Dominion Lending Centres Inc.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 & September 30, 2022

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

(in thousands of Canadian dollars)

		As at September 30, 2023		As at December 31, 2022
Assets				
Current assets				
Cash and cash equivalents	**$**	**7,821**	$	9,214
Trade and other receivables		**14,457**		14,063
Prepaid expenses and deposits		**2,066**		3,171
Notes receivable		**580**		110
Total current assets		**24,924**		26,558
Non-current assets				
Trade, other receivables and other assets		**972**		1,409
Investments		**246**		246
Equity-accounted investments (note 4)		**7,907**		7,779
Capital assets		**166**		241
Right-of-use assets		**1,676**		1,961
Intangible assets (note 5)		**127,076**		125,306
Goodwill		**60,437**		60,437
Total assets	**$**	**223,404**	$	223,937
Liabilities and equity				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	**$**	**19,815**	$	26,570
Loans and borrowings (note 7)		**6,785**		4,662
Deferred contract liabilities		**646**		482
Lease obligations		**383**		505
Preferred Share liability (note 8)		**6,896**		6,190
Total current liabilities		**34,525**		38,409
Non-current liabilities				
Loans and borrowings (note 7)		**34,948**		32,008
Deferred contract liabilities		**93**		202
Other long-term liabilities		**1,019**		1,069
Lease obligations		**1,475**		1,753
Deferred tax liabilities		**14,958**		14,337
Preferred Share liability (note 8)		**106,755**		103,970
Total liabilities		**193,773**		191,748
Equity				
Share capital (note 9)		**135,755**		136,019
Contributed surplus		**11,783**		11,783
Accumulated other comprehensive income		**779**		794
Deficit		**(118,933)**		(116,638)
Total equity attributable to shareholders		**29,384**		31,958
Non-controlling interest		**247**		231
Total liabilities and equity	**$**	**223,404**	$	223,937

Subsequent events (note 16)

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

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Revenue (note 11)	**$ 19,578**	$ 17,934	**$ 46,759**	$ 56,786
Direct costs	**2,230**	1,948	**7,175**	6,754
Gross profit	**17,348**	15,986	**39,584**	50,032
General and administrative expenses	**7,542**	6,692	**22,672**	22,505
Share-based payments recovery (note 10)	**(12)**	(308)	**(333)**	(319)
Depreciation and amortization	**939**	951	**2,848**	3,014
	8,469	7,335	**25,187**	25,200
Income from operations	**$ 8,879**	$ 8,651	**$ 14,397**	$ 24,832
Other (expense) income				
Finance expense (note 12)	**(832)**	(678)	**(2,329)**	(1,710)
Finance (expense) recovery on the Preferred Share liability (note 8)	**(880)**	27,758	**(7,991)**	(492)
Income (loss) from equity-accounted investments (note 4)	**146**	(198)	**494**	835
Gain on sale of equity-accounted investment	**-**	525	**-**	525
Non-cash impairment of an equity-accounted investment	**-**	(4,778)	**-**	(4,778)
Other income	**132**	200	**462**	531
	(1,434)	22,829	**(9,364)**	(5,089)
Income before tax	**$ 7,445**	$ 31,480	**$ 5,033**	$ 19,743
Income tax expense				
Current tax expense	**(1,447)**	(1,117)	**(2,345)**	(3,777)
Deferred tax expense	**(727)**	(982)	**(621)**	(2,366)
	(2,174)	(2,099)	**(2,966)**	(6,143)
Net income	**$ 5,271**	$ 29,381	**$ 2,067**	$ 13,600
Earnings per Common Share attributable to common shareholders (note 13)				
Basic	**$ 0.11**	$ 0.61	**$ 0.04**	$ 0.28
Diluted	**$ 0.11**	$ 0.61	**$ 0.04**	$ 0.28

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(in thousands of Canadian dollars)

	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	2022
Net income	**$ 5,271**	$ 29,381	**$ 2,067**	$ 13,600
Other comprehensive income (loss)				
Items that will be subsequently reclassified to net income:				
Foreign exchange translation income (loss) from equity-accounted investments (net of tax) (note 4)	**168**	748	**(15)**	912
Total other comprehensive income (loss)	**168**	748	**(15)**	912
Comprehensive income	**$ 5,439**	$ 30,129	**$ 2,052**	$ 14,512

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

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

	Attributable to Shareholders of Dominion Lending Centres Inc.						
	Share capital	**Contributed surplus**	**AOC(L)I (1)**	**Deficit**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2022	$ 118,018	$ 15,573	$ (21)	$ (101,830)	$ 31,740	$ 2,081	$ 33,821
Substantial issuer bid ("SIB")	4,568	-	-	-	4,568	-	4,568
Acquisition of Newton Connectivity Systems Inc.	7,098	-	-	(22,507)	(15,409)	(1,475)	(16,884)
Warrants exercised	6,755	(3,767)	-	-	2,988	-	2,988
Share options exercised	248	(23)	-	-	225	-	225
Normal course issuer bid ("NCIB")	(429)	-	-	-	(429)	-	(429)
Net income and comprehensive income	-	-	912	13,388	14,300	212	14,512
Dividends declared (note 9)	-	-	-	(2,911)	(2,911)	-	(2,911)
Distributions to non-controlling interest	-	-	-	-	-	(600)	(600)
Balance at September 30, 2022	$ 136,258	$ 11,783	$ 891	$ (113,860)	$ 35,072	$ 218	$ 35,290
Balance at January 1, 2023	$ 136,019	$ 11,783	$ 794	$ (116,638)	$ 31,958	$ 231	$ 32,189
NCIB (note 9)	**(264)**	**-**	**-**	**-**	**(264)**	**-**	**(264)**
Net income and comprehensive loss	**-**	**-**	**(15)**	**2,051**	**2,036**	**16**	**2,052**
Dividends declared (note 9)	**-**	**-**	**-**	**(4,346)**	**(4,346)**	**-**	**(4,346)**
Balance at September 30, 2023	**$ 135,755**	**$ 11,783**	**$ 779**	**$ (118,933)**	**$ 29,384**	**$ 247**	**$ 29,631**

(1) Accumulated other comprehensive (loss) income.

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

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

For the nine months ended September 30,		2023		2022
Operating activities				
Net income		**2,067**	$	13,600
Items not affecting cash:				
Share-based payments recovery (note 10)		**(333)**		(319)
Depreciation and amortization		**2,848**		3,014
Amortization of debt issuance costs (note 12)		**130**		114
Amortization of franchise rights (note 5)		**3,699**		2,376
Finance expense on the Preferred Share liability (note 8)		**7,991**		492
Deferred tax expense		**621**		2,366
Income from equity-accounted investments (note 4)		**(494)**		(835)
Gain on sale of an equity-accounted investment		**-**		(525)
Non-cash impairment of an equity-accounted investment		**-**		4,778
Interest on lease liabilities		**76**		90
Other non-cash items		**3,065**		(822)
Changes in non-cash working capital (deficit) (note 14)		**(6,017)**		(7,156)
Cash provided by operating activities		**13,653**		17,173
Investing activities				
Expenditures on capital assets		**-**		(1)
Investment in intangible assets (note 5)		**(10,727)**		(5,439)
Proceeds on disposal of intangible assets		**59**		-
Distributions from equity-accounted investees (note 4)		**275**		627
Investments in equity-accounted investees (note 4)		**-**		(250)
Proceeds from the sale of an equity-accounted investee		**-**		16,500
Distributions to non-controlling interests		**-**		(600)
Cash (used in) / provided by investing activities		**(10,393)**		10,837
Financing activities				
Proceeds from debt financing, net of transaction costs (note 7)		**9,054**		31,475
Repayment of debt (note 7)		**(4,121)**		(30,260)
NCIB purchases (note 9)		**(264)**		(429)
Lease payments		**(476)**		(453)
Dividends paid to Common Shareholders (note 9)		**(4,346)**		(2,911)
Dividends paid to Preferred Shareholders (note 8)		**(4,500)**		(8,617)
Acquisition of Newton Connectivity Systems Inc.		**-**		(16,884)
SIB purchase		**-**		(6,682)
Warrants exercised		**-**		2,988
Share options exercised		**-**		225
Cash used in financing activities		**(4,653)**		(31,548)
Decrease in cash and cash equivalents		**(1,393)**		(3,538)
Impact of foreign exchange on cash and cash equivalents		**-**		(5)
Cash and cash equivalents, beginning of period		**9,214**		20,886
Cash and cash equivalents, end of period	**$**	**7,821**	$	17,343
Cash flows include the following amounts:				
Interest paid	**$**	**2,123**	$	1,507
Interest received	**$**	**160**	$	93
Income taxes paid	**$**	**1,744**	$	8,168

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Dominion Lending Centres Inc. ("we", "our", or the "Corporation") is a Canadian mortgage brokerage and data connectivity provider with operations across Canada. The Corporation is listed on the Toronto Stock Exchange (the "Exchange") under the symbol "DLCG". The head office of the Corporation is located at 2215 Coquitlam Avenue, Port Coquitlam, British Columbia, V3B 1J6. The Corporation is governed by the *Business Corporation Act* (Alberta).

Entity overview

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

	Ownership interest	
	September 30, 2023	December 31, 2022
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton")	**100%**	100%

At December 31, 2022, the Corporation had two operating segments, which was comprised of the Core Business Operations segment (the DLC Group) and the Non-Core Business Asset Management segment (public company costs, the Junior Credit Facility as defined herein, and the costs associated with the equity-accounted investment in Cape Communications International Ltd. ("Impact")).

As of January 1, 2023, the Corporation has integrated these two segments as the Corporation's chief operating decision makers view the operations of the entity as a whole. This has resulted in one operating segment as at September 30, 2023, representing the Corporation's business of mortgage brokerage franchising and mortgage broker data connectivity services across Canada.

2. BASIS OF PREPARATION

Statement of compliance

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

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on November 7, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Adoption of amendments to IAS 1 – Presentation of Financial Statements

Effective January 2020, IASB issued Classification of Liabilities as Current or Non-Current (amendments to IAS 1 – Presentation of Financial Statements). The amendment clarifies that the classification of liabilities as current or non-current should be based on rights which existed at the end of the reporting period. The classification is not affected by expectations about whether or not an entity will exercise its right to defer settlement of a liability. The amendment also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments or other assets or services. The amendment is effective for calendar periods beginning on or after January 1, 2024 and is to be applied retrospectively. The Corporation does not anticipate that the adoption of the amendment will have any effect on its classification of current and non-current liabilities within its consolidated statements of financial position. The Corporation will adopt the amendment on the effective date of January 1, 2024.

(in thousands of Canadian dollars)

4. EQUITY-ACCOUNTED INVESTMENTS

Impact

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

During the three and nine months ended September 30, 2023 and 2022, the Corporation did not receive any distributions from Impact.

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

	September 30, 2023	December 31, 2022
Current assets	**$ 6,236**	$ 4,836
Non-current assets	**10,008**	10,465
Current liabilities	**(1,193)**	(492)
Non-current liabilities (including contributed surplus)	**(2,942)**	(3,166)
Net assets	**12,109**	11,643
% of ownership	**52.0%**	52.0%
Corporation share of net assets	**$ 6,297**	$ 6,054

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Revenue	**$ 2,923**	$ 2,481	**$ 8,180**	$ 7,108
Expenses	**2,616**	2,354	**7,674**	6,853
Income before tax	**307**	127	**506**	255
Income tax (expense) recovery	**(92)**	25	**(12)**	(21)
Net income	**215**	152	**494**	234
% of ownership	**52.0%**	52.0%	**52.0%**	52.0%
Corporation share of net income	**$ 112**	$ 79	**$ 257**	$ 122

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Other comprehensive income (loss)	**$ 323**	$ 1,439	**$ (29)**	$ 1,754
% of ownership	**52.0%**	52.0%	**52.0%**	52.0%
Corporation share of other comprehensive income (loss)	**$ 168**	$ 748	**$ (15)**	$ 912

(in thousands of Canadian dollars)

Other equity-accounted investments

The following tables summarize the financial information of the Corporation's investments in its other joint arrangements. The Corporation's ownership interest in these entities ranges from 30%-50%.

During the three and nine months ended September 30, 2023, the Corporation received distributions of $125 and $275, respectively (three months and nine months ended September 30, 2022 – $nil and $350, respectively) and did not make any further investments in its other joint arrangements (three months and nine months ended September 30, 2022 – $nil and $250, respectively). During the three and nine months ended September 30, 2023, the Corporation wrote off an equity-accounted investment and recognized a loss of $76 included within other income on the condensed consolidated statements of income.

	September 30, 2023	December 31, 2022
Current assets	**$ 1,499**	$ 1,375
Non-current assets	**94**	208
Current liabilities	**(726)**	(687)
Non-current liabilities	**(185)**	(1)
Net assets	**682**	895
% of ownership	**30%-50%**	30%-50%
	307	422
Goodwill	**1,303**	1,303
Corporation share of net assets	**$ 1,610**	$ 1,725

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Revenue	**$ 1,787**	$ 1,335	**$ 5,471**	$ 4,593
Expenses (1)	**1,692**	1,323	**4,979**	3,970
Net income	**95**	12	**492**	623
% of ownership	**30%-50%**	30%-50%	**30%-50%**	30%-50%
Corporation share of net income	**$ 34**	$ 9	**$ 237**	$ 333

(1) Includes income tax.

Club16 Limited Partnership ("Club16")

On August 31, 2022, the Corporation sold its 58.4% interest in Club16. The principal place of business is Surrey, British Columbia, Canada. During the three and nine months ended September 30, 2022, the Corporation received distributions of $146 and $277 from Club16, respectively. The following table summarizes the comparative financial information of Club16 up to the date of sale, on August 31, 2022:

	Three months ended September 30, 2022	Nine months ended September 30, 2022
Revenue	$ 5,802	$ 24,156
Expenses	6,407	24,021
Income before tax	(605)	135
Income tax recovery	114	515
Net income	(491)	650
% of ownership	58.4%	58.4%
Corporation share of net income	$ (286)	$ 380

(in thousands of Canadian dollars)

5. INTANGIBLE ASSETS

	Franchise rights, relationships and agreements	Brand names	Software	Total intangible assets
Cost				
Balance at December 31, 2022	$ 111,107	$ 45,700	$ 4,042	$ 160,849
Additions [1]	**8,017**	**-**	**-**	**8,017**
Disposals	**(1,576)**	**-**	**-**	**(1,576)**
Balance at September 30, 2023	**$ 11,7548**	**$ 45,700**	**$ 4,042**	**$ 167,290**
Accumulated amortization				
Balance at December 31, 2022	$ (32,077)	$ -	$ (3,466)	$ (35,543)
Disposals	**1,516**	**-**	**-**	**1,516**
Amortization recognized as a charge against revenue	**(3,699)**	**-**	**-**	**(3,699)**
Amortization expense	**(2,358)**	**-**	**(130)**	**(2,488)**
Balance at September 30, 2023	**$ (36,618)**	**$ -**	**$ (3,596)**	**$ (40,214)**
Carrying value				
December 31, 2022	$ 79,030	$ 45,700	$ 576	$ 125,306
September 30, 2023	**$ 80,930**	**$ 45,700**	**$ 446**	**$ 127,076**

(1) Additions exclude franchise rights, relationships and agreements of $2,710 recognized from accrued liabilities during the nine months ended September 30, 2023.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
Accrued liabilities		
Commissions payable	**$ 11,795**	$ 11,305
Share-based compensation liability (note 10)	**602**	935
Other accrued liabilities	**5,667**	11,431
	18,064	23,671
Trade payables	**1,339**	1,520
Government agencies payable	**302**	-
Other	**110**	1,379
	$ 19,815	$ 26,570

7. LOANS AND BORROWINGS

	September 30, 2023	December 31, 2022
Revolving Facility	**$ -**	$ -
Acquisition Facility	**31,170**	26,076
Non-Revolving Term Loan ("DDTL") Facility	**6,400**	6,400
Junior Credit Facility	**4,388**	4,513
	41,958	36,989
Debt issuance costs	**(225)**	(319)
Total loans and borrowings	**41,733**	36,670
Less current portion	**(6,785)**	(4,662)
	$ 34,948	$ 32,008

The Corporation's loans and borrowings are comprised of three senior term credit facilities (collectively, the "Senior Credit Facilities") and a junior term credit facility (the "Junior Credit Facility"). The facilities have a three-year term, maturing in December 2024.

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 greater than 3.00:1.00. As at September 30, 2023, the Corporation's adjusted total debt-to-EBITDA ratio and interest coverage ratio were 1.40:1.00 and 8.73:1.00, respectively, and consequently, the Corporation was in compliance with all such covenants.

Senior Credit Facilities

Borrowings under the Senior Credit Facilities are comprised of floating-rate advances or Canadian banker's acceptances ("BA"). Floating-rate advances bear interest at a rate equal to prime plus 0.00% to 0.50%. BAs bear interest at a rate determined at the time of their renewal plus a stamping fee of 1.75% to 2.25%. As at September 30, 2023, the outstanding Senior Credit Facilities were all BAs with an annual interest rate of 5.36% plus a stamping fee of 1.75%.

As at September 30, 2023, $6,035 of the balance outstanding on the Acquisition Facility is classified as current (December 31, 2022—$4,662). As the Corporation's repayments on the DDTL Facility are voluntary, the full amount outstanding as at September 30, 2023 and December 31, 2022 were classified as long-term.

Junior Credit Facility

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 renewal plus a stamping fee of 2.50% to 3.00%. As at September 30, 2023, the Junior Credit Facility was solely a BA and bore annual interest at 5.36% plus 2.50%.

The Corporation is required to utilize the proceeds received on the Club16 note receivable towards repayment of the Junior Credit Facility. As at September 30, 2023, this amount is classified as current debt of $750. The Corporation does not have any other mandatory repayments on the Junior Credit Facility. As at December 31, 2022 the full balance was classified as long-term.

8. PREFERRED SHARE LIABILITY

The Corporation is authorized to issue an unlimited number of non-voting, non-convertible series 1, class "B" preferred shares (the "Preferred Shares"). The Preferred Shares are not publicly traded. The Preferred Shares are a liability as the Corporation has an unavoidable obligation to pay dividends on the Preferred Shares in 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 (defined herein) 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. Core Business Operations for these purposes excludes certain public company costs and cash flows associated with the Junior Credit Facility and the equity-accounted investment, Impact.

The Preferred Shares were initially measured at their fair value net of any directly-attributable transaction costs and are subsequently recognized at amortized cost. The fair value of the Preferred Shares was determined using an income approach based on the estimated future Dividend Entitlement of the Preferred Shareholders. The Preferred Share liability is revised for any changes in the estimated future Dividend Entitlement at the end of each reporting period using an income approach based on the initial discount rate applied (15.2%), the change in the time-value of money, and dividends paid. The change in the time-value of money is reflected as accretion expense. The change in the estimated future Dividend Entitlement is reflected as revaluation recovery or expense. The revaluation recovery or expense and accretion expense are non-cash items, recognized on the condensed consolidated statements of income within finance expense on the Preferred Share liability.

The Dividend Entitlement is determined by a contractual measurement as defined in the Preferred Share terms, representing 95% of the total of the Core Business Operations': adjusted cash flows from operating activities, cash flows used in investing activities, adjusted cash flows from financing activities, taxes attributable, and any other adjustments approved by the Board of the Corporation and the majority Preferred Shareholder. The Preferred Shareholders are entitled to an annual dividend equal to 40% of the defined cash flows, and the remaining 60% is retained for use in the Corporation to pay public company expenses, to repay the Junior Credit Facility, and to pay dividends to Common Shareholders. The Corporation pays interim monthly cash dividends ("Interim Dividends") to the Preferred Shareholders in an amount determined by the Board of the Corporation that represents a good-faith estimate of the monthly instalment of the Dividend Entitlement, which may be more or less than the actual Dividend Entitlement based on seasonality of cash flows.

(in thousands of Canadian dollars)

During the three and nine months ended September 30, 2023, the Corporation paid Interim Dividends of $1,140 and $4,500 to the Preferred Shareholders, respectively (September 30, 2022—$1,680 and $8,080). During the three and nine months ended September 30, 2023, the Dividend Entitlement attributable to Preferred Shareholders was $2,422 and $4,890, respectively (September 30, 2022—$3,002 and $10,127), resulting in an increase of the Dividend Entitlement to the Preferred Shareholders as at September 30, 2023 of $390, which is included in the Preferred Share liability.

During the nine months ended September 30, 2023, the Board of Directors of the Corporation passed a resolution to reduce the Dividend Entitlement for the year ended December 31, 2022, resulting in an unpaid reversal of $191 of the Dividend Entitlement payable to the Preferred Shareholders as at December 31, 2022. The reduction in the Dividend Entitlement was made to retain more cash in the business. During the nine months ended September 30, 2022, the Corporation paid dividends of $537 associated with the December 31, 2021 true-up.

The Preferred Shareholders are further entitled, in the event of a liquidation or winding-up of the Corporation's assets and property, or the sale of the Core Business Operations, to receive the amount equal to any accrued but unpaid Dividend Entitlement plus an amount equal to 40% of the net proceeds of any liquidation event of the sale of the Core Business Operations. The Preferred Shareholders are not entitled, upon liquidation, dissolution or winding up of the Corporation or on the sale of any part of the Non-Core Assets, to share in any proceeds received by the Corporation from the disposition of the Non-Core Assets. The Non-Core Assets are defined as the Corporation’s ownership interest in Impact (and previously included Club16 up to its date of sale).

	Number of Preferred Shares		Amount
Balance at December 31, 2022 (1)	26,774,054	$	110,160
Dividends paid	-		(4,500)
Finance expense on the Preferred Share liability	-		7,991
Balance at September 30, 2023 (1)	**26,774,054**	**$**	**113,651**
Current		**$**	**6,896**
Non-Current		**$**	**106,755**

(1) Net of transaction costs.

	Three months ended September 30,				**Nine months ended September 30,**			
		2023		2022		**2023**		2022
Accretion expense on the Preferred Share liability	**$**	**4,422**	$	5,427	**$**	**12,808**	$	15,182
Revaluation recovery of the Preferred Share liability		**(3,542)**		(33,185)		**(4,817)**		(14,690)
Finance expense (recovery) on the Preferred Share liability	**$**	**880**	$	(27,758)	**$**	**7,991**	$	492

9. SHARE CAPITAL

Authorized share capital

The Corporation is authorized to issue an unlimited number of class A common shares (“Common Shares”) without par value, and an unlimited number of Preferred Shares (see note 8).

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

	Number of Common Shares		Amount
Balance at December 31, 2022	48,352,731	$	136,019
NCIB	**(103,587)**		**(264)**
Balance at September 30, 2023	**48,249,144**	**$**	**135,755**

NCIB

The Corporation implemented a NCIB on May 25, 2023. The NCIB has a twelve-month duration, which commenced on May 29, 2023 and ends the earlier of May 28, 2024 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 1,000,000 Common Shares. The Corporation also had a NCIB effective May 27, 2022 to May 26, 2023. During the three and nine months ended September 30, 2023, the Corporation made repurchases under the NCIBs of 15,550 Common Shares and 103,587 Common Shares at an average price of $2.15 and $2.55 per Common Share, respectively. The repurchased shares were cancelled and returned to treasury.

(in thousands of Canadian dollars)

Dividends

During the three and nine months ended September 30, 2023, the Corporation declared quarterly dividends of $0.03 per Common Share and $0.09 per Common Share, respectively, resulting in dividend payments of $1,447 and $4,346, respectively (September 30, 2022—$1,454 and $2,911).

10. SHARE-BASED PAYMENTS

The Corporation recorded total share-based payment recoveries of $12 and $333 for the three and nine months ended September 30, 2023, respectively (September 30, 2022—$308 and $319 recoveries). These amounts include share-based payment recoveries related to the Corporation's restricted share units ("RSUs") of $12 and $333 (September 30, 2022—$249 and $308 recoveries). The Corporation did not have any expenses related to the phantom share options ("PSOs") for the three and nine months ended September 30, 2023 (September 30, 2022—$59 and $11 recoveries).

PSO plan

The Corporation had issued PSOs to certain Newton executives with an exercise price of $3.85. Each PSO entitles the holder thereof to cash payments equal to the difference between the PSO price and the market price upon the exercise date. The PSOs have a three-year term and vest one-half on the first and second anniversary from the date of grant. At September 30, 2023, none were in-the-money.

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

Outstanding PSOs, December 31, 2022	250,000
Outstanding PSOs, September 30, 2023	**250,000**

RSU plan

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

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

Outstanding RSUs, December 31, 2022	292,174
Outstanding RSUs, September 30, 2023	**292,174**

The following table summarizes the outstanding RSUs as at September 30, 2023:

Grant date	Issued to	Vesting date	Outstanding RSUs	Liability at September 30, 2023
June 11, 2020	Directors	Immediately (1)	292,174	602

(1) The payment date for the RSUs is December 15, 2023.

11. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Franchising revenue, mortgage brokerage services	**$ 15,289**	$ 15,627	**$ 36,732**	$ 47,052
Newton revenues	**4,023**	1,978	**9,420**	8,783
Brokering of mortgages	**266**	329	**607**	951
	$ 19,578	$ 17,934	**$ 46,759**	$ 56,786

The Corporation's operations are subject to seasonal variances that fluctuate from quarter to quarter in accordance with the normal home buying season. This typically results in higher revenues in the months of June through September of each year, and results in lower revenues during the months of January through March.

(in thousands of Canadian dollars)

The Corporation may incur franchise agreement expenses prior to or concurrent with entering into franchise agreements, including payments to the franchises. These costs are capitalized on an agreement basis and amortized over the same term as the agreement to which they relate. The amortization of these franchise payments is recognized against revenue. Revenue earned from contracts with customers earned over time, gross of the amortization of franchise payments, included in the above is $20,628 and $50,086 for the three and nine months ended September 30, 2023, respectively (September 30, 2022—$18,631 and $58,796). Revenues earned from contracts with customers not earned over time is $82 and $372 for the three and nine months ended September 30, 2023 (September 30, 2022—$139 and $366).

12. FINANCE EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Interest expense on debt obligations	**$ 762**	$ 606	**$ 2,123**	$ 1,506
Interest on lease obligations	**24**	28	**76**	90
Amortization of debt issuance costs	**46**	44	**130**	114
	$ 832	$ 678	**$ 2,329**	$ 1,710

13. INCOME PER COMMON SHARE

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Net income attributable to shareholders	**$ 5,269**	$ 29,367	**$ 2,051**	$ 13,388
Basic and diluted weighted average number of Common Shares	**48,784,373**	48,484,042	**48,299,610**	47,147,067
Basic earnings per share	**0.11**	0.61	**0.04**	0.28
Diluted earnings per share	**0.11**	0.61	**0.04**	0.28

As at September 30, 2023 and September 30, 2022, there were no share options or lender warrants outstanding.

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the nine months ended September 30,	**2023**	2022
Trade and other receivables	**$ (394)**	$ 2,833
Prepaid expenses and deposits	**1,105**	(1,367)
Notes receivable	**(470)**	230
Accounts payable and accrued liabilities	**(6,422)**	(8,356)
Deferred contract liability	**164**	(496)
	$ (6,017)	$ (7,156)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

(in thousands of Canadian dollars)

Market risk

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

Interest rate risk

The Corporation is exposed to interest rate risk on its variable-rate loans and borrowings. A 1% increase in interest rates on variable-rate loans and borrowings would have resulted in an $105 and $306 decrease of income before tax for the three and nine months ended September 30, 2023, respectively (September 30, 2022—$211 and $391 decrease of income before tax).

Credit risk

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

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

The Corporation's primary source of credit risk relates to the possibility of its franchisees, agents, or other customers not paying receivables. The Corporation manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. As at September 30, 2023, our trade receivables greater than 90 days outstanding are $290 (December 31, 2022—$257), and the provision for expected credit losses as at September 30, 2023 is $168 (December 31, 2022—$330). A decline in economic conditions, or other adverse conditions experienced by franchisees and agents, could impact the collectability of the Corporation's receivables.

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, which commenced on August 1, 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 approximates the carrying value of the assets on the Corporation's condensed consolidated statements of financial position.

	September 30, 2023	December 31, 2022
Cash and cash equivalents	**$ 7,821**	$ 9,214
Trade, other receivables and other assets	**14,781**	14,344
Notes receivable	**1,228**	1,238
	$ 23,830	$ 24,796

Liquidity risk

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

(in thousands of Canadian dollars)

As at September 30, 2023, contractual cash flow obligations and their maturities were as follows:

	Contractual cash flow	Within 1 year	Within 5 years	Thereafter
Accounts payable and accrued liabilities	$ 19,815	$ 19,815	$ -	$ -
Lease obligations [1]	996	462	468	66
Loans and borrowings [2]	41,958	6,785	35,173	-
Preferred Share liability [3]	113,938	6,896	37,216	69,826
Long-term liabilities	20	-	20	-
	$ 176,727	$ 33,958	$ 72,877	$ 69,892

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

Capital management

The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital:

	September 30, 2023	December 31, 2022
Loans and borrowings, net of debt issuance costs	**$ 41,733**	$ 36,670
Less: cash and cash equivalents	**7,821**	9,214
Net loans and borrowings	**$ 33,912**	$ 27,456
Shareholders' equity	**$ 29,384**	$ 31,958

The Corporation's objectives when managing its capital include maintaining an optimal capital base to support the capital requirements of the Corporation, including opportunities to grow the number of DLC Group franchises and to grow the capabilities and usage of Newton's technology platform.

The Corporation is not subject to any externally-imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally-imposed capital requirements as at September 30, 2023 (see note 7).

Determination of fair value

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

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

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

		Fair value as at September 30, 2023		
	Carrying value as at September 30, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments	**$ 246**	**$ -**	**$ -**	**$ 246**
Financial liabilities				
Loans and borrowings	**(41,733)**	**-**	**(41,733)**	**-**

(in thousands of Canadian dollars)

	Carrying value as at December 31, 2022	Fair value as at December 31, 2022: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments	$ 246	$ -	$ -	$ 246
Financial liabilities				
Loans and borrowings	(36,670)	-	(36,670)	-

The fair value of trade, other receivables and other assets, notes receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these financial instruments. As at September 30, 2023, management has determined that the fair value of its loans and borrowings approximate their carrying value. The majority of the loans and borrowings are subject to floating interest rates, and the Corporation's credit risk profile has not significantly changed since obtaining each of the facilities.

16. SUBSEQUENT EVENTS

Automatic share purchase plan

On October 3, 2023, the Corporation entered into an automatic share purchase plan ("ASPP") agreement with its designated broker (the "Broker") in order to facilitate the purchases of its Common Shares under its NCIB. Under the ASPP agreement, 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 ASPP is effective October 3, 2023 to November 10, 2023, and directs the Broker to repurchase up to an aggregate of 40,000 Common Shares, up to a maximum aggregate cost of $100.