Condensed Interim Consolidated Financial Statements

As at and for the three months ending
March 31, 2017 and 2016 | Unaudited

2017

PARK LAWN
CORPORATION

NOTICE TO READER

Park Lawn Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

(signed) "*Andrew Clark*"	(signed) "*Joseph Leeder*"
Andrew Clark	Joseph Leeder
Chief Executive Officer	Chief Financial Officer

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2017 AND DECEMBER 31, 2016
(UNAUDITED)

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash	$ 11,244,405	$ 23,891,672
Accounts receivable	2,277,385	1,922,342
Pre-need receivables, current portion (Note 4)	5,799,409	5,591,591
Inventories (Note 5)	40,381,600	39,384,840
Prepaid expenses and other current assets	1,121,211	475,318
Loan receivable	124,500	123,600
	60,948,510	71,389,363
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	16,793,184	16,305,661
Land held for development	4,033,096	4,033,096
Property and equipment (Note 8)	24,536,136	21,616,144
Investment properties (Note 9)	213,807	199,956
Care and maintenance trust fund investments (Note 10)	90,651,713	87,545,830
Pre-need merchandise and service trust fund investments (Note 11)	70,994,915	63,881,008
Deferred tax assets, net	1,743,500	1,715,840
Employee share plan loan	3,298,435	3,299,327
Debentures receivable	150,000	150,000
Receivable on sale of discontinued operations	276,895	276,895
Goodwill and intangibles (Note 6 and 12)	24,864,249	19,172,958
Deferred financing fee	420,828	341,226
Other assets	423,295	413,487
	238,400,053	218,951,428
TOTAL ASSETS	$ 299,348,563	$ 290,340,791
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,891,033	$ 9,830,094
Dividends payable	421,742	421,639
Current portion of long term debt (Note 13)	535,492	503,980
Current portion of notes payable (Note 14)	850,000	800,000
	9,698,267	11,555,713
Non-current liabilities		
Long-term debt, net of current portion (Note 13)	3,039,928	3,107,795
Notes payable, net of current portion (Note 14)	415,791	283,989
Deferred revenue (Note 15)	25,662,002	25,188,834
Contingent payments (Note 16)	1,442,227	1,410,709
Care and maintenance trusts' corpus (Note 10)	90,651,713	87,545,830
Deferred pre-need receipts held in trust (Note 11)	70,994,915	63,881,008
	192,206,576	181,418,165
Shareholders' Equity		
Share capital (Note 19)	92,672,938	92,709,116
Contributed surplus	467,076	292,881
Accumulated other comprehensive loss	(317,371)	(46,725)
Retained earnings	3,717,337	3,632,754
	96,539,980	96,588,026
Non-controlling interest	903,740	778,887
	97,443,720	97,366,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 299,348,563	$ 290,340,791

Commitments and Contingencies (Note 23)

Approved by the Board of Directors

"*Andrew Clark*"
Andrew Clark - CEO, Director

"*Joseph Leeder*"
Joseph Leeder - CFO, Director

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)

	March 31, 2017	March 31, 2016
Revenue		
Sales	$ 17,081,162	$ 10,213,087
Income from care and maintenance funds (Note 10)	1,251,833	894,640
Interest and other income	469,429	174,578
	18,802,424	11,282,305
Costs	4,552,429	3,345,004
Gross profit	14,249,995	7,937,301
Operating expenses		
General and administrative	5,395,126	3,244,226
Maintenance	3,811,705	1,711,850
Advertising and selling	2,896,214	1,491,362
Interest expense (Note 13 and 14)	98,171	198,646
Share based incentive compensation	182,839	-
	12,384,055	6,646,084
Earnings from operations	1,865,940	1,291,217
Gain on sale of properties (Note 8 and 21)	-	438,159
Acquisition and integration costs (Note 6)	(179,065)	(471,356)
Foreign exchange gain (Note 17)	-	333,871
Change in fair value of contingent payments (Note 16)	(45,030)	-
Claim settlement (Note 22)	(66,457)	-
Earnings before income taxes	1,575,388	1,591,891
Income tax expense	153,006	155,538
Net earnings for the period	$ 1,422,382	$ 1,436,353
Net earnings attributable to:		
Equity holders of PLC	1,297,529	1,386,616
Non-controlling interest	124,853	49,737
	$ 1,422,382	$ 1,436,353
Net earnings per share - basic		
Attributable to equity holders of PLC	$ 0.117	$ 0.217
Net earnings per share - diluted		
Attributable to equity holders of PLC	$ 0.117	$ 0.217
Weighted average number of common shares:		
- basic	11,117,097	6,382,820
- diluted	11,117,097	6,382,820

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)

	March 31, 2017	March 31, 2016
Net income for the period	$ 1,422,382	$ 1,436,353
Item of other comprehensive income to be subsequently reclassified to net income		
Foreign currency translation of foreign operations	(270,646)	(919,400)
Comprehensive income	$ 1,151,736	$ 516,953

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Non Controlling Interest	Shareholders' Equity
Balance at January 1, 2016	5,844,272	$ 22,883,002	$ 2,348	$ 306,763	$ -	$ 562,544	$ 23,754,657
Dividends declared (Note 18)	-	-	-	(746,331)	-	-	(746,331)
Shares issued:							
Subscription offering, net of costs (Note 19)	2,105,400	22,357,889	-	-	-	-	22,357,889
Dividend reinvestment plan (Note 19)	1,211	7,626	-	-	-	-	7,626
Other comprehensive loss	-	-	-	-	(919,400)	-	(919,400)
Net earnings for the period	-	-	-	1,386,616	-	49,737	1,436,353
Balance at March 31, 2016	7,950,883	$ 45,248,517	$ 2,348	$ 947,048	$ (919,400)	$ 612,281	$ 45,890,794
Balance at January 1, 2017	11,095,770	$ 92,709,116	$ 292,881	$ 3,632,754	$ (46,725)	$ 778,887	$ 97,366,913
Dividends declared (Note 18)	-	-	-	(1,265,125)	-	-	(1,265,125)
Shares issued:							
Dividend reinvestment plan (Note 19)	2,691	40,540	-	-	-	-	40,540
Equity incentive plan	-	-	174,195	-	-	-	174,195
Prospectus financing, net of costs (Note 19)	-	(76,718)	-	-	-	-	(76,718)
Acquisition of non-controlling interest (Note 7)	-	-	-	52,179	-	-	52,179
Other comprehensive loss	-	-	-	-	(270,646)	-	(270,646)
Net earnings for the period	-	-	-	1,297,529	-	124,853	1,422,382
Balance at March 31, 2017	11,098,461	$ 92,672,938	$ 467,076	$ 3,717,337	$ (317,371)	$ 903,740	$ 97,443,720

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)

	March 31, 2017	March 31, 2016
Cash provided by (used in):		
Operating activities		
Net earnings for the period	$ 1,422,382	$ 1,436,353
Items not affecting cash:		
Depreciation of property and equipment, investment properties and amortization of intangibles	521,170	286,248
Cost of property inventory sold	842,967	830,490
Deferred tax income	(27,660)	(546,624)
Loss on sale of property and assets held for sale	-	110,250
Dividend reinvestment plan	40,540	7,626
Share based incentive compensation	174,195	-
Loss on change in fair value of contingent payments	45,030	-
Changes in working capital:		
Accounts receivable	(12,733)	194,683
Pre-need receivables	(695,341)	331,239
Inventories	(1,690,717)	(898,304)
Prepaid expenses and other current assets	(613,416)	(76,108)
Accounts payable and accrued liabilities	(2,190,345)	(2,891,320)
Employee loan	892	465
Deferred revenue	473,168	160,027
Insurance proceeds recoverable	-	94,612
Cash provided by (used in) operating activities	(1,709,868)	(960,363)
Investing activities		
Net cash on acquisitions	(8,472,268)	(25,886,591)
Proceeds from sale of investment property and assets held for sale	-	525,000
Acquisition of property and equipment	(510,569)	(347,970)
Decrease in other assets	6,638	6,646
Cash paid for acquisition of non-controlling interest	52,179	-
Cash used in investing activities	(8,924,020)	(25,702,915)
Financing activities		
Loan receivable	(900)	-
Repayment of long-term debt	(183,932)	(269,708)
Repayment of note payable	(211,037)	-
Proceeds from issuance of long-term debt	54,427	5,775,582
Proceeds from financing, net of costs	(76,718)	20,961,820
Dividends and distributions paid	(1,265,125)	(746,331)
Deferred financing fee	(79,602)	974,424
Cash held in escrow	-	1,396,069
Cash (used in) provided by financing activities	(1,762,887)	28,091,856
Translation adjustment on cash	(250,492)	(715,837)
Net (decrease) increase in cash	(12,647,267)	712,741
Cash, beginning of period	23,891,672	164,515
Cash, end of period	$ 11,244,405	$ 877,256
Supplemental disclosures:		
Income taxes paid	$ 148,272	$ 56,353
Interest expenses paid	$ 59,314	$ 163,997

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Park Lawn Corporation (the "Company" or "PLC"), located at 2323 Yonge Street, Suite 400, Toronto, Ontario, M4P 2C9, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Ontario, Quebec, Manitoba, Saskatchewan, British Columbia, and Michigan, USA. The Company owns certain investment properties through its wholly-owned subsidiaries Park Lawn Limited Partnership, Park Lawn Management Services Inc., Forest Lawn Investments Inc., Services Mémorables Harmonia Inc. ("Harmonia"), Amety Ltd. ("Amety"), Parkland Ltd. ("Parkland"), Basic Funerals and Cremation Choices Inc. ("Basic"), Mundell Funeral Homes Limited ("Mundell"), the Park Lawn Cemetery Company (USA) Inc. ("Park Lawn USA"), Midwest Memorial Group, LLC ("MMG"), Reynolds Funeral Home ("Reynolds"), Turner Family Funeral Home Inc. ("TFFH"), Jennett Funeral and Cremation Centre Ltd. ("Jennett), Innisfil Funeral Home Limited ("Innisfil"), Providence Funeral Homes & Crematorium ("PFHC") and Credible Cremation Services Limited ("CCSL"). The Company is publicly traded on the TSX with the stock symbol of PLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), on a basis consistent with policies disclosed in the Company's annual audited consolidated financial statements for the fiscal year ended December 31, 2016 which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with IFRS have been omitted or are condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2016.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended March 31, 2017 and 2016 are not necessarily indicative of the results to be expected for the full year.

These unaudited condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 11, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

b. Functional currency

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are remeasured using the functional currency.

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of operations. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The consolidated accounts of the Company are presented in Canadian dollars. The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

c. Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted earnings per share are calculated using the same method as basic earnings per share adjusted for the weighted average number of common shares outstanding for the period to reflect the dilutive impact, if any, of convertible instruments and equivalents, assuming they were exercised for the number of common shares calculated by applying the treasury stock method.

d. Future Accounting Policy Changes

The IASB has issued the following standards, amendments and interpretations which have not been early adopted in these consolidated financial statements. The Company is assessing the impact on its consolidated financial statements as a result of adopting the following new standards:

IFRS 9 – Financial Instruments, Classification and Measurement ("IFRS 9") contains requirements for financial assets and liabilities. IFRS 9 is part of the IASB wider project to replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. This standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2018 and has not yet considered the potential impact of the adoption of IFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

d. Future Accounting Policy Changes - continued

IFRS 15 – "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. The Company will not be early adopting IFRS 15.

The Company has elected to adopt IFRS 15 using the modified retrospective approach. Under this approach, the Company will recognize transitional adjustments in retained earnings on the date of the initial application (January 1, 2018) without restating prior period results.

We expect the application of IFRS 15 will affect our consolidated financial statements with regards to the treatment of costs incurred in acquiring customer contracts. The treatment of costs incurred in acquiring customer contracts will be impacted as IFRS 15 requires certain contract acquisition costs, such as sales commissions to be recorded as an asset and amortized into expenses over time. Currently, such costs are expensed as incurred.

Although we have made progress in our implementation of IFRS 15, it is not possible to make a reliable estimate of the impact of the new standard on our consolidated financial statements as we are required to implement changes to our system and processes across the organization in order to collect the new data requirements, as well as historical information.

IFRS 16 – "Leases", effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has not yet considered the potential impact of the adoption of IFRS 16.

3. CRITICAL ESTIMATES AND JUDGMENTS

Use of estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any applicable impairment. The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model over a five-year period and estimated fair value less cost to sell.

3. CRITICAL ESTIMATES AND JUDGMENTS – continued

Use of estimates - continued

The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

ii) The purchase price allocation corresponding to completed acquisitions and the related contingent consideration.

iii) In determining the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which each funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

iv) In determining an allowance for sales returns the Company provides various allowances and/or cancellation reserves for cemetery receivables. These allowances are based on the analysis of historical trends and include, where applicable collection and cancellation activity.

4. PRE-NEED RECEIVABLES

	March 31, 2017	December 31, 2016
Pre-need receivables, current portion	$ 5,799,409	$ 5,591,591
Pre-need receivables, net of current portion	16,793,184	16,305,661
Total	$ 22,592,593	$ 21,897,252

The above is net of an allowance for sales returns of $3,466,540 (at December 31, 2016 - $3,665,135).

Based on the review of the status of the individual pre-need receivables at the end of each reporting period, the Company's management believes that an allowance for doubtful accounts receivable is not required.

5. INVENTORIES

	March 31, 2017	December 31, 2016
Merchandise inventories	$ 897,993	$ 760,252
Cemetery lots	10,091,987	10,290,895
Crypts and niches	27,549,650	28,333,693
Construction in progress	1,841,970	-
	$ 40,381,600	$ 39,384,840

Construction in progress relates to the second floor of the Mausoleum of Faith at Westminster Cemetery. There were no inventory write-downs in either period.

6. BUSINESS COMBINATION

Reynolds-TFFH

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Reynolds Funeral Home ("Reynolds") and Turner Family Funeral Home Inc. ("TFFH"). On closing, the Company paid $4,730,000 for 100% of the common shares. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $58,399 ($33,598 for the three month period ended March 31, 2017).

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

6. BUSINESS COMBINATION - continued

Reynolds-TFFH - continued

		Preliminary
Assets acquired:		
Cash	$	51,284
Accounts receivable		118,608
Inventories		60,630
Prepaid expenses		12,894
Property and equipment		1,070,962
Investment properties		16,485
Pre-need trust fund investments		2,850,316
Goodwill		3,499,266
Other intangibles		20,000
Other assets		12,179
Total assets	$	7,712,624
Liabilities assumed:		
Accounts payable and accrued liabilities	$	39,158
Long-term debt		93,150
Deferred pre-need receipts held in trust		2,850,316
	$	2,982,624
Fair value of consideration transferred:		
Cash consideration	$	4,730,000
	$	4,730,000

Reynolds-TFFH has contributed $238,686 in revenue and $71,496 in net earnings for the three month period ended March 31, 2017.

Jennett-Innisfil

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Jennett Funeral and Cremation Centre Ltd. ("Jennett") and Innisfil Funeral Home Limited ("Innisfil"). On closing, the Company paid $2,053,000 for 100% of the common shares. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $38,936 ($15,116 for the three month period ended March 31, 2017).

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

6. BUSINESS COMBINATION - continued

Jennett-Innisfil - continued

	Preliminary
Assets acquired:	
Cash	$ 88,454
Accounts receivable	136,422
Inventories	63,750
Prepaid expenses	966
Property and equipment	113,649
Pre-need trust fund investments	1,409,472
Goodwill	1,736,410
Other intangibles	20,000
Other assets	244
Total assets	$ 3,569,367
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 106,895
Deferred pre-need receipts held in trust	1,409,472
	$ 1,516,367
Fair value of consideration transferred:	
Cash consideration	$ 2,053,000
	$ 2,053,000

Jennett-Innisfil has contributed $169,735 in revenue and $29,752 in net earnings for the three month period ended March 31, 2017.

The purchase of the above funeral homes, Reynolds-TFFH and Jennett-Innisfil, will expand and strengthen the Company's presence in the Ontario market and the proximity to the Mundell Funeral Home in Orillia and the crematoria in the GTA makes these businesses a logical fit.

PFHC-CCSL

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Providence Funeral Homes & Crematorium ("PFHC") and Credible Cremation Services Limited ("CCSL"). On closing, the Company paid $1,896,650 for 100% of the common shares. The Company will be making additional payments of $500,000 to be repaid over ten years. The deferred cash payment is repayable in monthly installments of $4,167. The estimated present value of the deferred cash consideration was calculated at $392,839. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $19,030 ($8,734 for the three month period ended March 31, 2017).

6. BUSINESS COMBINATION - continued

PFHC-CCSL - continued

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

		Preliminary
Assets acquired:		
Cash	$	67,644
Accounts receivable		87,280
Inventories		24,630
Prepaid expenses		18,617
Property and equipment		1,774,733
Pre-need trust fund investments		2,172,556
Goodwill		217,896
Other intangibles		200,000
Other assets		4,023
Total assets	$	4,567,379
Liabilities assumed:		
Accounts payable and accrued liabilities	$	105,334
Deferred pre-need receipts held in trust		2,172,556
	$	2,277,890
Fair value of consideration transferred:		
Deferred cash consideration		392,839
Cash consideration	$	1,896,650
	$	2,289,489

PFHC-CCSL has contributed $312,348 in revenue and $97,593 in net earnings for the three month period ended March 31, 2017.

The above acquisition is the Company's first acquisition in the British Columbia market. The Company believes this market shares similar characteristics to the other markets in which it operates in Canada.

7. CAPITAL TRANSACTION

During the three month period ended March 31, 2017, the Company purchased all the remaining outstanding shares in Swan Valley Funeral Services Ltd., a subsidiary of Parkland Funeral Holdings for $273,260. In connection with the purchase, the Company assumed the mortgage loan of $54,427 and discharged the $148,260 of indebtedness owed by the vendor. In accordance with IFRS 10, Consolidated Financial Statements, the Company accounted for the acquisition of the remaining 30% as a capital transaction, since control of Swan Valley had been attained in October, 2014.

8. PROPERTY AND EQUIPMENT

	January 1, 2017	Acquired in business combinations	Additions	Disposals	Foreign currency translation	March 31, 2017
Cost:						
Land	$ 2,163,682	1,377,710	-	-	-	$ 3,541,392
Buildings, cemetery and funeral	14,049,431	1,266,602	243,040	-	(29,559)	15,529,514
Machinery, equipment and automotive	4,280,163	315,032	267,529	-	(6,815)	4,855,909
Cemetery improvements	4,726,761	-	-	-	(5,180)	4,721,581
Total	25,220,037	2,959,344	510,569	-	(41,554)	28,648,396
Accumulated depreciation:						
Buildings, cemetery and funeral	1,464,795	-	151,805	-	-	1,616,600
Machinery, equipment and automotive	1,416,408	-	197,387	-	-	1,613,795
Cemetery improvements	722,690	-	159,175	-	-	881,865
Total	3,603,893	-	508,367	-	-	4,112,260
Net Book Value	$ 21,616,144					$ 24,536,136

	January 1, 2016	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2016
Cost:						
Land	$ 1,783,513	380,169	-	-	-	$ 2,163,682
Buildings, cemetery and funeral	6,257,987	4,884,803	2,932,873	(1,446)	(24,786)	14,049,431
Machinery, equipment and automotive	2,109,003	1,534,405	665,506	(15,863)	(12,888)	4,280,163
Cemetery improvements	2,957,933	882,512	903,880	-	(17,564)	4,726,761
Total	13,108,436	7,681,889	4,502,259	(17,309)	(55,238)	25,220,037
Accumulated depreciation:						
Buildings, cemetery and funeral	967,587	-	497,280	(72)	-	1,464,795
Machinery, equipment and automotive	831,758	-	586,966	(2,316)	-	1,416,408
Cemetery improvements	209,099	-	513,591	-	-	722,690
Total	2,008,444	-	1,597,837	(2,388)	-	3,603,893
Net Book Value	$ 11,099,992					$ 21,616,144

8. PROPERTY AND EQUIPMENT – continued

Property and equipment depreciation expense charged to operations amounted to $508,367 and $286,248 for the three month period ended March 31, 2017 and 2016, respectively. Increase in expense is primarily due to the acquisition of MMG at March 31, 2016.

Included in additions at March 31, 2017 are $nil of buildings and major infrastructure improvements at Park Lawn Cemetery and at December 31, 2016 $1,856,248 of major infrastructure improvements at Park Lawn Cemetery. The building additions consist of a storage facility, garage for vehicles and maintenance equipment and staff facilities. The infrastructure improvements consist of electrical site services, roadways, and water lines and will provide long-term benefits for future development opportunities.

Also, included in additions is $133,870 (at December 31, 2016 - $958,415) relating to the construction of the funeral home and cremation facility located in Dauphin, Manitoba which was destroyed by fire in 2014.

During the three month period ended March 31, 2016, the Company sold a property for a sale price of $550,112 realizing a gain of $548,409, net of disposition costs. The historical cost of the property and accumulated depreciation was nominal. There were no property sales during the three month period ended March 31, 2017.

Management has reviewed the valuation of the property and equipment and has not identified any indicators of impairment in the value of the property and equipment in 2017 and 2016.

9. INVESTMENT PROPERTIES

Investment property amounted to $213,807 as at March 31, 2017 (at December 31, 2016 - $199,956). This increase relates to the investment property acquired in conjunction with business acquisition of Reynolds-TFFH (see Note 6). Investment property depreciation expense charged to operations amounted to $2,635 and $1,915 for the three month period ended March 31, 2017 and 2016, respectively.

10. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

The Company's care and maintenance trust funds were established, as required by provincial and state regulations, to receive principal contributions from the Company upon the sale of cemetery lots, mausoleum crypts and niches.

Pursuant to the requirements of provincial and state regulations, the Company is required to deposit a portion of the proceeds received in respect of pre-need contracts into trust. Such amounts are treated as a cost of sale at the time of the sale.

The principal of these trusts is recorded in the consolidated statements of financial position and represents these contributions to the trusts and capital gains and losses and must be held in perpetuity in these trusts. Only the income, not the capital gains, may be paid to the Company to be used exclusively for eligible care and maintenance of the cemeteries and crematoriums as defined by provincial and state regulations.

10. CARE AND MAINTENANCE TRUST FUND INVESTMENTS - continued

Investment income recognized in operations amounted to $1,251,833 and $894,640 for the three month period ended March 31, 2017 and 2016, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Cash and cash equivalents	$ 1,721,844	$ 3,698,407	$ 1,721,844	$ 3,698,407
Equities	63,975,719	60,633,564	55,197,258	52,111,328
Fixed income	21,019,486	18,084,119	19,680,151	18,145,370
Preferred stocks	3,934,664	5,129,740	3,458,269	4,848,126
	$ 90,651,713	$ 87,545,830	$ 80,057,522	$ 78,803,231

The fixed income component of these care and maintenance trust funds is invested in limited partnership units, mortgage loans, and medium-term government and corporate bonds which are held to maturity and earn income at fixed rates of return.

11. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

Pre-need merchandise and service trust funds were established as required by provincial and state regulations to hold funds paid in advance of need, to purchase when required at-need supplies and services such as merchandise, grave and crypt openings.

When the services are performed, the Company withdraws the money held in the trust funds to pay for the supplies and services. In certain jurisdictions, any surplus income earned is refunded to the customers and any deficiency of funds is absorbed by the Company by recording less revenue for supplies and services.

Pre-need merchandise and service trust fund investments consist of the following:

	Fair value		Cost	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Cash and cash equivalents	$ 2,200,688	$ 3,038,475	$ 2,200,688	$ 3,038,475
GIC's	33,280,350	26,739,188	33,280,350	26,184,879
Equities	15,136,575	15,554,371	14,888,318	15,861,010
Fixed income	20,377,302	18,548,974	20,376,852	17,605,185
	$ 70,994,915	$ 63,881,008	$ 70,746,208	$ 62,689,549

The fixed income component of these pre-need merchandise and service trust funds is generally invested in medium-term government, corporate bonds and deposit investment certificates which are held-to-maturity and earn income at fixed rates of return.

12. GOODWILL AND INTANGIBLES

	Total
Goodwill	
Balance January 1, 2017	$ 19,128,958
Foreign currency translation MMG	7,887
Preliminary additions:	
Reynolds-TFFH	3,499,266
Jennett-Innisfil	1,736,410
PFHC-CCSL	217,896
Balance March 31, 2017	$ 24,590,417
Intangibles	
Balance January 1, 2017	$ 44,000
Preliminary additions:	
Reynolds-TFFH	20,000
Jennett-Innisfil	20,000
PFHC-CCSL	200,000
Amortization	(10,168)
Balance March 31, 2017	$ 273,832
Goodwill and Intangibles	
Balance March 31, 2017	$ 24,864,249

13. LONG-TERM DEBT

	March 31, 2017	December 31, 2016
Mortgages on:		
Swan Valley Funeral Services Ltd.	$ 175,677	$ 134,895
Sneath and Strilchuk Funeral Services, Ltd.	1,780,552	1,852,091
Korban Funeral Chapel Inc.	1,315,590	1,334,006
Finance lease obligations	303,601	290,783
Total	$ 3,575,420	$ 3,611,775
Current portion	535,492	503,980
Non-current portion	$ 3,039,928	$ 3,107,795

13. LONG-TERM DEBT - continued

Swan Valley Funeral Services Ltd.

Parkland has secured the mortgage by a promissory note for $600,000, corporate guarantees and general security agreements. The loan bears interest at prime plus 2% and is being amortized over 10 years. The loan matures on September 30, 2022. This mortgage is repayable in monthly blended installments of $6,400. During the three month period ended March 31, 2017, as part of the purchase of the remaining shares of Swan Valley, a subsidiary of Parkland, the Company assumed an additional mortgage loan of $54,427.

Sneath and Strilchuk Funeral Services Ltd.

Parkland has secured the mortgage by a promissory note for $2,854,000, corporate guarantees and general security agreements. The loan bears interest at 6.2% and is being amortized over 10 years. The loan matures on September 30, 2022. This mortgage is repayable in monthly blended installments of $33,045.

Korban Funeral Chapel

Parkland has secured the mortgage by a promissory note for $1,400,000, corporate guarantees and general security agreements. The loan bears interest at 3.75% and is being amortized over 15 years. The loan matures on January 31, 2021. This mortgage is repayable in monthly blended installments of $10,200.

Finance lease and car loan obligations

Finance leases relate to automotive equipment and are secured by the vehicles. These leases have interest rates ranging from 3.0% to 12.0% and remaining terms of 2 to 5 years.

14. NOTES PAYABLE

	March 31, 2017	December 31, 2016
Loan from non-controlling shareholders of Parkland	$ 75,909	$ 283,989
DeMarco Funeral Home note	800,000	800,000
Deferred cash consideration PFHC-CCSL	389,882	-
Total	$ 1,265,791	$ 1,083,989
Current portion	850,000	800,000
Non current portion	$ 415,791	$ 283,989

14. NOTES PAYABLE – continued

Loan from non-controlling shareholder of Parkland

In October 2014, as part of the purchase of the business of Parkland the Company assumed loans from the non-controlling shareholders. The loans are unsecured and subordinated to all other third party debt. As part of the purchase of the remaining shares of Swan Valley, a subsidiary of Parkland, the loan to non-controlling shareholder was discharged in full during the three month period ended March 31, 2017.

DeMarco Funeral Home note

On November 10, 2016, the Company purchased vacant land held for development. In consideration for the purchase the Company has an unsecured, non-interest bearing note, with no fixed terms of repayment.

Deferred cash consideration PFHC-CCSL

As part of the purchase of PFHC-CCSL, the Company will be making additional payments of $500,000 to be repaid over ten years. The deferred cash payment is repayable in monthly installments of $4,167. The estimated present value of the deferred cash consideration was calculated at $392,839.

15. DEFERRED REVENUE

Deferred revenue represents the amount of unperformed pre-arranged cemetery contracts. The components of deferred revenue consist of the following:

	March 31, 2017	December 31, 2016
Cemetery merchandise	$ 16,409,876	$ 15,952,409
Cemetery services	9,252,126	9,236,425
Total	$ 25,662,002	$ 25,188,834

16. CONTINGENT PAYMENTS

MMG

Effective March 1, 2016 the Company completed the acquisition of 100% ownership interest in the common shares of Midwest Memorial Group, LLC ("MMG"). On closing, the Company paid $22,537,598 ($16,657,500 USD) for 100% of the common shares.

16. CONTINGENT PAYMENTS - continued

MMG - continued

The Company will be making additional payments to the extent that earnings before interest, taxes, depreciation and amortization ("EBITDA") during calendar years 2016, 2017, and 2018 ("the Earn-out Periods") equals or exceeds pre-established targets. Using a discounted cash flow approach the estimated present value of the contingent payments was calculated to be $1,442,227 ($1,083,729 USD). The minimum estimated amount of contingent payments to be made in the second quarter following the applicable Earn-out Periods are 10%, 33% and 57%. There was no contingent payment made for the first earn-out period in 2016. The key assumptions used in the calculation is a three year EBITDA projection which management believes the discount rate reasonably reflects the risks associated with projections for the business.

The fair value of the liability in connection with the contingent consideration is revalued at each reporting date and any changes in fair value of the estimated liability in future periods will be recorded in the consolidated statement of earnings. There were no factors that caused management to restate the fair value of the earn-out, however since the end of the earn-out period is now one quarter closer to completion, the net present value has increased. For the period ended March 31, 2017, the Company recognized an adjustment to the fair value of the contingent consideration of ($45,030).

17. FOREIGN EXCHANGE GAIN

As a result of the purchase of MMG, the Company has recorded a foreign exchange gain of $333,871 for the three month period ended March 31, 2016. The gain resulted from the change in the US dollar versus Canadian dollar spot rate from the effective date of purchase March 1, 2016 and the closing date of March 8, 2016, on the liability representing the purchase consideration.

18. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the three month period ended March 31, 2017 and 2016 was $1,265,125 or $0.114 per share and $746,331 or $0.114 per share, respectively. The monthly dividend was $0.038 per share in all periods.

19. SHARE CAPITAL

Authorized

Common shares

The Company is authorized to issue an unlimited number of common shares. All common shares issued are fully paid. The holders of common shares are entitled to share equally in dividends, returns of capital and to vote at shareholders' meetings.

19. SHARE CAPITAL - continued

Shares issued and outstanding

	Common Shares	Amount
Balance December 31, 2015	5,844,272	$ 22,883,002
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	9,006	117,134
Subscription offering, net of costs *(ii)*	2,105,400	22,174,139
Private placement *(iii)*	262,092	3,679,579
Prospectus offering, net of costs *(iv)*	2,875,000	43,855,262
Balance December 31, 2016	11,095,770	92,709,116
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	2,691	40,540
Prospectus offering, net of costs *(iv)*	-	(76,718)
Balance March 31, 2017	11,098,461	$ 92,672,938

(i) Dividend Reinvestment Plan

On October 13, 2015, the Company announced the implementation of a dividend reinvestment plan ("DRIP"). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional common shares of PLC, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If common shares are issued from treasury, the price at which such common shares are issued will be the volume weighted trading price of the Company's common shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company's election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. As at March 31, 2017, 2,691 common shares were issued under the DRIP (at December 31, 2016 – 9,006).

(ii) Subscription Offering

In conjunction with the acquisition of MMG, the Company completed an offering of 2,105,400 subscription receipts at a price of $11.50 per subscription receipt, for total gross proceeds of $24,212,100, including the exercise in full of the over-allotment option. The net proceeds from the subscription receipt offering were released to the Company on March 8, 2016 by the escrow agent to satisfy the $16,657,500 USD purchase price. Each outstanding subscription receipt was exchanged for one common share of the Company, resulting in 2,105,400 shares and a Dividend Equivalent Payment (as defined below) of $0.076 per subscription receipt. The cash payment was equal to the aggregate amounts of dividends per share for which record dates occurred since the issuance of the subscription receipts. The issuance included transaction costs of $2,037,961 inclusive of $147,000 after tax in management compensation.

19. SHARE CAPITAL - continued

(iii) Private Placement

On September 16, 2016, the Company completed a private placement offering of 262,092 common shares at a price of $14.18 per common share, for total gross proceeds of $3,716,464. The issuance included transaction costs of $36,885. The common shares were issued as partial consideration for the repayment of the promissory note.

(iv) Prospectus Offering

On November 21, 2016, the Company completed a bought deal short form prospectus offering of 2,875,000 common shares at a price of $16.00 per common share for a total of gross proceeds of $46,000,0000, including the exercise in full of the over-allotment option. The Company used the net proceeds of the offering to repay indebtedness under the Company's credit facility, which will provide additional borrowing capacity to fund the Company's continued growth strategy, including both organic growth and acquisition opportunities, and for general corporate purposes. The issuance included transaction costs of $2,221,456 inclusive of $220,500 after tax in management compensation.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, pre-need receivables, employee share loan, contingent payments, debenture receivable, receivable on sale of discontinued operations, trade payables and accrued liabilities, dividends payable, long-term debt and notes payable are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Company's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at March 31, 2017, the fair value of the care and maintenance and pre-need merchandise and service trust funds and related liabilities are valued under Level 1 and Level 3.

As at March 31, 2017, the fair value of the contingent payments is valued under Level 3 (see Note 16).

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

The fair value hierarchy under which trust assets are valued is as follows:

Care and maintenance trust fund investments at March 31, 2017

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 1,721,844	$ 1,721,844	$ -	$ -	$ 1,721,844
Equities	55,197,258	63,975,719	-	-	63,975,719
Fixed income	19,680,151	7,870,917	-	13,148,569	21,019,486
Preferred stocks	3,458,269	3,934,664	-	-	3,934,664
	$ 80,057,522	$ 77,503,144	$ -	$ 13,148,569	$ 90,651,713

Care and maintenance trust fund investments at December 31, 2016

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 3,698,407	$ 3,698,407	$ -	$ -	$ 3,698,407
Equities	52,111,328	60,633,564	-	-	60,633,564
Fixed income	18,145,370	4,832,711	-	13,251,408	18,084,119
Preferred stocks	4,848,126	5,129,740	-	-	5,129,740
	$ 78,803,231	$ 74,294,422	$ -	$ 13,251,408	$ 87,545,830

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

Pre-need merchandise and service trust fund investments at March 31, 2017

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 2,200,688	$ 2,200,688	$ -	$ -	$ 2,200,688
GIC's	33,280,350	33,280,350	-	-	33,280,350
Equities	14,888,318	15,136,575	-	-	15,136,575
Fixed income	20,376,852	1,018,730	-	19,358,572	20,377,302
	$ 70,746,208	$ 51,636,343	$ -	$ 19,358,572	$ 70,994,915

Pre-need merchandise and service trust fund investments at December 31, 2016

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 3,038,475	$ 3,038,475	$ -	$ -	$ 3,038,475
GIC's	26,184,879	26,739,188	-	-	26,739,188
Equities	15,861,010	15,554,371	-	-	15,554,371
Fixed income	17,605,185	1,015,692	-	17,533,282	18,548,974
	$ 62,689,549	$ 46,347,726	$ -	$ 17,533,282	$ 63,881,008

21. GAIN ON SALE OF PROPERTIES

During the three month period ended June 30, 2016, the Company sold the asset held for sale owned by Amety for a sale price of $525,000. The asset held for sale was revalued at March 31, 2016 to reflect the sale proceeds resulting in a write down of $110,250, net of disposition costs.

22. CLAIM SETTLEMENT

During the first quarter of 2017, the Company settled a claim from a former employee in the amount of $66,457. The claim relates to the former Harmonia business which was sold in 2014 and was treated as discontinued operations.

23. COMMITMENTS AND CONTINGENCIES

Office Lease

The Company has leased office space in Ontario, Canada and Michigan, USA. The terms of the leases in Ontario and Michigan range from 1 year to 10 years. Future remaining minimum lease payments as at March 31, 2017 are as follows:

2017	$ 476,001
2018	524,758
2019	365,361
2020	314,008
2021	318,008
Total	$ 1,998,136

Litigation

From time to time the Company is subject to legal proceedings and claims arising in the ordinary course of business. Some of the more frequent ordinary routine litigations incidental to our business are based on burial practices claims and employment related matters. Management is of the opinion based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's consolidated financial position, liquidity or results of operations.

24. SEGMENTED INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and iii) for which discrete financial information is available.

The Company has one operating segment, which provides goods and services associated with the disposition and memorialization of remains in Canada and United States.

Geographic information

For the Company's geographically segmented non-current assets the Company has allocated based on the location of assets, as follows:

24. SEGMENTED INFORMATION – continued

Geographic information – continued

	March 31, 2017	December 31, 2016
Canada	$ 155,544,816	$ 136,973,852
United States	82,855,237	81,977,576
Total	$ 238,400,053	$ 218,951,428

For the Company's geographically segmented revenue, the Company has allocated revenue based on the location of the customer, as follows:

	March 31, 2017	March 31, 2016
Revenue:		
Sales:		
Canada	$ 8,288,269	$ 7,060,994
United States	8,792,893	3,152,093
Total sales	17,081,162	10,213,087
Income from care and maintenance funds:		
Canada	1,005,000	825,000
United States	246,833	69,640
Total income from care and maintenance funds	1,251,833	894,640
Interest and other income:		
Canada	185,270	81,714
United States	284,159	92,864
Total interest and other income	469,429	174,578
Total revenue	$ 18,802,424	$ 11,282,305

25. SUBSEQUENT EVENTS

On April 28, 2017, the Company purchased a residential property adjacent to its Riverside Cemetery property in Toronto for $1,050,000, for the future development opportunities.

25. SUBSEQUENT EVENTS - continued

On May 4, 2017, the Company announced that it completed the acquisition of 100% ownership interest in the common shares of TCS Funeral Services ("TCS") in Toronto for a purchase price of $3,660,000, subject to working capital and other adjustments. TCS is a business-to-business service provider in the funeral industry, providing outsourced embalming, transfer and other services to funeral homes, cemeteries, municipalities and hospitals across Ontario. TCS has a long track record of providing support services to the funeral industry, and the Company believes there are opportunities for synergies between TCS and the Company's existing businesses.

The initial accounting for the business acquisition is not yet complete at the time these consolidated financial statements are approved by the Board of Directors. As such, certain disclosures required under IFRS 3 in respect of the above acquisition cannot be made.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ending March 31, 2017

The following Management's Discussion and Analysis provides a review of corporate and market developments, results of operations and financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the quarter ended March 31, 2017. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the quarter ended March 31, 2017 and the accompanying notes contained therein. Information contained in this Management's Discussion and Analysis is based on information available to management as of May 11, 2017.

Forward-Looking Statements

This Management's Discussion and Analysis may contain forward-looking statements. All statements other than statements of historical fact contained in this Management's Discussion and Analysis are forward-looking statements, including, without limitation, the Company's statements regarding its business; future development and construction; future financial position; business strategy; the death care industry; potential acquisitions; the ability of the Company to procure additional sales from new and existing customers; plans and objectives; synergies; and potential improvements in sales and gross margins. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will", "occur" or "be achieved" and similar words or the negative thereof. Although management of the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements are inherently uncertain, are subject to risk and are based on assumptions including those discussed herein. Readers are cautioned to not place undue reliance on forward-looking statements made herein because a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. The forward-looking statements contained herein are expressly qualified in their entirety by the above cautionary statement.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including, but not limited to, the risk factors described under the heading "Risk Factors" in the Company's most recent annual information form. The Company cautions that such list of factors is not exhaustive, and that, when relying on forward-looking statements to make decisions with respect to the Company, readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Such information is based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including expected revenues, expansion plans and ability to achieve goals.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements are provided as of the date of this Management's Discussion and Analysis or such other date specified herein, and the Company assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances except as required under applicable securities laws.

Overview

PLC is an Ontario corporation listed on the Toronto Stock Exchange (the "**TSX**") under the stock symbol of "PLC". PLC is the only Canadian publicly listed cemetery, funeral and cremation business.

The Company owns and operates cemeteries, crematoriums and funeral homes in the Ontario, Quebec, Manitoba, Saskatchewan, British Columbia and Michigan, USA. At March 31, 2017, the Company operated 34 cemeteries and mausoleums, 17 cremation facilities, and 29 funeral homes, chapels and planning offices. PLC's products and services, such as cemetery lots, crypts and funeral services, are sold to clients on a pre-planned basis (pre-need) or at the time of death (at-need).

The Company's growth strategy includes organic initiatives, such as build-out of inventory, and acquisitions in the highly-fragmented death care market.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of consolidated financial statements. The Company's significant accounting policies are summarized in Note 2 to its consolidated annual financial statements for the year ended December 31, 2016. There have been no changes in significant accounting policies since the Company's audited consolidated annual financial statements for the year ended December 31, 2016. In addition, there have been no changes in the Company's financial instrument risks.

Consolidation

The Company's consolidated annual financial statements for the year ended December 31, 2016 include the accounts of the Company and its subsidiaries Park Lawn Limited Partnership, Park Lawn Management Services Inc., Forest Lawn Management Services Inc., Amety Ltd. ("**Amety**"), Parkland Ltd. ("**Parkland**"), Services Mémorables Harmonia Inc. ("**Harmonia**"), Basic Funerals and Cremation Choices Inc. ("**Basic**"), Mundell Funeral Homes Limited ("**Mundell**") the Park Lawn Cemetery Company (USA), Inc. ("**Park Lawn USA**"), Midwest Memorial Group, LLC ("**MMG**"), Reynolds Funeral Home ("**Reynolds**"), Turner Family Funeral Home Inc. ("**TFFH**"), Jennett Funeral and Cremation Centre Ltd. ("**Jennett**"), Innisfil Funeral Home Limited ("**Innisfil**"), Providence Funeral Homes & Crematorium ("**PFHC**"), and Credible Cremation Services Limited ("**CCSL**"). All significant accounts and transactions between consolidated entities are eliminated. Should there be a party with a minority interest in a property that the Company controls, that minority interest is reflected as "non-controlling interest" in the consolidated annual financial statements.

Description of Non-IFRS Measures

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Company's operations. In this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Adjusted Net Earnings

The Company uses Adjusted Net Earnings to assist in evaluating operating performance. This non-IFRS measure provides meaningful supplemental information to investors and other third parties regarding operating results because it excludes certain non-cash, non-reoccurring or one time income or expense items which do not relate to operating activities, and may not be indicative of future financial results.

The adjustments may include, but are not limited to the after tax impact of, acquisition and integration costs, share based compensation, or gains or losses from sale of non-performing assets.

Please see the "Overall Performance, Three Months Ended March 31, 2017 - Adjusted Net Earnings" below for a reconciliation of the Company's earnings to Adjusted Net Earnings.

Adjusted EBITDA

The Company believes Adjusted EBITDA to be an important measure that allows it to assess the operating performance of its ongoing business and to compare its results to its competitors. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other third parties and assists in evaluating the Company's performance and trends. The Company defines Adjusted EBITDA as earnings from operations before interest expense, taxes, depreciation and amortization. In addition, Adjusted EBITDA excludes non-cash expenses such as share based compensation expenses and other non-recurring or one time income or expense items.

Please see the "Quarterly Information" below for a reconciliation of the Company's earnings from operations to Adjusted EBITDA.

Adjusted Cash Flow

The Company evaluates, among other things, the sustainability of its dividend on a regular basis using an Adjusted Cash Flow metric, calculated as follows:

> The Company's controlling interest in the following: Earnings before income taxes + cost of property inventory sold + depreciation and amortization – cash income taxes payable and + or – other non-cash income or expense items.

The Company's inventory development can be characterized by significant capital expenditures to develop or acquire cemetery, mausoleum and niche inventory, followed by years, if not decades, of sales of said inventory. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of sales which is referred to as cost of property inventory sold.

Please see the "Discussion of Operating Results, Three Months Ended March 31, 2017 - Adjusted Cash Flow" below for a reconciliation of the Company's earnings from operations to Adjusted Cash Flow.

Overall Performance

During the first quarter of 2016 and 2017 the Company announced several important business acquisitions. These included the acquisition of Mundell and MMG in the first quarter of 2016 and acquisition of Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL in the first quarter of 2017. The acquisition of MMG, which owns twenty-six cemetery properties and nine cremation facilities, and manages two cemeteries in the State of Michigan, significantly increased the number of cemeteries in the Company's portfolio and geographically diversified the Company's assets outside of Canada. The funeral home acquisitions in 2017 expanded the Company's operations in Ontario and marked the first acquisition in British Columbia.

As a result of these acquisitions, the Company achieved significant improvement in its operating results for the quarter ended March 31, 2017 compared to 2016. Revenues increased year over year by 66.7% to $18,802,424 from $11,282,305 in 2016. Excluding the acquired businesses, revenue from the Company's comparable businesses grew 4.6% in the first quarter of 2017 compared to the same quarter in 2016.

At the same time, net earnings attributable to PLC shareholders decreased to $1,297,529 from $1,386,616 for the same three month period. On a fully diluted per share basis, the net earnings attributable to PLC shareholders was $0.117 for the three month period ending March 31, 2017 compared with $0.217 for the same period in 2016.

The 2017 and the 2016 net earnings as stated have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better explain the Company's operating performance for the periods under review on an adjusted basis. The table below summarizes the calculation of Adjusted Net Earnings and Adjusted EBITDA for the three month reporting periods ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	**2016**
Net earnings, PLC shareholders	$ 1,297,529	$ 1,386,616
Adjusted for the impact of:		
Change in fair value of contingent payments	45,030	-
Acquisition costs	179,065	471,356
Sale of assets	-	(438,159)
Foreign exchange gain	-	(333,871)
Share based compensation	182,839	-
Claim settlement	66,457	-
Tax effect on the above items	(65,063)	36,114
Adjusted Net Earnings, PLC shareholders	$ 1,705,857	$ 1,122,056
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 2,486,426	$ 1,563,899
Per share amounts attributable to PLC shareholders		
Net earnings - basic and diluted	$ 0.117	$ 0.217
Adjusted Net Earnings - diluted	$ 0.153	$ 0.176
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.224	$ 0.245
Weighted average shares outstanding	11,117,097	6,382,820

A description of the items included in the above table follows:

- Change in fair value of contingent payments - the $45,030 loss relates to the re-valuation of the contingent payment. IFRS requires that a contingent earn-out payment is to be revalued at each reporting period based on the current information. At December 31, 2016, management estimated the fair value of the contingent earn-out payment relating to the MMG acquisition to be $1,410,709. There were no factors that caused management to restate the fair value of the earn-out, however, since the end of the earn-out period is now one quarter closer to completion, the net present value has increased by $45,030. Accordingly, this incremental accretion to the earnout payment is treated as an expense during the current period. In compliance with IFRS, all future accretion amounts to the contingent payment, as well as any changes resulting from new information, will be recorded through the consolidated statement of earnings as either income or loss.

- Acquisition and integration costs - the Company has stated that part of its growth plan includes growth through acquisitions. In order to implement this growth initiative, the Company will incur ongoing expenses for acquisition and integration costs. IFRS requires that such costs be expensed in the period incurred rather than capitalized to the cost of the acquisition. Accordingly, net earnings will be negatively impacted for expenses incurred in connection with these growth initiatives as management executes on its growth strategy. During the quarters ended March 31, 2017 and 2016, the Company incurred expenses of $179,065 and $471,356, respectively.

- Sale of assets - during the first quarter of 2016, the Company sold a real estate asset located in Toronto that was no longer being used in its ongoing business. During the same quarter the Company also wrote down the carrying value of another real estate asset being held for sale that was located in Ottawa. The net impact of these two transactions for the quarter ended March 31, 2016 is a gain of $438,159. There were no asset sales in the first quarter of 2017.

- Foreign exchange gain – in connection with the purchase of MMG in the first quarter of 2016, the Company realized a non-taxable foreign exchange gain of $333,871. This accounting gain resulted from the change in the US dollar spot rate versus the Canadian dollar spot rate between the effective date of purchase March 1, 2016 and the closing date of March 8, 2016.

- Share based payments - the Company implemented an Equity Incentive Plan ("**EIP**") consisting of Deferred Share Units ("**DSUs**") and Restricted Share Units ("**RSUs**") which was approved by the Company's shareholders at the annual and special meeting of shareholders on May 31, 2016. The Company recognized $182,839 in non-cash share based compensation expense during the quarter ended March 31, 2017. Since the unit obligations are expected to be settled in common shares at some date in the future, the expenses are not deductible for tax purposes.

- Claim settlement – during the first quarter of 2017 the Company settled a claim from a former employee in the amount of $66,457. The claim relates to the former Harmonia business which was sold in 2014 and was treated as discontinued operations.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

After reflecting the impact of the above items, the Adjusted Net Earnings for the quarters ended March 31, 2017 and 2016 was $1,705,857 and $1,122,056, respectively. This represents Adjusted Net Earnings per fully diluted share of $0.153 in 2017 and $0.176 in 2016.

Adjusted EBITDA attributable to PLC shareholders for the quarters ended March 31, 2017 and 2016 was $2,486,426 and $1,563,899, respectively. This represents Adjusted EBITDA per fully diluted share of $0.224 in 2017 and $0.245 in 2016.

The Adjusted Net Earnings and Adjusted EBITDA, as well as the fully diluted per share amounts for 2017 were in line with management's expectations. Revenue and earnings from the traditional funeral businesses was particularly strong in the current quarter, recovering from softer market conditions in 2016. On the cemetery side of the business, revenues and gross margins were also good in the current quarter. However, operating expenses relating to maintenance and general and administration functions were higher in the current quarter. A significant portion of the increase was timing in nature where certain cemetery maintenance costs and some administration expenses were incurred in the first quarter of 2017 compared to being incurred in the second quarter of 2016. In addition, there were additional expenses relating to investor relations and administrative staff hired to evaluate potential acquisitions.

The dilution in the per share amounts relates to the common share financing completed in November, 2016. A portion of the capital raised in this financing had not been deployed as of March 31, 2017 and consequently, the Company continued to see some dilution in the per share earning amounts. Management believes that the Company will continue to see dilution compared to previous quarters until the capital is fully invested. Management believes that there are, or will be, a number of investment opportunities available to the Company but cannot quantify the timing or magnitude of such investments at this time. As at March 31, 2017, the Company had $11.0 million of cash on hand and had an additional $32.5 million of bank financing available to it to fund any such investment opportunities that may arise.

In addition to the above, during the quarter the Company continued construction on the second floor of the Mausoleum of Faith at Westminster Cemetery. The second floor will add approximately 1,080 additional crypt spaces to the mausoleum. Construction is expected to be completed in the third quarter of 2017. Management estimates the cost of this construction to be approximately $2.0 million. The mausoleum also has a third floor which will provide an additional 1,080 crypt spaces as and when needed.

On April 28, 2017, the Company purchased a residential property adjacent to its Riverside Cemetery in Toronto for $1,050,000. The property will be used for the future development opportunities.

On May 4, 2017, the Company announced the purchase of TCS Funeral Services ("**TCS**") in Toronto. TCS is a business-to-business service provider in the funeral industry, providing outsourced embalming, transfer and other services to funeral homes, cemeteries, municipalities and hospitals across Ontario. TCS has a long track record of providing support services to the funeral industry and the Company believes there are opportunities for synergies between TCS and the Company's existing businesses.

Effective June 1, 2017, the Company entered into a new lease in Toronto for the head office to accommodate growth initiatives.

Consolidated Statement of Financial Position

Current Assets & Liabilities

Current assets were $60,948,510 at March 31, 2017 compared to $71,389,363 at December 31, 2016. The decrease was primarily due to the deployment of cash on new strategic acquisitions, offset by $1,017,107 of increase in assets of the new acquisitions.

Current liabilities were $9,698,267 at March 31, 2017 compared to $11,555,713 at December 31, 2016. The decrease was primarily due to the decrease of accounts payable due to the payment of liabilities accrued at December 31, 2016 in connection with the construction of the mausoleum at Park Lawn Cemetery.

Net working capital at March 31, 2017 was $51,250,243 compared to $59,833,650 at December 31, 2016.
Care and Maintenance Trust Fund

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with the regulatory requirements. During the first quarter of 2017, the Company contributed $1,286,171 to the trust funds compared to $565,057 during the same period in 2016. The increase in contributions is primarily due to only owning MMG for one month in the first quarter of 2016, compared to three months for the same period in 2017. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of March 31, 2017, the balance of the trust funds was $90,651,713 compared to $87,545,830 as at December 31, 2016. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus.

Pre-Need Merchandise and Service Trust Funds

The Company maintains Pre-Need Merchandise and Service Trust Funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date. When the merchandise is delivered and the services are performed, the Company receives the current market value for the service from the Pre-Need Merchandise and Service Trust Funds. The Pre-Need Merchandise and Service Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. The assets within the trust funds had a market value at March 31, 2017 of $70,994,915 compared to $63,881,008 as at December 31, 2016. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust. The increase in the Pre-Need Merchandise and Service Trust Funds is primarily due to the acquisition of Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash provided from operations and from the issuance of debt and equity instruments. As previously mentioned, the Company had net working capital of $51,250,243 as at March 31, 2017.

The Company has a $25 million revolving loan facility as well as an approved $7.5 million accordion facility which can be used to fund its growth initiatives and for general corporate purposes. At March 31, 2017, the Company had not borrowed under this facility.

Since December 2013, the Company has raised approximately $90 million from the issuance of common shares to fund various growth initiatives. The Company may use additional share offerings as a way to fund future growth initiatives if and when such opportunities arise.

Discussion of Operating Results, Three Months Ended March 31, 2017

Total revenue for the three month period ended March 31, 2017 was $18,802,424, an increase of $7,520,119 or 66.7%, over the same three month period ended March 31, 2016 ($11,282,305).

Revenue was derived from the following sources:

	March 31, 2017	March 31, 2016
Sales	$17,081,162	$10,213,087
Income from care and maintenance funds	1,251,833	894,640
Interest and other income	469,429	174,578
	$18,802,424	$11,282,305

The Company completed its acquisition of a 100% interest in Reynolds and TFFH effective February 1, 2017, of a 100% interest in Jennett and Innisfil effective February 1, 2017, and of a 100% interest in PFHC and CCSL effective February 1, 2017. Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL revenue relates to the delivery of at-need funeral and cremation services. The increase in revenue related to the acquired businesses for the quarter ended March 31, 2017 was $720,769.

Revenue from the remaining business units for the quarter ended March 31, 2017 was $18,081,655. Excluding two months of MMG and one month of Mundell revenue in 2017, the comparable revenue was $11,798,369 compared with $11,282,305 for the same period in 2016, an increase of $516,064 for the remaining businesses. The net increase in comparable revenue represents an increase of $102,828 from comparable cemetery properties and a $413,236 increase in revenue from comparable funeral home operations.

Cost of sales for the three month period ended March 31, 2017 was $4,552,429, an increase of $1,207,425 over the same three month period in 2016 ($3,345,004). This resulted in gross profit for the three month period ended March 31, 2017 of $14,249,995 compared to $7,937,301 for the same three month period in 2016 representing an increase of $6,312,694.

The gross profit margin was 75.8% for the three month period ended March 31, 2017 compared to 70.4% for the same three month period in 2016. There were a few factors contributing to the increased gross profit and improved margins in 2017. Gross profit margins on new traditional funeral acquisitions are higher than margins earned on most cemetery and cremation revenue, because the cost of products sold is a smaller portion of the total service provided to customers. Also, gross profit margins at MMG are higher because the required contribution to care and maintenance trust funds in Michigan is lower than other jurisdictions in which the Company operates, and sales at MMG include a higher proportion of in ground burial sales as compared to the higher proportion of mausoleum sales in the Canadian cemetery business. During the current quarter, gross profit margins from the Canadian cemetery operations were also higher than the previous year as a result of product mix and a chapel sale in the first quarter of 2017 which has higher margins. In addition, increased revenue from care and maintenance funds, interest and other income improved the gross profit in the first quarter of 2017.

Operating expenses for the three month period ended March 31, 2017 totaled $12,384,055 an increase of $5,737,971 over the same three month period in 2016 ($6,646,084) as indicated below:

	March 31, 2017	March 31, 2016
General and administrative	$5,395,126	$3,244,226
Maintenance	3,811,705	1,711,850
Advertising and selling	2,896,214	1,491,362
Interest	98,171	198,646
Share based compensation expense	182,839	-
	$12,384,055	$6,646,084

The increase in operating expenses year over year was primarily due to the inclusion of recent acquisitions. In addition, employees providing funeral services for Amety, Parkland, Basic, Mundell, Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL are included in operating expenses whereas the Company's cemetery operations have a higher amount of labour costs included in cost of goods sold.

Excluding expenses related to the acquired business units and two months of MMG and one month of Mundell expenses in the first quarter of 2017, the Company's general and administrative, advertising and selling and maintenance expenses for the comparable business units for the quarter ended March 31, 2017 increased by $430,378 compared with the same period in 2016. A significant portion of the increase was timing in nature where expenses were incurred in the first quarter of 2017 compared to the second quarter of 2016. These timing related expenses included approximately $130,000 in cemetery maintenance expenses and $66,000 in general and administrative expenses relating to services performed in different periods. There were also additional expenses in the current quarter to support the Company's growth initiatives including such as investor relations, merger and acquisition activity and legal expenses.

Interest expense was lower in 2017 by $100,475 as a result of the credit facility being repaid out of the proceeds obtained from the Company's equity offering in November, 2016 and the retirement of the note payable to Park Lawn Company in September, 2016.

The Company's EIP was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of both DSUs and RSUs. Compensation expense associated with these units for the three month period ended March 31, 2017 was $182,839.

As a result of the above, earnings from operations for the three month period ended March 31, 2017 totaled $1,865,940, an increase of $574,723 or 44.5% over the same three month period ended March 31, 2016 ($1,291,217).

Other income and expense items which are non-operating in nature for the year, and previously discussed, include the following:

- Change in fair value of contingent payments - the Company recorded a loss of $45,030 in change of fair value of contingent payments compared to $nil in 2016.

- Acquisition and integration costs - the Company expensed $179,065 in acquisition and integration costs in 2017 compared to $471,356 in 2016.

- Sale of assets - during the first quarter of 2016, the Company sold a real estate asset located in Toronto that was no longer being used in its ongoing business and it wrote down the carrying value of a property held for sale. The net impact of these two transactions for the quarter ended March 31, 2016 is a gain of $438,159. There were no asset sales in the first quarter of 2017.

- Foreign exchange gain - in connection with the purchase of MMG in the first quarter of 2016, the Company realized a non-taxable foreign exchange gain of $333,871. The accounting gain resulted from the change in the US dollar spot rate versus the Canadian dollar spot rate between the effective date of purchase March 1, 2016 to the closing date of March 8, 2016.

- Share based payments - the Company recognized $182,839 in non-cash share based compensation expense during the quarter ended March 31, 2017.

- Claim settlement – during the first quarter of 2017 the Company settled a claim from a former employee in the amount of $66,457. The claim relates to the former Harmonia business which was sold in 2014 and treated as discontinued operations.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

Income tax expense for the three month period ended March 31, 2017 was $153,006 compared to $155,538 for the same three month period in 2016. The Company has deferred tax assets available to shelter the cash payment of most of this income tax expense.

As a result of the above, the Company's after tax earnings from operations for the three month period ended March 31, 2017 totaled $1,422,382 compared to $1,436,353 for the same three month period in 2016.

Earnings per Share

The weighted average number of common shares outstanding for the three month period ended March 31, 2017 increased to 11,117,097 compared to 6,382,820 for the same three month period in 2016, an increase of 4,734,277. The increase in outstanding shares is because of the issuance of shares pursuant to the Company's DRIP, Private Placement associated with retiring the note payable in September 2016 and the November 2016 equity financing.

Fully diluted earnings per common share attributable to equity holders of PLC for the three month period ended March 31, 2017 was $0.117 compared to $0.217 for the same three month period in 2016.

Adjusted Earnings per Share

The 2017 and 2016 net earnings, as stated have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the three month period ended March 31, 2017 compared to 2016:

	Three Months Ended March 31,	
	2017	2016
Net earnings, PLC shareholders	$ 1,297,529	$ 1,386,616
Adjusted for the impact of:		
Change in fair value of contingent payments	45,030	-
Acquisition costs	179,065	471,356
Sale of assets	-	(438,159)
Foreign exchange gain	-	(333,871)
Share based compensation	182,839	-
Claim settlement	66,457	-
Tax effect on the above items	(65,063)	36,114
Adjusted Net Earnings, PLC shareholders	$ 1,705,857	$ 1,122,056
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 2,486,426	$ 1,563,899
Per share amounts attributable to PLC shareholders		
Net earnings - basic and diluted	$ 0.117	$ 0.217
Adjusted Net Earnings - diluted	$ 0.153	$ 0.176
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.224	$ 0.245
Weighted average shares outstanding	11,117,097	6,382,820

As indicated in the chart above, the fully diluted Adjusted Net Earnings per share for the three month period ended March 31, 2017 was $0.153 compared to $0.176 for the same three month period in 2016. This represents a year over year decrease of $0.023 or 13.1%.

Adjusted EBITDA per Share

Adjusted EBITDA attributable to PLC shareholders for the three month period ended March 31, 2017 was $2,486,426 ($0.224 per share) compared to $1,563,899 ($0.245 per share) for the same three month period in 2016. This represents a year-over-year per share decrease in Adjusted EBITDA of 8.6%.

Weighted Average Shares Outstanding

The weighted average fully diluted shares outstanding for the first quarter of 2017 was 11,117,097 compared to 6,382,820 for the same period in 2016. The increase resulted from the closing of a private placement to retire the Park Lawn Company loan in September 2016 and the Bought Deal Common Share Offering that closed in November 2016. The Company had not yet fully deployed the capital raised in November 2016 and accordingly there has been some dilution in per share earnings in the current quarter of 2017 compared to 2016.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from its operations for the three month period ended March 31, 2017 and 2016 compared to its dividend payout:

	March 31, 2017	**March 31, 2016**
Earnings before income taxes	$1,575,388	$1,591,891
Adjusted for:		
Change in fair value of contingent payments	45,030	-
Cash income taxes payable	(15,198)	(78,491)
Cost of property inventory sold	842,967	830,490
Depreciation and amortization	521,170	286,248
Foreign exchange gain	-	(333,871)
Share based compensation	174,195	-
Adjusted cash flow from operations	3,143,552	2,296,267
Less non controlling interest amounts:		
Net earnings	124,853	49,737
Depreciation and amortization	20,896	37,836
Adjusted cash flow, equity holders of PLC	$2,997,803	$2,208,694
Adjusted cash flow per common share-diluted	$0.270	$0.346
Dividends per common share	$0.114	$0.114
Payout ratio	42%	33%

As previously mentioned, the Company's inventory development can be characterized by significant capital expenditures to develop or acquire cemetery, mausoleum and niche inventory, followed by decades of sales of said inventory. As sales occur, the Company draws down its inventory by making a non-cash charge to its earnings (referred to as cost of property inventory sold). Also, included in earnings before income taxes for the three month period ended March 31, 2017 and 2016 are a non-recurring, non-cash foreign exchange gain and change in fair value of contingent payments relating to the acquisition of MMG and non-cash share based compensation costs attributable to share based compensation. As calculated above, the Company's Adjusted Cash Flow from operations was $2,997,803 for the three month period ended March 31, 2017 compared to $2,208,694 for the same period in 2016. This represents Adjusted Cash Flow per fully diluted common share of $0.270 and $0.346 for the three month period ended March 31, 2017 and 2016, respectively.

The Company paid dividends of $0.114 per common share for the periods ended March 31, 2017 and 2016. The dividends paid represent 42% and 33% of the Adjusted Cash Flow per common share for the periods ended March 31, 2017 and 2016, respectively.

The increased payout ratio is a result of the dilutive impact of the common share financing in November 2016 as previously discussed.

Quarterly Information

	2017 Q1	*2016 Q4	*2016 Q3	*2016 Q2
Revenue	$18,802,424	$19,816,511	$17,265,406	$18,677,950
Earnings from operations	$1,865,940	$1,224,100	$1,329,173	$1,565,340
Net earnings for the period	$1,422,382	$4,399,364	$872,382	$1,147,660
Net earnings, PLC shareholders	$1,297,529	$4,320,546	$749,505	$1,033,465
Net earnings per share - basic, PLC shareholders	**$0.117	**$0.456	**$0.094	**$0.130
Net earnings per share - diluted, PLC shareholders	**$0.117	**$0.456	**$0.094	**$0.130
Earnings from operations (per above)	1,865,940	1,224,100	1,329,173	1,565,340
Interest expense	98,171	66,153	198,699	160,553
Depreciation and amortization	521,170	490,862	444,326	401,045
Share based compensation	182,839	140,308	158,288	71,615
Adjusted EBITDA, non-controlling interest	(181,694)	(113,106)	(170,157)	(210,157)
Adjusted EBITDA, PLC shareholders	$ 2,486,426	$ 1,808,317	$ 1,960,329	$ 1,988,396
Adjusted EBITDA per share - diluted, PLC shareholders	**$0.224	**$0.191	**$0.245	**$0.250

	*2016 Q1	*2015 Q4	*2015 Q3	*2015 Q2
Revenue	$11,282,305	$7,089,293	$7,403,455	$6,722,735
Earnings from operations	$1,291,217	$1,117,730	$1,166,118	$914,220
Net earnings for the period	$1,436,353	$723,103	$991,345	$733,882
Net earnings, PLC shareholders	$1,386,616	$479,086	$907,335	$691,660
Net earnings per share - basic, PLC shareholders	**$0.217	**$0.083	**$0.157	**$0.120
Net earnings per share - diluted, PLC shareholders	**$0.217	**$0.083	**$0.157	**$0.119
Earnings from operations (per above)	1,291,217	1,117,730	1,166,118	914,220
Interest expense	198,646	63,049	48,865	60,235
Depreciation and amortization	286,248	242,417	170,640	173,218
Adjusted EBITDA, non-controlling interest	(212,212)	(352,483)	(177,903)	(152,982)
Adjusted EBITDA, PLC shareholders	1,563,899	$ 1,070,713	$ 1,207,720	$ 994,691
Adjusted EBITDA per share - diluted, PLC shareholders	**$0.245	**$0.185	**$0.208	**$0.172

*Certain revenues and costs have been reclassified in the 2015 and 2016 quarterly results to conform to the December 31, 2015 and 2016 consolidated financial statement presentation.
**The sum of the quarterly net earnings attributable to equity holders of PLC per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.

Dividends

The Company makes monthly dividend payments to the shareholders of record on the last business day of each month, to be paid on the 15th day following each month end, or, if not a business day, the next business day thereafter. The monthly dividend is $0.038 per share ($0.456 per year). The dividend policy is subject to the discretion of the Company's Board of Directors and may vary depending on, among other things, the Company's earnings, financial requirements and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends.

For the quarter ended March 31, 2017 and March 31, 2016, the Company declared dividends to shareholders totaling $0.114 per share. The Company subsequently paid a dividend of $0.038 for April, 2017. The following table sets forth the per share amount of monthly dividends declared and paid by the Company since January 1, 2017.

Month	**Dividend Record Date**	**Payment Date**	**Per Share**
April, 2017	April 30, 2017	May 16, 2017	$ 0.038
March, 2017	March 31, 2017	April 14, 2017	0.038
February, 2017	February 28, 2017	March 15, 2017	0.038
January, 2017	January 31, 2017	February 15, 2017	0.038
Total dividends per share			$ $ 0.152

Related Party Transactions

The Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which are comprised of directors and officers by the Company; (iii) entities controlled by key management personnel. The Company's policies and procedures and nature of its related party transactions have not changed materially from December 31, 2016, as described under "Management Contracts": in the Company's 2016 Annual MD&A.

Disclosure Controls and Procedures

National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filing ("**NI 52-109**") requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the company. Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

Subject to limitations set out below, the Company's management, under the supervision of the CEO and the CFO, has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its annual filing, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls Over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management conducted its evaluation based on the framework set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2017.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

Limitation on Scope of Design

The CEO and CFO have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL, which were acquired on February 1, 2017.

This scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows for issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

The following is a summary of certain financial information related to new acquisitions:

	Reynolds-TFFH March 31, 2017	Jennett-Innisfil March 31, 2017	PFHC-CCSL March 31, 2017
Revenues	$ 238,686	$ 169,735	$ 312,348
Net earnings	$ 71,496	$ 29,752	$ 97,593

	Reynolds-TFFH March 31, 2017	Jennett-Innisfil March 31, 2017	PFHC-CCSL March 31, 2017
Current assets	$ 400,226	$ 272,813	$ 344,068
Non-current assets	$ 7,476,186	$ 3,172,610	$ 4,352,987
Current liabilities	$ 113,835	$ 53,980	$ 206,193
Non-current liabilities	$ 2,909,244	$ 1,308,692	$ 2,496,620

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during Fiscal 2017 that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

IFRS Issued Standards Not Yet Adopted

The IASB continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 2 in the Company's December 31, 2016 consolidated financial statements and note 2 in the Company's March 31, 2017 condensed interim consolidated financial statements.

Shares Outstanding

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2017, there were 11,098,461 common shares issued and outstanding, representing an increase of 2,691 common shares issued and outstanding since December 31, 2016. The increase in the number of common shares is the result of the issuance of shares pursuant to the Company's dividend reinvestment plan. As at May 11, 2017, there were 11,099,285 common shares issued and outstanding. In addition, the Company has 640,000 common shares reserved and available for grant and issuance of the EIP. Of these 640,000 common shares, 480,000 are reserved for the issuance to employees and 160,000 common shares are reserved for issuance to directors. As at May 11, 2017, 83,363 restricted share units and 10,123 deferred share units were awarded.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website at www.parklawncorp.com.