Dominion Lending Centres Inc.

Q1 2021 Management Discussion & Analysis

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This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations of Dominion Lending Centres Inc. ("we", "our", or the "Corporation") for the three months ended March 31, 2021, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of May 25, 2021, in conjunction with the interim condensed consolidated financial statements and related notes for the three months ended March 31, 2021 ("interim financial statements"), and our 2020 audited annual consolidated financial statements. Our interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard 34 – Interim Financial Reporting. Unless otherwise indicated, all amounts are presented in Canadian dollars.

When preparing our MD&A, we consider the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

The Corporation's class A common shares ("Common Shares") are publicly traded on the TSX Venture Exchange ("Exchange") under the symbol "DLCG". Continuous disclosure materials are available on our website at www.dlcg.ca, and on SEDAR at www.sedar.com.

The Corporation's series 1 class B preferred shares (the "Preferred Shares") are non-voting, non-convertible and are not publicly traded.

OVERVIEW OF OUR BUSINESS

On January 1, 2021, the Corporation (previously Founders Advantage Capital Corp.) as the sole partner of Dominion Lending Centres LP ("DLC LP"), wound-up DLC LP. The Corporation then amalgamated with Dominion Lending Centres GP Inc. and then subsequently amalgamated with Dominion Lending Centres Inc. ("DLC Inc."), thereafter changing the name of the newly amalgamated entity to Dominion Lending Centres Inc.

The Corporation is a Canadian mortgage brokerage and data connectivity provider with operations across Canada.

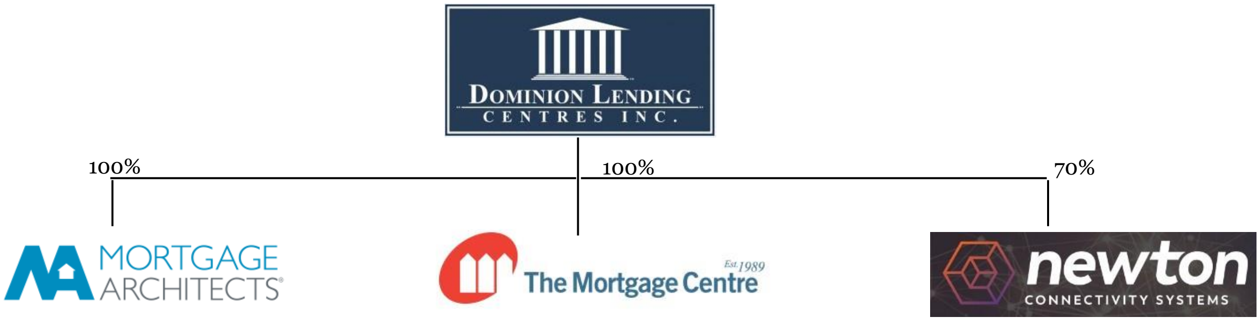
At March 31, 2021, the Corporation had two operating segments: the Core Business Operations segment and the Non-Core Business Asset Management segment.

Core Business Operations overview

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 of companies (the "DLC Group").

The DLC Group consists of the Corporation and its three main subsidiaries, being:

- MA Mortgage Architects Inc. ("MA");
- MCC Mortgage Centre Canada Inc. ("MCC"); and,
- Newton Connectivity Systems Inc. ("Newton").



The Corporation's ownership interests remain consistent with the ownership interest held as at December 31, 2020. At December 31, 2020, DLC Inc. was a wholly-owned subsidiary of DLC LP.

Newton Connectivity Systems

Newton is a financial technology company which provides a secure all-in-one operating platform in Canada: Velocity. Velocity connects mortgage brokers to lenders and third parties. Newton provides end-to-end services to automate the entire mortgage application, approval, underwriting and funding process; and additional services to provide brokers with the management of daily operations and access to data resources.

The operating platform provides services through various lender and broker facing products. Lender-facing products provide encrypted exchange networks to connect brokers with lenders and third parties. These include web-based services connecting brokers on Velocity to lenders and third-party suppliers, which allow for direct submission of mortgages to lenders and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker-facing products provide deal-management tools and services, including automatically managing the brokers' revenue and distributions through Velocity; with additional services to match lender-verified products to a client's criteria and automation of the payroll process. Further, Newton provides services to third-party users through the Velocity platform, ranging from consumer credit reports to borrower banking information.

Newton earns revenues from three streams:

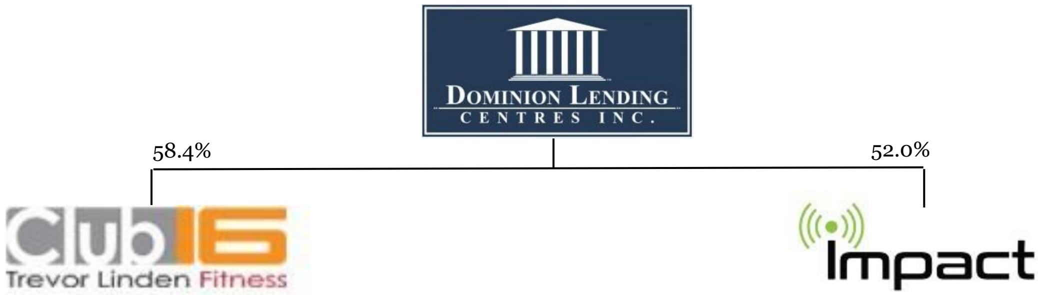
- fees paid by Canadian lenders based on funded volumes of mortgages;
- monthly subscription fees from non-DLC Group brokers; and
- third-party supplier fees on a transaction basis.

As the Corporation holds a controlling 70% ownership interest in Newton, its financial results are consolidated and included within the Core Business Operations' operating results.

Since 2017, Newton has been party to an agreement with a third-party connectivity provider (the "Host"), whereby Newton is obligated to fund a minimum annual funded mortgage volume through the Host's connectivity infrastructure. Newton earns revenues as a percentage of the mortgage volumes funded through the Host. The agreement expires at the end of June 2022. With the expiration of the agreement, the DLC Group may elect to cease using some of the Host's services.

Non-Core Business Asset Management overview

The Non-Core Business Asset Management segment represents the Corporation's share of income in its equity accounted investments in Club16 Limited Partnership ("Club16") and Cape Communications International Inc. ("Impact") (collectively, the "Non-Core Assets"); the expenses, assets and liabilities associated with managing the Non-Core Assets; the Sagard credit facility; and public company costs. The Corporation's ownership interests in the Non-Core Assets remain consistent with the ownership interest held as at December 31, 2020.



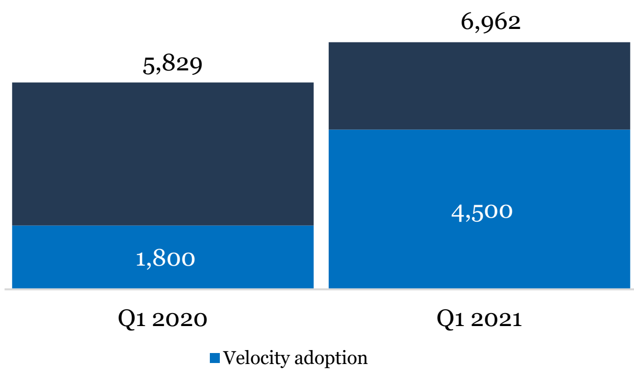
USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to the calculation of similar measures used by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS measures are defined and reconciled to the most directly comparable IFRS measure. Please see the Non-IFRS Financial Performance Measures section. Non-IFRS financial performance measures used in our MD&A include adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted net income, adjusted net income per share, free cash flow and core business distributable cash ("CDC").

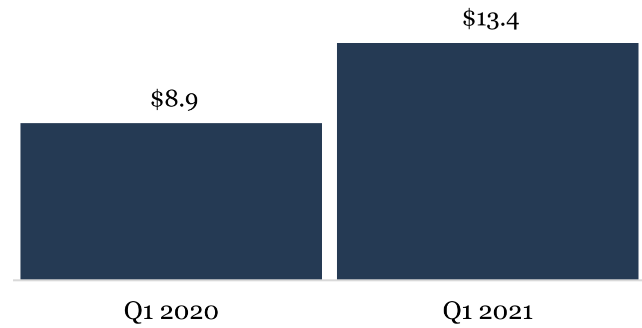
First Quarter 2021 Highlights

The following are notable performance highlights within Core Business Operations for the three months ended March 31, 2021 along with prior year comparative results for the same period.

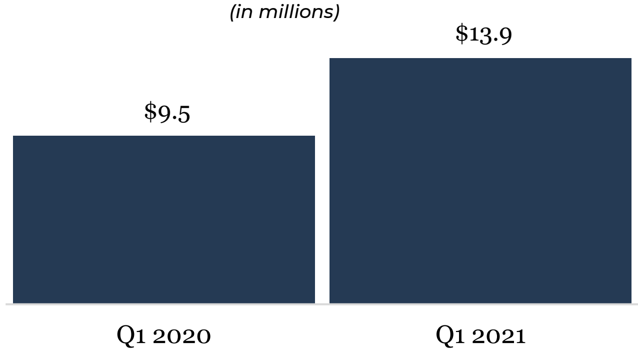
Total DLC Group Brokers (1)



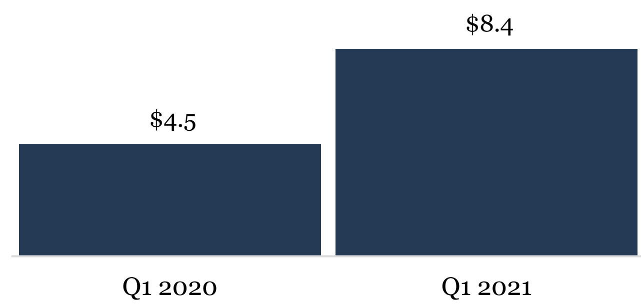
Quarterly Funded Mortgage Volumes (1)
(in billions)



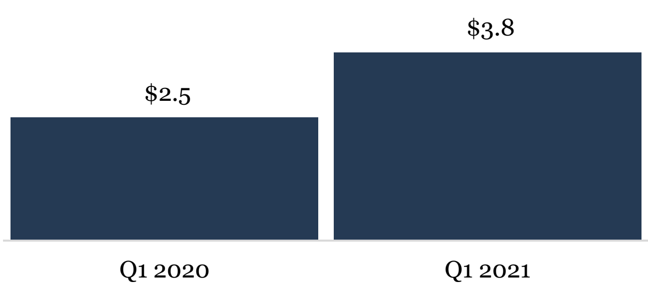
Quarterly Revenues
(in millions)



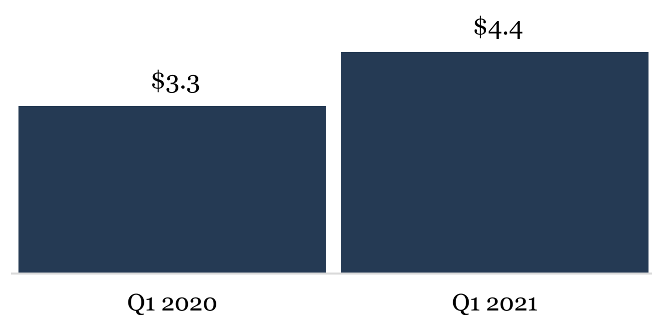
Quarterly Adjusted EBITDA (2) (3)
(in millions)



Quarterly CDC (2) (4) (5)
(in millions)



Quarterly Income Before Tax (3)
(in millions)



(1) Funded mortgage volumes and total DLC Group brokers for the three months ended March 31, 2020 have been restated to reflect additional funded mortgage volumes and brokers from a franchise previously excluded.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Adjusted EBITDA and income before taxes represents the results of the Core Business Operations.
(4) The Preferred Shares were issued on December 31, 2020; as such, no dividends were paid to the preferred shareholders based on CDC in the three months ended March 31, 2020.
(5) CDC is calculated before dividends paid.

FIRST QUARTER 2021 FINANCIAL HIGHLIGHTS

Below are the highlights of our financial results for the three months ended March 31, 2021. The comparative results for the three months ended March 31, 2020, reflect the segregation of the Non-Core Assets as discontinued operations (refer to the Discontinued Operations section of this document). The current period results for the three months ended March 31, 2021 include the Non-Core Assets as equity accounted investments within the Non-Core Business Asset Management segment. The discontinued operations are only included in net loss and net earnings (loss) per Common Share.

	Three months ended March 31,		
(in thousands, except per share)	**2021**	2020	Change
Revenues	**$ 13,888**	$ 9,498	46%
Income from operations	**5,000**	3,057	64%
Adjusted EBITDA (1)	**7,019**	4,047	73%
CDC (1)	**3,767**	2,462 (2)	53%
Free cash flow attributable to common shareholders (1)	**3,471**	451	NMF (3)
Net loss	**(100)**	(1,716)	94%
Net loss from continuing operations	**(100)**	(523)	81%
Net loss from discontinued operations	**-**	(1,193)	NMF (3)
Net (loss) income attributable to:			
Common shareholders	**(486)**	(2,199)	78%
Non-controlling interests	**386**	483	(20%)
Adjusted net income (1)	**1,744**	871	100%
Diluted loss per Common Share	**(0.01)**	(0.06)	83%
Adjusted earnings (loss) per Common Share (1)	**$ 0.03**	$ -	NMF (3)

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) The Preferred Shares were issued on December 31, 2020; as such, no dividends were paid to the preferred shareholders based on CDC in the three months ended March 31, 2020.
(3) The percentage change is Not a Meaningful Figure ("NMF").

	Three months ended March 31,		
(in thousands)	**2021**	2020	Change
Adjusted EBITDA (1)			
Core Business Operations	**$ 8,380**	$ 4,540	85%
Non-Core Business Asset Management	**(1,361)**	(493)	(176%)
Total Adjusted EBITDA (1)	**$ 7,019**	$ 4,047	73%

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Three-month highlights

Higher net income from Core Business Operations was a result of higher DLC Group revenues from an increase in funded mortgage volumes, partly offset by higher finance expense due to the accretion expense net of the revaluation of the Preferred Share liability. The increase in net income from Core Business Operations was partly offset by a higher net loss from the Non-Core Business Asset Management segment, primarily due to a loss from the equity accounted investments in the Non-Core Assets. The Corporation did not have discontinued operations during the three months ended March 31, 2021, compared to a loss from discontinued operations during the three months ended March 31, 2020.

Adjusted net income for the three months ended March 31, 2021, increased compared to the same period in the previous year primarily from increased revenues from higher funded mortgage volumes.

See the Liquidity section of this MD&A for information on the changes in cash and cash equivalents and working capital deficiency.

(in thousands, except shares outstanding)		**March 31, 2021**		December 31, 2020
Cash and cash equivalents	**$**	**9,396**	$	10,316
Working capital deficiency	**$**	**(15,960)**	$	(15,544)
Total assets	**$**	**239,185**	$	260,194
Total loans and borrowings (1)	**$**	**39,880**	$	40,778
Total non-current liabilities	**$**	**150,699**	$	167,285
Total Preferred Shares liability (2)	**$**	**107,151**	$	105,685
Shareholders' equity	**$**	**48,832**	$	49,467
Common Shares outstanding		**46,653,941**		46,653,941
Preferred Shares outstanding		**26,774,054**		26,774,054

(1) Net of debt issuance costs.
(2) Net of transaction costs.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

Below is selected financial information from our three months ended March 31, 2021 consolidated financial results. See the Accounting Policies section of this MD&A and notes to our March 31, 2021 interim financial statements for accounting policies and estimates as they relate to the following discussion. A reconciliation of our reportable segments to our consolidated results presented in this table can be found in the Segmented Results from Continuing Operations section.

	Three months ended March 31,				
(in thousands)		**2021**		2020	Change
Revenues	**$**	**13,888**	$	9,498	46%
Operating expenses (1)		**8,888**		6,441	38%
Income from operations		**5,000**		3,057	64%
Other (expense) income, net		**(4,320)**		(3,076)	(40%)
Income before tax		**680**		(19)	NMF
Add back:					
Depreciation and amortization		**1,046**		1,091	(4%)
Finance expense		**4,393**		1,500	193%
Other adjusting items (2)		**900**		1,475	(39%)
Adjusted EBITDA (2)	**$**	**7,019**	$	4,047	73%

(1) Operating expenses comprise of direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

SEGMENTED RESULTS FROM CONTINUING OPERATIONS

We discuss the results of the two reportable segments as presented in our March 31, 2021 interim financial statements: Core Business Operations and Non-Core Business Asset Management.

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

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

The performance of our reportable segments is assessed based on revenues, income from operations and adjusted EBITDA. Adjusted EBITDA is a supplemental measure of the segments' income (loss) before tax in which depreciation and amortization, finance expense, share-based payment expense and unusual or one-time items are added back to the segment's income from operations to arrive at each segment's adjusted EBITDA. Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Our reportable segment results reconciled to our consolidated results are presented in the table below. The segmented information for the comparative three months ended March 31, 2020 exclude discontinued operations results from the Non-Core Assets. The current period results for the three months ended March 31, 2021 include the Non-Core Assets as an equity accounted investment within the Non-Core Business Asset Management segment.

	Three months ended March 31,		
(in thousands)	**2021**	2020	Change
Revenues			
Core Business Operations	**$ 13,888**	$ 9,498	46%
Consolidated revenues	**13,888**	9,498	46%
Operating expenses (1)			
Core Business Operations	**7,482**	6,169	21%
Non-Core Business Asset Management	**1,406**	272	417%
Consolidated operating expenses	**8,888**	6,441	38%
Income (loss) from operations			
Core Business Operations	**6,406**	3,329	92%
Non-Core Business Asset Management	**(1,406)**	(272)	(417%)
Consolidated income from operations	**5,000**	3,057	64%
Adjusted EBITDA (2)			
Core Business Operations	**8,380**	4,540	85%
Non-Core Business Asset Management	**(1,361)**	(493)	(176%)
Consolidated Adjusted EBITDA (2)	**7,019**	4,047	73%
CDC (2)	**3,767**	2,462	53%
Free cash flow attributable to common shareholders (2)	**$ 3,471**	$ 451	NMF

(1) Operating expenses comprise of direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

The increase in free cash flow attributable to common shareholders during the three months ended March 31, 2021 when compared to the three months ended March 31, 2020, is primarily from an increase in cash provided by continuing operations excluding working capital and other non-cash items, from an increase in net income.

Core Business Operations

(in thousands, except KPIs)	Three months ended March 31, 2021	2020	Change
Revenues	**$ 13,888**	$ 9,498	46%
Operating expenses (1)	**7,482**	6,169	21%
Income from operations	**6,406**	3,329	92%
Other (expense) income, net	**(1,980)**	18	NMF
Income before tax	**4,426**	3,347	32%
Add back:			
Depreciation and amortization	**1,042**	1,086	(4%)
Finance expense	**3,198**	148	NMF
Other adjusting items	**(286)**	(41)	NMF
Adjusted EBITDA (2)	**8,380**	4,540	85%
CDC (2)	**$ 3,767**	$ 2,462	53%
Key Performance Indicators			
Funded mortgage volumes (3) (4)	**13,435**	8,877	51%
Number of franchises (4) (5)	**514**	533	(4%)
Number of brokers (4) (5)	**6,962**	5,829	19%
Number of DLC Group brokers using Velocity (5)	**4,500**	1,800	150%
% of mortgage applications submitted through Velocity	**35%**	15%	133%

(1) Operating expenses comprise of direct costs, general and administrative expenses, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Funded mortgage volumes are presented in millions and are a key performance indicator for the segment that allows us to measure performance against our operating strategy.
(4) Funded mortgage volumes for the three months ended March 31, 2020 have been restated to reflect additional funded mortgage volumes from a franchise previously excluded. The number of franchises and brokers as at March 31, 2020 have been restated to reflect additional brokers from the franchise previously excluded.
(5) The number of franchises and brokers are as at the respective period end date (not in thousands).

The Core Business Operations' includes the operating results of the DLC Group's mortgage brokerage franchise operations and data connectivity services, for all periods presented. 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 normal home buying seasons. 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. Broker count increased in 2021 compared to 2020, largely due to the DLC Group's continued efforts to deliver on its recruiting efforts, contributing to increased funded mortgage volumes in 2021.

Three-month highlights

The DLC Group's revenues increased during the three months ended March 31, 2021, when compared to the same three months in the prior year, largely attributable to an increase in royalty and related ancillary revenues from growth in DLC Group funded mortgage volumes combined with higher Newton revenues from an increase in mortgage volumes submitted through Velocity. The increase in funded mortgage volumes is driven by the growth across all three brands, achieved through franchise recruitment efforts and overall mortgage funding activity.

The segment's operating expenses for the three months ended March 31, 2021, increased over the same three months in the prior year, primarily attributable to higher direct costs and general and administrative expenses of $1.0 million and $0.4 million, respectively. The increase in direct costs is primarily from an increase in advertising fund expenditures due to timing of advertising initiatives, increased royalty revenue costs in alignment with increased funded mortgage volumes, and increased franchise recruiting and support costs associated with the DLC Group's increased franchise recruitment efforts. The increase in general and administrative expenses is primarily from an increase in personnel costs.

Other expense increased over the same three months in the prior year primarily from an increase in finance expense from the accretion expense net of the revaluation of the Preferred Share liability. The Preferred Share liability is revalued at the end of each reporting period based on the discounted forecasted CDC payable to the preferred shareholders.

Income from operations and adjusted EBITDA increased compared to the three months ended March 31, 2020 from an increase in revenues from higher funded mortgage volumes partly offset by an increase in operating expenses.

The increase in CDC during the three months ended March 31, 2021 when compared to the three months ended March 31, 2020, is related to an increase in cash provided by operating activities in the Core Business Operations from an increase in net income. CDC is allocated 60% for use in the Non-Core Business Asset Management segment and 40% is distributed to the preferred shareholders ("Annual Preferred Share Dividend"). The Corporation pays interim monthly cash dividends ("Interim Dividends") to the Preferred Shareholders in an amount determined by the Board of the Corporation that represents a good faith estimate of the monthly instalment of the Annual Preferred Share Dividend, which may be more or less than actual CDC based on seasonality. The total Interim Dividends paid to the preferred shareholders was $1.7 million, and $2.5 million was retained for use in the Non-Core Business Asset Management segment during the three months ended March 31, 2021. As the Preferred Shares were issued on December 31, 2020 the amounts shown for CDC for the three months ended March 31, 2020 are for illustrative purposes as no dividends were paid to the preferred shareholders based on CDC in the comparative period.

Newton Connectivity Systems

The DLC Group has grown its brokers' adoption of Newton during the three months ended March 31, 2021. The increase in the DLC Group's brokers adopting Newton has contributed to the increase in mortgage applications submitted through Newton during the three months ended March 31, 2021.

Non-Core Business Asset Management

	Three months ended March 31,		
(in thousands)	**2021**	2020	Change
Operating expenses [1]	**$ 1,406**	$ 272	417%
Loss from operations	**(1,406)**	(272)	(417%)
Other (expense) income, net	**(2,340)**	(3,094)	24%
Loss before tax	**(3,746)**	(3,366)	(11%)
Add back:			
Depreciation and amortization	**4**	5	(20%)
Finance expense	**1,195**	1,352	(12%)
Share-based payments expense (recovery)	**895**	(127)	NMF
Foreign exchange (gain) loss	**(452)**	3,704	NMF
Change in fair value of foreign exchange forward contract	**391**	(2,061)	NMF
Acquisition, integration and restructuring costs	**11**	-	-
Other adjusting items	**341**	-	-
Adjusted EBITDA [2]	**(1,361)**	(493)	(176%)
Repayments on the Sagard credit facility	**$ -**	$ (847)	NMF

(1) Operating expenses comprise of general and administrative expenses, share-based payments, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

The following are included in the above operating expenses:

	Three months ended March 31,		
(in thousands)	**2021**	2020	Change
General and administrative	**$ 507**	$ 394	29%
Share-based payments expense (recovery)	**895**	(127)	NMF
Depreciation and amortization	**4**	5	(20%)
Operating expenses	**$ 1,406**	$ 272	417%

Other (expense) income, net includes the following:

	Three months ended March 31,		
(in thousands)	**2021**	2020	Change
Finance expense	**$ (1,195)**	$ (1,352)	12%
Foreign exchange gain (loss)	**452**	(3,704)	NMF
Change in fair value of foreign exchange forward contract	**(391)**	2,061	NMF
Loss from equity accounted investments	**(867)**	-	-
Other	**(339)**	(99)	(242%)
Other (expense) income, net	**$ (2,340)**	$ (3,094)	24%

The Non-Core Business Asset Management segment uses cash distributions received from our Non-Core Assets and 60% of CDC retained from the Core Business Operations to fund operating expenses, financing costs and make principal payments on the Sagard credit facility.

Three-month highlights

Operating expenses increased for the three months ended March 31, 2021, compared to the prior year's quarter, primarily due to an increase in share-based payments expense. The increase in share-based payment expense is from additional restricted share units granted during the second quarter of 2020, a higher share price on March 31, 2021 compared to March 31, 2020 and an expense for in-the-money phantom share options. The increase in general and administrative expenses is primarily from higher personnel costs.

Other expense for the three months ended March 31, 2021, when compared to the prior year's quarter, decreased from a positive movement in foreign exchange related to the revaluation of our Sagard credit facility, and a decrease in finance expense from lower borrowings due to defined free cash flow debt repayments, partly offset by losses from equity accounted investments in the Non-Core Assets, a negative change in fair value of our foreign exchange forward contract and higher other expenses. The exchange rate on March 31, 2021, was $0.7952 CAD to USD (December 31, 2020 – $0.7854 CAD to USD). The corporate head office's USD loans and borrowings bear interest at the three-month LIBOR rate plus 7% (subject to a minimum LIBOR rate of 1%) per annum with interest payable quarterly. The Corporation holds foreign exchange forward contracts to partially mitigate foreign currency exchange risk in connection with its USD denominated debt. The change in the fair value of our foreign exchange forward contracts was unrealized for the three months ended March 31, 2021. Please refer to the Market Risk section of this document for further information.

The loss from equity accounted investments for the Non-Core Business Asset management segment relates to the Corporation's portion of loss (income) from investments in Club16 and Impact. The comparative period income from the Non-Core Assets is classified as discontinued operations. Club16's net loss during the three months ended March 31, 2021, was $1.6 million ($0.9 million allocated to the Corporation) compared to $1.2 million loss for the three months ended March 31, 2020. Impact's net income during the three months ended March 31, 2021, was $81 thousand ($42 thousand allocated to the Corporation) compared to $15 thousand for the three months ended March 31, 2020.

DISCONTINUED OPERATIONS

On December 31, 2020, the Corporation amended its shareholder agreements with the minority shareholders of Club16 and Impact. The shareholder agreements were amended to reduce the number of Board of Director (the "Board") seats by one seat in each entity, resulting in joint control of the board of each entity. Our ownership interest remained the same in Club16 and Impact at 58.4% and 52.0%, respectively. As a result, the Corporation disposed of the previous parent-subsidiary relationship on December 31, 2020. The financial results of Club16 and Impact for the comparative three months ended March 31, 2020 are segregated in the consolidated statements of loss as discontinued operations. See Note 15 of the interim financial statements.

Club16 and Impact previously represented their own individual operating segments, as they each represented greater than 10% of the Corporation's total revenues and total assets at March 31, 2020.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows. The continuing operations results for the comparatives exclude discontinued operations results from the Non-Core Assets and Astley Gilbert Limited. The current period results for the three months ended March 31, 2021 include the Non-Core Assets as equity accounted investments within the Non-Core Business Asset Management segment. The discontinued operations are only included in net income (loss) and net earnings (loss) per Common Share.

(in thousands except per share amounts)	**Mar. 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**	**Jun. 30, 2020**	**Mar. 31, 2020**	**Dec. 31, 2019**	**Sept. 30, 2019**	**Jun. 30, 2019**
Revenues	**13,888**	17,477	14,069	11,369	9,498	13,138	13,186	10,440
Income from continuing operations	**5,000**	5,152	6,472	3,567	3,057	4,857	6,125	1,525
Adjusted EBITDA (1)	**7,019**	7,917	8,106	5,144	4,047	5,959	7,545	3,439
Net (loss) income	**(100)**	22,643	5,045	(413)	(1,716)	1,321	(1,338)	(3,499)
Adjusted net income (loss)	**1,744**	2,034	3,571	1,068	871	1,819	1,919	(758)
Net (loss) income attributable to:								
Common shareholders	**(486)**	20,851	2,082	(697)	(2,199)	171	(3,157)	(2,288)
Non-controlling interests	**386**	1,792	2,963	284	483	1,150	1,819	(1,211)
Adjusted net income (loss) attributable to: (1)								
Common shareholders	**1,358**	(290)	1,246	(295)	(141)	199	(95)	(1,571)
Non-controlling interests	**386**	2,324	2,325	1,363	1,012	1,620	2,014	813
Net (loss) earnings per Common Share:								
Basic	**(0.01)**	0.55	0.05	(0.02)	(0.06)	-	(0.08)	(0.06)
Diluted	**(0.01)**	0.54	0.05	(0.02)	(0.06)	-	(0.08)	(0.06)
Adjusted net earnings (loss) per Common Share: (1)								
Diluted	**0.03**	(0.01)	0.03	(0.01)	-	0.01	-	(0.04)

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Quarterly trends and seasonality

Funded mortgage volumes are subject to seasonal variances that move in line with the normal home buying season, which is typically highest from June through September. Revenues have increased over the last eight quarters (compared to the same prior year period), attributable to an increase in the DLC Group's funded mortgage volumes.

Income from continuing operations for the three months ended March 31, 2021, decreased over the three months ended December 31, 2020, primarily due to a decrease in revenues, as revenues are typically lowest in the first quarter. This is partly offset by a decrease in operating expenses from a decrease in advertising events expense due to a $1.0 million accrual for qualified individuals to attend a future event in lieu of cancelled promotional events (due to COVID-19) recognized during the quarter-ended December 31, 2020.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the Cautionary Note Regarding Forward-Looking Information section. See the 2020 Annual MD&A for a detailed description of the key initiatives supporting this outlook.

The DLC Group entered its fifteenth year of operations in 2021. In 2021, we will continue to focus on market penetration and expanding the network of mortgage brokers and franchises through targeted recruiting initiatives. Newton will continue to focus on growing its submission volumes through Velocity, upgrading Velocity's customer relationship management system, extending Velocity's delivery channels, and increasing its number of third-party users. Through these initiatives, we expect funded mortgage volumes and royalty and related ancillary revenues to grow from both existing franchises and from securing new franchises as well as higher connectivity revenue from higher funded mortgage volumes and new long-term contracts.

Core Business Operations' operating results for the three months ended March 31, 2021 demonstrates the success of our growth initiatives which are reflected in the material growth in adjusted EBITDA and funded mortgage volumes when compared to the first quarter of 2020 of 85% and 51%, respectively. Further, the number of mortgage applications submitted through Velocity has grown 133% for the three months ended March 31, 2021 when compared to the three months ended March 31, 2020.

We will continue to make debt repayments on the Sagard credit facility from 60% of CDC retained; as well as distributions received from Non-Core Assets and will continue to assess our expenditures in order to maintain lower general and administrative costs. We expect to see decreased interest expense on our Sagard credit facility in 2021 because of the decreased outstanding loan balance carried from December 31, 2020 and the decreased USD LIBOR rate.

We expect to continue to maintain our ownership interest in the Non-Core Assets in 2021.

COVID-19

The impacts on the mortgage brokerage industry during the three months ended March 31, 2021 may have resulted in increased mortgage activity as a result of decreased mortgage rates.

The pandemic has resulted in a decrease in USD LIBOR rates during the three months ended March 31, 2021 when compared to the three months ended March 31, 2020, though the continuation of lower USD LIBOR rates through 2021 are likely to depend on the duration of the pandemic and other economic factors.

It is challenging to predict the full extent and duration of the economic impact of the outbreak and management cannot reasonably estimate the financial and operational impacts of COVID-19.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

(in thousands)	As at March 31, 2021	As at December 31, 2020
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
Accounts payable and accrued liabilities	**(19,490)**	(24,128)
Current portion of loans and borrowing	**(8,945)**	(7,410)
Deferred contract liability	**(716)**	(900)
Current portion –lease obligation	**(415)**	(417)
Current portion – Preferred Share liability	**(8,579)**	(9,164)
Net working capital deficit	**$ (15,960)**	$ (15,544)

Our capital strategy is aligned with our business strategy and is focused on ensuring that we have sufficient liquidity to fund our operations, service our debt obligations, fund future franchise recruiting opportunities and drive organic revenue growth in the Core Business Operations to increase growth in CDC.

Our principal sources of liquidity are cash generated from the Core Business Operations and borrowings under credit facilities. Our primary uses of cash are for operating expenses, franchise recruitment, debt repayment, and debt servicing costs. At this time, management is not anticipating a material liquidity deficiency that would affect its short- and long-term objectives of meeting the Corporation's obligations as they come due.

As at March 31, 2021 we had a lower consolidated cash position and a higher net working capital deficit when compared to December 31, 2020. The Corporation's cash position decreased primarily from cash used in financing activities due to Interim Dividends paid to the preferred shareholders and higher cash used in investing activities from increased investments in intangible assets. Our sources and uses of cash are described below. The increase in working capital deficit from the comparative period is primarily due to decreased trade and other receivables from collections of outstanding receivables, increased current loans and borrowings from the increase in the Corporation's current portion of the Sagard credit facility based on forecasted defined free cash flow, and lower cash; partly offset by decreased accounts payables and accrued liabilities from payments made on outstanding payables. Our credit facilities are discussed in greater detail in the Capital Resources section.

At March 31, 2021 we have several commitments (see Commitments under the Commitments and Contingencies section of this MD&A for further information), which will require that we have various sources of capital to meet the obligations associated with these commitments. The Corporation anticipates it will be able to fund these commitments through its existing financing and cash flow from operations.

Working capital may fluctuate from time to time based on seasonality or timing based on the use of cash and cash resources to fund operations. The Corporation has credit facilities to support the operations and working capital needs and fluctuations. See the Capital Resources section. The Corporation's ability to maintain sufficient liquidity is driven by the operations of the Core Business Operations and allocation of resources.

The effect of COVID-19 on the Corporation's Non-Core Assets will impact earnings and could impact cash flows of the Corporation; however, the course of the COVID-19 pandemic is highly uncertain. The ultimate impact of the pandemic on the Corporation's future operations and financial performance is currently unknown and will be dependent on several unpredictable factors outside of the knowledge and control of management, including: the duration and severity of the pandemic; the impact of the pandemic on economic growth and financial and capital markets; and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided.

The Corporation was in compliance with the financial covenants contained in its Sagard credit facility as at March 31, 2021.

See the Capital Resources section for additional detail regarding the Corporation's loans and borrowings and bank covenant information.

SOURCES AND USES OF CASH

The following table is a summary of our consolidated statement of cash flow:

	Three months ended March 31,			
(in thousands)		**2021**		2020
Cash provided by operating activities	**$**	**4,613**	$	5,190
Cash used in investing activities		**(3,053)**		(2,106)
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 year		**10,316**		5,458
Cash and cash equivalents, end of year	**$**	**9,396**	$	8,976

Operating activities

The cash provided by operating activities for the three months ended March 31, 2021 was primarily related to cash flows generated by the Core Business Operations of $6.0 million (compared to $5.1 million in the prior year), partially offset by Non-Core Business Asset Management requirements of $1.4 million (compared to $1.3 million in the prior year), which are primarily related to finance expense, general and administration costs, and restructuring costs.

Cash provided by operating activities for the three months ended March 31, 2020, included cash flows from Club16 and Impact of $0.9 million and $0.5 million, respectively.

Investing activities

The cash used in investing activities for the three months ended March 31, 2021, consisted primarily of investments in intangible assets of $2.7 million within Core Business Operations and distributions paid to non-controlling interests of $0.3 million.

The net cash used in investing activities for the three months ended March 31, 2020, consisted primarily of distributions and dividends paid to non-controlling interests of $1.1 million, the Core Business Operations' investments in intangible assets of $0.6 million, and Club16's investment in capital assets of $0.4 million.

Financing activities

Cash used in financing activities for the three months ended March 31, 2021 consisted primarily of Interim Dividends paid to the preferred shareholders of $1.7 million from the Core Business Operations, debt repayments on the Core Business Operations' term debt of $0.6 million, and lease payments of $0.1 million.

Cash provided from financing activities for the three months ended March 31, 2020, consisted primarily of proceeds from debt financing of $1.7 million from the Core Business Operations and Club16 facilities and proceeds of $1.5 million received for the settlement of the foreign exchange forward contract. Offsetting the cash provided from financing activities were repayments on the Sagard credit facility from defined free cash flow of $0.8 million and repayments of $0.9 million on the Core Business Operations' and Club16 facilities, and net payments for lease commitments.

Distributions to the Non-Core Business Asset Management segment

Non-Core Business Asset Management uses 60% of CDC retained from the Core Business Operations and cash received from the Non-Core Assets to fund its operating expenses and financing costs. During the three months ended March 31, 2021, Non-Core Business Asset Management retained 60% of CDC from the Core Business Operations of $2.5 million (March 31, 2020—$2.0 million distributions received from the Core Business Operations and Non-Core Assets).

CAPITAL RESOURCES

Our capital structure is composed of total shareholders' equity, and loans and borrowings, less cash and cash equivalents. The following table summarizes our capital structure at March 31, 2021 and December 31, 2020.

	As at				
(in thousands)		**March 31, 2021**		December 31, 2020	Change
Loans and borrowings	**$**	**39,880**	$	40,778	(2%)
Less: cash and cash equivalents		**9,396**		10,316	(9%)
Net loans and borrowings	**$**	**30,484**	$	30,462	-%
Shareholders' equity	**$**	**48,832**	$	49,467	(1%)

Loans and borrowings

Our available credit facilities consist of the Sagard credit facility within the Non-Core Business Asset Management segment, as well as acquisition and operating credit facilities within the Core Business Operations.

Core Business Operations

The $10.3 million non-revolving term loan facility matures on December 30, 2021. This facility has $1.7 million outstanding as of March 31, 2021 (December 31, 2020—$2.3 million).

The $1.1 million non-revolving term loan facility has $0.9 million outstanding as of March 31, 2021. The term loan matures 60 months from the date of drawdown of July 23, 2019. (December 31, 2020—$0.9 million).

The $9.5 million revolving credit facility is held as an operating demand loan to finance working capital requirements and fund acquisitions. This facility has no amounts drawn as of March 31, 2021 (December 31, 2020—$nil).

Borrowings under the term loan facilities and operating facility bear interest at a rate equal to prime rate plus 1.0% per annum. The credit facility is secured by a general security agreement with a first charge over the Core Business Operations' assets of the Corporation (and a second priority charge on the Non-Core Assets). Annual financial covenants for both facilities include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00 and a debt-to-EBITDA ratio of less than 3.75:1.00.

Non-Core Business Asset Management

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 Q4 2020 and the fiscal year 2021, while Club16 navigates COVID-19.

Effective 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.

The Corporation is obligated to make quarterly repayments on its facility based on defined free cash flow. At March 31, 2021, the Corporation had $7.1 million classified as current debt based on forecasted defined free cash flows (December 31, 2020—$4.9 million). The Sagard credit facility matures on June 14, 2022, unless the one-year extension option is exercised by the Corporation.

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 3.75:1.00 for each fiscal quarter. As at March 31, 2021, the Corporation was in compliance with all such covenants. The Sagard credit facility is secured by a general security agreement with a first charge over the Non-Core Assets of the Corporation (and a second priority charge on the Core Business Operations' assets).

SHARE CAPITAL

As of May 25, 2021, and March 31, 2021, the Corporation had 46,653,941 Common Shares outstanding (December 31, 2020—46,653,941) and 26,774,054 Preferred Shares outstanding (December 31, 2020—26,774,054).

As at May 25, 2021, there were outstanding stock options to purchase 225,000 Common Shares with exercise prices ranging from $3.00 to $4.40, and 2,078,568 lender warrants with an exercise price of $1.4375.

Normal-course issuer bid

The Corporation implemented a normal-course issuer bid on January 13, 2021 (the "NCIB"). The NCIB has a twelve-month duration, commencing on January 18, 2021 and ending on January 17, 2022. Purchases of Common Shares under the NCIB will be effected through the facilities of the Exchange or alternative Canadian trading systems at the market price at the time of purchase. Under the NCIB, the Corporation may purchase up to 2,332,697 Common Shares, representing 5% of the Corporation's issued and outstanding Common Shares. The Corporation intends to cancel any Common Shares purchased pursuant to the NCIB. The actual number of Common Shares that may be purchased and the timing of any such purchases will be determined by the Corporation and will be made in accordance with the requirements of the Exchange. Purchases of Common Shares under the normal course issuer bid will be completed using available working capital from time to time. Any shareholder may obtain, for no charge, a copy of the notice in respect of the NCIB filed with the Exchange by contacting the Corporate Secretary of the Corporation at 403-455-2218. To date, the Corporation has not purchased any Common Shares under the NCIB.

COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See notes 6, 17 and 18 of the consolidated financial statements for more information.

(in thousands)	Less than 1 year	1–3 years	4–5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 19,490	$ -	$ -	$ -	**$ 19,490**
Loans and borrowings [1]	8,945	31,827	494	-	**41,266**
Foreign exchange forward contract liability	-	3,014	-	-	**3,014**
Long-term accrued liabilities	-	4,275	20	-	**4,295**
Leases [2]	543	533	810	-	**1,886**
Preferred Share liability [3]	8,579	28,208	8,116	62,535	**107,438**
	$ 37,557	$ 67,857	$ 9,440	$ 62,535	**$ 177,389**

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

Consulting agreement

In February 2020, the Core Business Operations renewed a consulting agreement whereby the Corporation has agreed to incur an annual amount of $0.2 million, 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 $0.9 million. The agreement is a related party transaction due to common management between the Core Business Operations and the service provider. The service agreement expires in March 2023.

Contingencies

In the normal course of operations, the Corporation and its Non-Core Assets 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.

In February 2019, the Core Business Operations received a statement of claim (the "Claim") filed in the Ontario Superior Court of Justice by two individual plaintiffs (the "Plaintiffs"). The Plaintiffs are seeking certification of the Claim under the Class Proceedings Act (Ontario) and are seeking an order for damages of $800 million. The Claim relates to a product called Mortgage Protection Plan ("MPP"), mortgage creditor insurance underwritten by The Manufacturers Life Insurance Company ("Manulife"), formerly administered by Benesure Canada Inc. ("Benesure") and offered through Credit Security Insurance Agency Inc. ("CSIA"). The Claim alleges that Benesure is an unlicensed insurer and that the Core Business Operations is liable for distributing the MPP product through the DLC Group's network. The Corporation is contractually indemnified from Benesure, Manulife and CSIA for any costs, expenses, damages or liability arising from the offering of MPP through the DLC Group's network of brokers. It is the Corporation's assessment that the Claim is without merit (and includes an indemnification) and as a result, no provision has been recorded in the Corporation's interim financial statements for the three months ended March 31, 2021 (December 31, 2020—$nil). We note that Benesure, Manulife and other parties were subject to a BC class action lawsuit that commenced in 2013 relating to the MPP product which failed to be certified in 2016. In November, 2020, the Supreme Court of British Columbia did certify the class (as all residents of Canada that purchased the MPP product, except for residents of Quebec) and ordered that the settlement agreement reached by the parties was binding on the class (the "November 2020 Decision"). The November 2020 Decision is a favourable development for the Corporation as the Claim against the Corporation is expected to be resolved by the class settlement agreement. The November 2020 Decision is being appealed as a nominal number of plaintiffs are opposed to the settlement. Since serving the Corporation with the original claim in February 2019, the Plaintiffs have not taken any further actions to advance their claim against the Corporation.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements at March 31, 2021 or May 25, 2021 that were not disclosed or discussed previously.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Our financial risk management policies have been established to identify and analyze risks that we face, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. We employ risk management strategies to ensure our risks and related exposures are consistent with our business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for our risk management framework, our management has the responsibility to administer and monitor these risks.

We are exposed in varying degrees to a variety of risks from the use of financial instruments, which mainly include cash and cash equivalents, trade and other receivables, loans and borrowings, investments, and trade payables and accrued liabilities. Because of the use of these financial instruments, we are exposed to risks that arise from their use, including market risk, credit risk and liquidity risk. This section describes our objectives, policies and processes for managing these risks and the methods used to measure them.

Our financial instrument classifications as at March 31, 2021 is as follows:

(in thousands)	Carrying value	Fair value	Classification
Financial assets			
Investments	**$ 246**	**$ 246**	Fair value through profit or loss
Financial liabilities			
Foreign exchange forward contract liability	**(3,014)**	**(3,014)**	Fair value through profit or loss
Loans and borrowings	**(39,880)**	**(39,880)**	Amortized cost

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 risk is comprised of foreign exchange risk and interest rate risk.

Foreign exchange risk

The Corporation's exposure to foreign exchange fluctuations is limited to the balances in its 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 $1.1 million (CAD $1.3 million), compared to USD $0.3 million (CAD $0.3 million) at December 31, 2020. At March 31, 2021, the USD loans and borrowing balance is USD $30.7 million (CAD $38.6 million); at December 31, 2020, it was USD $30.7 million (CAD $39.1 million). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $0.8 million decrease in income before tax for the three months ended March 31, 2021 (March 31, 2020—$4.6 million decrease).

To manage the Corporation's foreign exchange exposure on its USD loan, the Corporation had entered an intercreditor agreement with our lender and a third-party counterparty, which allows the Non-Core Business Asset Management segment to enter into foreign exchange forward contracts up to USD $25.0 million. The forward contracts are secured through the intercreditor agreement, which allows the Corporation to offer the counterparty security up to $7.0 million. The Corporation has USD $24.0 million 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 $24.0 million 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 $15.0 million foreign exchange forward contract, which was entered into in December 2019, at a forward rate of $1.442 for net proceeds of $1.5 million. 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 $1.7 million, and during the three months ended March 31, 2020 of $2.1 million. 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:

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk on our variable rate loans and borrowings. A 1%

change in the interest rates on the loans and borrowings would have a $0.1 million decrease of income before tax for the three months ended March 31, 2021 (March 31, 2020—$0.2 million decrease).

CREDIT RISK

As at March 31, 2021, $0.3 million (December 31, 2020—$0.3 million) of our trade receivables are greater than 90 days outstanding and total expected credit losses as at March 31, 2021 is $0.4 million (December 31, 2020—$0.4 million). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

The Corporation's maximum exposure to credit risk, as related to certain financial instruments identified in the table below, approximates the carrying value of the assets of the Corporation's consolidated statements of financial position.

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

LIQUIDITY RISK

Liquidity risk is the risk that we will not meet our financial obligations as they fall due. We manage this risk by continually monitoring our actual and projected cash flows to ensure there is sufficient liquidity to meet our financial liabilities when they become due. See the Consolidated Liquidity and Capital Resources section of this MD&A for further discussion on our liquidity risk.

The Corporation's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it generates returns for Shareholders, expands business relationships with stakeholders, and identifies risk and allocates its capital accordingly. There can be no guarantee that the Corporation will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, the Corporation is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favorable as the terms of its existing indebtedness.

The credit facilities contain several financial covenants that require the Corporation to meet certain financial ratios and condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, may permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay in full that indebtedness.

BUSINESS RISKS AND UNCERTAINTIES

The Corporation is subject to a number of business risks. There were no changes to our principal risks and uncertainties from those reported in our 2020 Annual MD&A and our 2020 Annual Information Form dated April 22, 2021.

RELATED PARTY TRANSACTIONS

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties.

Core Business Operations

Property leases

Core Business Operations' leases and rents office space from related companies controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the three months ended March 31, 2021, the total costs incurred under these leases were $0.1 million (March 31, 2020—$0.1 million). The lease terms mature in 2025.

Core Business Operations' leases a two-bedroom condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the three months ended March 31, 2021, the total costs incurred under this lease was $21 thousand (March 31, 2020—$21 thousand). The lease term matures in 2025.

The expenses related to these leases are recorded in interest and depreciation and amortization expenses and are paid monthly; as such, no amount remains payable within the Corporation's financial statements.

Administrative services

The Core Business Operations has entered into an agreement with a software development company to develop and support a customized mortgage app that is jointly-owned by key management of the Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the three months ended March 31, 2021 was $0.2 million (March 31, 2020—$0.2 million).

Non-Core Business Asset Management

Other

The Non-Core Business Asset Management has entered into an agreement with a shareholder of Impact (Keith Kostek). The agreement is related to liquidation rights, and if a liquidation event occurs, the Corporation has a possible commitment to pay $1.0 million to these shareholders. As at March 31, 2021, a liability has been recognized for the current fair value of the liability of $1.0 million (December 31, 2020—$1.0 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these interim financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the interim financial statements and related notes. These include estimates that, by their nature, are uncertain, and actual results could differ materially from these estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2020, as filed on SEDAR at www.sedar.com. In preparing these interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2020.

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2020.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate," "believe," "estimate," "will," "expect," "plan," or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- The 2021 outlook and strategic objectives;
- DLC Group revenues in the future being greater than revenue for the current period;
- Our business plan and growth strategy;
- Adding additional DLC Group franchises through targeted recruiting initiatives;
- Newton growing its submission volumes through Velocity and increasing its number of third-party users;
- The ability of our Non-Core Assets to distribute cash to the Non-Core Business Asset Management segment;
- Our expectation to make debt repayments on the Sagard credit facility from 60% of CDC retained and from distributions received from Non-Core Assets;
- Our expectation that the Corporation will continue to maintain its ownership interest in the Non-Core Assets in 2021;
- The effects of COVID-19 on the Corporation and its Non-Core Assets will be consistent with the Corporation's expectations and the expectations of management of each of its subsidiaries both in extent and duration;
- The Canadian and U.S. economies will begin to recover from the ongoing economic downturn created by COVID-19 within the next twelve months; and
- The Non-Core Assets affected by COVID-19 will recover from the pandemic's impacts and return to historical (pre-COVID-19) operating environments.

Such forward-looking information is based on many estimates and assumptions, including material estimates and assumptions, related to the factors identified below that, while considered reasonable by the Corporation as at the date of this MD&A considering management's experience and perception of current conditions and expected developments, are inherently subject to significant business, economic and competitive uncertainties, and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- Changes in taxes;
- Changes in foreign currency rates;
- Increased operating, general and administrative, and other costs;
- Changes in interest rates;
- General business, economic and market conditions;
- Changes in health outbreaks and impacts on market conditions;
- The extent and duration of COVID-19;
- Our ability to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities;
- The DLC Group's ability to maintain its existing number of franchisees and add additional franchisees;
- Newton's ability to grow its submission volumes and number of third-party users is subject to broker and industry adoption of Newton as a connectivity platform;
- Changes in Canadian mortgage lending and mortgage brokerage laws;
- Material decreases in the aggregate Canadian mortgage lending business;
- Changes in the fees paid for mortgage brokerage services in Canada;
- Changes in the regulatory framework for the Canadian housing sector;
- Demand for the Corporation's products remaining consistent with historical demand;
- Our ability to realize the expected benefits of our Non-Core Assets;
- The uncertainty of estimates and projections relating to future revenue, taxes, costs, and expenses;
- Changes in, or in the interpretation of, laws, regulations or policies;

- The outcome of existing and potential lawsuits, regulatory actions, audits, and assessments; and
- Other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

Many of these uncertainties and contingencies may affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made in this MD&A are qualified by these cautionary statements. The foregoing list of risks is not exhaustive. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities laws, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether because of new information, future events or otherwise.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before finance expense, taxes, depreciation, amortization, and any unusual, non-core, certain non-cash or one-time items. The Corporation considers its main operating activities to be the Core Business Operations and management of its operating subsidiaries. Costs related to strategic initiatives such as business acquisitions, integration of newly acquire businesses and restructuring are considered non-core.

While adjusted EBITDA is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the Corporation. Adjusted EBITDA also provides an assessment of the adjusted performance of the corporation by eliminating certain non-recurring, non-core or certain non-cash items.

Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine adjusted EBITDA may differ from those utilized by other issuers or companies and, accordingly, adjusted EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

The following table reconciles adjusted EBITDA to loss before income tax, for continuing operations which is the most directly comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2021**	2020
Income (loss) before income tax	**$ 680**	$ (19)
Add back:		
Depreciation and amortization	**1,046**	1,091
Finance expense	**4,393**	1,500
	6,119	2,572
Adjustments to remove:		
Share-based payments expense (recovery)	**895**	(127)
Foreign exchange (gain) loss	**(449)**	3,709
Change in fair value of foreign exchange forward contract	**391**	(2,061)
Loss on contract settlement	**86**	114
Other income	**(63)**	(160)
Acquisition, integration and restructuring costs	**40**	-
Adjusted EBITDA (1)	**$ 7,019**	$ 4,047

(1) The amortization of franchise rights and relationships within the Core Business Operations of $0.6 million for the three months ended March 31, 2021 (March 31, 2020 – $0.4 million) are classified as a charge against revenue, and have not been added back for Adjusted EBITDA.

CDC

CDC is an important measure as a proxy for distributable free cash flow generated from the Core Business Operations after spending what is required to maintain or expand the current asset base, including mandatory debt repayments. CDC is a defined term with the Preferred Shares. The preferred shareholders are entitled to a dividend equal to 40% of CDC and the remaining 60% is retained for use in the Non-Core Business Asset Management segment. The Corporation pays Interim Dividends to the preferred shareholders in an amount determined by the Board of the Corporation that represents a good faith estimate of the monthly instalment of the Annual Preferred Share Dividend. If the Interim Dividends paid in respect of any particular fiscal year exceed the Annual Preferred Share Dividend for that same fiscal year, then the difference will be deducted and withheld from the Interim Dividends otherwise payable for the next fiscal year, until offset in full.

While CDC is not a recognized measure under IFRS, management believes that it is a useful supplemental measure, as maintaining appropriate CDC levels allows us to pursue new franchise opportunities and make payments on the Sagard credit facility. As the Preferred Shares were issued on December 31, 2020, the amounts shown for CDC for the three months ended March 31, 2020, are for illustrative purposes as no dividends were paid to the preferred shareholders based on CDC.

The following table reconciles CDC to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2021**	2020
Cash flow from operating activities	**$ 4,613**	$ 5,190
Discontinued Operations – cash flows from operating activities	**-**	(1,398)
Non-Core Business Asset Management – cash flows used in operating activities	**1,436**	1,268
Core Business Operations – cash flows from operating activities	**6,049**	5,060
Adjustments from Core Business Operations:		
Changes in non-cash working capital	**1,712**	(1,296)
Cash used in investing activities	**(3,053)** (1)	(3,299)
Cash (used in) / provided by financing activities	**(2,423)**	607
Draws on the revolving facility	**-**	(1,180)
Dividends paid	**-**	2,700
Interim Dividends paid to Preferred Shareholders	**1,680**	-
Subtotal	**3,965**	2,592
Payout ratio	**95%**	95%
CDC	**$ 3,767**	$ 2,462
CDC attributable to Non-Core Business Asset Management segment	**$ 2,260**	$ 1,477
CDC attributable to preferred shareholders	**$ 1,507**	$ 985

(1) Net of $2.5 million of Interim Dividends retained for use in the Non-Core Business Asset Management segment.

FREE CASH FLOW

Free cash flow represents how much cash a business generates after spending what is required to maintain or expand its current asset base. The following table reconciles free cash flow to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

(in thousands)	Three months ended March 31, 2021	2020
Cash flow from operating activities	**$ 4,613**	$ 5,190
Discontinued Operations – cash flows from operating activities	**-**	(1,398)
Continuing Operations – changes in non-cash working capital and other non-cash items	**1,329**	(1,672)
Cash provided from continuing operations (1)	**5,942**	2,120
Adjustments:		
Investment in equity accounted investees (2)	**(300)**	-
Distributions from equity accounted investees (2)	**250**	-
Maintenance CAPEX (2)	**(465)**	(38)
NCI portion of cash provided from continuing operations	**(372)**	(1,530)
Lease payments (2)	**(140)**	(101)
Acquisition, integration and restructuring costs (2)	**40**	-
Loss on settlement of a contract (2)	**86**	68
Other non-cash items (2)	**(63)**	(68)
CDC attributable to preferred shareholders	**(1,507)**	-
Free cash flow attributable to common shareholders	**$ 3,471**	$ 451

(2) Excluding changes in non-cash working capital and other non-cash items.
(3) Amounts presented reflect the Corporation's common shareholders' proportion and have excluded amounts attributed to NCI holders.

As adjusted EBITDA is a performance measure that the Corporation uses to provide an assessment of the adjusted performance of the corporation by eliminating certain non-recurring, non-core or certain non-cash items, we have further reconciled free cash flow from adjusted EBITDA:

(in thousands)	Three months ended March 31, 2021	2020
Adjusted EBITDA	**$ 7,019**	$ 4,047
Adjustments:		
Loss (income) from equity accounted investments (1)	**596**	(41)
Investment in equity accounted investees (1)	**(300)**	-
Distributions from equity accounted investees (1)	**250**	-
Maintenance CAPEX (1)	**(465)**	(38)
NCI portion of adjusted EBITDA	**(508)**	(1,848)
Lease payments (1)	**(140)**	(101)
Current income tax expense (1)	**(1,089)**	(628)
Cash interest paid (1)	**(1,000)**	(1,294)
Amortization of franchise renewals (1)	**617**	265
Other non-cash items (1)	**(2)**	89
CDC attributable to preferred shareholders	**(1,507)**	-
Free cash flow attributable to common shareholders	**$ 3,471**	$ 451

(1) Amounts presented reflect the Corporation's common shareholders' proportion and have excluded amounts attributed to NCI holders.

ADJUSTED NET INCOME (LOSS) AND ADJUSTED EPS

Adjusted net income (loss) and Adjusted EPS are defined as net income (loss) before any unusual or non-operating items such as foreign exchange, fair value adjustments, accretion expense on the preferred share liability, revaluation changes on the preferred share liability, net income from the Core Business Operations attributable to the preferred shareholders, and one-time non-recurring items.

While adjusted net income (loss) is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the Corporation. Adjusted net income (loss) also provides an assessment of the adjusted performance of the corporation by eliminating certain non-recurring items, adjusting for the net income from the Core Business Operations attributable to the preferred shareholders, and excluding the preferred share accretion expense and revaluation adjustment. The methodologies we use to determine adjusted net income may differ from those utilized by other issuers or companies and, accordingly, adjusted net income as used in this MD&A may not be comparable to similar measures used by other issuers or companies.

The following table reconciles adjusted net income to net loss, which is the most directly comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2021**	2020
Net loss	**$ (100)**	$ (1,716)
Add back:		
Discontinued operations	**-**	1,193
Foreign exchange (gain) loss	**(449)**	3,709
Change in fair value of foreign exchange forward contract	**391**	(2,061)
Core Business Operations' net income attributable to preferred shareholders	**(1,343)**	-
Accretion expense on the Preferred Share liability	**4,010**	-
Revaluation recovery of the Preferred Share liability	**(864)**	-
Loss on contract settlement	**86**	114
Other income	**(63)**	(160)
Acquisition, integration and restructuring costs	**40**	-
Income tax effects of adjusting items	**36**	(208)
Adjusted net income	**$ 1,744**	$ 871
Adjusted net income (loss) attributable to common shareholders	**1,358**	(141)
Adjusted net income attributable to non-controlling interest	**386**	1,012
Diluted adjusted earnings (loss) per Common Share	**$ 0.03**	$ -