of our head office and the related lease

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obligation that arose, with partial offset from lease payments made during the nine months ended September 30, 2021.

Reserve for options and warrants increased \$135 or 14.6% from \$929 as at December 31, 2020 to \$1,064 as at September 30, 2021. The main reason for this increase was due to share-based compensation arising from option grants, with partial offset from option exercises and the reclassification to share capital.

Non-controlling interest decreased \$718 or 8.6% from \$8,321 as at December 31, 2020 to \$7,603 as at September 30, 2021. Non-controlling interest exists due to investments made in partnerships, which resulted in Bellwether acquiring control over each partnership, and as a result, assessed the fair value of the non-controlling interests on the date of each transaction based on a discounted cash flow analysis using various assumptions and estimates. The reason for the decrease was due to the recognition of the non-controlling interest portion of the intangible asset amortization being recognized in the partnerships during the nine months ended September 30, 2021.

Liquidity and Capital Resources

The following is a summary of the cash flows of the Company for the nine-month and three-month periods ended September 30, 2021 and 2020:

	Nine months ended		Three months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Cash provided by (used in)				
Operating activities	\$ 3,820	\$ 2,007	\$ 1,576	\$ 947
Financing activities	(1,097)	(205)	(492)	159
Investing activities	(183)	(536)	(26)	(14)
Net increase in cash and cash equivalents	2,540	1,266	1,058	1,091
Cash and cash equivalents, beginning of period	1,958	2,349	3,440	2,524
Cash and cash equivalents, end of period	\$ 4,498	\$ 3,615	\$ 4,498	\$ 3,615

The Company generated \$3,820 and \$1,576 from operating activities during the nine months and three months ended September 30, 2021, respectively, compared to a generation of \$2,007 and \$947 during the same periods in the prior year. The main reasons for the increase in cash generated from operating activities were due to an improvement in cash adjusted net income and less cash invested in net working capital accounts.

The Company used \$1,097 and \$492 in financing activities during the nine months and three months ended September 30, 2021, respectively, compared to a usage of \$205 and \$159 during the same periods in the prior year. The current year periods include the payment of dividends on common shares, which was not incurred during the prior year periods, and the prior year periods include proceeds on the exercise of warrants.

The Company used \$183 and \$26 in investing activities during the nine months and three months ended September 30, 2021, respectively, compared to a usage of \$536 and \$14 during the same periods in the prior year. The prior year periods included more funds invested in short-term investments, as well as payments arising from the acquisition of a book of business and an entity. This was partially offset from

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the current year periods including higher acquisition of property and equipment arising from leasehold improvements on our relocated head office.

Summary of Quarterly Results

	As at and for the three months ended							
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Assets under management	\$ 1,791,573	\$ 1,747,681	\$ 1,677,090	\$ 1,587,092	\$ 1,493,561	\$ 1,413,736	\$ 1,282,675	\$ 1,451,309
Revenue	\$ 5,874	\$ 5,621	\$ 5,289	\$ 5,033	\$ 4,693	\$ 4,468	\$ 4,528	\$ 4,662
Operating Expenses								
Salaries and benefits	4,006	3,803	3,658	3,449	3,440	3,376	3,388	3,371
Professional fees	97	109	97	57	74	53	107	79
Investment research fees	79	81	81	66	65	65	60	83
Direct fund costs	264	237	315	275	245	234	234	216
Rent and facility	30	37	27	40	35	43	39	37
Marketing and client retention	31	57	45	34	57	29	50	46
Depreciation and amortization	539	553	544	428	362	362	362	339
Other administrative costs	95	92	74	117	79	80	86	163
	5,140	4,969	4,841	4,465	4,357	4,242	4,327	4,334
Other Expense (Income)								
Public company expenses	19	25	18	18	17	19	21	22
Financing costs	154	139	138	142	143	142	143	143
Interest income	(1)	(1)	(1)	(2)	(2)	(3)	(9)	(6)
Share-based compensation	35	75	37	44	44	47	110	13
	5,347	5,208	5,033	4,668	4,559	4,447	4,593	4,506
Net income (loss) before provision of income taxes	527	414	256	366	134	20	(66)	156
Provision for (recovery of) taxes								
Current	265	260	182	-	-	-	3	-
Deferred	(24)	(23)	(12)	341	-	-	-	(33)
	240	237	169	341	-	-	3	(33)
Net income (loss) and comprehensive income (loss)	\$ 286	\$ 176	\$ 87	\$ 25	\$ 134	\$ 20	\$ (69)	\$ 189
Net income (loss) and comprehensive income (loss) attributable to:								
Company's shareholders	\$ 527	\$ 417	\$ 323	\$ 187	\$ 258	\$ 144	\$ 50	\$ 306
Non-controlling interest	(241)	(241)	(236)	(163)	(124)	(124)	(119)	(117)
	\$ 286	\$ 176	\$ 87	\$ 25	\$ 134	\$ 20	\$ (69)	\$ 189
Weighted-average number of common shares								
Basic	51,766,555	51,741,721	51,707,945	51,706,501	51,406,577	50,995,001	50,995,001	50,995,001
Diluted	53,301,440	53,363,674	53,071,160	52,822,956	52,524,369	51,748,470	52,194,518	51,979,721
Income per common share								
Basic	\$ 0.010	\$ 0.008	\$ 0.006	\$ 0.004	\$ 0.005	\$ 0.003	\$ 0.001	\$ 0.006
Diluted	\$ 0.010	\$ 0.008	\$ 0.006	\$ 0.004	\$ 0.005	\$ 0.003	\$ 0.001	\$ 0.006

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2021

In \$000s, Except Share Data and Unless Otherwise Specified

Related Party Transactions

The Company considers its related parties to consist of members of its Board of Directors and officers, including their close family members and companies controlled or significantly influenced by such individuals, and reporting shareholders and their affiliates which may exert significant influence over the Company's activities.

Total compensation and other benefits paid or owing to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing, and controlling the activities of the Company, are included as related party transactions.

The following is a summary of the transactions which occurred with related parties during the nine months and three months ended September 30, 2021 and 2020:

	Nine months ended		Three months ended	
	September 30, 2021	September 31, 2020	September 30, 2021	September 31, 2020
Transactions with key management				
Salaries, bonuses and net fees	\$ 1,430	\$ 1,297	\$ 531	\$ 430
Debenture interest expense*	38	38	13	13
Share-based compensation	97	135	24	30
	\$ 1,565	\$ 1,469	\$ 568	\$ 472
Other transactions with entities related to directors				
Legal fees	\$ 38	\$ 26	\$ 5	\$ 6

The following balances were outstanding with related parties as at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Amounts payable to key management, due on demand	\$ 549	\$ 312
Amounts payable to entities related to directors, due on demand	\$ 3	\$ 2
Debentures payable to key management, bearing interest at 8% per annum, paid semi-annually, and due on the following maturity dates:		
June 15, 2022*	\$ 340	\$ 340
August 15, 2024*	286	286

* The debenture transactions were made on the same terms, including interest rate, maturity, and security, as provided to third parties.

Management's Discussion and Analysis For the Three and Nine Months Ended September 30, 2021

In \$000s, Except Share Data and Unless Otherwise Specified

Stephen Meehan is a member of the Board of Directors of the Company, and as at September 30, 2021 holds, directly or indirectly, 23.2% of the Company's outstanding shares (December 31, 2020 – 23.1%). Mr. Meehan has a controlling interest in JDI Bancorp Inc. ("JDI") and Glen Road Capital Partners Inc. ("GRCP"). As such, the Company considers Mr. Meehan, JDI, and GRCP related parties. Mr. Meehan does not receive any director fees for his role as a director of the Company. During the nine and three months ended September 30, 2021, the Company incurred expenses of \$413 and \$138, respectively, through JDI to perform business development services for the Company (2020 – \$413 and \$138, respectively). GRCP occupies a portion of the head office of the Company, and the Company recovers from GRCP an amount based on the square footage occupied and the resources used by GRCP. During the nine and three months ended September 30, 2021, the Company recovered from GRCP \$36 and \$14, respectively (2020 – \$50 and \$17, respectively). As at September 30, 2021, \$225 remains within accounts payable and accrued liabilities to JDI (December 31, 2020 – \$nil), and \$15 remains recoverable from GRCP (December 31, 2020 – \$nil). During the nine and three months ended September 30, 2021, the Company did not grant Mr. Meehan any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Meehan was \$7 and \$2, respectively (2020 – \$20 and \$4, respectively).

Robert Sewell is a member of the Board of Directors of the Company and is also the President and Chief Executive Officer of the Company. As at September 30, 2021, Mr. Sewell holds, directly or indirectly, 27.1% of the Company's outstanding shares (December 31, 2020 – 27.2%). As such, the Company considers Mr. Sewell to be a related party. Mr. Sewell does not receive any director fees for his role as a director of the Company. During the nine and three months ended September 30, 2021, the Company incurred \$453 and \$153, respectively, in salary, ESSP Company contributions and estimated bonus (2020 – \$450 and \$150, respectively). As at September 30, 2021, \$223 remains within accounts payable and accrued liabilities to Mr. Sewell (December 31, 2020 – \$250). During the nine and three months ended September 30, 2021, the Company did not grant Mr. Sewell any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Sewell was \$7 and \$2, respectively (2020 – \$20 and \$4, respectively). As at September 30, 2021, Mr. Sewell, directly or indirectly, is subscribed to \$250 in Company debentures (December 31, 2020 – \$250). During the nine and three months ended September 30, 2021, the debenture interest expense relating to the debentures held by Mr. Sewell was \$15 and \$5, respectively (2020 – \$15 and \$5, respectively).

Carlo Pannella is Chief Financial Officer of the Company, and as such the Company considers Mr. Pannella to be a related party. During the nine and three months ended September 30, 2021, the Company incurred \$217 and \$82, respectively, in salary, ESSP Company contributions and estimated bonus (2020 – \$188 and \$63, respectively). As at September 30, 2021, \$45 remains within accounts payable and accrued liabilities to Mr. Pannella (December 31, 2020 – \$nil). During the nine and three months ended September 30, 2021, the Company granted Mr. Pannella 100,000 and nil stock options, respectively (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Pannella was \$30 and \$7, respectively (2020 – \$23 and \$5). As at September 30, 2021, Mr. Pannella, directly or indirectly, is subscribed to \$276 in Company debentures (December 31, 2020 – \$276). During the nine and three months ended September 30, 2021, the debenture interest expense relating to the debentures held by Mr. Pannella was \$17 and \$6, respectively (2020 – \$17 and \$6, respectively).

Susan Schulze was Chief Operating Officer of the Company up to September 7, 2021, following which she was appointed VP of Practice Management, and as such the Company considers Ms. Schulze to be a related party. During the nine and three months ended September 30, 2021, the Company incurred \$156

Management's Discussion and Analysis For the Three and Nine Months Ended September 30, 2021

In \$000s, Except Share Data and Unless Otherwise Specified

and \$52, respectively, in salary, ESSP Company contributions and estimated bonus (2020 – \$140 and \$47, respectively). As at September 30, 2021, \$20 remains within accounts payable and accrued liabilities to Ms. Schulze (December 31, 2020 – \$35). During the nine and three months ended September 30, 2021, the Company did not grant Ms. Schulze any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Ms. Schulze was \$10 and \$3, respectively (2020 – \$26 and \$6, respectively). As at September 30, 2021, Ms. Schulze, directly or indirectly, is subscribed to \$50 in Company debentures (December 31, 2020 – \$50). During the nine and three months ended September 30, 2021, the debenture interest expense relating to the debentures held by Ms. Schulze was \$3 and \$1, respectively (2020 – \$3 and \$1, respectively).

Kari Tavener is Chief Compliance Officer of the Company, and as such the Company considers Ms. Tavener to be a related party. During the nine and three months ended September 30, 2021, the Company incurred \$116 and \$39, respectively, in salary, ESSP Company contributions and estimated bonus (2020 – \$111 and \$37, respectively). As at September 30, 2021, \$15 remains within accounts payable and accrued liabilities to Ms. Tavener (December 31, 2020 – \$nil). During the nine and three months ended September 30, 2021, the Company did not grant Ms. Tavener any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Ms. Tavener was \$7 and \$2, respectively (2020 – \$20 and \$4, respectively).

Julianna Varpalotai-Xavier was appointed Chief Operating Officer of the Company on September 7, 2021, and as such the Company considers Ms. Varpalotai-Xavier to be a related party. During the nine and three months ended September 30, 2021, the Company incurred \$68 and \$68, respectively, in salary, ESSP Company contributions and estimated bonus (2020 – \$74 and \$37, respectively). As at September 30, 2021, \$22 remains within accounts payable and accrued liabilities to Ms. Varpalotai-Xavier (December 31, 2020 – \$nil).

Christopher Dingle is Chairman of the Board of the Company, and as such the Company considers Mr. Dingle to be a related party. During the nine and three months ended September 30, 2021, the Company incurred \$27 and \$9, respectively, in director fees (2020 – \$27 and \$8, respectively). As at September 30, 2021, \$9 remains within accounts payable and accrued liabilities to Mr. Dingle (December 31, 2020 – \$15). During the nine and three months ended September 30, 2021, the Company granted Mr. Dingle 50,000 and nil stock options, respectively (2020 – 60,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Dingle was \$16 and \$4, respectively (2020 – \$12 and \$3, respectively).

James Williams is a member of the Board of Directors of the Company, and as such the Company considers Mr. Williams to be a related party. During the nine and three months ended September 30, 2021, the Company incurred \$4 and \$nil, respectively, in director fees (2020 – \$4 and \$nil, respectively). As at September 30, 2021, \$nil remains within accounts payable and accrued liabilities to Mr. Williams (December 31, 2020 – \$6). During the nine and three months ended September 30, 2021, the Company granted Mr. Williams 10,000 and nil stock options, respectively (2020 – 20,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Williams was \$4 and \$1, respectively (2020 – \$4 and \$1, respectively).

David Brown is a member of the Board of Directors of the Company, and a Partner with a law firm, Weirfoulds LLP (“Weirfoulds”). Mr. Brown also holds a controlling interest in Keiller Capital (“Keiller”). As such the Company considers Mr. Brown, Weirfoulds and Keiller to be related parties. Mr. Brown foregoes

any director fees for his role as a director of the Company. During the nine and three months ended September 30, 2021, the Company incurred \$38 and \$5, respectively, in legal fees with Weirfoulds (2020 – \$26 and \$6, respectively). As at September 30, 2021, \$3 remains within accounts payable and accrued liabilities to Weirfoulds (December 31, 2020 – \$2). During the nine and three months ended September 30, 2021, the Company granted Keiller 20,000 and nil stock options, respectively (2020 – 20,000 and nil, respectively), and the share-based compensation expense recognized on grants to Keiller was \$6 and \$1, respectively (2020 – \$4 and \$1, respectively).

Peter Patchet is a member of the Board of Directors of the Company, and holds a controlling interest in 2615054 Ontario Inc. As such the Company considers Mr. Patchet and 2615054 Ontario Inc. to be related parties. During the nine and three months ended September 30, 2021, the Company incurred \$14 and \$5, respectively, in director fees (2020 – \$14 and \$5, respectively). As at September 30, 2021, \$5 remains within accounts payable and accrued liabilities to 2615054 Ontario Inc. (December 31, 2020 – \$6). During the nine and three months ended September 30, 2021, the Company granted Mr. Patchet 25,000 and nil stock options, respectively (2020 – 40,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Patchet was \$9 and \$2, respectively (2020 – \$8 and \$2, respectively). As at September 30, 2021, Mr. Patchet, directly or indirectly, is subscribed to \$50 in Company debentures (December 31, 2020 – \$50). During the nine and three months ended September 30, 2021, the debenture interest expense relating to the debentures held by Mr. Patchet was \$3 and \$1, respectively (2020 – \$3 and \$1, respectively).

Risk Management

The Company's business is subject to the risks of the competitive discretionary portfolio management industry and management has identified certain risks pertinent to its business including: credit risks, liquidity risks, market risks, concentration risks, capital requirements, dependence on senior management, the investment performance of the Company's investment solutions, sufficiency of insurance, competition from other discretionary portfolio management firms, significant redemptions of AUM, general business risks and liabilities, and future regulatory changes. Management attempts to assess and mitigate these risks by retaining experienced professional staff and assuring that the Board of Directors and senior management are monitoring these risks on a continual basis.

The disclosures below provide an analysis of the risk factors affecting the Company's business operations:

Credit Risk

Credit risk arises from deposits with banks, accounts receivable and the loan due from a related party. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties, and accordingly, does not anticipate significant loss for non-performance. The maximum exposure to credit risk approximates the amount recognized on the statement of financial position.

Based on its practices and processes around charging and collecting management fees, its credit policies, its previous experience, and its assessment of the current economic environment and financial condition of the counterparties, as at September 30, 2021 and December 31, 2020, the Company does not believe any allowances for expected credit losses are required.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the loan due from a related party, and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital and debentures.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

1. Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company does not have any significant number of financial instruments denominated in a foreign currency, and therefore is not currently exposed to any significant foreign currency exchange risk.
2. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently exposed to interest rate risk with respect to its short-term investments invested in money market funds. The sensitivity of this risk is not significant as at September 30, 2021 and December 31, 2020 due to the short-term nature of the instruments.
3. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Bellwether's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect Bellwether's AUM and management fee revenue, which would reduce cash flow to the Company and ultimately impact its ability to manage its capital.

Management of market risk within Bellwether's AUM is the responsibility of the Chief Investment Officer, who has established a control environment that ensures risks are reviewed regularly and that risk controls throughout Bellwether are operating in accordance with regulatory requirements. Exposure to interest rate risk, foreign currency risk and equity risk is monitored by the Chief Investment Officer. When a particular market risk is identified, portfolio managers of the Company's investment solutions are directed to mitigate the risk by reducing their exposure.

Risks Related to Assets Under Management

Because the Company's revenues are directly related to the market value of the investments that its subsidiary is managing for Clients, a change in market indices could have a significant impact on the Company's revenues. A 10% change in the Company's AUM of \$1,791,573 as at September 30, 2021, could impact future annual revenues by approximately \$2,650, compared to the December 31, 2020 AUM of \$1,587,092 and a potential revenue impact of \$2,050. A 10% change in the Company's average AUM for the twelve-months ended September 30, 2021 of \$1,672,792 would have impacted the revenues for

that year by approximately \$2,500.

Concentration Risk

The Company's trade accounts receivable are due from clients and the Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided an allowance for doubtful accounts as at September 30, 2021 or December 31, 2020.

Capital Requirements

Bellwether is subject to minimum regulatory capital requirements requiring the Company to keep sufficient cash or liquid assets on hand to maintain capital levels. Failure to maintain required regulatory capital may result in fines, suspension, or revocation of registration. A significant operating loss or an unusually large charge against regulatory capital could adversely affect the ability of the Company to expand or even maintain its present level of business and create a material adverse effect on Bellwether's business, results of operations and/or financial position.

Dependence on Senior Management

The success of the Company and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of LPCP or its subsidiaries, could adversely affect the Company's business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company. Further mitigation has been attained through the implementation of key employee compensation packages composed of monetary short-term compensation and long-term stock-based compensation designed for the retention of key employees.

Investment Performance of our Investment Solutions

If the investment solutions managed by Bellwether are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by Bellwether's competitors, such solutions may not attract new client AUM or may experience client attrition, which may have a negative impact on Bellwether's assets under management. This would have a negative impact on Bellwether's revenue and profitability.

Sufficiency of Insurance

The Company maintains various types of insurance which may include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, and general commercial liability insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost, or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against the Company or its subsidiaries in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact on the reputation of Bellwether.

Competition

Bellwether competes with a large number of portfolio managers and other investment advisors as well as financial institutions. Many of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than Bellwether.

Bellwether success is largely dependent on its ability to compete in the current Canadian wealth management environment. The Company's success will be based upon a number of factors including the range of products and solutions offered, brand recognition, investment performance, business reputation, financing strength, management and sales relationships, quality of service, level of fees charged, and other compensation paid.

Bellwether's competitors seek to expand market share by offering different products and services than those offered by Bellwether. There can be no assurance that Bellwether will maintain its current standing, and that may adversely affect the business, financial condition, or operating results of Bellwether.

Risks of Significant Redemptions of Bellwether's Assets under Management

The Company's revenues depend largely on the value of Bellwether's AUM, which is influenced by sales, redemption rates and investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Increased competition and market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees, or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Bellwether's right to carry on their existing business. LPCP may incur significant costs in connection with such potential liabilities.

Regulation of Bellwether

Bellwether is heavily regulated in all jurisdictions where it carries on business. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of Bellwether, including the power to limit or restrict business activities as well as impose additional disclosure requirements on Bellwether products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of Bellwether's business segments or its key personnel or financial advisors, and the imposition of fines and censures. To the extent that existing or future regulations affect the sale or offering of Bellwether products or services in any way, the Company's assets under management and its revenues may be adversely affected.