Dominion Lending Centres Inc.

Q3 2023
Management Discussion & Analysis

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This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations of Dominion Lending Centres Inc. ("we", "our", or the "Corporation") for the three and nine months ended September 30, 2023, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of November 7, 2023, in conjunction with the interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2023 ("interim financial statements"), and our 2022 audited annual consolidated financial statements. Our interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard 34 – Interim Financial Reporting. Unless otherwise indicated, all amounts are presented in Canadian dollars.

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

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

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

OVERVIEW OF OUR BUSINESS

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. The Core Business Operations segment represented the core operations of the Corporation. These core operations included the business of mortgage brokerage franchising and mortgage broker data connectivity services across Canada, which is comprised of the DLC Group (defined herein). The Non-Core Business Asset Management segment included the Corporation's interest in Cape Communications International Ltd. ("Impact"), and its interest in Club16 Limited Partnership ("Club16"), up to the date of sale of Club16 on August 31, 2022. Collectively, Impact and Club16 were referred to as the "Non-Core Assets". The Non-Core Business Asset Management segment contained the expenses, assets and liabilities associated with management of the Non-Core Assets, the Junior Credit Facility (as defined herein), and public company costs.

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.

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

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

The Corporation's ownership interests remain consistent with the ownership interest held as at December 31, 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 is carried on under the DLC, MA, and MCC brands and has operations across Canada. The mortgage brokerage business's extensive network includes over 8,000 agents, over 520 franchises and $42.3 billion in mortgage origination during the nine months ended September 30, 2023 ($70.6 billion for the year ended December 31, 2022). The franchise model provides secure long-term relationships with mortgage professionals and the Corporation provides training, technology, marketing, recruitment and operational support to its franchises and brokers.

Mortgage professionals provide services related to property purchases, mortgage refinancing and renewals, credit lines, and other borrowing needs. Mortgage professionals originate mortgages but do not themselves lend money. The Corporation has had significant historical 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 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.

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 income, adjusted net earnings per share, and free cash flow attributable to common shareholders.

THIRD QUARTER FINANCIAL RESULTS

	Three months ended Sept. 30,			Nine months ended Sept. 30,		
(in thousands, except KPIs)	**2023**	2022	Change	**2023**	2022	Change
Revenues	**$ 19,578**	$ 17,934	9%	**$ 46,759**	$ 56,786	(18%)
Operating expenses	**10,699**	9,283	15%	**32,362**	31,954	1%
Income from operations	**8,879**	8,651	3%	**14,397**	24,832	(42%)
Other (expense) income, net	**(1,434)**	22,829	NMF [4]	**(9,364)**	(5,089)	(84%)
Income before tax	**7,445**	31,480	(76%)	**5,033**	19,743	(75%)
Add back:						
Depreciation and amortization	**939**	951	(1%)	**2,848**	3,014	(6%)
Finance expense	**832**	678	23%	**2,329**	1,710	36%
Finance expense (recovery) on the Preferred Share liability	**880**	(27,758)	NMF [4]	**7,991**	492	NMF [4]
Gain on sale of an equity-accounted investment	**-**	(525)	NMF [4]	**-**	(525)	NMF [4]
Non-cash impairment of an equity-accounted investment	**-**	4,778	NMF [4]	**-**	4,778	NMF [4]
Other adjusting items	**20**	(208)	NMF [4]	**(288)**	(185)	(56%)
Adjusted EBITDA [1]	**$ 10,116**	$ 9,396	8%	**$ 17,913**	$ 29,027	(38%)
Adjusted EBITDA margin [1]	**52%**	52%	-%	**38%**	51%	(25%)
Key Performance Indicators ("KPIs")						
Funded mortgage volumes [2]	**17.7**	19.4	(9%)	**42.3**	57.2	(26%)
Number of franchises [3]	**526**	539	(2%)	**526**	539	(2%)
Number of brokers [3]	**8,081**	8,221	(2%)	**8,081**	8,221	(2%)
% of funded mortgage volumes submitted through Velocity [2] [5]	**64%**	56%	14%	**63%**	54%	17%

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) Funded mortgage volumes are presented in billions and are a key performance indicator that allows us to measure performance against our operating strategy.
(3) The number of franchises and brokers are as at the respective period end date (not in thousands).
(4) The percentage change is not a meaningful figure.
(5) Representing the percentage of funded mortgage volumes that were submitted through Velocity.

The following are included in the above operating expenses:

	Three months ended Sept. 30,			Nine months ended Sept. 30,		
(in thousands)	**2023**	2022	Change	**2023**	2022	Change
Direct costs	**$ 2,230**	$ 1,948	14%	**$ 7,175**	$ 6,754	6%
General and administrative expenses	**7,542**	6,692	13%	**22,672**	22,505	1%
Share-based payments recovery	**(12)**	(308)	96%	**(333)**	(319)	(4%)
Depreciation and amortization	**939**	951	(1%)	**2,848**	3,014	(6%)
Operating expenses	**$ 10,699**	$ 9,283	15%	**$ 32,362**	$ 31,954	1%

Other (expense) income, net includes the following:

(in thousands)	Three months ended Sept. 30, 2023	2022	Change	Nine months ended Sept. 30, 2023	2022	Change
Finance expense	**$ (832)**	$ (678)	(23%)	**$ (2,329)**	$ (1,710)	(36%)
Finance (expense) recovery on the Preferred Share liability	**(880)**	27,758	NMF	**(7,991)**	(492)	NMF
Income (loss) from equity-accounted investments	**146**	(198)	NMF	**494**	835	(41%)
Gain on sale of an equity-accounted investment	**-**	525	NMF	**-**	525	NMF
Non-cash impairment of an equity-accounted investment	**-**	(4,778)	NMF	**-**	(4,778)	NMF
Other	**132**	200	(34%)	**462**	531	(13%)
Other (expense) income, net	**$ (1,434)**	$ 22,829	NMF	**$ (9,364)**	$ (5,089)	(84%)

Other financial highlights include:

(in thousands, except per share)	Three months ended Sept. 30, 2023	2022	Change	Nine months ended Sept. 30, 2023	2022	Change
Free cash flow attributable to common shareholders [1]	**$ 4,607**	$ 4,793	(4%)	**$ 5,424**	$ 11,441	(53%)
Net income [2]	**5,271**	29,381	(82%)	**2,067**	13,600	(85%)
Adjusted net income [1]	**3,115**	2,822	10%	**4,973**	9,171	(46%)
Diluted income per Common Share [2]	**0.11**	0.61	(82%)	**0.04**	0.28	(86%)
Adjusted diluted earnings per Common Share [1]	**0.06**	0.06	-%	**0.10**	0.19	(47%)
Dividends declared per share	**$ 0.03**	$ 0.03	-%	**$ 0.09**	$ 0.06	50%

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) Net income for the three and nine months ended September 30, 2023 includes $0.9 million and $8.0 million of non-cash finance expense on the Preferred Share liability, respectively (September 30, 2022 – $27.8 million recovery and $0.5 million expense, respectively). The Preferred Share liability is revalued at the end of each reporting period to reflect our most recent outlook and forecast. Refer to the Preferred Shares section of this document.

During the three months ended September 30, 2023, the Corporation saw an increase in revenues over the three months ended September 30, 2022, from higher Newton revenues primarily due to an increase in Velocity adoption and lender contract renewals. However, headwinds continue to impact the Canadian housing market primarily by decreasing Canadian housing sales activity due largely to increased interest rates, as evidenced by a decrease in funded mortgage volumes during the three and nine months ended September 30, 2023, compared to the previous year periods. The decrease in funded volumes has resulted in a decrease in revenues during the nine months ended September 30, 2023.

As the Corporation's operating expenses are largely fixed in nature and are not proportionate to changes in revenues, changes in the Corporation's revenues have a more pronounced impact to adjusted income, adjusted EBITDA and adjusted EBITDA margins. As such these metrics have increased with higher revenues during the three months ended September 30, 2023 and have decreased during the nine months ended September 30, 2023, when compared to the previous year periods.

Income from operations during the three months ended September 30, 2023 increased from higher revenues, partly offset by higher operating expenses; and decreased during the nine months ended September 30, 2023 from lower revenues and higher operating expenses. The Corporation's operating expenses have increased during the three and nine months ended September 30, 2023 when compared to the previous year periods, primarily due to:

- higher advertising fund expenses from timing of expenditures;
- an increase in advertising expenses from increased event costs (associated with the recommencement of certain corporate events); and,
- higher personnel costs.

The increase in operating expenses combined with an increase in other expenses has driven a decrease in net income during the three and nine months ended September 30, 2023, compared to the previous year periods. In the prior year period, the Corporation recognized a revaluation recovery of $33.2 million, which contributed to net income during the three months ended September 30, 2022. Comparatively, the third quarter of 2023 recognized a revaluation recovery of $3.5 million, resulting in lower net income during the three months ended September 30, 2023, when compared to the third quarter of 2022. The Dividend Entitlement (defined herein) changes due to updates in our outlook and forecasts. Refer to the Preferred Shares section of this document for further information. This decrease in net income is partly offset by an impairment loss recognized in 2022 and an increase in income from equity-accounted investments in 2023.

Free cash flow of the Corporation has decreased during the three and nine months ended September 30, 2023 when compared to the same periods in the previous year, primarily from an increase in maintenance capital expenditures, as the Corporation continues its franchise renewal efforts, and increased operating expenses.

Key performance indicators

During the nine months ended September 30, 2023, the DLC Group has continued to grow broker adoption of Velocity. However, as the Corporation recruits mortgage professionals, there can be a delay in the transition of new franchise volumes to Velocity, which can negatively impact our Velocity adoption KPI as setout herein.

The Corporation has seen a decline in its franchise and broker count as at September 30, 2023 when compared to September 30, 2022, primarily from franchise attrition and the departure of non-producing brokers and franchises.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows.

(in thousands except per share amounts)	Sept. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Funded mortgage volumes [1]	**17.7**	14.8	9.8	14.0	19.4	21.8	16.1	20.6
Revenues	**19,578**	15,543	11,638	13,934	17,934	21,823	17,029	21,266
Income from operations	**8,879**	4,188	1,330	1,554	8,651	10,853	5,328	9,127
Adjusted EBITDA [2]	**10,116**	5,158	2,639	3,031	9,396	13,391	6,240	10,538
Net income (loss) [3]	**5,271**	(3,157)	(47)	(1,314)	29,381	6,709	(22,490)	(5,463)
Adjusted net income (loss) [2]	**3,115**	1,660	198	(175)	2,822	5,268	1,082	1,771
Net income (loss) attributable to:								
Common shareholders [3]	**5,269**	(3,161)	(57)	(1,327)	29,367	6,700	(22,679)	(5,721)
Non-controlling interests	**2**	4	10	13	14	9	189	258
Adjusted net income (loss) attributable to: [2]								
Common shareholders	**3,113**	1,656	188	(188)	2,808	5,259	893	1,513
Non-controlling interests	**2**	4	10	13	14	9	189	258
Net earnings (loss) per Common Share:								
Basic	**0.11**	(0.07)	(0.00)	(0.03)	0.61	0.14	(0.50)	(0.12)
Diluted	**0.11**	(0.07)	(0.00)	(0.03)	0.61	0.14	(0.50)	(0.12)
Adjusted net earnings (loss) per Common Share: [2]								
Diluted	**0.06**	**0.03**	0.00	(0.00)	0.06	0.11	0.02	0.03

(1) Funded mortgage volumes are presented in billions.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Net income for the three and nine months ended September 30, 2023 includes $0.9 million and $8.0 million of non-cash finance expense on the Preferred Share liability, respectively (September 30, 2022 – $27.8 million recovery and $0.5 million expense, respectively). The Preferred Share liability is revalued at the end of each reporting period to reflect our most recent outlook and forecast. Refer to the Preferred Shares section of this document.

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. From June 30, 2023, revenues had decreased over the last three quarters (compared to the same prior year periods), attributable to a decrease in funded mortgage volumes from a softening in the Canadian housing market and rising interest rates.

Income from operations for the three months ended September 30, 2023, increased over the three months ended June 30, 2023, primarily due to an increase in revenues (driven by an increase in funded mortgage volumes), and lower operating expenses from lower advertising expenses due to events held in the second quarter, and lower advertising fund expenditures due to the timing of advertising initiatives.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the Cautionary Note Regarding Forward-Looking Information section. See the Annual MD&A for the year ended December 31, 2022 for a detailed description of the key initiatives supporting this outlook.

In 2023, we continue to focus on market penetration and expanding our network of mortgage brokers and franchises through targeted recruiting initiatives. Newton continues to focus on growing its submission volumes through Velocity, extending Velocity's delivery channels, and increasing its number of third-party users. This is demonstrated through the increase in the volume of funded mortgages from applications submitted through Velocity of 63% for the nine months ended September 30, 2023 when compared to 54% for the nine months ended September 30, 2022.

During the nine months ended September 30, 2023, Canadian mortgage interest rates continued to increase significantly. We believe increased mortgage interest rates have contributed to a softening of the Canadian housing market and are expected to have further continued negative impacts on lending activity. With higher interest rates and potential further increases, we expect continued downward pressure on home values, sale transactions, and other lending activity from more stringent loan qualification requirements, resulting in decreased funded volumes in fiscal 2023, as evidenced by a decrease in funded mortgage volumes of 26% during the nine months ended September 30, 2023, when compared to the previous year period. Longer-term, management is anticipating that mortgage renewals and housing purchases will continue to be strong, and that overall housing demand will continue to exceed supply, and we are actively enhancing our broker recruitment activities. These efforts, combined with anticipated continued growth in Velocity adoption, are expected to partially mitigate near-term housing market headwinds.

Adjusted EBITDA margins have decreased during the nine months ended September 30, 2023 when compared to the previous year period, as a decrease in revenues results in a greater decrease in adjusted EBITDA margins. However, the three months ended September 30, 2023, saw a comparable adjusted EBITDA margin when compared to the prior year period, with the improvement in revenues during the third quarter of 2023. Management anticipates that adjusted EBITDA margins will continue to improve if revenues improve.

During the nine months ended September 30, 2023, the Corporation declared and paid cash dividends of $0.09 per Common Share to shareholders of record resulting in a dividend payment of $4.3 million (September 30, 2022 – $0.06 per Common Share for a total of $2.9 million). In addition to maintaining a quarterly dividend, the Corporation expects that it will continue to reduce the Junior Credit Facility (defined herein) through repayments using its free cash flow and mandatory repayments utilizing cash received from the Club16 promissory note. Refer to the Capital Resources section for further details.

We expect to continue to maintain our ownership interest in Impact through the remainder of 2023 and into 2024.

LIQUIDITY AND CAPITAL RESOURCES

BALANCE SHEET SUMMARY

See the Liquidity section below for information on the changes in cash and cash equivalents and working capital deficiency.

(in thousands, except shares outstanding)	**As at** Sept. 30, 2023	Dec. 31, 2022
Cash and cash equivalents	**$ 7,821**	$ 9,214
Working capital (deficiency)	**$ (9,601)**	$ (11,851)
Total assets	**$ 223,404**	$ 223,937
Total loans and borrowings [(1)]	**$ 41,733**	$ 36,670
Total non-current liabilities	**$ 159,248**	$ 153,339
Total Preferred Share liability [(1)]	**$ 113,651**	$ 110,160
Shareholders' equity	**$ 29,384**	$ 31,958
Common Shares outstanding	**48,249,144**	48,352,731
Preferred Shares outstanding	**26,774,054**	26,774,054

(1) Net of debt issuance and transaction costs.

LIQUIDITY

(in thousands)	**As at** Sept. 30, 2023	Dec. 31, 2022
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
Accounts payable and accrued liabilities	**(19,815)**	(26,570)
Current portion of loans and borrowing	**(6,785)**	(4,662)
Deferred contract liability	**(646)**	(482)
Current portion – lease obligation	**(383)**	(505)
Current portion – Preferred Share liability	**(6,896)**	(6,190)
Net working capital deficit	**$ (9,601)**	$ (11,851)

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 to increase free cash flow growth.

Our principal sources of liquidity are cash generated from our 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 September 30, 2023, we had a lower consolidated cash position and a lower net working capital deficit when compared to December 31, 2022. Our sources and uses of cash are described below.

The decrease in working capital deficit from the comparative period is primarily due to lower accounts payable and a increase in trade and other receivables due to timing of receipt of payments, partly offset by lower cash, a decrease in prepaid expenses and deposits due to utilization of outstanding prepaids, and a higher current portion of the Preferred Share liability. 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 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 based on the use of cash and cash resources to fund operations. The Corporation has credit facilities to support its operations and working capital needs and fluctuations. See the Capital Resources section. The Corporation's ability to maintain sufficient liquidity is driven by the DLC Group operations and by allocation of its resources.

As at September 30, 2023, 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 flow:

(in thousands)	**Nine months ended September 30, 2023**	2022
Cash provided by operating activities	**$ 13,653**	$ 17,173
Cash (used in) / provided by investing activities	**(10,393)**	10,837
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

Operating activities

(in thousands)	**Nine months ended September 30, 2023**	**2022**
Cash flow provided by operating activities	**$ 13,653**	$ 17,173
Changes in non-cash working capital and other non-cash items	**2,952**	7,978
Cash provided by operations excluding changes in non-cash working capital and other non-cash items	**$ 16,605**	$ 25,151

Cash from operating activities, excluding non-working capital and other non-cash items, decreased during the nine months ended September 30, 2023 when compared to the prior year period, primarily from a decrease in income from operations from lower revenues driven by the decrease in funded mortgage volumes and increased operating expenses.

Investing activities

The cash used in investing activities for the nine months ended September 30, 2023 consisted primarily of investments in intangible assets of $10.7 million, which included payments of $2.7 million accrued at December 31 2022, partly offset by distributions from equity-accounted investments of $0.3 million and proceeds on the disposal of intangible assets of $0.1 million.

The cash provided by investing activities for the nine months ended September 30, 2022 consisted primarily of proceeds of $16.5 million received from the Sale of Club16 and net distributions from and investment in equity-accounted investments of $0.4 million, partly offset by investments in intangible assets of $5.4 million and distributions paid to non-controlling interests of $0.6 million.

Financing activities

Cash used in financing activities for the nine months ended September 30, 2023 consisted primarily of dividends paid to the Preferred Shareholders of $4.5 million, dividends paid to common shareholders of $4.3 million, repayments on the Senior Credit Facilities (defined herein) of $4.0 million, lease payments of $0.5 million, repurchases under the normal course issuer bid ("NCIB") of $0.3 million, and repayments on the Junior Credit Facility (defined herein) of $0.1 million, partly offset by draws on the Corporation's Senior Credit Facilities of $9.1 million.

Cash used in financing activities for the nine months ended September 30, 2022 consisted primarily of repayments on the Junior Credit Facility of $26.1 million primarily from cash proceeds received from the sale of Club16, cash paid for

the Newton Acquisition of $16.9 million, Interim Dividends paid to the Preferred Shareholders of $8.6 million, repurchases of Common Shares under the SIB of $6.7 million, debt repayments on the Senior Credit Facility of $4.1 million, dividends paid to Common Shareholders of $2.9 million, lease payments of $0.5 million, and repurchases of Common Shares under the NCIB of $0.4 million. This is partly offset by net proceeds from the 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.

CAPITAL RESOURCES

Our capital structure is composed of total shareholders' equity, and loans and borrowings, less cash and cash equivalents. The following table summarizes our capital structure as at September 30, 2023 and December 31, 2022.

	As at		
(in thousands)	**Sept. 30, 2023**	Dec. 31, 2022	Change
Loans and borrowings, net of debt issuance costs	**$ 41,733**	$ 36,670	14%
Less: cash and cash equivalents	**7,821**	9,214	(15%)
Net loans and borrowings	**$ 33,912**	$ 27,456	24%
Shareholders' equity	**$ 29,384**	$ 31,958	(8%)

Loans and borrowings

	As at	
(in thousands)	**Sept. 30, 2023**	**Dec. 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

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 facilities have a three-year term with maturity 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 of not less 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

The Senior Credit Facilities provides 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 that was used to fund the Corporation's SIB dated December 1, 2021 and a pro rata (40%) dividend to Preferred Shareholders (the "DDTL Facility").

Borrowings under the Senior Credit Facilities are composed 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 solely BAs with an annual interest rate at 5.36% plus a stamping fee of 1.75%.

As at September 30, 2023, $6.0 million of the balance outstanding on the Acquisition Facility is classified as current (December 31, 2022—$4.7 million). 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 composed 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 the Junior Credit Facility. As at September 30, 2023, this amount is classified as current debt of $0.8 million. 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.

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 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 (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 condensed consolidated statements of income 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 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 Dividends to the Preferred Shareholders in an amount determined by the Board of the Corporation that represents a good-faith estimate of the monthly instalment of the Dividend Entitlement, which may be more or less than the actual Dividend Entitlement based on seasonality of cash flows.

During the three and nine months ended September 30, 2023, the Corporation paid Interim Dividends of $1.1 million and $4.5 million to the Preferred Shareholders, respectively (September 30, 2022—$1.7 million and $8.1 million). During the three and nine months ended September 30, 2023, the Dividend Entitlement attributable to Preferred Shareholders was $2.4 million and negative $4.9 million, respectively (September 30, 2022—$3.0 million and $10.1 million), resulting in an increase of the Dividend Entitlement to the Preferred Shareholders as at September 30, 2023 of $0.4 million, 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 $0.2 million 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, 2022, the Corporation paid dividends of $0.5 million 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 on 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 Impact.

A summary of activity in the period is as follows:

	Number of Preferred Shares		Amount *(in thousands)*
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**

(1) Net of transaction costs.

(in thousands)	Three months ended Sept. 30, **2023**	2022	Nine months ended Sept. 30, **2023**	2022
Accretion expense on the Preferred Share liability	**$ 4,422**	$ 5,427	**$ 12,808**	$ 15,182
Revaluation recovery on 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

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

During the three and nine months ended September 30, 2023, the Corporation recognized a revaluation recovery due to the change in the fiscal 2023 Dividend Entitlement. Our estimated future Dividend Entitlement has declined due to a decrease in our estimated future cash flows, largely based on current market conditions; however, the improvement of Q3 2023 results over Q2 2023 has reduced the magnitude of the revaluation recovery.

SHARE CAPITAL

As of November 3, 2023, and September 30, 2023, the Corporation had 48,230,696 and 48,249,144 Common Shares outstanding, respectively (December 31, 2022—48,352,731) and 26,774,054 Preferred Shares outstanding (December 31, 2022—26,774,054).

As at November 7, 2023, there were no outstanding stock options or warrants.

Normal-course issuer bid

The Corporation implemented an NCIB on May 24, 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, representing approximately 2% of the issued and outstanding Common Shares as at May 23, 2023. 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 1,000 Common Shares, based upon the average daily trading volume of the Common Shares on the TSX for the six-month period ended on April 30, 2023. 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.

The Corporation implemented a previous NCIB on May 24, 2022. The prior NCIB had a twelve-month duration, which commenced on May 27, 2022 and ended on May 26, 2023. Under the previous NCIB, the Corporation was allowed to purchase up to 1,200,000 Common Shares.

During the nine months ended September 30, 2023, the Corporation made repurchases under the NCIBs of 103,587 Common Shares at an average price of $2.55 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 403-560-0821.

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 Corporation entered into the following ASPP agreements:

- On January 4, 2023 the Corporation entered into an ASPP effective January 4, 2023 to April 3, 2023, which directed the Broker to repurchase up to an aggregate of 100,000 Common Shares, up to a maximum aggregate cost of $0.3 million.
- On April 10, 2023, the Corporation entered into an ASPP effective April 10, 2023 to May 12, 2023, which directed the Broker to repurchase up to an aggregate of 66,667 Common Shares, up to a maximum aggregate cost of $0.2 million.
- On July 10, 2023, the Corporation entered into an ASPP effective July 10, 2023 to August 14, 2023, and directed the Broker to repurchase up to an aggregate of 40,000 Common Shares, up to a maximum aggregate cost of $0.1 million.
- On October 3, 2023, the Corporation entered into an ASPP 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 $0.1 million.

COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See notes 6, 14 and 15 of the interim financial statements for more information.

(in thousands)	Less than 1 year	1–3 years	4–5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 19,815	$ -	$ -	$ -	**$ 19,815**
Loans and borrowings [1]	6,785	35,173	-	-	**41,958**
Long-term accrued liabilities	-	-	20	-	**20**
Leases [2]	462	427	41	66	**996**
Preferred Share liability [3]	6,896	18,785	18,431	69,826	**113,938**
	$ 33,958	$ 54,385	$ 18,492	$ 69,892	**$ 176,727**

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

Service agreement

The Corporation 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 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 condensed consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as at September 30, 2023 or November 7, 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 that 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 September 30, 2023 are 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	**(41,733)**	**(41,733)**	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 composed 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 the loans and borrowings would have a $0.3 million decrease of income before tax for the nine months ended September 30, 2023 (September 30, 2022—$0.4 million decrease of income before tax).

CREDIT RISK

As at September 30, 2023, $0.3 million (December 31, 2022—$0.3 million) of our trade receivables are greater than 90 days outstanding and total expected credit losses as at September 30, 2023 is $0.2 million (December 31, 2022—$0.3 million). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

The Corporation also has a source of credit risk related to the note receivable from the sale of Club16. The Corporation has managed this 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, as related to certain financial instruments identified in the table below, approximates the carrying value of the assets of the Corporation's condensed consolidated statements of financial position.

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

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 flow from operations to meet required interest and principal payments. Further, the Corporation is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such 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 that indebtedness in full.

BUSINESS RISKS AND UNCERTAINTIES

The Corporation is subject to a number of business risks. There were no changes to our principal risks and uncertainties from those reported in our 2022 Annual MD&A and our 2022 Annual Information Form dated March 28, 2023.

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.

Property leases
The Corporation 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 three and nine months ended September 30, 2023, the total costs incurred under this lease were $0.1 million and $0.3 million, respectively (September 30, 2022—$0.1 million and $0.3 million). The lease term matures in 2025.

The Corporation leases a two-bedroom condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the three and nine months ended September 30, 2023, the total costs incurred under this lease were $21 thousand and $63 thousand, respectively (September 30, 2022—$21 thousand and $63 thousand). The lease term matures in 2025.

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

Administrative services
The Corporation 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 three and nine months ended September 30, 2023 were $0.2 million and $0.7 million (September 30, 2022—$0.3 million and $0.8 million).

Other
The Corporation has 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 this shareholder. As at September 30, 2023 a liability has been recognized for the current fair value of the liability of $1.0 million (December 31, 2022—$1.0 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2022, as filed on SEDAR at www.sedar.com. In preparing these interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2022.

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2022, except for those disclosed within Note 3 of the interim financial statements.

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;
- 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 adjusted EBITDA margins will continue to improve throughout fiscal 2023, if revenues increase;
- Our expectation that the Corporation will continue to reduce the Junior Credit Facility through repayments 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 in 2024; and
- Management's ability to adjust cost structures 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 tax rates and legislation;
- Changes in operating, general and administrative, and other costs;
- Changes in interest rates;
- General business, economic and 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 and regulations;
- Material changes 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 investment in Impact;
- 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 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"). Management has used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Controls – Integrated Framework (2013).

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.

During the three and nine months ended September 30, 2023, 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.

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. The Corporation considers its main operating activities to be the business of mortgage brokerage franchising and mortgage broker data connectivity services across Canada, and management of its operating subsidiaries.

The non-cash adjustments are expenses incurred during the period 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-cash or one-time insignificant items included within "other income" on the condensed consolidated statements of income that are not related to the main operating activities.

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 income before income tax, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(in thousands)	**2023**	2022	**2023**	2022
Income before income tax	**$ 7,445**	$ 31,480	**$ 5,033**	$ 19,743
Add back:				
Depreciation and amortization	**939**	951	**2,848**	3,014
Finance expense	**832**	678	**2,329**	1,710
Finance expense (recovery) on the Preferred Share liability [(1)]	**880**	(27,758)	**7,991**	492
	10,096	5,351	**18,201**	24,959
Adjustments:				
Share-based payments recovery	**(12)**	(308)	**(333)**	(319)
Promissory note income	**(40)**	-	**(116)**	-
Foreign exchange loss	**6**	23	**26**	39
(Gain) loss on contract settlement	**(10)**	75	**58**	48
Gain on sale of an equity-accounted investment	**-**	(525)	**-**	(525)
Non-cash impairment of an equity-accounted investment	**-**	4,778	**-**	4,778
Other income [(2)]	**76**	2	**77**	47
Adjusted EBITDA [(3)]	**$ 10,116**	$ 9,396	**$ 17,913**	$ 29,027

(1) The Corporation recognized a lower revaluation recovery on the Preferred Share liability during the nine months ended September 30, 2023, compared to the previous year period. Refer to the Preferred Shares section for further details.
(2) Other expense in the three and nine months ended September 30, 2023 relates to a loss on the disposal of intangible assets and a loss on other equity-accounted investment. Other expense for the three and nine months ended September 30, 2022 relates to acquisition, integration and restructuring costs.
(3) Amortization of franchise rights and relationships of $1.1 million and $3.7 million for the three and nine months ended September 30, 2023, respectively (September 30, 2022 – $0.8 million and $2.4 million) is classified as a charge against revenue, and has 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 period 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 expense adjustments are insignificant items included within "other income" on the condensed consolidated statements of income 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 income 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 from operating activities, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(in thousands)	**2023**	2022	**2023**	2022
Cash flow from operating activities	**$ 9,243**	$ 3,708	**$ 13,653**	$ 17,173
Changes in non-cash working capital and other non-cash items	**(382)**	4,899	**2,952**	7,978
Cash provided from operations excluding changes in non-cash working capital and other non-cash items	**8,861**	8,607	**16,605**	25,151
Adjustments:				
Distributions from equity-accounted investees (1)	**125**	146	**275**	627
Maintenance CAPEX	**(630)**	(209)	**(6,039)**	(4,417)
Lease payments (1)	**(160)**	(153)	**(476)**	(453)
Acquisition, integration and restructuring costs (1)	**-**	2	**-**	47
(Gain) loss on settlement of a contract (1)	**(10)**	75	**58**	48
Other non-cash items (2)	**-**	2	**1**	(189)
	8,186	8,470	**10,424**	20,814
Free cash flow attributable to Preferred Shareholders (3)	**(3,579)**	(3,677)	**(5,000)**	(9,373)
Free cash flow attributable to common shareholders	**$ 4,607**	$ 4,793	**$ 5,424**	$ 11,441

(1) Comparative amounts presented reflect the Corporation's common shareholders' proportion and have excluded amounts attributed to Newton NCI holders.
(2) Other non-cash items for the nine months ended September 30, 2023 represent the loss on disposal of intangible assets. The three and nine months ended September 30, 2022 represents the Newton NCI portion of cash provided from operations.
(3) Free cash flow attributable to the Preferred Shareholders is determined based on free cash flow of the Core Business Operations (as defined in the Preferred Shares section of this document).

ADJUSTED NET INCOME AND ADJUSTED EPS

Adjusted net income and Adjusted EPS are defined as net income 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 expense adjustments are insignificant items included within "other income" on the condensed consolidated statements of income 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 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 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 income 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 a measure of liquidity and cash flows. The methodologies we use to determine

adjusted net income may differ from those utilized by other issuers or companies and, accordingly, adjusted net income as used in this MD&A may not be comparable to similar measures used by other issuers or companies.

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(in thousands)	**2023**	2022	**2023**	2022
Net income	**$ 5,271**	$ 29,381	**$ 2,067**	$ 13,600
Add back:				
Gain on sale of an equity-accounted investment	**-**	(525)	**-**	(525)
Non-cash impairment of an equity-accounted investment	**-**	4,778	**-**	4,778
Foreign exchange loss	**6**	23	**26**	39
Finance expense (recovery) on the Preferred Share liability [(1)]	**880**	(27,758)	**7,991**	492
(Gain) loss on contract settlement	**(10)**	75	**58**	48
Promissory note interest income	**(40)**	-	**(116)**	-
Other income [(2)]	**76**	2	**77**	47
Income tax effects of adjusting items	**(1)**	(4)	**(4)**	(18)
	6,182	5,972	**10,099**	18,461
Core Business Operations' adjusted net income attributable to Preferred Shareholders [(3)]	**(3,067)**	(3,150)	**(5,126)**	(9,290)
Adjusted net income	**3,115**	2,822	**4,973**	9,171
Adjusted net income attributable to common shareholders	**3,113**	2,808	**4,957**	8,959
Adjusted net income attributable to non-controlling interest	**2**	14	**16**	212
Diluted adjusted earnings per Common Share	**$ 0.06**	$ 0.06	**$ 0.10**	$ 0.19

(1) The Preferred Share liability is revalued at the end of each reporting period to reflect our most recent outlook and forecast. Refer to the Preferred Shares section of this document.

(2) Other expense in the three and nine months ended September 30, 2023 relates to a loss on the disposal of intangible assets and disposal of a other equity-accounted investment. Other expense for the three and nine months ended September 30, 2022 relates to acquisition, integration and restructuring costs.

(3) Adjusted net income attributable to the Preferred Shareholders is determined based on adjusted net income of the Core Business Operations (as defined in the Preferred Shares section of this document).