Dominion Lending Centres Inc.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022 & March 31, 2021

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

	As at March 31, 2022	As at December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	**$ 13,404**	$ 20,886
Trade and other receivables	**12,285**	17,990
Prepaid expenses and deposits	**1,434**	1,564
Notes receivable	**117**	343
Total current assets	**27,240**	40,783
Non-current assets		
Trade, other receivables and other assets	**269**	302
Investments	**246**	246
Equity-accounted investments (note 5)	**28,111**	28,517
Capital assets	**323**	352
Right-of-use assets	**2,103**	1,859
Intangible assets (note 6)	**123,161**	121,429
Goodwill	**60,437**	60,437
Total assets	**$ 241,890**	$ 253,925
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 24,722**	$ 46,884
Loans and borrowings (note 8)	**4,662**	1,233
Deferred contract liabilities	**966**	1,129
Lease obligations	**503**	436
Preferred Share liability (note 9)	**11,084**	14,908
Total current liabilities	**41,937**	64,590
Non-current liabilities		
Loans and borrowings (note 8)	**55,609**	35,233
Deferred contract liabilities	**683**	552
Other long-term liabilities	**3,463**	2,540
Lease obligations	**2,006**	1,860
Deferred tax liabilities	**11,979**	11,777
Preferred Share liability (note 9)	**127,834**	103,552
Total liabilities	**243,511**	220,104
Equity		
Share capital (note 10)	**129,684**	118,018
Contributed surplus	**15,573**	15,573
Accumulated other comprehensive loss	**(57)**	(21)
Deficit	**(147,016)**	(101,830)
Total equity attributable to shareholders	**(1,816)**	31,740
Non-controlling interest (note 4)	**195**	2,081
Total liabilities and equity	**$ 241,890**	$ 253,925

Commitments and contingencies (note 18)
Subsequent events (note 20)

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,		**2022**		2021
Revenue (note 13)	**$**	**17,029**	$	13,888
Direct costs		**1,998**		1,954
Gross profit		**15,031**		11,934
General and administrative expenses		**8,464**		4,993
Share-based payments (note 11)		**210**		895
Depreciation and amortization		**1,029**		1,046
		9,703		6,934
Income from operations	**$**	**5,328**	$	5,000
Other (expense) income				
Finance expense (note 14)		**(432)**		(1,247)
Finance expense on the Preferred Share liability (note 9)		**(25,715)**		(3,146)
Loss from equity-accounted investments (note 5)		**(470)**		(596)
Other income		**103**		669
		(26,514)		(4,320)
(Loss) income before tax	**$**	**(21,186)**	$	680
Income tax (expense) recovery				
Current tax (expense)		**(1,102)**		(1,223)
Deferred tax (expense) recovery		**(202)**		443
		(1,304)		(780)
Net loss	**$**	**(22,490)**	$	(100)
Attributable to:				
Common shareholders	**$**	**(22,679)**	$	(486)
Non-controlling interest	**$**	**189**	$	386
Loss per Common Share attributable to common shareholders (note 15)				
Basic	**$**	**(0.50)**	$	(0.01)
Diluted	**$**	**(0.50)**	$	(0.01)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

(in thousands of Canadian dollars)

For the three months ended March 31,		**2022**		2021
Net loss	**$**	**(22,490)**	$	(100)
Other comprehensive loss				
Items that will be subsequently reclassified to net loss:				
Foreign exchange translation loss from equity-accounted investments (net of tax) (note 5)		**(36)**		(149)
Total other comprehensive loss		**(36)**		(149)
Comprehensive loss	**$**	**(22,526)**	$	(249)
Attributable to:				
Common shareholders	**$**	**(22,715)**	$	(635)
Non-controlling interest	**$**	**189**	$	386

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, 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
Balance at January 1, 2022	$ 118,018	$ 15,573	$ (21)	$ (101,830)	$ 31,740	$ 2,081	$ 33,821
Substantial issuer bid ("SIB") (note 10)	**4,568**	**-**	**-**	**-**	**4,568**	**-**	**4,568**
Acquisition of Newton Connectivity Systems Inc. (notes 4 and 10)	**7,098**	**-**	**-**	**(22,507)**	**(15,409)**	**(1,475)**	**(16,884)**
Net loss and comprehensive loss	**-**	**-**	**(36)**	**(22,679)**	**(22,715)**	**189**	**(22,526)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(600)**	**(600)**
Balance at March 31, 2022	**$ 129,684**	**$ 15,573**	**$ (57)**	**$ (147,016)**	**$ (1,816)**	**$ 195**	**$ (1,621)**

(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,	2022	2021
Operating Activities		
Net loss	$ (22,490)	$ (100)
Items not affecting cash:		
Share-based payments expense (note 11)	210	895
Depreciation and amortization	1,029	1,046
Amortization of debt issuance costs (note 14)	33	212
Depreciation and amortization of franchise renewals (note 6)	753	617
Finance expense on the Preferred Share liability (note 9)	25,715	3,146
Deferred tax expense (recovery)	202	(443)
Loss from equity-accounted investments (note 5)	470	596
Interest on lease liabilities	31	35
Other non-cash items	1,093	61
Changes in non-cash working capital (note 16)	(5,225)	(1,452)
Cash provided by operating activities	1,821	4,613
Investing Activities		
Investment in intangible assets (note 6)	(3,399)	(2,703)
Distributions from equity-accounted investees (note 5)	150	250
Investments in equity-accounted investees (note 5)	(250)	(300)
Distributions to non-controlling interests	(600)	(300)
Cash used in investing activities	(4,099)	(3,053)
Financing Activities		
Proceeds from debt financing, net of transaction costs (note 8)	31,501	-
Acquisition of Newton Connectivity Systems Inc. (note 4)	(16,884)	-
SIB purchase (note 10)	(6,682)	-
Repayment of debt (note 8)	(7,729)	(645)
Lease payments	(147)	(144)
Dividends paid to Preferred Shareholders (note 9)	(5,257)	(1,680)
Cash used in financing activities	(5,198)	(2,469)
Decrease in cash and cash equivalents	(7,476)	(909)
Impact of foreign exchange on cash and cash equivalents	(6)	(11)
Cash and cash equivalents, beginning of period	20,886	10,316
Cash and cash equivalents, end of period	$ 13,404	$ 9,396
Cash flows include the following amounts:		
Interest paid	$ 369	$ 914
Interest received	$ 9	$ 13
Income taxes paid	$ 5,122	$ 3,743

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. As of February 3, 2022, the Corporation is listed on the Toronto Stock Exchange (the "Exchange") under the symbol "DLCG" (previously listed on the TSX Venture Exchange). 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, 2022	December 31, 2021
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton") (note 4)	**100%**	70%

At March 31, 2022, 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 franchising and mortgage broker data 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 Junior Credit Facility (as defined herein), 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 interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on May 11, 2022.

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. ACQUISITION OF THE NON-CONTROLLING INTEREST IN NEWTON

On February 15, 2022, the Corporation entered into a purchase agreement with Next4 Holdings Inc. ("Next4") to acquire the remaining 30% of 10017078 Canada Inc. ("Newton Holdco") that the Corporation did not already own (the "Newton Acquisition") for an aggregate purchase price of $24,000 (the "Purchase Price"). The Purchase Price was comprised of a cash payment of $16,865 and the issuance of 1,853,247 Common Shares of the Corporation, having a deemed value of $3.85 per share (the "Share Consideration") (see note 10). As Geoff Willis (President of Newton) and Kevin Dear (Vice-President of Newton) are both directors and indirect 25% shareholders of Next4, the Newton Acquisition was a related-party transaction (see note 19). The Newton Acquisition closed on February 28, 2022.

(in thousands of Canadian dollars)

Changes in the Corporation's interest in a subsidiary that does not result in a change in control are accounted for within shareholders' equity. The following summarizes the change to the Corporation's deficit as a result of the Newton Acquisition:

		March 31, 2022
Issuance of Common Shares [1][2]	$	(7,117)
Cash consideration [2]		(16,865)
Elimination of non-controlling interest		1,475
Net increase to deficit	$	(22,507)

(1) The Corporation recognized the issuance of the Common Shares at the fair market value of $3.84 per share (see note 10).
(2) Gross of transaction costs (see note 10).

5. EQUITY-ACCOUNTED INVESTMENTS

Club16 – Non-Core Business Asset Management Segment

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

During the three months ended March 31, 2022 and 2021, the Corporation did not receive any distributions from Club16.

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

		March 31, 2022		December 31, 2021
Current assets	$	6,783	$	5,921
Non-current assets		73,842		76,211
Current liabilities		(13,510)		(12,314)
Non-current liabilities		(52,928)		(54,509)
Net assets		14,187		15,309
% of ownership		58.4%		58.4%
		8,285		8,940
Goodwill		8,122		8,122
Corporation share of net assets	$	16,407	$	17,062

For the three months ended March 31,		2022		2021
Revenue	$	6,393	$	6,758
Expenses		7,846		8,635
Loss before tax		(1,453)		(1,877)
Income tax recovery		330		323
Net loss		(1,123)		(1,554)
% of ownership		58.4%		58.4%
Corporation share of net loss	$	(656)	$	(908)

Impact – Non-Core Business Asset Management Segment

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

During the three months ended March 31, 2022 and 2021, the Corporation did not receive any distributions from Impact.

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

		March 31, 2022		December 31, 2021
Current assets	$	4,071	$	4,964
Non-current assets		10,855		10,917
Current liabilities		(811)		(1,669)
Non-current liabilities (including contributed surplus)		(3,181)		(3,137)
Net assets		10,934		11,075
% of ownership		52.0%		52.0%
		5,686		5,759
Goodwill [1]		4,166		4,170
Corporation share of net assets	$	9,852	$	9,929

(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,		2022		2021
Revenue	$	1,753	$	1,981
Expenses		1,879		1,874
(Loss) income before tax		(126)		107
Income tax recovery (expense)		45		(26)
Net (loss) income		(81)		81
% of ownership		52.0%		52.0%
Corporation share of net (loss) income	$	(42)	$	42

For the three months ended March 31,		2022		2021
Other comprehensive loss	$	(69)	$	(287)
% of ownership		52.0%		52.0%
Corporation share of other comprehensive loss	$	(36)	$	(149)

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%.

During the three months ended March 31, 2022, the Corporation made an investment of $250 in non-significant joint arrangements and received distributions of $150 (March 31, 2021 – $300 and $250, respectively).

		March 31, 2022		December 31, 2021
Current assets	$	1,530	$	978
Non-current assets		103		163
Current liabilities		(458)		(616)
Non-current liabilities		-		-
Net assets		1,175		525
% of ownership		30%-50%		30%-50%
		549		223
Goodwill		1,303		1,303
Corporation share of net assets	$	1,852	$	1,526

For the three months ended March 31,		2022		2021
Revenue	$	1,551	$	1,534
Expenses (1)		1,095		1,004
Net income		456		530
% of ownership		30%-50%		30%-50%
Corporation share of net income	$	228	$	270

(1) Includes income tax.

(in thousands of Canadian dollars)

6. INTANGIBLE ASSETS

	Franchise rights, relationships and agreements	Brand names	Other (1)	Total intangible assets
Cost				
Balance at December 31, 2021	$ 101,398	$ 45,700	$ 5,297	$ 152,395
Additions	**3,399**	**-**	**-**	**3,399**
Disposals	**(153)**	**-**	**(195)**	**(348)**
Balance at March 31, 2022	**$ 104,644**	**$ 45,700**	**$ 5,102**	**$ 155,446**
Accumulated amortization				
Balance at December 31, 2021	$ (26,520)	$ -	$ (4,446)	$ (30,966)
Disposals	**153**	**-**	**195**	**348**
Depreciation and amortization recognized as a charge against revenue	**(753)**	**-**	**-**	**(753)**
Depreciation and amortization expense	**(812)**	**-**	**(102)**	**(914)**
Balance at March 31, 2022	**$ (27,932)**	**$ -**	**$ (4,353)**	**$ (32,285)**
Carrying value				
December 31, 2021	$ 74,878	$ 45,700	$ 851	$ 121,429
March 31, 2022	**$ 76,712**	**$ 45,700**	**$ 749**	**$ 123,161**

(1) Other intangible assets is comprised of software acquired on the initial acquisition of the Core Business Operations (including Newton).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
Accrued liabilities		
Commissions payable	**$ 15,441**	$ 18,253
SIB liability (note 10)	**-**	11,250
Share-based compensation liability (note 11)	**1,568**	1,577
Other accrued liabilities	**5,892**	10,733
	22,901	41,813
Trade payables	**1,077**	1,471
Income tax payable	**-**	3,322
Government agencies payable	**546**	223
Other	**198**	55
	$ 24,722	$ 46,884

(in thousands of Canadian dollars)

8. LOANS AND BORROWINGS

		March 31, 2022		December 31, 2021
Core Business Operations				
Revolving Facility	$	-	$	-
Acquisition Facility		29,571		6,165
Non-Revolving Term Loan ("DDTL") Facility		7,600		-
Non-Core Business Asset Management				
Junior Credit Facility		23,513		30,648
		60,684		36,813
Debt issuance costs		(413)		(347)
Total loans and borrowings		60,271		36,466
Less current portion		4,662		1,233
	$	55,609	$	35,233

The credit facilities are comprised of three senior term credit facilities (collectively, the "Senior Credit Facilities") and a junior term credit facility (the "Junior Credit Facility"). The Senior Credit Facilities are held within the Core Business Operations and the Junior Credit Facility is held within the Non-Core Business Asset Management segment.

Quarterly financial covenants for all facilities include the requirement to maintain an adjusted total debt-to-EBITDA ratio of less than 2.75:1.00 and an interest coverage ratio of not less than 3.00:1.00. At March 31, 2022, the Corporation's adjusted total debt-to-EBITDA ratio and interest coverage ratio were 1.38:1.00 and 64.76:1.00, respectively. At March 31, 2022, the Corporation was in compliance with all such covenants.

Core Business Operations

On February 28, 2022, the Corporation entered into an amending agreement with TD, whereby the Corporation increased its Acquisition Facility by $24,000, from $10,000 to $34,000. An aggregate of $16,865 was drawn on the Acquisition Facility to pay the cash consideration at closing to the vendors of the Newton Acquisition (see note 4) and an aggregate of $7,135 was drawn on the Acquisition Facility to transfer to the Corporation's Non-Core Business Asset Management segment as compensation for the issuance of the Share Consideration (which amount was paid against the Corporation's Junior Credit Facility). As such, the Newton Acquisition resulted in net additional borrowings of $16,865, with borrowings by the Corporation's Core Business Operations increasing by $24,000 and borrowings by the Corporation's Non-Core Business Asset Management segment decreasing by $7,135.

The DDTL Facility is a delayed draw term loan that allowed the Corporation to withdraw predefined amounts. During the three months ended March 31, 2022, the Corporation drew $7,600 on its DDTL Facility, of which $4,560 was used to fund the SIB completed on January 11, 2022 and $3,040 was paid as a pro-rata (40%) dividend to the Preferred Shareholders. The Corporation's cash on hand was used to fund the balance of $2,120 to complete the purchase of tendered shares under the SIB. The remaining $12,400 credit available under the $20,000 DDTL facility was cancelled.

Borrowings under the Senior Credit Facilities are comprised of floating-rate advances or Canadian banker's acceptances ("BA"). Floating rate advances bear interest at a rate equal to prime plus 0.00% to 0.50%. BAs bear interest at a rate determined at the time of their acceptance plus a stamping fee of 1.75% to 2.25%. As at March 31, 2022, the outstanding Senior Credit Facilities were solely floating rate advances with annual interest rate at prime.

As at March 31, 2022, $4,662 of the balance outstanding on the Acquisition facility is classified as current (December 31, 2021—$1,233 million).

Non-Core Business Asset Management

Borrowings under the Junior Credit Facility are comprised of floating rate advances or BAs. Floating rate advances bear interest at a rate equal to prime plus 0.75% to 1.25%. BAs bear interest at a rate determined at the time of their acceptance plus a stamping fee of 2.50% to 3.00%. As at March 31, 2022, the Junior Credit Facility was solely a floating-rate advance and bore annual interest at prime plus 0.75%.

As the Corporation's repayments on the Junior Credit Facility are voluntary, the full amount outstanding as at March 31, 2022 and December 31, 2021, were classified as long-term.

9. PREFERRED SHARE LIABILITY

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 are a liability as the Corporation has an unavoidable obligation to pay dividends on the Preferred Shares into perpetuity. The holders of the Preferred Shares (the "Preferred Shareholders") are entitled to dividends equal to 40% of Core Business Distributable Cash ("Dividend Entitlement"), as defined in the Preferred Share terms, which represents cash generated by Core Business Operations after spending what is required to maintain or expand the current asset base. To match cash flows, capital expenditures are deducted from the Dividend Entitlement when incurred or when the debt is repaid for any amounts financed from debt.

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 fair value of the Preferred Shares was determined using an income approach based on the estimated future Dividend Entitlement of the Preferred Shareholders. The Preferred Share liability is revised for any changes in the estimated future Dividend Entitlement at the end of each reporting period using an income approach based on the initial discount rate applied (15.2%), 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 change in the estimated future Dividend Entitlement is reflected as revaluation recovery or expense. The revaluation recovery or expense and accretion expense are non-cash items, recognized on the condensed consolidated statements of loss within finance expense on the Preferred Share liability.

The Dividend Entitlement is determined by a contractual measurement as defined in the Preferred Share terms, representing 95% of the total of the Core Business Operations': adjusted cash flows from operating activities, cash flows used in investing activities, adjusted cash flows from financing activities, taxes attributable, and any other adjustments approved by the Board of the Corporation and the majority Preferred Shareholder. The Preferred Shareholders are entitled to an annual dividend equal to 40% of the defined cash flows and the remaining 60% is retained for use in the Non-Core Business Asset Management segment. 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 Dividend Entitlement, which may be more or less than the actual Dividend Entitlement based on seasonality of cash flows. During the three months ended March 31, 2022, the Corporation paid Interim Dividends of $4,720 and a true-up of the Dividend Entitlement payable as at December 31, 2021 of $537 to the Preferred Shareholders (March 31, 2021—$1,680 and $nil). During the three months ended March 31, 2022, the Dividend Entitlement attributable to Preferred Shareholders was $3,688 (March 31, 2021—$1,507), resulting in a reduction of the Dividend Entitlement to the Preferred Shareholders at March 31, 2022 of $1,032, which is included in the Preferred Share liability.

During the three months ended March 31, 2022, the Board of Directors of the Corporation passed a resolution to reduce the Dividend Entitlement for the year ended December 31, 2021, resulting in an unpaid reversal of $481 of the Dividend Entitlement payable to the Preferred Shareholders as at December 31, 2021. The reduction in the Dividend Entitlement was allocated to repayments on the Corporation's debt.

The Preferred Shareholders are further entitled, in the event of a liquidation or winding-up of the Corporation's assets and property, or the sale of the Core Business Operations, to receive the amount equal to any accrued but unpaid Dividend Entitlement plus an amount equal to 40% of the net proceeds of any liquidation event of the sale of the Core Business Operations. The Preferred Shareholders are not entitled, upon liquidation, dissolution or winding up of the Corporation or on the sale of any part of the Non-Core Assets, to share in any proceeds received by the Corporation from the disposition of the Non-Core Assets.

(in thousands of Canadian dollars)

	Number of Preferred Shares		Amount
Balance at December 31, 2021 [1]	26,774,054	$	118,460
Dividends paid			(5,257)
Finance expense on the Preferred Share liability			25,715
Balance at March 31, 2022 [1]	**26,774,054**	**$**	**138,918**
Current		**$**	**11,084**
Non-Current		**$**	**127,834**

(1) Net of transaction costs.

For the three months ended March 31,		**2022**		2021
Accretion expense on the Preferred Share liability	**$**	**4,421**	$	4,010
Revaluation expense (recovery) of the Preferred Share liability		**21,294**		(864)
Finance expense on the Preferred Share liability	**$**	**25,715**	$	3,146

10. SHARE CAPITAL

Authorized share capital

The Corporation is authorized to issue an unlimited number of class A common shares ("Common Shares") without par value, and an unlimited number of Preferred Shares (see note 9).

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

	Number of Common Shares		Amount
Balance at December 31, 2021	46,357,841	$	118,018
Substantial issuer bid	**(1,781,790)**		**4,568**
Share issuance	**1,853,247**		**7,098**
Balance at March 31, 2022	**46,429,298**	**$**	**129,684**

The Corporation implemented a SIB, commencing on December 1, 2021 and expiring on January 11, 2022. The Corporation offered to purchase up to 3,000,000 Common Shares from the common shareholders at a price of $3.75 per share. The Corporation purchased 1,781,790 Common Shares that were validly tendered for an aggregate cost of $6,682, which were cancelled and returned to treasury. As the SIB was outstanding at December 31, 2021, the Corporation had recognized a liability at December 31, 2021 for the full commitment of the SIB of $11,250, with the offset to share capital. During the three months ended March 31, 2022, the Corporation settled the SIB liability and recognized the reduction in the number of Common Shares outstanding and derecognized $4,568 of the commitment for shares that were not tendered (see note 7).

On completion of the Newton Acquisition, the Corporation issued 1,853,247 Common Shares (see note 4). These were valued at the closing trading price of the Corporation's Common Shares on February 28, 2022 of $3.84 per share. The Corporation recognized $19 of transaction costs directly attributable to the issuance of the Common Shares as an offset to share capital.

11. SHARE-BASED PAYMENTS

The Corporation recorded total share-based payment expense of $210 for the three months ended March 31, 2022 (March 31, 2021—$895). These amounts include share-based payment expense related to the Corporation's restricted share units ("RSUs") expense of $94 (March 31, 2021—$624), and $116 expense related to the Corporation's phantom share options ("PSOs") for the three months ended March 31, 2022 (March 31, 2021— $271).

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, 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, 2021	75,000	$	3.00
Outstanding share options, March 31, 2022	**75,000**	**$**	**3.00**

The following table summarizes the share options outstanding and exercisable under the Plan as at March 31, 2022:

Grant date	Share options outstanding	Years to Maturity	Share options exercisable	Weighted average exercise price
July 3, 2017	75,000	0.3	75,000	3.00

PSO plan

The Corporation's PSOs outstanding as of December 31, 2021 were issued to employees with an exercise price of $2.75 (the "employee PSOs"). Each employee 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 employee 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, 2022, all employee PSOs have fully vested. At March 31, 2021, the employee PSOs were in-the-money and the Corporation recognized a liability of $232 (December 31, 2021—$335).

During the three months ended March 31, 2022, the Corporation issued 250,000 PSOs to Newton executives with an exercise price of $3.85 (the "Newton PSOs"). Each Newton 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 Newton PSOs have a three-year term and vest one-half on the first and second anniversary from the date of grant. At March 31, 2022, 15,925 Newton PSOs have fully vested.

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

Outstanding PSOs, December 31, 2021	295,000
Settled	**(140,000)**
Issued	**250,000**
Outstanding PSOs, March 31, 2022	**405,000**

During the three months ended March 31, 2022, the Corporation settled 140,000 employee PSOs at a 5-day volume average weighted price of $3.82 (March 31, 2021—nil).

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 the number of units issued, their term, and their vesting period at the time of the grant.

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

Outstanding RSUs, December 31, 2021	657,040
Outstanding RSUs, March 31, 2022	**657,040**

The following table summarizes the outstanding RSUs as at March 31, 2022:

Grant date	Issued to	Vesting date	Outstanding RSUs		Liability at March 31, 2022
May 1, 2019	Directors	Immediately (1)	173,000	$	649
June 11, 2020	Directors	Immediately (1)	292,174		1,096
June 11, 2020	Employees	May 1, 2022	191,866		687
			657,040	$	2,432

(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, 2021	1.45	2,078,568	$	1.44
Outstanding lender warrants, March 31, 2022	**1.21**	**2,078,568**	**$**	**1.44**

12. 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, 2022, 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 franchising and mortgage broker data 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 Junior Credit Facility, and public company costs.

As at March 31, 2022		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash and cash equivalents	**$**	**11,544**	**$**	**1,860**	**$**	**13,404**
Trade, other receivables and other assets		**12,448**		**106**		**12,554**
Right-of-use assets		**2,103**		**-**		**2,103**
Intangible assets		**123,161**		**-**		**123,161**
Goodwill		**60,437**		**-**		**60,437**
Capital and other assets		**3,670**		**26,561**		**30,231**
Total assets	**$**	**213,363**	**$**	**28,527**	**$**	**241,890**
Accounts payable and accrued liabilities	**$**	**22,834**	**$**	**1,888**	**$**	**24,722**
Lease obligations		**2,221**		**288**		**2,509**
Loans and borrowings		**36,939**		**23,332**		**60,271**
Deferred tax liability (asset)		**25,815**		**(13,836)**		**11,979**
Preferred Share liability		**138,918**		**-**		**138,918**
Other liabilities		**3,018**		**2,094**		**5,112**
Total liabilities	**$**	**229,745**	**$**	**13,766**	**$**	**243,511**

For the three months ended March 31, 2022		Core Business Operations		Non-Core Business Asset Management		Consolidated
Revenue	**$**	**17,029**	**$**	**-**	**$**	**17,029**
Direct costs		**1,998**		**-**		**1,998**
General and administrative expenses		**7,645**		**819**		**8,464**
Share-based payments		**-**		**210**		**210**
Depreciation and amortization		**1,024**		**5**		**1,029**
Finance expense		**187**		**245**		**432**
Finance expense on the Preferred Share liability		**25,715**		**-**		**25,715**
Other (income) expense		**(336)**		**703**		**367**
Loss before tax from operations	**$**	**(19,204)**	**$**	**(1,982)**	**$**	**(21,186)**

(in thousands of Canadian dollars)

For the three months ended March 31, 2022		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash flows provided by / (used in) operating activities	**$**	**2,933**	**$**	**(1,112)**	**$**	**1,821**
Cash flows (used in) / provided by investing activities		**(11,984)**		**7,885**		**(4,099)**
Cash flows provided by / (used in) financing activities		**1,549**		**(6,747)**		**(5,198)**
(Decrease) increase in cash and cash equivalents	**$**	**(7,502)**	**$**	**26**	**$**	**(7,476)**

As at December 31, 2021		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash and cash equivalents	$	19,046	$	1,840	$	20,886
Trade, other receivables and other assets		18,179		113		18,292
Right-of-use assets		1,859		-		1,859
Intangible assets		121,429		-		121,429
Goodwill		60,437		-		60,437
Capital and other assets		3,668		27,354		31,022
Total assets	$	224,618	$	29,307	$	253,925
Accounts payable and accrued liabilities	$	33,714	$	13,170	$	46,884
Lease obligations		1,966		330		2,296
Loans and borrowings		6,018		30,448		36,466
Deferred tax liability (asset)		26,016		(14,239)		11,777
Preferred Share liability		118,460		-		118,460
Other liabilities		2,126		2,095		4,221
Total liabilities	$	188,300	$	31,804	$	220,104

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		52		1,195		1,247
Finance expense on the Preferred Share liability		3,146		-		3,146
Other (income) expense		(1,218)		1,145		(73)
Income (loss) before tax from operations	$	4,426	$	(3,746)	$	680

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)

(in thousands of Canadian dollars)

13. REVENUE

For the three months ended March 31,		**2022**		2021
Franchising revenue, mortgage brokerage services	**$**	**13,913**	$	11,797
Newton revenues		**2,858**		1,951
Brokering of mortgages		**258**		140
	$	**17,029**	$	13,888

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 $17,694 for the three months ended March 31, 2022 (March 31, 2021—$14,405). Revenues earned from contracts with customers not earned over time is $88 for the three months ended March 31, 2022 (March 31, 2021—$100).

14. FINANCE EXPENSE

For the three months ended March 31,		**2022**		2021
Interest expense on debt obligations	**$**	**368**	$	1,000
Interest on lease obligations		**31**		35
Amortization of debt issuance costs		**33**		212
	$	**432**	$	1,247

15. LOSS PER COMMON SHARE

For the three months ended March 31,		**2022**		2021
Net loss attributable to common shareholders	**$**	**(22,679)**	$	(486)
Basic and diluted weighted average number of Common Shares		**45,421,765**		46,653,941
Basic loss per Common Share	**$**	**(0.50)**	$	(0.01)
Diluted loss per Common Share	**$**	**(0.50)**	$	(0.01)

As at March 31, 2022, there were 75,000 share options (March 31, 2021—225,000) and 2,078,568 lender warrants outstanding that were considered anti-dilutive as a result of the net loss for the three months then ended (March 31, 2021—2,078,568).

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the three months ended March 31,		**2022**		2021
Trade and other receivables	**$**	**5,591**	$	3,144
Prepaid expenses and deposits		**130**		189
Notes receivable		**226**		37
Accounts payable and accrued liabilities		**(11,152)**		(4,682)
Deferred contract liability		**(163)**		(184)
Other current liabilities		**143**		44
	$	**(5,225)**	$	(1,452)

(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 its 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, and preferred share 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 interest rate risk.

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 $55 increase of loss before tax for the three months ended March 31, 2022 (March 31, 2021—$105 decrease to income before tax).

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.

The 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, 2022, $288 (December 31, 2021—$272) of the Corporation's trade receivables are greater than 90 days' outstanding and total expected credit losses as at March 31, 2022 are $410 (December 31, 2021—$410). 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, 2022		December 31, 2021
Cash and cash equivalents	**$**	**13,404**	$	20,886
Trade, other receivables and other assets		**12,554**		18,292
Notes receivable		**117**		343
	$	**26,075**	$	39,521

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.

(in thousands of Canadian dollars)

As at March 31, 2022, 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	$ 24,722	$ 24,722	$ -	$ -
Lease obligations (1)	1,739	932	599	208
Loans and borrowings (2)	60,684	4,662	56,022	-
Preferred Share liability (3)	139,205	11,084	46,683	81,438
Long-term liabilities	2,464	-	2,464	-
	$ 228,814	$ 41,400	$ 105,768	$ 81,646

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

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:

	March 31, 2022	December 31, 2021
Loans and borrowings	**$ 60,271**	$ 36,466
Less: cash and cash equivalents	**13,404**	20,886
Net loans and borrowings	**$ 46,867**	$ 15,580
Shareholders' equity	**$ (1,816)**	$ 31,740

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, 2022 (see note 8).

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, 2022		
	Carrying value as at March 31, 2022	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				
Loans and borrowings	**(60,271)**	**-**	**(60,271)**	**-**

(in thousands of Canadian dollars)

	Carrying value as at December 31, 2021	Fair value as at December 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				
Loans and borrowings	(36,466)	-	(36,466)	-

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, 2022 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

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. For claims where the outcomes are not determinable, no provision for settlement has been made in the condensed consolidated financial statements. During the three months ended March 31, 2022, the Corporation recorded legal costs and expenses of $1,581 in the condensed consolidated financial statements, primarily related to the stay of the class action legal claim, an ongoing arbitration, the settlement of legal claims, and the completion of the Newton Acquisition.

19. RELATED PARTY TRANSACTIONS

Newton Acquisition

On February 28, 2022, the Corporation completed the Newton Acquisition for an aggregate purchase price of $24,000. Geoff Willis (President of Newton) and Kevin Dear (Vice-President of Newton), who are both directors and indirect 25% shareholders of Next4, were parties to the Newton Acquisition.

20. SUBSEQUENT EVENTS

Civil Claim

In July 2021, the Core Business Operations were served with a Notice of Civil Claim (the "Civil Claim") filed in the Supreme Court of British Columbia by a franchisee and its principal (collectively, the "Claimant"). On April 1, 2022, the Supreme Court of British Columbia ordered that the Civil Claim be stayed on the basis that the parties had agreed in the franchise agreement that all disputes would be resolved through arbitration. The Claimant had commenced the Civil Claim in the Supreme Court of British Columbia and were seeking to have the claim certified under the Class Proceedings Act (British Columbia). The Corporation now expects that the Civil Claim will be resolved through a prescribed arbitration process with the Claimant and the Corporation as set out in the franchise agreement.

Dividends

In April 2022, the Corporation announced the implementation of a quarterly dividend on its Common Shares. The Corporation declared a quarterly dividend that will be payable on June 15, 2022 of $0.03 per Common Share for shareholders on record as of June 1, 2022.