DOMINION LENDING CENTRES INC.

Interim Condensed Financial Statements

For the three months ended
March 31, 2021
March 31, 2020
(unaudited)

CONDENSED STATEMENTS OF FINANCIAL POSITION (unaudited)
(in thousands of Canadian dollars)

	As at March 31, 2021	As at December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	**$ 9,396**	$ 10,316
Trade and other receivables	**10,833**	13,977
Prepaid expenses and deposits	**1,462**	1,651
Notes receivable	**494**	531
Total current assets	**22,185**	26,475
Non-current assets		
Trade, other receivables and other assets	**601**	1,010
Investments	**246**	246
Equity accounted investments (note 4)	**29,090**	29,786
Capital assets	**294**	321
Right-of-use assets	**2,091**	2,177
Intangible assets (note 5)	**124,241**	123,088
Goodwill	**60,437**	60,437
Deferred tax asset (note 8)	**-**	16,654
Total assets	**$ 239,185**	$ 260,194
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 19,490**	$ 24,128
Loans and borrowings (note 6)	**8,945**	7,410
Deferred contract liabilities	**716**	900
Lease obligations	**415**	417
Preferred share liability (note 7)	**8,579**	9,164
Total current liabilities	**38,145**	42,019
Non-current liabilities		
Loans and borrowings (note 6)	**30,935**	33,368
Deferred contract liabilities	**1,530**	1,712
Foreign exchange forward contract liabilities (note 17)	**3,014**	2,623
Other long-term liabilities	**5,295**	4,504
Lease obligations	**2,189**	2,296
Deferred tax liabilities (note 8)	**9,164**	26,261
Preferred share liability (note 7)	**98,572**	96,521
Total liabilities	**188,844**	209,304
Equity		
Share capital (note 9)	**130,216**	130,216
Contributed surplus	**15,573**	15,573
Accumulated other comprehensive loss	**(149)**	-
Deficit	**(96,808)**	(96,322)
Total equity attributable to shareholders	**48,832**	49,467
Non-controlling interest	**1,509**	1,423
Total liabilities and equity	**$ 239,185**	$ 260,194

Commitments and contingencies (note 18)
The accompanying notes form an integral part of these condensed consolidated financial statements.

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

CONDENSED CONSOLIDATED STATEMENTS OF LOSS (unaudited)

(in thousands of Canadian dollars, except per share amounts)

For the three months ended March 31,		2021		2020
Revenue (note 12)	$	**13,888**	$	9,498
Direct costs		**1,954**		999
Gross profit		**11,934**		8,499
General and administrative		**4,993**		4,478
Share-based payments (note 10)		**895**		(127)
Depreciation and amortization		**1,046**		1,091
		6,934		5,442
Income from operations	$	**5,000**	$	3,057
Other (expense) income				
Finance expense (note 13)		**(4,393)**		(1,500)
Foreign exchange gain (loss)		**449**		(3,709)
Change in fair value of foreign exchange forward contracts (note 17)		**(391)**		2,061
(Loss) income from equity accounted investment (note 4)		**(596)**		68
Loss on contract settlement		**(86)**		(114)
Other income		**697**		118
		(4,320)		(3,076)
Income (loss) before tax from continuing operations	$	**680**	$	(19)
Income tax (expense) recovery (note 8)				
Current tax expense		**(1,223)**		(1,059)
Deferred tax recovery		**443**		555
		(780)		(504)
Loss from continuing operations	$	**(100)**	$	(523)
Discontinued operations				
Loss after tax from discontinued operations (note 15)		**-**		(1,193)
Net loss	$	**(100)**	$	(1,716)
Attributable to (notes 14 and 15)**:**				
Common shareholders	$	**(486)**	$	(2,199)
Non-controlling interest	$	**386**	$	483
Loss per Common Share attributable to common shareholders (notes 14)				
Basic	$	**(0.01)**	$	(0.06)
Diluted	$	**(0.01)**	$	(0.06)
Loss per Common Share from continuing operations attributable to common shareholders (note 14)				
Basic	$	**(0.01)**	$	(0.04)
Diluted	$	**(0.01)**	$	(0.04)

The accompanying notes form an integral part of these condensed consolidated financial statements.
Prior year information in the condensed consolidated statements of loss has been restated, see note 15.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (unaudited)

(in thousands of Canadian dollars)

For the three months ended March 31,		2021		2020
Net loss	**$**	**(100)**	$	(1,716)
Other comprehensive (loss) income				
Items that will be subsequently reclassified to net loss:				
Foreign exchange translation income (net of tax)		**-**		1,869
Foreign exchange translation loss from equity accounted investments (net of tax) (note 4)		**(149)**		-
Total other comprehensive (loss) income		**(149)**		1,869
Comprehensive (loss) income	**$**	**(249)**	$	153
Attributable to:				
Common shareholders	**$**	**(635)**	$	(1,227)
Non-controlling interest	**$**	**386**	$	1,380

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (unaudited)
(in thousands of Canadian dollars)

	Attributable to Shareholders of Dominion Lending Centres Inc.						
	Share capital	**Contributed surplus**	**AOCL (1)**	**Deficit**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2020	$ 115,390	$ 15,296	$ (223)	$ (56,752)	$ 73,711	$ 84,131	$ 157,842
Share cancellation	(174)	-	-	-	(174)	-	(174)
Net loss and comprehensive income	-	-	972	(2,199)	(1,227)	1,380	153
Distributions to non-controlling interest	-	-	-	-	-	(1,076)	(1,076)
Balance at March 31, 2020	$ 115,216	$ 15,296	$ 749	$ (58,951)	$ 72,310	$ 84,435	$ 156,745
Balance at January 1, 2021	$ 130,216	$ 15,573	$ -	$ (96,322)	$ 49,467	$ 1,423	$ 50,890
Net loss and comprehensive loss	**-**	**-**	**(149)**	**(486)**	**(635)**	**386**	**(249)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(300)**	**(300)**
Balance at March 31, 2021	**$ 130,216**	**$ 15,573**	**$ (149)**	**$ (96,808)**	**$ 48,832**	**$ 1,509**	**$ 50,341**

(1) Accumulated other comprehensive loss.

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands of Canadian dollars)

For the three months ended March 31,		2021		2020
Operating Activities				
Net loss	**$**	**(100)**	$	(1,716)
Items not affecting cash:				
Share-based payments expense (recovery) (note 10)		**895**		(125)
Depreciation and amortization		**1,046**		3,436
Amortization of debt issuance costs (note 13)		**212**		96
Depreciation and amortization of franchise renewals (note 5)		**617**		442
Unrealized foreign exchange (gain) loss		**(453)**		3,669
Change in fair value of foreign exchange forward contract (note 17)		**391**		(2,061)
Accretion expense on the Preferred Share liability (note 13)		**4,010**		-
Revaluation recovery of the Preferred Share liability (note 13)		**(864)**		-
Deferred tax recovery (note 8)		**(443)**		(790)
Loss (income) from equity accounted investment (note 4)		**596**		(68)
Interest on lease liabilities		**35**		631
Other non-cash items		**123**		141
Changes in non-cash working capital (note 16)		**(1,452)**		1,535
Cash provided by operating activities		**4,613**		5,190
Investing Activities				
Expenditures on capital assets		**-**		(431)
Investment in intangible assets (note 5)		**(2,703)**		(599)
Investment in equity accounted investee (note 4)		**(300)**		-
Distributions from equity accounted investee (note 4)		**250**		-
Distributions to non-controlling interests		**(300)**		(1,076)
Cash used in investing activities		**(3,053)**		(2,106)
Financing Activities				
Proceeds from debt financing, net of transaction costs (note 6)		**-**		1,689
Proceeds from settlement of foreign exchange forward contract (note 17)		**-**		1,469
Repayment of debt (note 6)		**(645)**		(1,733)
Net lease payments		**(144)**		(993)
Dividends paid to Preferred Shareholders (note 7)		**(1,680)**		-
Cash (used in)/provided by financing activities		**(2,469)**		432
(Decrease) increase in cash and cash equivalents		**(909)**		3,516
Impact of foreign exchange on cash and cash equivalents		**(11)**		2
Cash and cash equivalents, beginning of period		**10,316**		5,458
Cash and cash equivalents, end of period	**$**	**9,396**	$	8,976
Cash flows include the following amounts:				
Interest paid	**$**	**914**	$	1,371
Interest received	**$**	**13**	$	9
Income taxes paid	**$**	**3,743**	$	1,571

The accompanying notes from an integral part of these condensed consolidated financial statements.

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Dominion Lending Centres Inc. ("we", "our", or the "Corporation") is a Canadian mortgage brokerage and data connectivity provider with operations across Canada. It is listed on the TSX Venture Exchange (the "Exchange") under the symbol "DLCG". The head office of the Corporation is located at Suite 400, 2207 4th Street S.W., Calgary, Alberta, T2S 1X1. The Corporation is governed by the *Business Corporation Act* (Alberta).

Entity overview

The DLC group of companies (the "DLC Group") consists of the Corporation and its three main subsidiaries:

	Ownership interest	
	March 31, 2021	December 31, 2020 (1)
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton")	**70%**	70%

(1) At December 31, 2020, Dominion Lending Centres Inc. was a wholly owned subsidiary of Dominion Lending Centres LP.

At March 31, 2021, the Corporation has two operating segments: the Core Business Operations segment and the Non-Core Business Asset Management segment.

The Core Business Operations segment represents the core operations of the Corporation. These core operations are the business of mortgage brokerage and connectivity services across Canada, which is comprised of the DLC Group.

The Non-Core Business Asset Management segment includes the Corporation's interests in Club16 Limited Partnership ("Club16") and Cape Communications Ltd. ("Impact") (collectively the "Non-Core Assets"), and the expenses, assets and liabilities associated with management of the Non-Core Assets, the Sagard credit facility, and public company costs.

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements ("interim financial statements") of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standards 34 – Interim Financial Reporting.

These financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on May 25, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim financial statements are the same as those in the most recent annual financial statements.

4. EQUITY ACCOUNTED INVESTMENTS

Club16

The Corporation owns a 58.4% interest in Club16. The principal place of business is Surrey, British Columbia, Canada.

On December 31, 2020, the Corporation and the principals of Club16 entered into an amending agreement to amend the terms of the shareholders agreement. Though the Corporation has maintained its ownership interest, as of December 31, 2020, the Corporation no longer had the ability to unilaterally determine matters requiring approval by the Board of Directors. Given that the shareholders' agreement requires all decisions of shareholders to be unanimous, the Corporation was determined to have joint control of Club16 with the minority interest holders. The Corporation is entitled to the net assets of Club16, and therefore, this joint arrangement is considered a joint venture and accounted for using the equity method. As a result of the disposal of the previous parent-subsidiary relationship, the Corporation has presented the results of Club16 as discontinued operations for the comparative period in the Corporation's condensed consolidated statements of loss (see note 15).

During the three months ended March 31, 2021, the Corporation did not receive any distributions from Club16.

(in thousands of Canadian dollars)

The following table summarizes the statement of financial position information of Club16:

		March 31, 2021		December 31, 2020
Current assets	**$**	**5,621**	$	5,897
Non-current assets		**83,470**		86,207
Current liabilities		**(15,745)**		(15,969)
Non-current liabilities		**(57,508)**		(57,882)
Net assets		**15,838**		18,253
% of ownership		**58.4%**		58.4%
		9,249		10,660
Goodwill (1)		**8,122**		7,619
Corporation share of net assets	**$**	**17,371**	$	18,279

(1) Club16's goodwill was adjusted during the three months ended March 31, 2021, to reflect reallocations of deferred tax liabilities.

For the three months ended March 31,		**2021**
Revenue	**$**	**6,758**
Expenses (1)		**8,312**
Net loss		**(1,554)**
% of ownership		**58.4%**
Corporation share of net loss	**$**	**(908)**

(1) Includes income tax.

Impact

The Corporation owns a 52.0% interest in Impact. The principal place of business is Kelowna, British Columbia, Canada.

On December 31, 2020, the Corporation and the principal of Impact entered into an amending agreement to amend the terms of the shareholders agreement. Though the Corporation has maintained its ownership interest, as of December 31, 2020, the Corporation no longer had the ability to unilaterally determine matters requiring approval by the Board of Directors. Given that the shareholders' agreement requires all decisions of shareholders to be unanimous, the Corporation was determined to have joint control of Impact with the minority interest holder. The Corporation is entitled to the net assets of Impact, and therefore, the joint arrangement is considered a joint venture and accounted for using the equity method.

As a result of the disposal of the previous parent-subsidiary relationship, the Corporation has presented the results of Impact as discontinued operations for the comparative period in the Corporation's condensed consolidated statement of loss (see note 15).

During the three months ended March 31, 2021, the Corporation did not receive any distributions from Impact.

The following table summarizes the statement of financial position information of Impact:

		March 31, 2021		December 31, 2020
Current assets	**$**	**4,363**	$	4,106
Non-current assets		**11,299**		11,662
Current liabilities		**(588)**		(534)
Non-current liabilities		**(3,325)**		(3,378)
Net assets		**11,749**		11,856
% of ownership		**52.0%**		52.0%
		6,109		6,165
Goodwill (1)		**4,126**		4,178
Corporation share of net assets	**$**	**10,235**	$	10,343

(1) Impact's goodwill is adjusted for foreign exchange translation differences at the end of each reporting period.

(in thousands of Canadian dollars)

For the three months ended March 31,		**2021**
Revenue	**$**	**1,981**
Expenses (1)		**1,900**
Net income		**81**
% of ownership		**52.0%**
Corporation share of net income	**$**	**42**

Other comprehensive loss	**$**	**(287)**
% of ownership		**52.0%**
Corporation share of other comprehensive loss	**$**	**(149)**

(1) Includes income tax.

Other Core Business Operations' Equity Accounted Investments

The following tables summarize the financial information of the Corporation's investments in its non-significant joint arrangements. The Corporation's ownership interest in these entities ranges from 30%-50%. The Corporation is entitled to the net assets of these entities, and therefore, the joint control arrangements are considered joint ventures and accounted for using the equity method.

During the three months ended March 31, 2021, the Corporation made investments of $300 in non-significant joint arrangements and received distributions from its non-significant joint arrangements of $250 (March 31, 2020 – $nil and $nil, respectively).

		March 31, 2021		December 31, 2020
Current assets	**$**	**821**	$	442
Non-current assets		**124**		114
Current liabilities		**(504)**		(294)
Non-current liabilities		**-**		(60)
Net assets		**441**		202
% of ownership		**30%-50%**		50.0%
		181		101
Goodwill		**1,303**		1,063
Corporation share of net assets	**$**	**1,484**	$	1,164

For the three months ended March 31,		**2021**
Revenue	**$**	**1,534**
Expenses (1)		**1,004**
Net income		**530**
% of ownership		**30%-50%**
Corporation share of net income	**$**	**270**

(1) Includes income tax.

(in thousands of Canadian dollars)

5. INTANGIBLE ASSETS

		Franchise rights, relationships and agreements		Brand names		Other (1)		Total intangible assets
Cost								
Balance at December 31, 2020	$	98,037	$	45,700	$	5,214	$	148,951
Additions		**2,102**		**-**		**601**		**2,703**
Balance at March 31, 2021	**$**	**100,139**	**$**	**45,700**	**$**	**5,815**	**$**	**151,654**
Accumulated amortization								
Balance at December 31, 2020	$	(21,817)	$	-	$	(4,046)	$	(25,863)
Depreciation and amortization recognized as a charge against revenue		**(617)**		**-**		**-**		**(617)**
Depreciation and amortization expense		**(842)**		**-**		**(91)**		**(933)**
Balance at March 31, 2021	**$**	**(23,276)**	**$**	**-**	**$**	**(4,137)**	**$**	**(27,413)**
Carrying value								
December 31, 2020	$	76,220	$	45,700	$	1,168	$	123,088
March 31, 2021	**$**	**76,863**	**$**	**45,700**	**$**	**1,678**	**$**	**124,241**

(1) Other intangible assets comprise software acquired on the initial acquisition of the Core Business Operations (including Newton) purchased by the Core Business Operations.

6. LOANS AND BORROWINGS

		March 31, 2021		December 31, 2020
Core Business Operations				
DLC Group term loan facilities	**$**	**2,618**	$	3,263
Non-Core Business Asset Management				
Sagard credit facility (1)		**37,262**		37,515
Total loans and borrowings		**39,880**		40,778
Less current portion		**(8,945)**		(7,410)
	$	**30,935**	$	33,368

(1) Net of debt issuance costs. At March 31, 2021, the Sagard credit facility's principal balance owing was USD $30,735 (CAD $38,649) (December 31, 2020—USD $30,735 (CAD $39,132)).

Non-Core Asset Management

On January 1, 2021, the Corporation amended its Sagard credit facility agreement which provides the Corporation with the option, at any time after June 14, 2021 but prior to December 14, 2021, to extend the maturity of the facility by an additional twelve months until June 14, 2023.

On March 10, 2021, the Corporation amended its Sagard credit facility to restate the definition of a covenant breach, to exclude Club16 from the cross-default provision for the quarter-ended December 31, 2020 and the fiscal year 2021, while Club16 navigates COVID-19.

The Corporation is obligated to make quarterly repayments on the Sagard credit facility based on defined free cash flow. At March 31, 2021, the Corporation had $7,056 classified as current debt based on forecasted defined free cash flows (December 31, 2020—$4,921). The Sagard credit facility matures on June 14, 2022, unless the one-year extension option is exercised by the Corporation. Quarterly financial covenants in the Sagard credit facility include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of not greater than 3.75:1.00. As at March 31, 2021, the Corporation was in compliance with all such covenants.

(in thousands of Canadian dollars)

7. PREFERRED SHARE LIABILITY

	Number of Preferred Shares		Amount
Balance at December 31, 2020 (1)	26,774,054	$	105,685
Dividends paid			(1,680)
Accretion expense			4,010
Revaluation recovery			(864)
Balance at March 31, 2021 (1)	**26,774,054**	**$**	**107,151**
Current		**$**	**8,579**
Non-Current		**$**	**98,572**

(1) Net of transaction costs.

The Corporation is authorized to issue an unlimited number of non-voting, non-convertible series 1, class B preferred shares (the "Preferred Shares"). The Preferred Shares are not publicly traded. The Preferred Shares were initially measured at their fair value net of any directly attributable transaction costs and are subsequently recognized at amortized cost. The Preferred Share liability is revised for any changes in cash flow estimates at the end of each reporting period using an income approach based on the initial discount rate applied, and the change in the time-value of money and dividends paid. The change in the time-value of money is reflected as accretion expense. The adjustments to the carrying value of the Preferred Shares are recognized as a revaluation gain or loss and accretion expense within finance expense on the consolidated statements of loss (see note 13).

8. DEFERRED TAX LIABILITY

On January 1, 2021, the amalgamation of Dominion Lending Centres Inc. and Founders Advantage Capital Corp. resulted in the non-capital losses previously shown as gross deferred income tax assets, no longer occurring within a different entity. As such, the Corporation has presented the deferred tax asset as a reduction to deferred tax liabilities as at March 31, 2021.

Deferred tax assets and liabilities as at March 31, 2021 and December 31, 2020, consist of the following:

		March 31, 2021		December 31, 2020
Deferred tax liabilities				
Intangible assets	**$**	**(26,444)**	$	(26,948)
Right-of-use assets		**(559)**		(582)
		(27,003)		(27,530)
Deferred tax assets				
Recognized non-capital loss		**16,405**		64
Capital assets		**39**		39
RSUs		**757**		518
Debt issuance costs		**86**		99
Lease liabilities, net of lease receivable		**660**		686
Other		**(108)**		(137)
		17,839		1,269
Net deferred tax liability	**$**	**(9,164)**	$	(26,261)

		March 31, 2021		December 31, 2020
Deferred tax assets				
Recognized non-capital loss	**$**	**-**	$	16,654
Deferred tax asset	**$**	**-**	$	16,654

For the purposes of the preceding table, deferred income tax liabilities are shown net of offsetting deferred income tax assets where these occur in the same entity and jurisdiction. As at March 31, 2021, the Corporation has a deferred tax asset recognized from the Non-Core Business Asset Management segments' non-capital loss carry-forwards of $16,341 (December 31, 2020—$16,654). The deferred tax asset is recognized on the statements of financial position as an offset to deferred tax liabilities. These Canadian tax losses expire between 2026 and 2040.

(in thousands of Canadian dollars)

The deferred tax liability movement is as comprised of:

		March 31, 2021		December 31, 2020
Balance, beginning of year	$	**(26,261)**	$	(30,978)
Deferred tax recovery recognized in net income from continuing operations		**443**		672
Deferred tax asset reclassed to offset deferred tax liability		**16,654**		-
Deferred tax recovery recognized in net loss from discontinued operations		**-**		523
Deferred tax derecognized on discontinued operations		**-**		3,522
Net deferred tax liability	**$**	**(9,164)**	$	(26,261)

The deferred tax asset movement is as comprised of:

		March 31, 2021		December 31, 2020
Balance, beginning of year	$	**16,654**	$	-
Deferred tax asset reclassed to offset deferred tax liability		**(16,654)**		-
Deferred tax recovery recognized in net loss from continuing operations		**-**		16,654
Deferred tax asset	**$**	**-**	$	16,654

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial tax rate of 26.7% (2020—26.6%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for three months ended March 31, 2021 and 2020:

For the three months ended March 31,		**2021**		2020
Income (loss) before income tax from continuing operations	$	**680**	$	(19)
Income (loss) before income tax multiplied by the statutory rate of 26.7% (2020—26.6%)		**(182)**		5
Effect of:				
Permanent differences		**(927)**		(623)
Change in tax rates and rate differences		**268**		16
Change in unrecognized temporary differences		**(57)**		-
Recognized deferred tax asset, net of deferred tax liability		**3**		-
Reserve for non-capital loss carry forward		**-**		(133)
Other		**115**		231
Total tax expense from continuing operations	**$**	**(780)**	$	(504)

9. SHARE CAPITAL

Authorized share capital

The Corporation is authorized to issue an unlimited number of class A common shares ("Common Shares") without par value.

A summary of changes in Common Share capital in the period is as follows:

	Number of Common Shares		Amount
Balance at December 31, 2020	46,653,941	$	130,216
Balance at March 31, 2021	**46,653,941**	**$**	**130,216**

10. SHARE-BASED PAYMENTS

Share options

Under the Corporation's share option plan (the "Plan"), the Corporation may grant share options to its directors, officers, employees, and consultants for up to 10% of the issued and outstanding Common Shares at the time of the share option grant. The Corporation's directors determine the term and vesting period of the share options at the time of the grant with the maximum term under the Plan being ten years from the grant date. The exercise price of each share option is determined on issuance of the share options, which cannot be less than the market price, less a maximum discount of 15%, as defined by the Exchange.

(in thousands of Canadian dollars)

A summary of share option activity in the period is as follows:

	Number of share options		Weighted average exercise price
Outstanding share options, December 31, 2020	323,893	$	3.65
Expired	**(98,893)**		**3.00**
Outstanding share options, March 31, 2021	**225,000**	**$**	**3.93**

The following table summarizes the share options outstanding and exercisable under the Plan as at March 31, 2021:

Grant date	Share options outstanding	Years to Maturity	Share options exercisable		Weighted average exercise price
July 7, 2016	150,000	0.3	150,000	$	4.40
July 3, 2017	75,000	1.3	75,000		3.00
	225,000		225,000	$	3.93

The Corporation recorded total share-based payment expense of $895 for the three months ended March 31, 2021 (March 31, 2020—($127) recovery) for continuing operations. These amounts include share-based payment expense related to the Corporation's restricted share units ("RSUs") expense of $624 (March 31, 2020—($127) recovery), and $271 expense related to the Corporation's phantom share options ("PSOs") for the three months ended March 31, 2021 (March 31, 2020— $nil). During the three months ended March 31, 2021 and March 31, 2020, the Corporation did not incur any share-based payment expense related to the Corporation's share options.

PSO plan

The Corporation's PSOs were issued to employees with an exercise price of $2.75. Each PSO entitles the holder thereof to cash payments equal to the difference between the PSO price and the market price upon the exercise date. The PSOs have a five-year term and vest one-third on the first, second and third anniversary from the date of grant. At March 31, 2021, all PSOs have fully vested.

At March 31, 2021 and December 31, 2020, the Corporation had 295,000 PSOs outstanding. At March 31, 2021, the PSOs were in-the-money and the Corporation recognized a liability of $378 (December 31, 2020—$107).

RSU plan

The Corporation's RSUs were issued to corporate directors and employees. The Corporation's RSU plan provides RSUs to be settled in cash on the vesting date. The Corporation's directors determine at the time of the grant: the vesting period, the number of units issued, and the terms of the RSUs.

A summary of the RSU activity in the period is as follows:

Outstanding RSUs, December 31, 2020	747,040
Outstanding RSUs, March 31, 2021	**747,040**

The following table summarizes the outstanding RSUs as at March 31, 2021:

Grant date	Issued to	Vesting date	Outstanding RSUs		Liability at March 31, 2021
May 1, 2019	Directors	Immediately (1)	173,000	$	671
May 1, 2019	Employees	May 1, 2021	90,000		334
June 11, 2020	Directors	Immediately (1)	292,174		1,134
June 11, 2020	Employees	May 1, 2022	191,866		317
			747,040	$	2,456

(1) The payment date for the RSUs granted on May 1, 2019 and June 11, 2020 to Directors is December 15, 2022 and December 15, 2023, respectively.

(in thousands of Canadian dollars)

Warrants
The following table summarizes the warrants outstanding:

	Years to Maturity	Warrants Outstanding		Exercise price
Outstanding lender warrants, December 31, 2020	2.45	2,078,568	$	1.44
Outstanding lender warrants, March 31, 2021	**2.21**	**2,078,568**	**$**	**1.44**

11. SEGMENTED INFORMATION

The Corporation's operating segments represent the components of the business whose operating results are reviewed regularly by the Corporation's chief operating decision makers, who are comprised of the Corporation's senior management. At March 31, 2021, the Corporation has two operating segments: the Core Business Operations segment and the Non-Core Business Asset Management segment.

The Core Business Operations segment represents the core operations of the Corporation. These core operations are the business of mortgage brokerage and connectivity services across Canada.

The Non-Core Business Asset Management segment includes the Corporation's interest in the Non-Core Assets and the expenses, assets and liabilities associated with management of the Non-Core Assets, the Sagard credit facility, and public company costs.

As of December 31, 2020, Club16 and Impact became equity accounted investments (see note 4). Accordingly, the results of Club16 and Impact have been excluded from the segmented information for the comparative income statement information (see note 15).

As at March 31, 2021		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash and cash equivalents	$	**7,872**	$	**1,524**	$	**9,396**
Trade, other receivables and other assets		**11,281**		**153**		**11,434**
Right-of-use assets		**2,091**		**-**		**2,091**
Intangible assets		**124,241**		**-**		**124,241**
Goodwill		**60,437**		**-**		**60,437**
Capital and other assets		**3,566**		**28,020**		**31,586**
Total assets	$	**209,488**	$	**29,697**	$	**239,185**
Accounts payable and accrued liabilities	$	**18,769**	$	**721**	$	**19,490**
Lease obligations		**2,161**		**443**		**2,604**
Loans and borrowings		**2,618**		**37,262**		**39,880**
Foreign exchange forward contract liability		**-**		**3,014**		**3,014**
Deferred tax liability (asset)		**26,602**		**(17,438)**		**9,164**
Preferred share liability		**107,151**		**-**		**107,151**
Other liabilities		**3,837**		**3,704**		**7,541**
Total liabilities	$	**161,138**	$	**27,706**	$	**188,844**

For the three months ended March 31, 2021		Core Business Operations		Non-Core Business Asset Management		Consolidated
Revenue	$	**13,888**	$	**-**	$	**13,888**
Direct costs		**1,954**		**-**		**1,954**
General and administrative		**4,486**		**507**		**4,993**
Share-based payments		**-**		**895**		**895**
Depreciation and amortization		**1,042**		**4**		**1,046**
Finance expense		**3,198**		**1,195**		**4,393**
Other (income) expense		**(1,218)**		**1,145**		**(73)**
Income (loss) before tax from continuing operations	$	**4,426**	$	**(3,746)**	$	**680**

(in thousands of Canadian dollars)

For the three months ended March 31, 2021		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash flows provided by / (used in) operating activities	$	**6,049**	$	**(1,436)**	$	**4,613**
Cash flows (used in) / provided by investing activities		**(5,573)**		**2,520**		**(3,053)**
Cash flows used in financing activities		**(2,423)**		**(46)**		**(2,469)**
(Decrease) increase in cash and cash equivalents	$	**(1,947)**	$	**1,038**	$	**(909)**

As at December 31, 2020		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash and cash equivalents	$	9,819	$	497	$	10,316
Trade, other receivables and other assets		14,502		485		14,987
Right-of-use assets		2,177		-		2,177
Intangible assets		123,088		-		123,088
Goodwill		60,437		-		60,437
Deferred tax asset		-		16,654		16,654
Capital and other assets		3,389		29,146		32,535
Total assets	$	213,412	$	46,782	$	260,194
Accounts payable and accrued liabilities	$	23,455	$	673	$	24,128
Lease obligations		2,234		479		2,713
Loans and borrowings		3,263		37,515		40,778
Foreign exchange forward contract liability		-		2,623		2,623
Deferred tax liability (asset)		27,135		(874)		26,261
Preferred share liability		105,685		-		105,685
Other liabilities		4,203		2,913		7,116
Total liabilities	$	165,975	$	43,329	$	209,304

For the three months ended March 31, 2020		Core Business Operations		Non-Core Business Asset Management		Consolidated
Revenue	$	9,498	$	-	$	9,498
Direct costs		999		-		999
General and administrative		4,084		394		4,478
Share-based payments		-		(127)		(127)
Depreciation and amortization		1,086		5		1,091
Finance expense		148		1,352		1,500
Other (income) expense		(166)		1,742		1,576
Income (loss) before tax from continuing operations	$	3,347	$	(3,366)	$	(19)

For the three months ended March 31, 2020		Core Business Operations		Non-Core Business Asset Management		Discontinued Operations		Consolidated
Cash flows provided by / (used in) operating activities	$	5,060	$	(1,268)	$	1,398	$	5,190
Cash flows (used in) / provided by investing activities		(3,299)		1,624		(431)		(2,106)
Cash flows provided by / (used in) financing activities		607		577		(752)		432
Increase in cash and cash equivalents	$	2,368	$	933	$	215	$	3,516

Refer to note 15 for detailed cash flows from discontinued operations.

(in thousands of Canadian dollars)

12. REVENUE

For the three months ended March 31,		**2021**		2020
Franchising revenue, mortgage brokerage services	**$**	**11,797**	$	8,267
Newton revenues		**1,951**		1,124
Brokering of mortgages		**140**		107
	$	**13,888**	$	9,498

The quarterly results may vary from quarter to quarter because of seasonal fluctuations. The Core Business Operations are subject to seasonal variances that fluctuate in accordance with the normal home buying season. This typically results in higher revenues in the months of June through September of each year, and results in lower revenues during the months of January through March.

The Corporation may incur franchise agreement expenses prior to or concurrent with entering into franchise agreements, including payments to the franchises. These costs are capitalized on an agreement basis and amortized over the same term as the agreement to which they relate. The amortization of these franchise payments is recognized against revenue. Revenue earned from contracts with customers earned over time, gross of the amortization of franchise payments, included in the above for the Core Business Operations is $14,405 for the three months ended March 31, 2021 (March 31, 2020—$9,927). Revenues earned from contracts with customers not earned over time is $100 for the three months ended March 31, 2021 (March 31, 2020—$13).

13. FINANCE EXPENSE

For the three months ended March 31,		**2021**		2020
Interest expense on debt obligations	**$**	**1,000**	$	1,346
Interest on lease obligations		**35**		30
Amortization of debt issuance costs		**212**		96
Accretion expense		**-**		28
Accretion expense on the Preferred Share liability (note 7)		**4,010**		-
Revaluation recovery of the Preferred Share liability (note 7)		**(864)**		-
	$	**4,393**	$	1,500

14. LOSS PER COMMON SHARE

For the three months ended March 31,		**2021**		2020
Net loss attributable to common shareholders	**$**	**(486)**	$	(2,199)
Net loss attributable to common shareholders from continuing operations		**(486)**		(1,546)
Basic and diluted weighted average number of Common Shares		**46,653,941**		38,161,402
Basic loss per Common Share	**$**	**(0.01)**	$	(0.06)
Diluted loss per Common Share	**$**	**(0.01)**	$	(0.06)
Continuing operations:				
Basic loss per Common Share	**$**	**(0.01)**	$	(0.04)
Diluted loss per Common Share	**$**	**(0.01)**	$	(0.04)

As at March 31, 2021, there were 225,000 share options (December 31, 2020—323,893) and 2,078,568 lender warrants outstanding (December 31, 2020—2,078,568) (see note 10). At March 31, 2021, these share options and lender warrants were considered anti-dilutive.

(in thousands of Canadian dollars)

15. DISCONTINUED OPERATIONS

On December 31, 2020, the Corporation amended its shareholder agreements with the minority shareholders of Club16 and Impact (see note 4). Our ownership interest remained the same in Club16 and Impact at 58.4% and 52.0%, respectively.

As a result of the disposal of the previous parent-subsidiary relationship, the Corporation reclassified the results of Club16 and Impact for the comparative three months ended March 31, 2020 as discontinued operations in the Corporation's condensed consolidated statements of loss. The current period results for Club16 and Impact are reflected as (loss) income from equity accounted investments (see note 4).

The following summarizes the results of these discontinued operations in the comparative three months ended March 31, 2020:

For the three months ended March 31, 2020		Club16		Impact		Total
Revenue	$	6,315	$	2,260	$	8,575
Expenses		7,680		2,239		9,919
(Loss) income before tax from discontinued operations		(1,365)		21		(1,344)
Current tax expense		-		(84)		(84)
Deferred tax recovery		157		78		235
		157		(6)		151
(Loss) income from discontinued operations	$	(1,208)	$	15	$	(1,193)
Attributable to:						
Shareholders	$	(662)	$	9	$	(653)
Non-controlling interest	$	(546)	$	6	$	(540)
(Loss) earnings from discontinued operations per Common Share attributable to shareholders:						
Basic (loss) earnings per share	$	(0.02)	$	-	$	(0.02)
Diluted (loss) earnings per share	$	(0.02)	$	-	$	(0.02)

The following are the cash flows from the Corporation's discontinued operations for the comparative three months ended March 31, 2020:

For the three months ended March 31, 2020		Club16		Impact		Total
Cash provided by operating activities	$	866	$	532	$	1,398
Cash used in investing activities		(418)		(13)		(431)
Cash used in financing activities		(732)		(20)		(752)
Cash flows (used in) / provided by discontinued operations	$	(284)	$	499	$	215
Impact of foreign exchange on cash and cash equivalents	$	-	$	24	$	24

16. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are as follows:

For the three months ended March 31,		**2021**		2020
Trade and other receivables	**$**	**3,144**	$	3,942
Prepaid expenses and deposits		**189**		476
Notes receivable		**37**		21
Inventories		**-**		517
Accounts payable and accrued liabilities		**(4,682)**		(3,824)
Deferred contract liability		**(184)**		340
Other current liabilities		**44**		63
	$	**(1,452)**	$	1,535

(in thousands of Canadian dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has responsibility to establish and oversee the Corporation's risk management framework. The Board of Directors has implemented risk management policies, monitors compliance with them, and reviews them regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation's financial risk management policies have been established to identify and analyze risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Corporation employs risk management strategies to ensure our risks and related exposures are consistent with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

The Corporation is exposed in varying degrees to a variety of risks from its use of financial instruments, which mainly include cash and cash equivalents, trade and other receivables, investments, accounts payable and accrued liabilities, loans and borrowings, preferred share liabilities and foreign exchange forward contract liabilities. Because of the use of these financial instruments, the Corporation and its subsidiaries are exposed to risks, including market risk, credit risk and liquidity risk. This note describes the Corporation's objectives, policies and processes for managing these risks and the methods used to measure them.

Market risk

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

Foreign exchange risk

The Corporation's exposure to foreign exchange fluctuations is limited to our cash balances in USD bank accounts; USD loans and borrowings; USD foreign exchange forward contract; and USD interest expense. At March 31, 2021, the cash balance is USD $1,050 (CAD $1,320), compared to USD $267 (CAD $340) at December 31, 2020. At March 31, 2021, the USD loans and borrowing balance is USD $30,735 (CAD $38,649); at December 31, 2020, it was USD $30,735 (CAD $39,132). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $770 decrease in income before tax for the three months ended March 31, 2021 (March 31, 2020—$4,585 decrease).

To manage the Corporation's foreign exchange exposure on its USD loan, the Corporation previously entered into both an amendment of its Sagard credit facility and an intercreditor agreement, which collectivity allows the Corporation to enter into foreign exchange forward contracts up to USD $25,000. The forward contracts are secured through the intercreditor agreement between the Corporation, its lender (Sagard) and the counterparty, which allows the counterparty security up to CAD $7,000. The Corporation has USD $24,000 foreign exchange forward contracts outstanding as at March 31, 2021 with a blended forward rate at March 31, 2021 of $1.257 (December 31, 2020—USD $24,000 at a blended forward rate of $1.273). The foreign exchange forward contracts can be settled at any time (at the Corporation's option) within a period of six months from December 14, 2021 to June 14, 2022.

During the three months ended March 31, 2020, the Corporation unwound its USD $15,000 foreign exchange forward contract, which was entered into in December 2019, at a forward rate of $1.442 for net proceeds of $1,469. In response to the uncertain scale and duration of the COVID-19 pandemic, the Corporation had unwound the hedge early to further strengthen its liquidity position. The Corporation recognized a net realized gain on the change in fair value of the foreign exchange forward contract from inception of $1,696, and during the three months ended March 31, 2020 of $2,061. The Corporation has not unwound any forward contracts during the three months ended March 31, 2021.

The Corporation's change in fair value of the foreign exchange contracts consists of unrealized losses and realized gains as follows:

For the three months ended March 31,		**2021**		2020
Unrealized (loss)	**$**	**(391)**	$	-
Realized gain		**-**		2,061
Change in the fair value of foreign exchange contracts	**$**	**(391)**	$	2,061

(in thousands of Canadian dollars)

Interest rate risk

The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% increase in interest rates on variable rate loans and borrowings would have resulted in an $105 decrease of income before tax for the three months ended March 31, 2021 (March 31, 2020—$161 decrease).

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is mainly attributable to its cash and cash equivalents and trade and other receivables.

The Corporation has determined that its exposure to credit risk on its cash and cash equivalents is minimal as the Corporation's cash and cash equivalents are held with financial institutions in Canada.

Our primary source of credit risk relates to the Core Business Operations' franchisees and agents not paying receivables. The Core Business Operations manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. As at March 31, 2021, $293 (December 31, 2020—$340) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at March 31, 2021 are $376 (December 31, 2020—$376). A decline in economic conditions, or other adverse conditions experienced by franchisees and agents, could impact the collectability of the Corporation's accounts receivable.

The Corporation's maximum exposure to credit risk approximates the carrying value of the assets on the Corporation's condensed consolidated statements of financial position.

		March 31, 2021		December 31, 2020
Cash and cash equivalents	**$**	**9,396**	$	10,316
Trade, other receivables and other assets		**11,434**		14,987
Notes receivable		**494**		531
	$	**21,324**	$	25,834

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation utilizes cash and debt management policies and practices to mitigate the likelihood of difficulties in meeting its financial obligations and commitments. These policies and practices include the preparation of budgets and forecasts which are regularly monitored and updated as considered necessary.

As at March 31, 2021, contractual cash flow obligations and their maturities were as follows:

		Contractual cash flow		Within 1 year		Within 5 years		Thereafter
Accounts payable and accrued liabilities	$	19,490	$	19,490	$	-	$	-
Lease obligations (1)		1,886		543		1,343		-
Loans and borrowings (2)		41,266		8,945		32,321		-
Foreign exchange forward contract liability		3,014		-		3,014		-
Preferred share liability (3)		107,438		8,579		36,324		62,535
Long-term liabilities		4,295		-		4,295		-
	$	177,389	$	37,557	$	77,297	$	62,535

(1) Undiscounted lease payments.
(2) Gross of debt issuance costs.
(3) Gross of transaction costs.

(in thousands of Canadian dollars)

Capital management

The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital at March 31, 2021, and December 31, 2020.

		March 31, 2021		December 31, 2020
Loans and borrowings	$	**39,880**	$	40,778
Less: cash and cash equivalents		**9,396**		10,316
Net loans and borrowings	$	**30,484**	$	30,462
Shareholders' equity	$	**48,832**	$	49,467

The Corporation's objectives when managing capital include maintaining an optimal capital base to support the capital requirements of the Corporation, including opportunities to grow the number of DLC Group franchises.

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally imposed capital requirements as at March 31, 2021 (see note 6).

Determination of fair value

The Corporation considers the following fair value hierarchy in measuring the fair value of the financial instruments presented in the Corporation's consolidated statements of financial position. The hierarchy reflects the significance of the inputs used in determining the fair values of the Corporation's financial instruments.

i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
iii. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair values of the financial assets and liabilities in the Corporation's consolidated statements of financial position, categorized by hierarchical levels and their related classifications.

			Fair value as at March 31, 2021				
		Carrying value as at March 31, 2021		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Financial assets								
Investments	$	**246**	$	**-**	$	**-**	$	**246**
Financial liabilities								
Foreign exchange forward contract liability		**(3,014)**		**-**		**(3,014)**		**-**
Loans and borrowings		**(39,880)**		**-**		**(39,880)**		**-**

(in thousands of Canadian dollars)

	Carrying value as at December 31, 2020	Fair value as at December 31, 2020		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments	$ 246	$ -	$ -	$ 246
Financial liabilities				
Foreign exchange forward contract liability	(2,623)	-	(2,623)	-
Loans and borrowings	(40,778)	-	(40,778)	-

The fair value of trade, other receivables and other assets, notes receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these financial instruments. As at March 31, 2021 management has determined that the fair value of its loans and borrowings approximate their carrying value. The majority of loans and borrowings are subject to floating interest rates, and the Corporation and its subsidiaries' credit risk profiles have not significantly changed since obtaining each of the facilities.

18. COMMITMENTS AND CONTINGENCIES

Consulting agreement

In February 2020, the Core Business Operations renewed a consulting agreement whereby the Corporation has agreed to incur an annual amount of $150, paid quarterly, for consulting services related to promotional support. The consulting agreement expires in January 2022.

Service agreement

In March 2018, the Core Business Operations entered into an agreement with a software development company to develop and support a customized mortgage application ("app") for an annual amount of $932. The agreement is a related party transaction due to common management between the Corporation and the service provider. The service agreement expires in March 2023.

Contingencies

In the normal course of operations, the Corporation and its investees may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty. As the outcomes of the claims are not determinable, no provision for settlement has been made in the consolidated financial statements. The Corporation does not anticipate that these claims will have a material impact on its financial position.