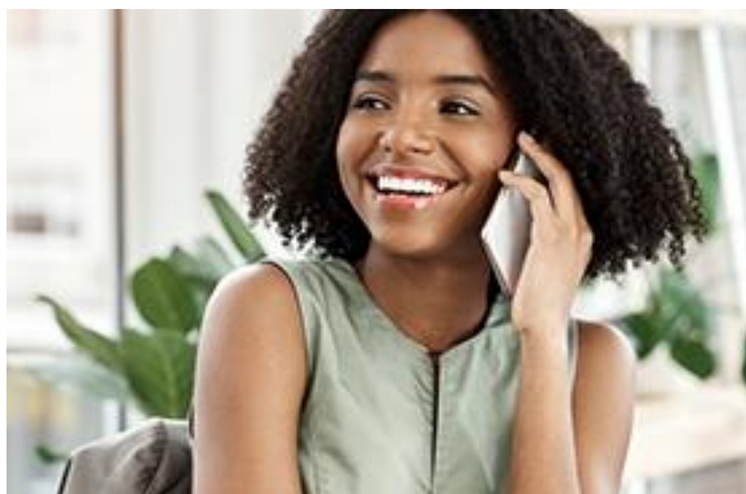
Dominion Lending Centres Inc.

2022 Annual Management Discussion & Analysis



CONTENTS

OVERVIEW OF OUR BUSINESS 3

RESULTS OF OPERATIONS.......................... 8

SEGMENTED RESULTS 10

SUMMARY OF QUARTERLY RESULTS...15

OUTLOOK 16

LIQUIDITY AND CAPITAL RESOURCES 17

COMMITMENTS AND CONTINGENCIES 23

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT 25

RELATED PARTY TRANSACTIONS..........30

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS..31

SELECTED ANNUAL FINANCIAL INFORMATION..33

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE AND PROCEDURE CONTROLS 35

NON-IFRS FINANCIAL PERFORMANCE MEASURES..35

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 and year ended December 31, 2022, as well as information about our financial condition and prospects. We recommend reading this MD&A, which has been prepared as of March 28, 2023, in conjunction with the 2022 audited annual consolidated financial statements ("financial statements"). These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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.

On February 3, 2022, the Corporation's class "A" common shares ("Common Shares") commenced trading on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DLCG". Prior thereto, the Corporation's Common Shares traded on the TSX Venture Exchange. 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

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

At December 31, 2022, 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 franchising and mortgage broker data connectivity services across Canada, and 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 in MA and MCC remain consistent with the ownership interests held as at December 31, 2021. At December 31, 2021, the Corporation held a 70% interest in Newton (the Corporation acquired the remaining 30% on February 28, 2022).

Mortgage Brokerage Franchising (DLC, MA and MCC)

The DLC Group is one of Canada's leading networks of mortgage professionals. The mortgage brokerage business of DLC Group is carried on under the DLC, MA, and MCC brands and has operations across Canada. The mortgage brokerage business' extensive network includes over 8,000 agents, over 540 locations and $70.6 billion in mortgage origination during the year ended December 31, 2022. The franchise model provides secure long-term relationships with mortgage experts and the DLC Group provides training, technology, marketing, recruitment, and operational support to its franchises.

Mortgage experts provide services related to property purchases, mortgage refinances and renewals, credit lines, and other borrowing needs. Mortgage experts originate mortgages but do not themselves lend money. The DLC Group has had significant franchise and agent growth achieved through organic growth and ongoing recruiting efforts, with a strong pipeline for future growth opportunities.

The Corporation's franchising revenue is comprised of fees earned on the franchising of mortgage brokerage services (including franchising revenue and royalty income) and commissions generated on the brokering of mortgages. Franchising revenue from mortgage brokerages includes income from royalties, advertising and other monthly fees, and connectivity fee income.

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 their 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 mortgage information and supporting documents to lenders, and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker-facing products provide deal-management tools and services, including the ability to automatically manage 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.

On February 28, 2022, the Corporation completed a purchase transaction whereby the Corporation acquired the remaining 30% interest in Newton that it did not already own, in exchange for $16.9 million in cash and 1,853,247 Common Shares of the Corporation (the "Newton Acquisition"). The Common Shares were issued at a deemed price of $3.85 per share (the "Share Consideration"). The Newton Acquisition was a related party transaction; refer to the Related Party section of this document. Changes in the Corporation's interest in a subsidiary that does not result in a change in control are accounted for within shareholders' equity.

Since 2017, Newton had been party to an agreement with a third-party connectivity provider (the "Host"), whereby Newton was obligated to fund a minimum annual funded mortgage volume through the Host's connectivity infrastructure. Newton earned revenues as a percentage of the mortgage volumes funded through the Host. The agreement expired at the end of June 2022. With the expiration of the agreement, the DLC Group intends on fully utilizing its own connectivity bridges, which allows the DLC Group to earn the full connectivity fee paid by lenders (as opposed to earning only a portion of such fees as previously paid by the Host).

Non-Core Business Asset Management overview

The Non-Core Business Asset Management segment represents the Corporation's interest in its equity-accounted investment in Cape Communications International Inc. ("Impact"). On August 31, 2022, the Corporation sold its interest in Club16 Limited Partnership ("Club16"), which was previously included in the Non-Core Business Asset Management segment (see discussion below). Collectively, Impact and Club16 are referred to as the "Non-Core Assets". The Non-Core Business Asset Management segment includes the Corporation's share of income in the Non-Core Assets, the expenses, assets and liabilities associated with managing the Non-Core Assets; the Junior Credit Facility (as defined herein); and public company costs. The results of Club16 are included up to the date of disposal on August 31, 2022. The Corporation acquired the Non-Core Assets when it operated as an investment company called Founders Advantage Capital Corp.

As at December 31, 2022 and December 31, 2021, the Corporation held a 52% interest in Impact. At December 31, 2021, the Corporation also held a 58.4% interest in Club16 (the Corporation sold its interest on August 31, 2022 as noted below).

Sale of Club16

On August 31, 2022, the Corporation completed the sale of its 58.4% interest in Club16 (the "Sale of Club16") to Club16's management (the "Purchaser") for aggregate gross proceeds of $18.0 million (the "Club16 Purchase Price"). The Club16 Purchase Price was comprised of: (i) a cash payment of $16.5 million; and (ii) a non-interest-bearing promissory note issued by the Purchaser for $1.5 million (the "Promissory Note"). The Promissory Note is to be paid in 24 equal monthly payments of $62.5 thousand, with the first monthly payment commencing on August 31, 2023. The Corporation applied the cash proceeds from the sale against the outstanding balance of the Junior Credit Facility.

The Corporation had recognized a gain on the sale of the equity-accounted investment of $0.5 million within the consolidated statements of income (loss), for the difference between the carrying value of the Corporation's investment in Club16 and the Club16 Purchase Price.

Since acquiring the interest in Club16 in 2016, the Corporation had completed a significant reorganization with a focus on the Core Business Operations, and believes the Sale of Club16 further simplifies the Corporation's business and financial reporting.

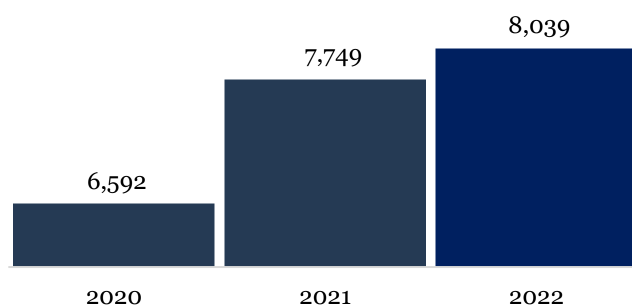
USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

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 EBITDA margin, adjusted net (loss) income, adjusted net (loss) earnings per share, and free cash flow attributable to common shareholders.

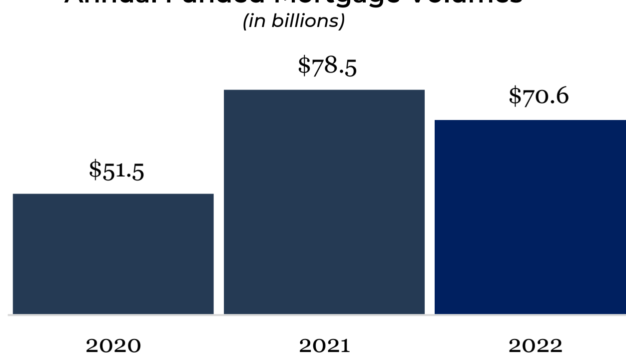
2022 HIGHLIGHTS

The following are notable performance highlights within Core Business Operations for the year ended December 31, 2022, along with the comparative results for the two prior years.

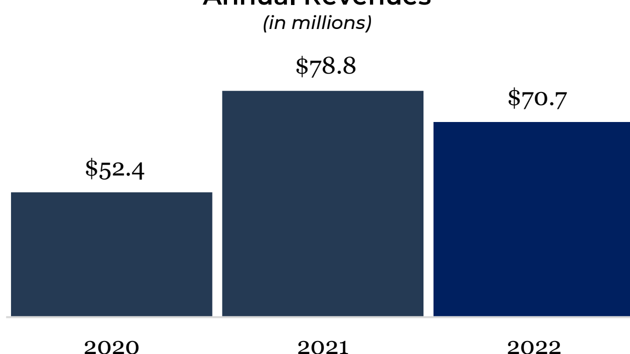
Total DLC Group Brokers



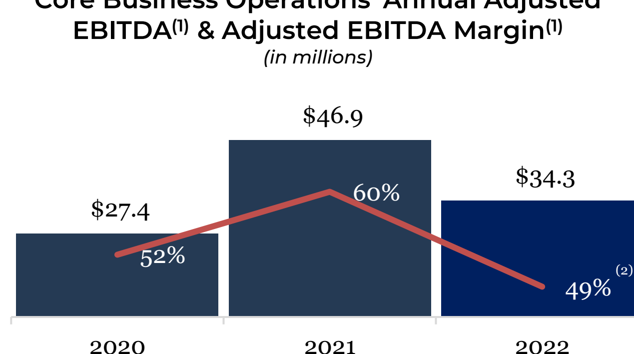
Annual Funded Mortgage Volumes
(in billions)



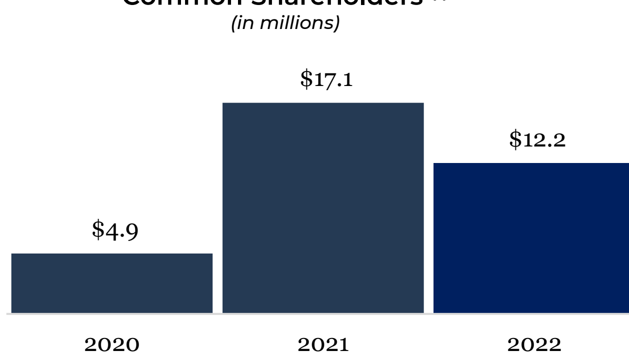
Annual Revenues
(in millions)



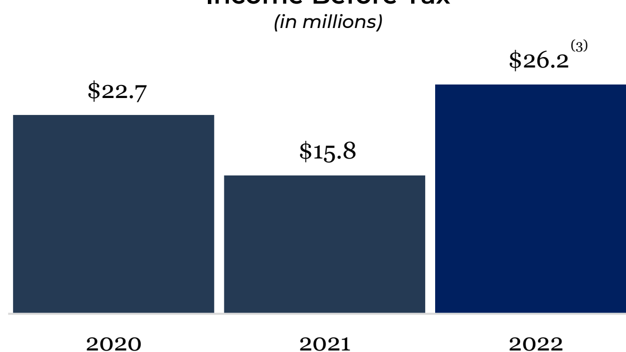
Core Business Operations' Annual Adjusted EBITDA(1) & Adjusted EBITDA Margin(1)
(in millions)



Annual Free Cash Flow Attributable to Common Shareholders (1)
(in millions)



Core Business Operations' Annual Income Before Tax
(in millions)



(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) 2022 adjusted EBITDA includes an increase in professional fees of $1.4 million compared to 2021 primarily from elevated legal costs and expenses in the first quarter of 2022.
(3) Core Business Operations’ income before tax for the year ended December 31, 2022 includes $2.4 million of non-cash finance expense on the Preferred Share liability (December 31, 2021 – $26.5 million expense). The quarterly reassessment of the Corporation’s outlook and forecast reflects current housing market headwinds resulting in a decrease in the Corporation’s Preferred Share liability during the year ended December 31, 2022 (see the Preferred Shares section).

2022 FINANCIAL HIGHLIGHTS

(in thousands, except per share)	Three months ended December 31, **2022**	2021	Change	Year ended December 31, **2022**	2021	Change
Revenues	**$ 13,934**	$ 21,266	(34%)	**$ 70,720**	$ 78,816	(10%)
Income from operations	**1,554**	9,127	(83%)	**26,386**	37,387	(29%)
Adjusted EBITDA [1]	**3,031**	10,538	(71%)	**32,058**	43,882	(27%)
Free cash flow attributable to common shareholders [1]	**723**	3,528	(80%)	**12,164**	17,137	(29%)
Net (loss) income [2]	**(1,314)**	(5,463)	76%	**12,286**	(3,943)	NMF [3]
Adjusted net (loss) income [1]	**(175)**	1,771	NMF [3]	**8,997**	9,973	(10%)
Diluted (loss) earnings per Common Share [2]	**(0.03)**	(0.12)	75%	**0.25**	(0.12)	NMF [3]
Adjusted diluted earnings per Common Share [1]	**(0.00)**	0.03	NMF [3]	**0.18**	0.18	0%
Dividends declared per share	**$ 0.03**	$ -	NMF [3]	**$ 0.09**	$ -	NMF [3]

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) Net (loss) income for the three months and year ended December 31, 2022 includes $1.9 million and $2.4 million non-cash finance expense on the Preferred Share liability, respectively (December 31, 2021 – $9.7 million expense and $26.5 million expense). The quarterly reassessment of the Corporation's outlook and forecast has declined to reflect current housing market headwinds, resulting in a decrease in the Corporation's Preferred Share liability during the year ended December 31, 2022 (see the Preferred Shares section).
(3) The percentage change is Not a Meaningful Figure ("NMF").

(in thousands)	Three months ended December 31, **2022**	2021	Change	Year ended December 31, **2022**	2021	Change
Adjusted EBITDA [1]						
Core Business Operations	**$ 3,701**	$ 11,823	(69%)	**$ 34,312**	$ 46,868	(27%)
Non-Core Business Asset Management	**(670)**	(1,285)	48%	**(2,254)**	(2,986)	25%
Adjusted EBITDA [1]	**$ 3,031**	$ 10,538	(71%)	**$ 32,058**	$ 43,882	(27%)

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

Highlights

The Corporation's net loss decreased during the three months ended December 31, 2022 when compared to the previous year period, primarily due to non-cash finance expense on the Preferred Share liability of $1.9 million compared to a $9.7 million expense during the three months ended December 31, 2021. In addition, finance expense decreased $2.4 million primarily from the interest penalty fees of $1.1 million and accelerated amortization of debt-issuance costs recognized in 2021 from the early extinguishment of the previous Sagard credit facility, and lower interest rates under the Junior Credit Facility when compared to the previous Sagard credit facility. The decrease in finance expense was partly offset by a decrease in revenues. The non-cash finance expense represents the change in our Preferred Share liability, which reflects current housing market headwinds and our outlook of the anticipated negative impact on housing market activity from rising interest rates throughout the 2022 fiscal year (refer to the Outlook section of this document for further details).

For the year ended December 31, 2022 the Corporation's net income increased when compared to the previous year, primarily due to lower non-cash finance expense on the Preferred Share liability, partially offset by lower revenues, the non-cash impairment on Impact and higher general and administrative expenses from increased legal costs and expenses, advertising expense and personnel costs. The Corporation recognized a $2.4 million non-cash finance expense on the Preferred Share liability during the year ended December 31, 2022 compared to a $26.5 million non-cash finance expense in the prior year. The non-cash finance expense represents the change in our Preferred Share liability, which reflects current housing market headwinds and our outlook of the anticipated negative impact on housing market activity from rising interest rates throughout the 2022 fiscal year (refer to the Outlook section of this document for further details). The Corporation recognized a non-cash impairment on Impact of $4.8 million to reflect the recoverable value of Impact (refer to the Non-Core Business Asset management segment for further details). The increase in expenses was partly offset by lower interest expense from the interest penalty fees of $1.1 million and accelerated amortization of debt-

issuance costs recognized in 2021 from the early extinguishment of the previous Sagard credit facility and lower interest rates under the Junior Credit Facility when compared to the previous Sagard credit facility, and a recovery on share-based compensation.

Adjusted net income for the three months and year ended December 31, 2022 decreased from the same periods in the previous year, due to lower income from operations from decreased revenues, partly offset by lower finance expense, lower income tax expense, and lower adjusted net income allocated to the Preferred Shareholders.

Adjusted EBITDA was lower for the three months and year ended December 31, 2022 when compared to the same periods in the previous year, primarily from lower revenues from lower funded mortgage volumes and higher operating expenses.

The decrease in free cash flow attributable to common shareholders during the three months and year ended December 31, 2022 when compared to the same periods in the prior year was due to the decrease in adjusted EBITDA, partly offset by lower cash interest paid and lower income tax expense.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

Below is selected financial information from our three months and year ended December 31, 2022 consolidated financial results. See the Accounting Policies section of this MD&A and notes to our December 31, 2022 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 section.

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2022**	2021	Change	**2022**	2021	Change
Revenues	**$ 13,934**	$ 21,266	(34%)	**$ 70,720**	$ 78,816	(10%)
Operating expenses [1]	**12,380**	12,139	2%	**44,334**	41,429	7%
Income from operations	**1,554**	9,127	(83%)	**26,386**	37,387	(29%)
Other (expense) income, net [2]	**(2,304)**	(12,799)	82%	**(7,393)**	(32,542)	77%
(Loss) income before tax [2]	**(750)**	(3,672)	80%	**18,993**	4,845	292%
Add back:						
Depreciation and amortization	**971**	979	(1%)	**3,985**	4,130	(4%)
Finance expense	**645**	2,999	(78%)	**2,355**	6,808	(65%)
Finance expense on the Preferred Share liability [2]	**1,905**	9,675	(80%)	**2,397**	26,543	(91%)
Gain on sale of an equity-accounted investment	**-**	-	-%	**(525)**	-	NMF
Non-cash impairment of an equity-accounted investment	**-**	-	-%	**4,778**	-	NMF
Other adjusting items [3]	**260**	557	(53%)	**75**	1,556	(95%)
Adjusted EBITDA [3]	**$ 3,031**	$ 10,538	(71%)	**$ 32,058**	$ 43,882	(27%)

(1) Operating expenses are comprised of direct costs, general and administrative expenses, share-based payments (recovery) expense, and depreciation and amortization expense.
(2) Net (loss) income for the three months and year ended December 31, 2022 includes $1.9 million and $2.4 million non-cash finance expense on the Preferred Share liability, respectively (December 31, 2021 – $9.7 million expense and $26.5 million expense). The quarterly reassessment of the Corporation's outlook and forecast has declined to reflect current housing market headwinds, resulting in a decrease in the Corporation's Preferred Share liability during the year ended December 31, 2022 (see the Preferred Shares section).
(3) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

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)		**December 31, 2022**		December 31, 2021
Cash and cash equivalents	**$**	**9,214**	$	20,886
Working capital (deficiency)	**$**	**(11,851)**	$	(23,807)
Total assets	**$**	**223,937**	$	253,925
Total loans and borrowings (1)	**$**	**36,670**	$	36,466
Total non-current liabilities	**$**	**153,339**	$	155,514
Total Preferred Share liability (1)	**$**	**110,160**	$	118,460
Shareholders' equity	**$**	**31,958**	$	31,740
Common Shares outstanding		**48,352,731**		46,357,841
Preferred Shares outstanding		**26,774,054**		26,774,054

(1) Net of debt issuance and transaction costs.

SEGMENTED RESULTS

We discuss the results of the two reportable segments as presented in our December 31, 2022 financial statements: Core Business Operations and Non-Core Business Asset Management.

The Core Business Operations segment represents operations of the business of mortgage brokerage franchising and mortgage broker 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 Junior Credit Facility; and public company costs. Equity-accounted income from Club16 is included in other (expense) income up to the date of disposal on August 31, 2022.

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 (recovery) expense and unusual or one-time items are added back to the segments' income (loss) 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.

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2022**	2021	Change	**2022**	2021	Change
Revenues						
Core Business Operations	**$ 13,934**	$ 21,266	(34%)	**$ 70,720**	$ 78,816	(10%)
Revenues	**13,934**	21,266	(34%)	**70,720**	78,816	(10%)
Operating expenses [1]						
Core Business Operations	**11,534**	10,862	6%	**41,641**	37,940	10%
Non-Core Business Asset Management	**846**	1,277	(34%)	**2,693**	3,489	(23%)
Operating expenses [1]	**12,380**	12,139	2%	**44,334**	41,429	7%
Income (loss) from operations						
Core Business Operations	**2,400**	10,404	(77%)	**29,079**	40,876	(29%)
Non-Core Business Asset Management	**(846)**	(1,277)	34%	**(2,693)**	(3,489)	23%
Income from operations	**1,554**	9,127	(83%)	**26,386**	37,387	(29%)
Adjusted EBITDA [2]						
Core Business Operations	**3,701**	11,823	(69%)	**34,312**	46,868	(27%)
Non-Core Business Asset Management	**(670)**	(1,285)	48%	**(2,254)**	(2,986)	25%
Adjusted EBITDA [2]	**$ 3,031**	$ 10,538	(71%)	**$ 32,058**	$ 43,882	(27%)

(1) Operating expenses are comprised of direct costs, general and administrative expenses, share-based payments (recovery) expense, and depreciation and amortization expense.

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

Core Business Operations

(in thousands)	Three months ended December 31, **2022**	2021	Change	Year ended December 31, **2022**	2021	Change
Revenues	**$ 13,934**	$ 21,266	(34%)	**$ 70,720**	$ 78,816	(10%)
Operating expenses [1]	**11,534**	10,862	6%	**41,641**	37,940	10%
Income from operations	**2,400**	10,404	(77%)	**29,079**	40,876	(29%)
Other (expense) income, net [2]	**(2,211)**	(9,433)	77%	**(2,834)**	(25,049)	89%
Income before tax [2]	**189**	971	(81%)	**26,245**	15,827	66%
Add back:						
Depreciation and amortization	**968**	973	(1%)	**3,966**	4,111	(4%)
Finance expense	**547**	65	NMF	**1,530**	265	477%
Finance expense on the Preferred Share liability [2]	**1,905**	9,675	(80%)	**2,397**	26,543	(91%)
Other adjusting items	**92**	139	(34%)	**174**	122	43%
Adjusted EBITDA [3]	**3,701**	11,823	(69%)	**34,312**	46,868	(27%)
Key Performance Indicators ("KPIs")						
Funded mortgage volumes [4]	**13,812**	20,557	(33%)	**70,616**	78,481	(10%)
Number of franchises [5]	**544**	531	2%	**544**	531	2%
Number of brokers [5]	**8,039**	7,749	4%	**8,039**	7,749	4%
% of funded mortgage volumes submitted through Velocity	**57%**	50%	14%	**55%**	44%	25%

(1) Operating expenses are comprised of direct costs, general and administrative expenses, and depreciation and amortization expense.
(2) Net (loss) income for the three months and year ended December 31, 2022 includes $1.9 million and $2.4 million non-cash finance expense on the Preferred Share liability, respectively (December 31, 2021 – $9.7 million expense and $26.5 million expense). The quarterly reassessment of the Corporation's outlook and forecast has declined to reflect current housing market headwinds, resulting in a decrease in the Corporation's Preferred Share liability during the year ended December 31, 2022 (see the Preferred Shares section).
(3) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(4) 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.
(5) The number of franchises and brokers are as at the respective year 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, as 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. The number of brokers increased in 2022 compared to 2021, largely due to the DLC Group's continued recruiting efforts.

Three-month highlights

The DLC Group's revenues decreased during the three months ended December 31, 2022 when compared to the same three months in the prior year, largely attributable to a decrease in funded mortgage volumes from decreased housing sales activity and from a decrease in Newton's connectivity revenues, primarily due to a decrease in funded mortgage volumes (and the resolution of a commercial matter).

The segment's operating expenses for the three months ended December 31, 2022 increased over the same three months in the prior year, primarily attributable to higher direct costs of $1.0 million as a result of increased advertising fund expenses due to timing of the expenditures. This is partly offset by lower general and administrative expenses of $0.3 million primarily from a decrease in performance-based bonuses.

Other expense decreased over the same three months in the prior year primarily from lower finance expense on the Preferred Share liability of $1.9 million compared to $9.7 million in the previous year period. The Preferred Share liability is revalued at the end of each reporting period based on discounted estimated future Dividend Entitlements (as defined herein) to the Preferred Shareholders (see the Preferred Shares section).

Income from operations and adjusted EBITDA decreased in the current period compared to the three months ended December 31, 2021 as a result of lower revenues and higher operating expenses.

Annual highlights

The DLC Group's revenues decreased during the year ended December 31, 2022 when compared to the prior year, largely attributable to a decrease in funded mortgage volumes from decreased housing sales activity and a decrease in Newton's connectivity revenues.

The segment's operating expenses for the year ended December 31, 2022 increased over the prior year, primarily attributable to higher general and administrative expenses of $3.0 million. The increase in general and administrative expenses is from an increase in professional fees of $1.4 million over the prior year primarily from an increase in legal costs and expenses incurred in the first quarter of 2022, along with an increase in personnel costs, and higher general advertising expenses. Refer to the Commitments section of this document for further discussion on the Corporation's litigation.

Other expense decreased over the prior year primarily from a decrease in finance expense on the Preferred Share liability of $24.1 million partly offset by a decrease in other income. The Preferred Share liability is revalued at the end of each reporting period based on discounted estimated future Dividend Entitlements (as defined herein) to the Preferred Shareholders (see the Preferred Shares section). Other income further decreased as the year ended December 31, 2021 included Newton software development income compared to none during the year ended December 31, 2022.

Income from operations and adjusted EBITDA decreased in the current year, when compared to the prior year, from an increase in operating expenses and a decrease in revenues.

Newton Connectivity Systems

The DLC Group has grown broker adoption of Velocity during the three months and the year ended December 31, 2022. Newton's agreement to submit volume to lenders via a third-party Host expired June 30, 2022. Effective July 1, 2022, Newton has used its own connectivity bridges to submit transactions to lenders and will receive the full payment from lenders once the submitted mortgages are funded. Revenue to Newton has been steadily increasing since July 1, 2022 (transactions submitted through Velocity close 45 to 60 days following submission). Newton revenues are expected to further increase in Q1 2023.

Non-Core Business Asset Management

(in thousands)	Three months ended December 31, 2022	2021	Change	Year ended December 31, 2022	2021	Change
Operating expenses [1]	**$ 846**	$ 1,277	(34%)	**$ 2,693**	$ 3,489	(23%)
Loss from operations	**(846)**	(1,277)	34%	**(2,693)**	(3,489)	23%
Other (expense) income, net	**(93)**	(3,366)	97%	**(4,559)**	(7,493)	39%
Loss before tax	**(939)**	(4,643)	80%	**(7,252)**	(10,982)	34%
Add back:						
Depreciation and amortization	**3**	6	(50%)	**19**	19	0%
Finance expense	**98**	2,934	(97%)	**825**	6,543	(87%)
Share-based payments expense (recovery)	**215**	526	(59%)	**(104)**	1,107	NMF
Foreign exchange loss (gain)	**2**	(212)	NMF	**7**	(257)	NMF
Acquisition, integration and restructuring costs	**-**	104	NMF	**47**	243	(81%)
Gain on sale of equity-accounted investment	**-**	-	-%	**(525)**	-	NMF
Non-cash impairment of equity-accounted investment	**-**	-	-%	**4,778**	-	NMF
Promissory note interest income	**(49)**	-	NMF	**(49)**	-	NMF
Other adjusting items	**-**	-	-%	**-**	341	NMF
Adjusted EBITDA [2]	**$ (670)**	$ (1,285)	48%	**$ (2,254)**	$ (2,986)	25%

(1) Operating expenses are comprised of general and administrative expenses, share-based payments (recovery) expense, 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:

(in thousands)	Three months ended December 31, 2022	2021	Change	Year ended December 31, 2022	2021	Change
General and administrative expenses	**$ 628**	$ 745	(16%)	**$ 2,778**	$ 2,363	18%
Share-based payments expense (recovery)	**215**	526	(59%)	**(104)**	1,107	NMF
Depreciation and amortization	**3**	6	(50%)	**19**	19	0%
Operating expenses	**$ 846**	$ 1,277	(34%)	**$ 2,693**	$ 3,489	(23%)

Other (expense) income, net includes the following:

(in thousands)	Three months ended December 31, 2022	2021	Change	Year ended December 31, 2022	2021	Change
Finance expense	**$ (98)**	$ (2,934)	97%	**$ (825)**	$ (6,543)	87%
Foreign exchange (loss) gain	**(2)**	212	NMF	**(7)**	257	NMF
(Loss) income from equity-accounted investments	**(31)**	(648)	95%	**470**	(880)	NMF
Gain on sale of equity-accounted investment	**-**	-	-%	**525**	-	NMF
Non-cash impairment of equity-accounted investment	**-**	-	-%	**(4,778)**	-	NMF
Other	**38**	4	NMF	**56**	(327)	NMF
Other (expense) income, net	**$ (93)**	$ (3,366)	97%	**$ (4,559)**	$ (7,493)	39%

Three-month highlights

Operating expenses decreased for the three months ended December 31, 2022 compared to the prior year's quarter, primarily due to lower share-based payments expense from fewer restricted share units ("RSUs") and phantom share

options ("PSOs") outstanding at December 31, 2022 due to the settlement of RSUs and in-the-money PSOs throughout fiscal 2022.

Other expense for the three months ended December 31, 2022 decreased when compared to the prior year's quarter, primarily from a lower finance expense due to $1.1 million of interest penalty fees and accelerated amortization of debt issuance costs for the early extinguishment of the previous Sagard credit facility recognized during the three months ended December 31, 2021 and a lower loss pickup from equity-accounted investments.

(Loss) income from equity-accounted investments for the Non-Core Business Asset management segment relates to the Corporation's portion of (loss) income from investments in Impact. Impact's net loss during the three months ended December 31, 2022 was $61 thousand ($32 thousand allocated to the Corporation) compared to net income of $0.1 million ($64 thousand allocated to the Corporation) for the three months ended December 31, 2021. The three months ended December 31, 2021 also included a net loss from Club16 of $1.2 million ($0.7 million allocated to the Corporation).

Annual highlights

Operating expenses decreased for the year ended December 31, 2022 compared to the prior year, primarily due to a recovery in share-based payments. The recovery of share-based payments during the year ended December 31, 2022, compared to an expense in the prior year, is primarily from fewer RSUs and PSOs outstanding at December 31, 2022 due to the settlement of RSUs and in-the-money PSOs throughout fiscal 2022, and a decrease in share price at December 31, 2022 when compared to December 31, 2021. This is partly offset by an increase in general and administrative expenses, primarily from higher regulatory and filing fees associated with graduating to the TSX and from increased personnel costs.

Other expense for the year ended December 31, 2022 decreased when compared to the prior year, primarily from lower finance expense due to repayments on debt and from lower interest rates under the Junior Credit Facility when compared to the previous Sagard credit facility, and the recognition of accelerated amortization of debt issuance costs and interest penalty fees associated with the early extinguishment of the previous Sagard credit facility recognized during the previous 2021 fiscal year. The Corporation made repayments on the Junior Credit Facility of $26.1 million during the year ended December 31, 2022, utilizing $16.5 million cash proceeds received from the Sale of Club16. In addition, other expense is lower from income from equity-accounted investments and a gain on the Sale of Club16. This is partly offset by non-cash impairment recognized on Impact.

The Corporation completed the Sale of Club16 on August 31, 2022, resulting in a gain on sale of $0.5 million for the difference between the carrying value of the Corporation's investment and the Club16 Purchase Price. The Corporation's share of Club16's results is up to the date of sale.

The Corporation recognized a non-cash impairment of $4.8 million representing the difference between the carrying value of Impact and its estimated recoverable amount. The Corporation identified Impact's financial performance as an indicator of impairment as of September 30, 2022 and determined the fair value less cost of disposal of its investment through a capitalized earnings before interest, tax, depreciation, and amortization ("EBITDA") approach. The capitalized EBITDA approach takes into account the historical EBITDA of Impact and an estimated multiple of EBITDA (the "Multiple") (level 3 within the fair value hierarchy). The Multiple is an estimate based on comparable companies and recent comparable transactions for companies in a similar industry. The Corporation did not identify any further indicators of impairment as of December 31, 2022.

Income from equity-accounted investments for the Non-Core Business Asset management segment relates to the Corporation's portion of income from investments in Club16 and Impact. Club16's net income during the eight months ended August 31, 2022 was $0.7 million ($0.4 million allocated to the Corporation) compared to a net loss of $2.1 million for the year ended December 31, 2021 ($1.2 million allocated to the Corporation). Impact's net income during the year ended December 31, 2022 was $0.2 million ($0.1 million allocated to the Corporation) compared to net income of $0.6 million ($0.3 million allocated to the Corporation) for the year ended December 31, 2021.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data for the last eight quarters are as follows.

(in thousands except per share amounts)	**Dec. 31, 2022**	**Sept. 30, 2022**	**Jun. 30, 2022**	**Mar. 31, 2022**	**Dec. 31, 2021**	**Sept. 30, 2021**	**Jun. 30, 2021**	**Mar. 31, 2021**
Revenues	**13,934**	17,934	21,823	17,029	21,266	22,346	21,316	13,888
Income from operations	**1,554**	8,651	10,853	5,328	9,127	12,519	10,741	5,000
Adjusted EBITDA [(1)(2)]	**3,031**	9,396	13,391	6,240	10,538	12,823	13,502	7,019
Net (loss) income	**(1,314)**	29,381	6,709	(22,490)	(5,463)	1,012	608	(100)
Adjusted net (loss) income [(1)]	**(175)**	2,822	5,268	1,082	1,771	3,730	4,245	227
Net (loss) income attributable to:								
Common shareholders	**(1,327)**	29,367	6,700	(22,679)	(5,721)	496	203	(486)
Non-controlling interests	**13**	14	9	189	258	516	405	386
Adjusted net (loss) income attributable to: [(1)]								
Common shareholders	**(188)**	2,808	5,259	893	1,513	3,214	3,840	(159)
Non-controlling interests	**13**	14	9	189	258	516	405	386
Net (loss) earnings per Common Share:								
Basic	**(0.03)**	0.61	0.14	(0.50)	(0.12)	0.01	0.00	(0.01)
Diluted	**(0.03)**	0.61	0.14	(0.50)	(0.12)	0.01	0.00	(0.01)
Adjusted net (loss) earnings per Common Share: [(1)]								
Diluted	**(0.00)**	0.06	0.11	0.02	0.03	0.07	0.08	(0.00)

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) Adjusted EBITDA for the three months ended March 31, 2022 includes an increase in professional fees of $1.5 million compared to the three months ended March 31, 2021, primarily from elevated legal costs and expenses incurred in the first quarter of 2022.

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. Up to June 30, 2022, revenues had increased over the prior six quarters (compared to the same prior year period), attributable to an increase in the DLC Group's funded mortgage volumes. A decrease in revenues during the quarters ended September 30, 2022 and December 31, 2022, compared to the prior year periods, are primarily due to a decrease in the DLC's Group's funded mortgage volumes as a result of rising interest rates and decreasing home sales.

Income from operations for the three months ended December 31, 2022 decreased over the three months ended September 30, 2022, primarily due to lower revenues from lower funded mortgage volumes and the settlement of a commercial dispute, higher direct costs from increased advertising fund expenditures, and higher general and administrative expenses primarily from higher advertising expenses and personnel costs.

Net loss for the three months ended December 31, 2022 increased from the three months ended September 30, 2022, primarily from the recognition of $1.9 million of non-cash finance expense on the Preferred Share liability during the fourth quarter of 2022, compared to non-cash finance recovery of $27.8 million during the third quarter of 2022. The finance recovery on the Preferred Share liability during the three months ended September 30, 2022 was a result of a softening in our outlook and forecast since the second quarter of 2022, while our outlook during the fourth quarter of 2022 was relatively consistent with the third quarter of 2022.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the Cautionary Note Regarding Forward-Looking Information section.

Core Business Operations

We continue to focus on market penetration and expanding our network of mortgage brokers and franchises through targeted recruiting initiatives. With the completion of the Newton Acquisition in Q1 2022, Newton continues to focus on growing its submission volumes through Velocity, extending Velocity's delivery channels, and increasing its number of third-party users. Further, the Newton agreement with a third-party connectivity provider (whereby Newton was obligated to fund a minimum annual mortgage volume through the Host's connectivity infrastructure) expired at the end of June 2022, terminating the Corporation's financial arrangements with the Host. With the expiration of the agreement, the DLC Group expects to continue to increase its submissions directly to lenders using Newton's own infrastructure.

During the year ended December 31, 2022, Canadian mortgage interest rates increased significantly. Increased mortgage interest rates have contributed to a softening of the housing market and are expected to have further continued negative impacts on housing market activity. As interest rates continue to rise, we expect continued downward pressure on home values and sale transactions from increased qualification requirements, resulting in decreased funded volumes in fiscal 2023. Longer-term, management is anticipating that mortgage renewals will continue to be strong and that overall housing demand will continue to exceed supply, and we are expecting to increase our broker recruiting activities. These efforts, combined with anticipated growth in Velocity adoption, are expected to partially mitigate near term housing market headwinds.

Though funded mortgage volumes have decreased 10% during the year ended December 31, 2022 compared to the prior year, fiscal 2021 was a record high year for the Corporation's volumes. Even with the softening of the housing market, Core Business Operations' operating results for the year ended December 31, 2022 demonstrates the continued success of our growth initiatives, which are reflected in the increase in funded mortgage volumes of 37% for the year ended December 31, 2022 when compared to the year ended December 31, 2020. This is further demonstrated through the increase in the number of funded mortgages from applications submitted through Velocity of 55% for the year ended December 31, 2022 when compared to 44% for the year ended December 31, 2021.

The Corporation incurred a drop in adjusted EBITDA margins during the three months ended December 31, 2022 when compared to the previous year quarter; however as this was primarily the result of various one-time expenses we expect our annual margins to remain consistent between 2022 and 2023.

Non-Core Business Asset Management Segment

In April 2022, the Corporation announced the implementation of a quarterly dividend payable to holders of its Common Shares. During the three months and year ended December 31, 2022, the Corporation declared and paid cash dividends of $0.03 and $0.09 per Common Share to shareholders of record, respectively.

In addition to maintaining a quarterly dividend, the Corporation expects that it will continue to reduce Non-Core Business Asset Management segment debt through repayments on the Junior Credit Facility using its free cash flow. The Corporation utilized the $16.5 million proceeds received from the Sale of Club16, $2.5 million proceeds received from the exercise of the warrants, and $7.1 million from the Newton Acquisition to repay a significant portion of the Junior Credit Facility during the three months and year ended December 31, 2022, resulting in a total repayment of $26.1 million during the year ended December 31, 2022.

The Corporation expects to maintain its ownership interest in Impact through 2023.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

(in thousands)		As at December 31, 2022		December 31, 2021
Cash and cash equivalents	**$**	**9,214**	$	20,886
Trade and other receivables		**14,063**		17,990
Prepaid expenses and deposits		**3,171**		1,564
Notes receivable		**110**		343
Accounts payable and accrued liabilities		**(26,570)**		(46,884)
Current portion of loans and borrowing		**(4,662)**		(1,233)
Deferred contract liability		**(482)**		(1,129)
Current portion – lease obligation		**(505)**		(436)
Current portion – Preferred Share liability		**(6,190)**		(14,908)
Net working capital deficit	**$**	**(11,851)**	$	(23,807)

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 free cash flow.

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 expects to have sufficient liquidity to meet its short- and long-term objectives of meeting the Corporation's obligations as they come due.

As at December 31, 2022, we had a lower consolidated cash position and a lower net working capital deficit when compared to December 31, 2021. Our sources and uses of cash are described below.

The decrease in working capital deficit from the comparative year is primarily due to decreased accounts payable and accrued liabilities from the settlement of the Common Shares tendered under the substantial issuer bid ("SIB") and reversal of the untendered commitment, as well as a lower current Preferred Share liability; the decrease is partly offset by lower cash, decreased trade and other receivables due to timing of receipt of payments, and an increase in the current portion of debt. Our credit facilities are discussed in greater detail in the Capital Resources section. The Preferred Share liability is discussed further in the Preferred Shares section. While we have a working capital deficit, management anticipates that we will have sufficient liquidity, as the Preferred Share liability represents a discounted estimate of the future Dividend Entitlements and will be paid from future cash flows.

Working capital may fluctuate from time to time based on seasonality or timing and 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 Core Business Operations and by allocation of resources.

At December 31, 2022, we have several financial 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 expects to have sufficient liquidity, and we expect that we will be able to fund these commitments through its existing financing and cash flows from operations.

SOURCES AND USES OF CASH

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

(in thousands)	Year ended December 31, 2022	2021
Cash provided by operating activities	**$ 15,873**	$ 39,061
Cash provided by / (used in) investing activities	**9,100**	(4,759)
Cash used in financing activities	**(36,640)**	(23,745)
(Decrease) / increase in cash and cash equivalents	**(11,667)**	10,557
Impact of foreign exchange on cash and cash equivalents	**(5)**	13
Cash and cash equivalents, beginning of year	**20,886**	10,316
Cash and cash equivalents, end of year	**$ 9,214**	$ 20,886

Operating activities

The cash provided by operating activities for the year ended December 31, 2022 was primarily related to cash flows generated by the Core Business Operations of $20.8 million (compared to $46.7 million in the prior year), partially offset by Non-Core Business Asset Management requirements of $5.0 million (compared to $7.7 million in the prior year), which are primarily related to finance expense and general and administration costs. Changes in working capital resulted in a decrease of $15.3 million from the prior year, due to investments in working capital of $7.1 million during the year ended December 31, 2022, compared to cash provided by working capital of $8.2 million in the prior year. The decrease in cash provided by operations within the Core Business Operations was due to lower revenues primarily from decreased funded mortgage volumes, higher operating expenses and working capital fluctuations.

Investing activities

The cash provided by investing activities for the year ended December 31, 2022 consisted primarily of proceeds of $16.5 million received from the Sale of Club and net distributions from and investment in equity-accounted investments of $0.4 million, partly offset by investments in intangible assets of $7.2 million and distributions paid to non-controlling interests of $0.6 million.

The cash used in investing activities for the year ended December 31, 2021 consisted of investments in intangible assets of $4.9 million primarily for franchise recruiting and renewals within Core Business Operations and distributions paid to non-controlling interests of $0.9 million, partly offset by distributions from equity-accounted investments (net of contributions) of $1.1 million.

Financing activities

Cash used in financing activities for the year ended December 31, 2022 consisted primarily of repayments on the Junior Credit Facility of $26.1 million primarily from cash proceeds received from the Sale of Club16 (refer to the Capital Resources section), cash paid for the Newton Acquisition of $16.9 million within Core Business Operations, Interim Dividends paid to the Preferred Shareholders of $10.7 million from the Core Business Operations, repurchases of Common Shares under the SIB of $6.7 million, debt repayments on the Core Business Operations' Senior Credit Facility of $5.3 million, dividends paid to Common Shareholders of $4.4 million, repurchases of Common Shares under the Normal Course Issuer Bid ("NCIB") of $0.7 million, and lease payments of $0.6 million. This is partly offset by net proceeds from the Core Business Operations' Senior Credit Facility of $31.5 million and proceeds received from share options and warrants exercised of $3.2 million. See the Capital Resources section for more details.

Cash used in financing activities for the year ended December 31, 2021 consisted primarily of debt repayments on the Sagard credit facility of $39.3 million, Interim Dividends paid to the Preferred Shareholders of $13.8 million from the Core Business Operations, debt repayments on the Core Business Operations' term debt of $9.1 million, a payment of $2.4 million for the settlement of the foreign exchange forward contracts, repurchased Common Shares under the Normal Course Issuer Bid ("NCIB") of $0.9 million and lease payments of $0.6 million. These decreases to cash were partly offset by proceeds net of debt issuance costs from the Non-Core Business Asset Management segments' draw on the Junior Term Facility of $30.4 million and a draw on the Core Business Operations' Senior Term Facility of $11.9 million.

Cash retained by the Non-Core Business Asset Management segment

Non-Core Business Asset Management is entitled to 60% of the defined cash flows from the Core Business Operations and cash received from the Non-Core Assets to fund its operating expenses and financing costs. During the year ended December 31, 2022, Non-Core Business Asset Management retained 60% of the defined cash flows from the Core Business Operations of $16.0 million (December 31, 2021—$20.7 million). There were $0.3 million of dividends received from Club16 and none from Impact during the year ended December 31, 2022 (December 31, 2021—$nil from Club16 and $0.7 million from Impact).

CAPITAL RESOURCES

Our capital structure is comprised of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes our capital structure at December 31, 2022 and December 31, 2021.

(in thousands)	As at December 31, **2022**	2021	Change
Loans and borrowings	**$ 36,670**	$ 36,466	1%
Less: cash and cash equivalents	**9,214**	20,886	(56%)
Net loans and borrowings	**$ 27,456**	$ 15,580	76%
Shareholders' equity	**$ 31,958**	$ 31,740	1%

Loans and borrowings

(in thousands)	As at December 31, **2022**	2021
Core Business Operations		
Revolving facility	**$ -**	$ -
Acquisition facility	**26,076**	6,165
Non-Revolving Term Loan ("DDTL") facility	**6,400**	-
Non-Core Business Asset Management		
Junior Credit Facility	**4,513**	30,648
	36,989	36,813
Debt issuance costs	**(319)**	(347)
Total loans and borrowings	**$ 36,670**	$ 36,466

The Corporation's loans and borrowings consist 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 December 31, 2022, the Corporation's adjusted total debt-to-EBITDA ratio and interest coverage ratio were 0.85:1.00 and 13.54:1.00, respectively. At December 31, 2022, the Corporation was in compliance with all such covenants.

Core Business Operations

The Senior Credit Facilities provided the Corporation with a $5.0 million revolving working capital credit line (the "Revolving Facility"), a $34.0 million revolving acquisition credit line (the "Acquisition Facility"), and a $7.6 million term loan to fund the Corporation's SIB dated December 1, 2021 and a pro rata (40%) dividend to Preferred Shareholders (the "DDTL Facility"). The Senior Credit Facilities have a three-year term, maturing December 2024, and are secured by a first charge over all of the Core Business Operations segment's assets.

On February 28, 2022, the Corporation entered into an amending agreement with TD Bank, whereby the Corporation increased its Acquisition Facility by $24.0 million, from $10.0 million to $34.0 million. An aggregate of $16.9 million was drawn on the Acquisition Facility to pay the vendors the cash consideration at closing of the Newton Acquisition and an aggregate of $7.1 million 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 paid under the Newton Acquisition (which amount was paid against the Corporation's Junior Credit Facility). As such, the Newton Acquisition resulted in net additional borrowings of $16.9 million, with borrowings by the Corporation's Core Business Operations increasing by $24.0 million and borrowings by the Corporation's Non-Core Business Asset Management segment decreasing by $7.1 million.

The DDTL Facility is a delayed-draw term loan that allowed the Corporation to withdraw predefined amounts. During the year ended December 31, 2022, the Corporation drew $7.6 million on its DDTL Facility, of which $4.6 million was used to fund the SIB completed on January 11, 2022 and $3.0 million 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 $2.1 million to complete the purchase of tendered shares under the SIB. The remaining $12.4 million credit available under the $20.0 million DDTL facility was cancelled.

Borrowings under the Senior Credit Facilities are comprised of floating-rate advances or Canadian bankers' acceptances ("BAs"). 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 December 31, 2022, the outstanding Senior Credit Facilities were BAs with a blended annual interest rate at 4.51% plus a stamping fee of 1.75%.

As at December 31, 2022, $4.7 million of the balance outstanding on the Acquisition facility is classified as current (December 31, 2021—$1.2 million). As the Corporation's repayments on the DDTL facility are voluntary, the full amount outstanding as at December 31, 2022 and December 31, 2021 were classified as long-term.

Non-Core Business Asset Management

The Junior Credit Facility has a three-year term, maturing December 2024, and is secured by a first charge over all of the Non-Core Business segment's assets and a junior security interest over the Core Business segment's assets (subject to certain security-sharing rights of the Preferred Shareholders).

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 December 31, 2022, the Junior Credit Facility was solely a floating-rate advance and bore an annual interest at prime plus 0.75%.

During the year ended December 31, 2022 the Corporation made repayments on its Junior Credit Facility of $26.1 million, utilizing the $16.5 million cash proceeds received from the Sale of Club16, $2.5 million proceeds received from the exercise of the warrants, and $7.1 million from the Newton Acquisition discussed above.

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

PREFERRED SHARES

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 discount rate applied (15.2%), the change in the time-value of money (reflected as

accretion expense), and dividends paid to the Preferred Shareholders. The change in the Dividend Entitlement cash flow estimates is reflected as a revaluation recovery or expense. The revaluation recovery or expense and accretion expense are non-cash items, recognized on the consolidated statements of income (loss) within finance expense on the Preferred Share liability.

The Dividend Entitlement is 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 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 actual Dividend Entitlement based on seasonality of cash flows.

During the year ended December 31, 2022, the Corporation paid Interim Dividends to the Preferred Shareholders of $10.2 million (December 31, 2021—$13.8 million) and the Dividend Entitlement attributable to Preferred Shareholders was $10.4 million (December 31, 2021—$14.8 million), resulting in an increase of the Dividend Entitlement to the Preferred Shareholders at December 31, 2022 of $0.2 million, which is included in the Preferred Share liability. During the year ended December 31, 2022 the Corporation paid a true-up of the Dividend Entitlement payable as at December 31, 2021 of $0.5 million to the Preferred Shareholders (December 31, 2021—$nil)

During the year ended December 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 $0.5 million 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 non-revolving term loan within the Core Business Operations. During the year ended December 31, 2022, the Board of Directors of the Corporation passed a resolution to increase the Dividend Entitlement for the year ended December 31, 2022 of $0.4 million for the proceeds drawn on the DDTL facility.

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 (the sale of the Core Business Operations). The Preferred Shareholders will not be 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.

A summary of activity in the year is as follows:

	Number of Preferred Shares		Amount *(in thousands)*
Balance at December 31, 2021 (1)	26,774,054	$	118,460
Dividends paid	-		**(10,697)**
Finance expense on the Preferred Share liability	-		**2,397**
Balance at December 31, 2022 (1)	**26,774,054**	**$**	**110,160**

(1) Net of transaction costs.

(in thousands)	Three months ended December 31, 2022	2021	Year ended December 31, 2022	2021
Accretion expense on the Preferred Share liability	**$ 4,272**	$ 4,407	**$ 19,454**	$ 16,708
Revaluation (recovery) expense on the Preferred Share liability (1)	**(2,367)**	5,268	**(17,057)**	9,835
Finance expense on the Preferred Share liability	**$ 1,905**	$ 9,675	**$ 2,397**	$ 26,543

(1) Though the Corporation's overall outlook and forecast has softened during its budgeting period in the fourth quarter of 2022, resulting in a revaluation recovery, the Corporation also recognizes accretion expense which results in a net expense on the Preferred Share liability during the year ended December 31, 2022.

The accretion expense represents the change in the time-value of money at the initial discount rate applied (15.2%).

During the three months and year ended December 31, 2022, the revaluation recovery was due to a decrease in the Preferred Share liability from changes in the estimated future Dividend Entitlement. The decrease in our expected Core Business Operations' future cash flows and future Dividend Entitlement in our most recent budgeting period in the fourth quarter of 2022 was largely due to anticipated softening of mortgage volumes in future periods as a result of increases in interest rates which are expected to decrease the number and value of home sales.

SHARE CAPITAL

As of March 27, 2023, and December 31, 2022, the Corporation had 48,347,131 and 48,352,731 Common Shares outstanding, respectively (December 31, 2021—46,357,841) and 26,774,054 Preferred Shares outstanding (December 31, 2021—26,774,054).

As at March 28, 2023, there were no outstanding stock options or warrants.

Substantial Issuer Bid ("SIB")

The Corporation implemented a SIB that commenced on December 1, 2021 and expired 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. On January 11, 2022, 1,781,790 Common Shares were validly tendered to the SIB for an aggregate cost of $6.7 million, which were cancelled and returned to treasury. To fund the purchase of the tendered Common Shares under the SIB, during the year ended December 31, 2022, the Corporation drew $7.6 million on its DDTL Facility. Refer to the Capital Resources section of this document.

Newton Acquisition

On February 28, 2022, the Corporation issued 1,853,247 Common Shares as partial consideration for the Newton Acquisition. Refer to the Overview of Our Business Section of this document.

Normal-Course Issuer Bid ("NCIB")

The Corporation implemented an NCIB on May 24, 2022. The NCIB has a twelve-month duration, which commenced on May 27, 2022 and ends the earlier of May 26, 2023 or the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Under the NCIB, the Corporation may purchase up to 1,200,000 Common Shares, representing 2.5% of the issued and outstanding Common Shares at implementation. Pursuant to the rules of the TSX, the maximum number of Common Shares that the Corporation may purchase under the NCIB in any one day is 5,185 Common Shares, which is 25% of the average daily trading volume of the Common Shares on the TSX for the period commencing on February 3, 2022 and ending on April 30, 2022 (the total average daily trading volume being 20,743 Common Shares). The Corporation may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Common Shares purchased pursuant to the NCIB will be cancelled by the Corporation. During the year ended December 31, 2022, the Corporation made repurchases under the NCIB of 230,135 Common Shares at an average price of $2.90 per Common Share. The repurchased shares were cancelled and returned to treasury. The actual number of Common Shares purchased and the timing of any such purchases was determined by the Corporation and were made in accordance with the requirements of the Exchange. Purchases of Common Shares under the NCIB were 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.

Automatic Share Purchase Plan ("ASPP")

The Corporation has entered into ASPP agreements with its designated broker (the "Broker") in order to facilitate the purchases of its Common Shares under its NCIB. Under the ASPP agreements, the Corporation has directed its Broker to make purchases of its Common Shares under the NCIB during a regulatory restricted or self-imposed blackout period. The following ASPP agreements have been entered into:

- On July 5, 2022 the ASPP was effective from July 15, 2022 to August 16, 2022, and directed the Broker to repurchase up to an aggregate of 119,255 Common Shares, up to a maximum aggregate purchase price of $0.4 million.
- On October 4, 2022 the ASPP was effective from October 4, 2022, to November 14, 2022, and directed the Broker to repurchase up to an aggregate of 200,000 Common Shares, up to a maximum aggregate purchase price of $0.6 million.
- On January 4, 2023 the ASPP is effective January 4, 2023, to April 3, 2023, and directs the Broker to repurchase up to an aggregate of 100,000 Common Shares, up to a maximum aggregate purchase price of $0.3 million.

Warrants exercised

The Corporation issued 2,078,568 Common Shares at a fair market value of $3.25 per Common Share, for warrants exercised on May 16, 2022. As at December 31, 2022, there were no warrants outstanding.

Share options exercised

On May 20, 2022, the Corporation issued 75,000 Common Shares at a fair market value of $3.30 per Common Share, for share options exercised. As at December 31, 2022, there were no share options outstanding.

Dividends

In April 2022, the Corporation implemented a quarterly dividend on its Common Shares. During the year ended December 31, 2022, the Corporation declared dividends of $0.09 per Common Share, resulting in a dividend payment of $4.4 million during the year ended December 31, 2022 (December 31, 2021—$nil).

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 9, 13, 14, 15 and 25 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	$ 26,570	$ -	$ -	$ -	$ **26,570**
Loans and borrowings (1)	4,662	32,327	-	-	**36,989**
Long-term accrued liabilities	-	50	20	-	**70**
Leases (2)	602	763	41	66	**1,472**
Preferred Share liability (3)	6,190	19,001	17,906	67,350	**110,447**
	$ 38,024	$ 52,141	$ 17,967	$ 67,416	$ **175,548**

(1) Gross of debt issuance costs.
(2) Undiscounted lease payments.
(3) Gross of transaction costs. Discounted estimated future Dividend Entitlements.

Consulting agreement

The Core Business Operations renewed a consulting agreement effective February 1, 2022, whereby the Corporation has agreed to incur an annual amount of $150, paid quarterly, for consulting services related to promotional support. The consulting agreement was renewed in January 2023 for an annual amount of $200, paid quarterly, with an expiry of January 2024.

Service agreement

The Core Business Operations has an agreement with a software development company to develop and support a customized mortgage application ("app"). The agreement is a related party transaction due to common management between the Corporation and the service provider. The service agreement was renewed in March 2023 with an initial expiry of March 2025. If the agreement is not terminated after the initial expiry, it automatically renews until March 2027.

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. For claims where outcomes are not determinable, no provision for settlement has been made in the financial statements. During the year ended December 31, 2022, the Corporation incurred an increase in professional fees of $1.3 million compared to the year ended December 31, 2021 primarily from elevated legal costs and expenses associated with a stay of the class action legal claim, an ongoing arbitration, the settlement of legal claims, and the completion of the Newton Acquisition.

In July 2021, the Core Business Operations was served with a Notice of Civil Claim (the "Franchisee 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 Franchisee 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 Franchisee Claim in the Supreme Court of British Columbia and was seeking to have the claim certified under the Class Proceedings Act (British Columbia), though the claimant was unsuccessful in obtaining this certification. In the event the Claimant pursues the matter, the Franchisee Claim will be resolved through a prescribed arbitration process between the Claimant and the Corporation as set out in the franchise agreement. As at the date hereof, the Claimant has not taken any steps to further pursue the matter through prescribed arbitration.

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 were seeking certification of the Claim under the Class Proceedings Act (Ontario). The Claim relates to a product called Mortgage Protection Plan ("MPP"), which is 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 alleged that Benesure was an unlicensed insurer and that the Core Business Operations is liable for distributing the MPP product through the DLC Group's network. The Corporation was 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. 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 was appealed. In January 2022, the Court of Appeal for British Columbia dismissed the Plaintiff's application for leave to appeal and upheld the November 2020 Decision and the Supreme Court of Canada has denied leave to appeal. The Corporation and Manulife made an application to the Court to have the Claim stayed and the Court dismissed the Claim on August 4, 2022, and as a result, no provision has been recorded in the Corporation's financial statements for the year ended December 31, 2022 (December 31, 2021—$nil).

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as at December 31, 2022 or March 28, 2023 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 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 December 31, 2022 is as follows:

(in thousands)	Carrying value	Fair value	Classification
Financial assets			
Investments	$ 246	$ 246	Fair value through profit or loss
Financial liabilities			
Loans and borrowings	(36,670)	(36,670)	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 interest rate risk.

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 loans and borrowings would have a $0.5 million decrease of income before tax for the year ended December 31, 2022 (December 31, 2021—$0.3 million decrease to income before tax).

CREDIT RISK

As at December 31, 2022, $0.3 million (December 31, 2021—$0.3 million) of our trade receivables are greater than 90 days outstanding and total expected credit losses as at December 31, 2022 are $0.3 million (December 31, 2021—$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 customer credit risk.

The Corporation also has a source of credit risk related to the note receivable from the Sale of Club16. The Corporation has managed its credit risk through mandatory monthly payments commencing on August 31, 2023. A decline in economic conditions, or other adverse conditions experienced by Club16, could impact the collectability of the Corporation's note receivable.

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.

	As at			
(in thousands)		**December 31, 2022**		December 31, 2021
Cash and cash equivalents	**$**	**9,214**	$	20,886
Trade and other receivables		**14,232**		18,292
Notes receivable		**1,350**		343
	$	**24,796**	$	39,521

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 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 flows 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 refinancing 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 repayment of the relevant indebtedness. If the repayments 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 following is a brief discussion of the factors which may have a material impact on our future business or financial performance. We are subject to several risks and uncertainties and those described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known or which are currently deemed immaterial may also adversely impact future business or financial performance, and such impact may be material. Additional risk factors are also set out in our Annual Information Form dated March 28, 2023 (available on SEDAR).

Given the nature of our investment activities, the results of operations and our financial condition are dependent upon the financial condition and performance of the businesses comprising our investments. The performance of these businesses can be affected by the general market conditions that affect a segment and by specific factors that impact the underlying businesses.

Canadian real estate market

The performance of DLC Group is dependent upon the number of mortgage brokers working in DLC's franchise network and by the number and volume of mortgages brokered by such brokers. The number of mortgage brokers is in turn ultimately dependent on the health of the Canadian real estate market and the level of transactions therein, particularly in the residential segment. The Canadian real estate market is affected by changes in general and local economic conditions such as: regulatory changes, inflation, interest rates, employment levels, availability and cost of financing for home buyers, competitive and market demand dynamics in key markets, the supply of available new or existing homes for sale, and overall housing prices. Any change in such factors may put downward pressure on the Canadian real estate market, the number of mortgage brokers or the number and aggregate dollar value of mortgages brokered by them, any

of which factors which could negatively impact the DLC Group Franchisees and their ability to pay franchise fees to DLC Group.

Economic and political conditions

The Corporation and its Non-Core Assets are sensitive to general market and economic conditions in Canada and worldwide. These conditions include, among others, short-term and long-term interest rates, new regulations, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general condition of the Canadian, North American and world economies. The Canadian residential real estate market also depends upon the strength of Canadian financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could materially and adversely affect the Corporation's financial position. There can be no assurance that a change in economic conditions will not negatively affect the Corporation's financial position.

A host of factors beyond the Corporation's control could cause fluctuations in these conditions, including the political (regulatory) environment, extent and duration of public health orders, and acts or threats of war or terrorism which could have a material adverse effect on the Corporation's financial position.

Brand reputation

The DLC Group's results of operations and ability to grow are dependent in part upon its ability to maintain and enhance the value of the DLC Group's brands and consumers' connection to the DLC Group's brands and positive relationships with its franchisees. The Corporation believes it has built the reputation of the DLC Group's brands on highly-personalized relationships between the mortgage broker and their customers. Any incident that erodes consumer affinity for the DLC Group could significantly reduce its value and damage the Corporation's business.

For multi-location franchise businesses such as the Corporation, the negative impact of adverse publicity relating to one broker, office or a limited number of franchises may extend far beyond the broker, office or franchise involved to affect some or all of the DLC Group's other mortgage brokers, offices or franchises. The risk of negative publicity is particularly great because the DLC Group is limited in the extent to which its franchises and mortgage brokers can be regulated on a real-time basis.

Lack of control over franchisees

The DLC Group's franchisees are independent business operators, and their mortgage brokers are usually independent contractors, and, as such, they are not employees of the DLC Group, and the Corporation does not exercise control over their day-to-day operations. There is a risk that franchisees may not successfully operate a mortgage brokerage business in a manner consistent with industry standards, or may not affiliate with effective mortgage brokers. If the franchisees or their mortgage brokers were to provide diminished quality of service to customers, the DLC Group's image and reputation may suffer materially and adversely affect the Corporation's results of operations. Additionally, franchisees and their mortgage brokers may engage or be accused of engaging in unlawful or tortious acts. Such acts, or the accusation of such acts, could harm the DLC Group's image, reputation and goodwill.

Adding DLC franchises / closure of DLC franchises

DLC Group's ability to grow its revenue depends in part upon DLC Group's ability to execute upon its growth strategy and maintain and grow its network of franchises (and the ability of franchisees to increase the number of mortgage brokers working at their franchises and to increase the number and volume of mortgages funded by each broker). If the DLC Group is unable to attract qualified franchisees and franchisees are unable to attract new mortgage brokers, the Corporation may be adversely affected. The growth of the DLC Group's franchise network and the number of mortgage brokers is somewhat dependent upon available mortgage brokers in desirable locations.

The closure, failure or downsizing of a franchise office will reduce the Corporation's revenues. Closure of a franchise office could be the result of, among other things, an aging franchisee being unable to sell or transfer his or her existing business to a new owner, a downturn in the economy or the closure or bankruptcy of a large industry in the city or town where the franchise operates. Any one of the above-mentioned factors could result in the loss of mortgage brokers, thus reducing the Corporation's revenues generated from mortgage fees.

Franchisee bad debts

DLC Group franchisees may suffer difficulties in paying their franchise fees and other obligations to the DLC Group in a timely manner or at all, including interest on unpaid amounts. Accounts receivable, and the allowance for doubtful accounts, may be significant. If franchisees were to default to a material extent on their franchise fees or other obligations, this could have a material adverse impact on the Corporation.

Changes in laws and regulations

The Corporation is subject to a variety of laws and regulations. Future changes in federal, provincial, and municipal laws or regulations could potentially significantly escalate the cost of complying with them, which could have a negative impact on the Corporation’s financial results. There can be no assurance that the legal, taxation, and regulatory environment within which the Corporation operates will not be changed in a manner which adversely impacts the Corporation.

Specifically, the DLC Group is affected by mortgage lending regulations, which are established by the Government of Canada and various provincial governments. In recent years the Canadian government has made various changes to tighten such rules. These changes and any further restrictions to mortgage lending rules may adversely affect the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes. This in turn would adversely affect the real estate industry and put downward pressure on the number of mortgage brokers operating in the industry, and the number and volume of mortgages that they fund, which would have a negative impact the Corporation’s business.

Information technology and systems

The Corporation and the business of the franchisees, including their ability to attract mortgage brokers, increasingly depends upon the use of sophisticated information technologies and systems (mobile and otherwise), including those utilized for communications, marketing, productivity, lead generation, transaction processing, business record keeping (employment, accounting, tax, etc.), procurement, call center operations and administrative systems. The operation of these technologies and systems is dependent, in part, upon third-parties, for which there are no assurances of continued or uninterrupted availability and support by the applicable third-party vendors on commercially reasonable terms. The Corporation and the franchisees also cannot assure that they will be able to continue to effectively operate and maintain their information technologies and systems. In addition, the Corporation’s information technologies and systems are expected to require refinements and enhancements on an ongoing basis, and the Corporation expects that advanced new technologies and systems will continue to be introduced. The Corporation may not be able to obtain such new technologies and systems, or to replace or introduce new technologies and systems as quickly as its competitors or in a cost-effective manner. Also, the Corporation may not achieve the benefits anticipated or required from any new technology or system, and the Corporation may not be able to devote financial resources to new technologies and systems in the future.

The Corporation may be threatened by cyber-attacks, breaches of network, computer viruses or other security breaches, human errors, sabotage, or other similar events, which could have an adverse impact on its activities, including system disruptions or breakdowns, loss of data, or intellectual property theft. This could also have an adverse impact on financial performance and cause considerable damage to reputation and could potentially result in legal actions. If the Corporation’s information technology systems were to fail and were unable to recover in a timely way, the Corporation might be unable to fulfill critical business functions, which could have a material adverse effect on its business, financial condition, and results of operations.

Breach of privacy laws / release of confidential information

The Corporation and its franchisees maintain significant private and confidential information regarding their customers, and are dependent upon their operations and systems to keep all such information confidential. The intentional or unintentional release of customers' confidential private information by either the Corporation or its franchisees could materially and adversely affect their respective financial condition and results of operations.

Competition risk

Competition is based on price, quality of products and services, lead times and the range of services offered. Existing and/or new competitors may announce new products or enhancements that better meet the needs of customers or changing industry standards, or they may deeply discount the price of their products. Internet-based mortgage brokerage businesses are becoming more prevalent in the United States. The innovation in the space is constant, and disruptive business models could draw consumers away from traditional mortgage brokerages and put downward pressure on the number of mortgage brokers operating in the industry, which would adversely affect the Corporation.

Dependence on management and directors

The Corporation's success may depend upon the efforts, skill, and business contacts of key members of management and the Board. The Corporation's senior executives are instrumental in setting its strategic direction, operating its business, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could materially adversely affect our revenues, net income (loss), and cash flows.

The Corporation's senior executives have been in the mortgage brokerage business for many years. If appropriate management succession arrangements are not put in place, the Corporation could be adversely affected by the loss of the services of one or more of its senior executives.

From time to time, we will also need to identify and retain additional skilled management to efficiently operate our business. Recruiting and retaining qualified personnel is critical to our success, and there can be no assurance of our ability to attract or retain such personnel. If we are not successful in attracting and training qualified personnel, our ability to execute our business strategy could be affected, which could have a material and adverse impact on our profitability, results of operations and financial condition.

Common Shares sensitive to market fluctuations

The market price of the Common Shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Corporation's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Corporation is successful in maintaining revenues, cash flows or earnings. This fluctuation in market price may adversely affect the Corporation's ability to raise additional funds through the issuance of Common Shares, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Potential conflicts of interest

Certain of our directors and officers are or may be, from time to time, involved in other financial investments and professional activities that may cause a conflict of interest with their duties to the Corporation. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to the Corporation or companies in which we may invest; managing investment funds; purchasing and selling securities; or investing and providing management counselling for other clients. Such conflicts may result in a material and adverse effect on our results of operations and financial condition.

Seasonality and variable cycles in results

The Corporation's operating results generally vary from quarter to quarter because of seasonal fluctuations in our business and this seasonality is expected to continue. There is no guarantee that operating results will follow past trends.

Complaints and litigation

The Corporation could, from time to time, be the subject of complaints or litigation from members of the public alleging poor service, misrepresentation or other legal issues. The Corporation could also be the subject of complaints or litigation from the franchisees or their mortgage brokers about franchise contract issues or other operational issues. Regardless of whether any claims against the Corporation or a franchisee are valid, or whether either is ultimately held liable, claims may be expensive to defend and may divert time and money away from operations and hurt the Corporation and/or the

franchisees' performance. A judgment in excess of the Corporation's or the franchisees' insurance coverage for any claims could materially and adversely affect their respective financial condition and results of operations. Adverse publicity resulting from such allegations may materially affect revenue to brokers and therefore to the Corporation, whether the allegations are true or not, and whether the Corporation or a franchisee is ultimately held liable.

Ability to secure adequate financing

The Corporation may have ongoing requirements for capital to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or through the incurrence of indebtedness. There are no assurances that the Corporation will be able to secure additional funding on acceptable terms or at an acceptable level. The Corporation's liquidity and operating results may be adversely affected if its access to capital markets or other sources of financing is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Corporation.

Dividend payment

The payment of dividends is at the discretion of our Board, and is dependent upon, among other things, financial performance, debt covenants, solvency tests, our ability to meet financial obligations as they come due, working capital requirements, future tax obligations, future capital requirements, the Canadian real estate market and other business and risk factors set forth in this MD&A.

Disclosure Controls and Procedures ("DC&P") and Internal Control Over Financial Reporting ("ICFR")

Based on their inherent limitations, disclosure controls and procedures and ICFR may not prevent or detect misstatements, and even those controls determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Failure to adequately prevent, detect and correct misstatements could have a material adverse effect on our business, financial condition, results of operations, cash flows, and our reputation.

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 office space from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the year ended December 31, 2022, the total costs incurred under this lease was $0.3 million (December 31, 2021—$0.4 million). The lease term matures 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 year ended December 31, 2022, the total costs incurred under this lease was $0.1 million (December 31, 2021—$0.1 million). 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 partly owned by key management of the Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the year ended December 31, 2022 was $1.1 million (December 31, 2021—$1.0 million).

Newton Acquisition

On February 28, 2022, the Corporation completed the Newton Acquisition for an aggregate purchase price of $24.0 million. Geoff Willis (President of Newton) and Kevin Dear (Vice-President of Newton), who are both directors and indirect 25% shareholders of Next4 Holdings Inc., were parties to the Newton Acquisition.

Non-Core Business Asset Management

Sale of Club16

On August 31, 2022, the Corporation completed the Sale of Club16 to Club16 management for an aggregate purchase price of $18.0 million. As part of the Club16 Purchase Price, the Corporation received a Promissory Note that has been recognized as at December 31, 2022 as an asset of $1.2 million.

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 December 31, 2022 a liability has been recognized for the current fair value of the liability of $1.0 million (December 31, 2021—$1.0 million).

Key management compensation

During the year ended December 31, 2022, $0.3 million was paid to the Board of Directors, which is included within general and administrative expenses (December 31, 2021—$0.1 million).

Key management personnel is comprised of members of the Board of Directors and key management of the Corporation. Their compensation is as follows:

	Year ended December 31,	
(in thousands)	**2022**	2021
Salaries and benefits	**$ 7,093**	$ 6,927
Share-based payments	**710**	633
	$ 7,803	$ 7,560

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the 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.

Areas that require management to make significant estimates, judgments and assumptions are as follows.

Valuation of the Preferred Share liability

Management applies significant judgement to assess the fair value of the Preferred Share liability. Significant assumptions used in determining the fair value of the investment in the Preferred Share liability include the determination of future revenues and cash flows, and the discount rate. The estimates and assumptions used in determining the Preferred Share liability are subject to uncertainty, and if changed, could significantly differ from those recognized in the financial statements.

Control assessment and classification of non-controlling interest

The Corporation has controlling or majority interests in private companies. This requires management to apply significant judgement to assess whether the investment structure results in the Corporation having control, joint control or significant influence over the investee, and to determine the classification of non-controlling interest. The assessment of whether the Corporation has control, joint control or significant influence over the investee and the classification of non-controlling interest is dependent on such factors as distribution, voting and liquidity rights. Management's assessment of these factors and others will determine the accounting treatment for the investment and may have a significant impact on the Corporation's consolidated financial statements.

Intangible assets

Management has concluded that the DLC Group brand names have an indefinite useful life. This conclusion was based on many factors, including the Corporation's ability to continue to use the brands and the indefinite period over which the brand names are expected to generate cash flow. The determination that the brands have an indefinite useful life

involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income (loss).

For each class of intangible assets with finite lives, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful-life period involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income (loss).

Impairment of goodwill and intangible assets

Goodwill and indefinite-life intangible assets are not amortized. Goodwill and indefinite-life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the asset's fair value less cost of disposal. Fair value less cost of disposal is an income-based approach whereby a present value technique is employed that takes into account estimated future cash flows based on assumptions that would be common to any market participant. This approach requires management to make estimates and assumptions about operating margins, discount rates and tax rates. Future cash flows are based on management's projections for a five-year period with a perpetual growth rate applied thereafter. The discount rate is based on the weighted-average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

Finite-life intangible assets are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Corporation assesses whether the carrying amount of the asset is considered recoverable. An impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the asset's fair value less cost of disposal. See Note 8 of the Financial Statements.

Cash-generating unit ("CGU") determination

The determination of CGUs for impairment testing requires judgment when determining the lowest level for which there are separately-identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generate cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the financial statements.

Deferred taxes

The determination of the Corporation's net income (loss) and other tax liabilities requires the interpretation of complex tax regulations. Judgment is required in determining whether deferred tax assets should be recognized on the consolidated statement of financial position. Deferred tax assets require management to assess the likelihood that the Corporation will generate taxable income in future periods to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. These estimates and assumptions are subject to uncertainty and, if changed, could materially affect the assessment of the Corporation's ability to fully realize the benefit of the deferred tax asset. See Note 22 of the financial statements.

Liquidity

As part of its capital management process, the Corporation prepares and uses budgets and forecasts to direct and monitor the strategy, ongoing operations and liquidity of the Corporation and its Non-Core Assets. This includes ongoing and forecasted compliance with the covenants as set out within the Corporation's lending agreements and the Corporation's ability to meet its commitments and obligations as they become due. Budgets and forecasts are subject to significant judgment and estimates relating to future activity levels, future cash flows and the timing thereof, availability of acceptable financing arrangements and other factors which may or may not be within the control of the Corporation (customer demand, growth rates, access to capital, etc.).

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2021.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected annual information for 2022, 2021 and 2020.

	Year ended December 31, (1)		
(in thousands, except per share amounts)	**2022**	2021	2020
Consolidated Statement of Income (Loss) Data from Continuing Operations:			
Revenues	**$ 70,720**	$ 78,816	$ 52,413
Income (loss) attributable to Common Shareholders	**12,061**	(5,508)	20,037
Earnings (loss) per Common Share:			
Basic	**$ 0.25**	$ (0.12)	$ 0.53
Diluted	**$ 0.25**	$ (0.12)	$ 0.53
Consolidated Statement of Financial Position Data:			
Total assets	**$ 223,937**	$ 253,925	$ 260,194
Total long-term financial liabilities	**$ 139,002**	$ 143,737	$ 141,024

(1) Club16 and Impact were discontinued operations and have been excluded from the consolidated statements of (loss) income results and consolidated statement of financial position results for the comparative year ended December 31, 2020.

Comparative 2021 year

Revenues decreased in the current year over the previous year due to decreased funded mortgage volumes. Total assets decreased in the current year over the previous year primarily due to the reduction in equity-accounted investments from the Sale of Club16 and a decrease in cash and cash equivalents primarily from cash used in financing activities and decreased cash provided by operating activities (see the Sources and Uses of Cash section for further details). Long-term financial liabilities decreased primarily from repayments on the Junior Credit Facility and a decrease in the long-term preferred share liability.

Comparative 2020 year

Revenue has increased in the current year over the comparative 2020 year, primarily from an increase in funded mortgage volumes. The decrease in assets is primarily due to the reduction in equity-accounted investments from the Sale of Club16 and the classification of the deferred tax asset as an offset to deferred tax liabilities in 2022. Long-term financial liabilities decreased primarily from the settlement of the foreign exchange forward contracts in fiscal 2021.

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 2023 outlook and strategic objectives;
- Our business plan and growth strategy;
- Adding additional DLC Group franchises through increased recruiting activities;
- Newton growing its submission volumes through Velocity, extending Velocity's delivery channels and increasing its number of third-party users;
- Our expectation that Newton revenues will further increase in Q1 2023;
- Developing new innovative products to increase program offerings;
- The expectation that increases in mortgage interest rates will continue to negatively impact funded mortgage volumes;

- Our expectation that there will be continued downward pressure on home values and sale transactions, resulting in decreased funded mortgage volumes in fiscal 2023;
- Our expectation that housing demand will continue to exceed supply;
- Our anticipation that mortgage renewals will continue to be strong;
- The expectation that recruiting initiatives and anticipated growth in Velocity will partially mitigate headwinds from changes in mortgage interest rates impacting funded mortgage volumes;
- Our expectation that our annual adjusted EBITDA margins will remain consistent between 2022 and 2023;
- Our expectation that the Corporation will continue to reduce Non-Core Business Asset Management segment debt through repayments on the Junior Credit Facility from free cash flow;
- Our expectation that the Corporation will continue to pay a quarterly dividend to Common Shareholders;
- Our expectation that we will hold our interest in Impact through 2023; and
- Management's ability to adjust cost structures at the Corporation and Impact to improve liquidity and cash flow to meet their expectations to have sufficient liquidity to meet our obligations as they come due.

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;
- Increased operating, general and administrative, and other costs;
- Changes in interest rates;
- General business, economic and market conditions;
- Changes in public health restrictions and impacts on market conditions;
- The extent and duration of public health issues that could have an impact on economic or market conditions;
- 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 connectivity platform submission volumes and number of third-party users;
- Changes in Canadian mortgage lending and mortgage brokerage laws;
- Material decreases in the aggregate Canadian mortgage lending marketplace;
- Changes in the fees paid for mortgage brokerage services in Canada;
- Changes in the regulatory framework for the Canadian housing and lending sectors;
- 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE AND PROCEDURE CONTROLS

The Corporation takes all necessary steps to ensure that material information regarding the Corporation's reports filed or submitted under securities legislation fairly presents the financial information of the Corporation. Management, including the Executive Chairman & Chief Executive Officer ("EC & CEO") and the Chief Financial Officer ("CFO") are responsible for establishing, maintain and evaluating disclosure controls and procedures ("DC&P") and internal controls over financing reporting ("ICFR").

There are inherent limitations in all control systems, such that they can provide only reasonable, not absolute assurance that all control issues, misstatement, or instances of fraud, if any, within the Corporation have been detected.

As the Corporation graduated to the Toronto Stock Exchange from the TSX Venture Exchange in February 2022, in accordance with the National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", the second quarter of 2022 was the first financial reporting period that management had certified the design of our ICFR and DC&P. During the three months ended December 31, 2022, September 30, 2022 and June 30, 2022, there have not been any changes in the Corporation's ICFR that has materially affected or is reasonably likely to materially affect, the Corporation's ICFR.

DC&P

DC&P are designed to provide reasonable assurance that the information required to be disclosed in documents filed or submitted under securities legislation are recorded, processed, summarized and reported on a timely basis. Management (including the EC & CEO and CFO) have assessed the design and effectiveness of our DC&P as at December 31, 2022 and have concluded that our DC&P are effective.

ICFR

Management (including the EC & CEO and CFO) has designed ICFR to provide reasonable assurance that the Corporation's financial reporting is reliable and that the Corporation's interim financial statement were prepared in accordance with IFRS. In making its assessment, management has used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Controls – Integrated Framework (2013) to evaluate the design and effectiveness of internal controls over financial reporting. Based on our evaluation, management has concluded that our ICFR were effective as at December 31, 2022.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before finance expense, taxes, depreciation, amortization, and any unusual, non-operating, certain non-cash or one-time items. Non-operating adjustments include those that are not related to the Corporation's main operating activities or its operational activities within its Non-Core Business Asset Management segment. 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 integration of newly-acquired businesses and restructuring are considered unrelated to the Corporation's operating activities as previously defined.

The non-cash adjustments are expenses incurred during the year which are not the result of the main operating activities of the Corporation or are related to the financing of these activities. Other expenses are unusual, non-core, non-cash or one-time insignificant items included within "other income" on the condensed consolidated statements of income (loss) that are not related to the main operating activities. Costs related to strategic initiatives such as integration of newly-acquired businesses and restructuring are considered non-operating.

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 is an assessment of its normalized results and cash generated by its main operating activities, prior to the consideration of how these activities are financed or taxed, as a facilitator for valuation and a proxy for cashflow.

Management applies adjusted EBITDA in its operational decision making as an indication of the financial performance of its main operating activities.

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 determined in accordance with IFRS as an indicator of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.

The following table reconciles adjusted EBITDA from (loss) income before income tax, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended December 31,		Year ended December 31,	
(in thousands)	**2022**	2021	**2022**	2021
(Loss) income before income tax	**$ (750)**	$ (3,672)	**$ 18,993**	$ 4,845
Add back:				
Depreciation and amortization	**971**	979	**3,985**	4,130
Finance expense	**645**	2,999	**2,355**	6,808
Finance expense on the Preferred Share liability (1)	**1,905**	9,675	**2,397**	26,543
	2,771	9,981	**27,730**	42,326
Adjustments:				
Share-based payments (recovery) expense	**215**	526	**(104)**	1,107
Promissory note interest income	**(49)**	-	**(49)**	-
Foreign exchange loss (gain)	**40**	(210)	**79**	(247)
Loss on contract settlement	**67**	28	**115**	559
Gain on sale of equity-accounted investment	**-**	-	**(525)**	-
Non-cash impairment of equity-accounted investment	**-**	-	**4,778**	-
Other (income) expense (2)	**(13)**	109	**(13)**	(135)
Acquisition, integration and restructuring costs (3)	**-**	104	**47**	272
Adjusted EBITDA (4)(5)	**$ 3,031**	$ 10,538	**$ 32,058**	$ 43,882

(1) Though the Corporation's overall outlook and forecast has softened during its budgeting period in the fourth quarter of 2022, resulting in a revaluation recovery, the Corporation also recognizes accretion expense which results in a net expense on the Preferred Share liability during year ended December 31, 2022 (see the Preferred Share section).

(2) Other income in the year ended December 31, 2022 relates to a gain on the disposal of a lease and a gain on the disposal of an intangible asset. The year ended December 31, 2021 relates to the derecognition of sales tax receivables and payables on initial acquisition of the Core Business Operations in 2016 and litigation settlements in the Core Business Operations, partly offset by a loss on disposal of intangible assets.

(3) Acquisition, integration and restructuring costs for the year ended December 31, 2021 relates to the restructuring and amalgamation of the Corporation from Founders Advantage Capital Corp. to Dominion Lending Centres Inc. Also included in the year ended December 31, 2021 are restructuring costs related to the Corporation's graduation to the TSX, the SIB, and debt restructuring. These costs for the year ended December 31, 2022 relate to the transition of the Corporation from the TSX Venture Exchange to the TSX and the Sale of Club16.

(4) Adjusted EBITDA for the year ended December 31, 2022 included an increase in professional fees of $1.3 million compared to the year ended December 31, 2021 primarily from elevated legal costs and expenses incurred in the first quarter of 2022.

(5) The amortization of franchise rights and relationships within the Core Business Operations of $0.9 million and $3.3 million for the three months and year ended December 31, 2022, respectively (December 31, 2021 – $0.7 million and $2.7 million) are classified as a charge against revenue, and have not been added back for Adjusted EBITDA.

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. Free cash flow attributable to common shareholders represents the cash available to the Corporation for general corporate purposes, including: repayments on our credit facilities, investment in growth capital expenditures, return of capital to Common Shareholders through the repurchases of Common Shares and discretionary payment of

dividends to Common Shareholders, and cash to be retained by the company. This is a useful measure that allows management and users to understand the cash available to enhance shareholder value.

The other adjustments are expenses incurred during the year which are not the result of the main operating activities of the Corporation, or are related to the financing of these activities. Other one-time items included within other income adjustments are insignificant items included within "other income" on the condensed consolidated statements of income (loss) that are not related to the main operating activities.

While free cash flow 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 funds generated by the main operating activities that are available to the Corporation for use in non-operating activities. Free cash flow is determined by adjusting certain investing and financing activities. Investors should be cautioned, however, that free cash flow 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 free cash flow may differ from those utilized by other issuers or companies and, accordingly, free cash flow as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that free cash flow should not be construed as an alternative to net 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 free cash flow from cash flow (used in) / provided from operating activities, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended December 31,		Year ended December 31,	
(in thousands)	**2022**	2021	**2022**	2021
Cash flow (used in) / provided from operating activities	**$ (1,300)**	$ 9,468	**$ 15,873**	$ **39,061**
Changes in non-cash working capital and other non-cash items	**4,247**	(1,992)	**12,225**	(4,745)
Cash provided from operations excluding changes in non-cash working capital and other non-cash items	**2,947**	7,476	**28,098**	34,316
Adjustments:				
Distributions from equity-accounted investees	**50**	420	**677**	1,449
Maintenance CAPEX (1)	**(1,212)**	(181)	**(5,629)**	(1,523)
Newton NCI portion of cash provided from operations	**-**	(228)	**(191)**	(1,530)
Lease payments (1)	**(157)**	(135)	**(610)**	(544)
Acquisition, integration and restructuring costs (1)	**-**	104	**47**	272
Loss on settlement of a contract	**67**	28	**115**	559
Other non-cash items (1)	**(13)**	109	**(11)**	(135)
	1,682	7,593	**22,496**	32,864
Free cash flow attributable to Preferred Shareholders	**(959)**	(4,065)	**(10,332)**	(15,727)
Free cash flow attributable to common shareholders	**$ 723**	$ 3,528	**$ 12,164**	$ 17,137

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

ADJUSTED NET (LOSS) INCOME AND ADJUSTED EPS

Adjusted net (loss) income and adjusted EPS are defined as net income (loss) before any unusual or non-operating items such as foreign exchange, fair value adjustments, finance expense on the Preferred Share liability, adjusted net income from the Core Business Operations attributable to the Preferred Shareholders, and one-time non-recurring items. Other

one-time items included within other income adjustments are insignificant items included within "other income" on the consolidated statements of income (loss) that are not related to the main operating activities.

While adjusted net income 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 operational 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 finance expense on the Preferred Share liability. Management applies adjusted net income in its operational decision making as an indication of the results and cash generated by the main operating activities, after consideration of how these activities are financed and taxed. Adjusted net (loss) income is used to determine adjusted EPS (defined as adjusted net income attributable to common shareholders on a per-share basis). Investors should be cautioned, however, that adjusted net (loss) income should not be construed as an alternative to net loss determined in accordance with IFRS as an indicator of an issuer's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The methodologies we use to determine adjusted net (loss) income may differ from those utilized by other issuers or companies and, accordingly, adjusted net (loss) 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 (loss) income from net (loss) income, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended December 31,		**Year ended December 31,**	
(in thousands)	**2022**	2021	**2022**	2021
Net (loss) income	**$ (1,314)**	$ (5,463)	**$ 12,286**	$ (3,943)
Add back:				
Gain on sale of an equity-accounted investment	**-**	-	**(525)**	-
Non-cash impairment of an equity-accounted investment	**-**	-	**4,778**	-
Interest penalty – Sagard credit facility repayment	**-**	1,101	**-**	1,101
Foreign exchange loss (gain)	**40**	(210)	**79**	(247)
Finance expense on the Preferred Share liability [(1)]	**1,905**	9,675	**2,397**	26,543
Loss on contract settlement	**67**	28	**115**	559
Promissory note interest income	**(49)**	-	**(49)**	-
Other income	**(13)**	109	**(13)**	(135)
Acquisition, integration and restructuring costs	**-**	104	**47**	272
Income tax effects of adjusting items	**(4)**	113	**(22)**	42
	632	5,457	**19,093**	24,192
Core Business Operations' adjusted net income attributable to Preferred Shareholders	**(807)**	(3,686)	**(10,096)**	(14,219)
Adjusted net (loss) income	**(175)**	1,771	**8,997**	9,973
Adjusted net (loss) income attributable to common shareholders	**(188)**	1,513	**8,772**	8,408
Adjusted net income attributable to non-controlling interest	**13**	258	**225**	1,565
Diluted adjusted (loss) earnings per Common Share	**$ (0.00)**	$ 0.03	**$ 0.18**	$ 0.18

(1) Though the Corporation's overall outlook and forecast has softened during its budgeting period in the fourth quarter of 2022, resulting in a revaluation recovery, the Corporation also recognizes accretion expense which results in a net expense on the Preferred Share liability during the three months and year ended December 31, 2022 (see the Preferred Share section).