Dominion Lending Centres Inc.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2024 & June 30, 2023

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

	As at June 30, 2024	As at December 31, 2023
Assets		
Current assets		
Cash	$ **5,381**	$ 5,614
Trade and other receivables	**12,654**	14,343
Prepaid expenses and deposits	**1,966**	2,003
Notes receivable	**696**	656
Total current assets	**20,697**	22,616
Non-current assets		
Trade, other receivables, and other assets	**512**	773
Investments	**246**	246
Equity-accounted investments (note 5)	**1,614**	5,401
Capital assets	**95**	141
Right-of-use assets	**1,465**	1,581
Intangible assets (note 6)	**130,721**	126,912
Goodwill	**62,595**	60,437
Total assets	$ **217,945**	$ 218,107
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	$ **22,345**	$ 19,155
Loans and borrowings (note 8)	**5,152**	5,902
Deferred contract liabilities	**824**	620
Lease obligations	**399**	373
Preferred Share liability (note 9)	**7,740**	7,182
Total current liabilities	**36,460**	33,232
Non-current liabilities		
Loans and borrowings (note 8)	**28,094**	34,008
Deferred contract liabilities	**125**	148
Other long-term liabilities	**422**	1,020
Lease obligations	**1,244**	1,380
Deferred tax liabilities	**16,156**	15,110
Preferred Share liability (note 9)	**105,519**	107,260
Total liabilities	**188,020**	192,158
Equity		
Share capital (note 10)	**135,411**	135,710
Contributed surplus	**11,861**	11,783
Accumulated other comprehensive income	**-**	592
Deficit	**(118,622)**	(122,388)
Total equity attributable to shareholders	**28,650**	25,697
Non-controlling interest	**1,275**	252
Total liabilities and equity	$ **217,945**	$ 218,107

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

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (unaudited)
(in thousands of Canadian dollars, except per share amounts)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Revenue (note 12)	**$ 18,788**	$ 15,543	**$ 32,424**	$ 27,181
Direct costs	**2,659**	2,841	**4,624**	4,945
Gross profit	**16,129**	12,702	**27,800**	22,236
General and administrative expenses	**7,733**	7,794	**14,997**	15,130
Share-based payments expense (recovery) (note 11)	**78**	(225)	**78**	(321)
Depreciation and amortization	**938**	945	**1,877**	1,909
	8,749	8,514	**16,952**	16,718
Income from operations	**$ 7,380**	$ 4,188	**$ 10,848**	$ 5,518
Other (expense) income				
Finance expense (note 13)	**(703)**	(819)	**(1,467)**	(1,497)
Finance expense on the Preferred Share liability (note 9)	**(2,668)**	(6,221)	**(2,514)**	(7,111)
(Loss) income from equity-accounted investments (note 5)	**(109)**	117	**317**	348
Gain on sale of equity-accounted investment (note 5)	**681**	-	**681**	-
Non-cash recovery (impairment) of equity-accounted investment (note 5)	**38**	-	**(198)**	-
Other income (note 5)	**1,254**	137	**1,420**	330
	(1,507)	(6,786)	**(1,761)**	(7,930)
Income (loss) before tax	**$ 5,873**	$ (2,598)	**$ 9,087**	$ (2,412)
Income tax expense				
Current tax expense	**(1,484)**	(614)	**(2,170)**	(898)
Deferred tax (expense) recovery	**(304)**	55	**(201)**	106
	(1,788)	(559)	**(2,371)**	(792)
Net income (loss)	**$ 4,085**	$ (3,157)	**$ 6,716**	$ (3,204)
Earnings (loss) per Common Share attributable to common shareholders (note 14)				
Basic and diluted	**$ 0.08**	$ (0.07)	**$ 0.14**	$ (0.07)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

(in thousands of Canadian dollars)

	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Net income (loss)	**$ 4,085**	$ (3,157)	**$ 6,716**	$ (3,204)
Other comprehensive (loss) income				
Items that will be subsequently reclassified to net income (loss):				
Foreign exchange translation (loss) income from equity-accounted investments (net of tax) (note 5)	**-**	(173)	**89**	(183)
Cumulative loss arising on foreign exchange translation from equity-accounted investments reclassified to profit or loss	**(681)**	-	**(681)**	-
Total other comprehensive (loss) income	**(681)**	(173)	**(592)**	(183)
Comprehensive income (loss)	**$ 3,404**	$ (3,330)	**$ 6,124**	$ (3,387)

The accompanying notes form an integral part of these interim 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, 2023	$ 136,019	$ 11,783	$ 794	$ (116,638)	$ 31,958	$ 231	$ 32,189
Normal course issuer bid ("NCIB")	(230)	-	-	-	(230)	-	(230)
Net loss and comprehensive loss	-	-	(183)	(3,218)	(3,401)	14	(3,387)
Dividends declared	-	-	-	(2,899)	(2,899)	-	(2,899)
Balance at June 30, 2023	$ 135,789	$ 11,783	$ 611	$ (122,755)	$ 25,428	$ 245	$ 25,673
Balance at January 1, 2024	$ 135,710	$ 11,783	$ 592	$ (122,388)	$ 25,697	$ 252	$ 25,949
Net income and comprehensive loss	**-**	**-**	**(592)**	**6,660**	**6,068**	**56**	**6,124**
NCIB (note 10)	**(9)**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Change in Common Shares for RSU Plan (note 10)	**(290)**	**-**	**-**	**-**	**(290)**	**-**	**(290)**
Share-based payments expense (note 11)	**-**	**78**	**-**	**-**	**78**	**-**	**78**
Non-controlling interest on acquisition (note 4)	**-**	**-**	**-**	**-**	**-**	**967**	**967**
Dividends declared (note 10)	**-**	**-**	**-**	**(2,894)**	**(2,894)**	**-**	**(2,894)**
Balance at June 30, 2024	**$ 135,411**	**$ 11,861**	**$ -**	**$ (118,622)**	**$ 28,650**	**$ 1,275**	**$ 29,925**

(1) Accumulated other comprehensive (loss) income.

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

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

For the six months ended June 30,	2024	2023
Operating Activities		
Net income (loss)	$ 6,716	$ (3,204)
Items not affecting cash:		
Share-based payments expense (recovery) (note 11)	78	(321)
Depreciation and amortization	1,877	1,909
Amortization of debt issuance costs (note 13)	112	84
Amortization of franchise rights (note 6)	2,593	2,567
Finance expense on the Preferred Share liability (note 9)	2,514	7,111
Deferred tax expense (recovery)	201	(106)
Income from equity-accounted investments (note 5)	(317)	(348)
Non-cash impairment of equity-accounted investment (note 4)	198	-
Gain on sale of equity-accounted investment (note 4)	(681)	-
Interest on lease liabilities (note 13)	40	52
Other non-cash items	98	3,479
Changes in non-cash working deficit (note 15)	2,211	(6,813)
Cash provided by operating activities	15,640	4,410
Investing Activities		
Investment in intangible assets (note 6)	(4,997)	(9,055)
Proceeds on disposal of capital and intangible assets	-	59
Proceeds from the sale of equity-accounted investee (note 5)	3,710	-
Distributions from equity-accounted investees (note 5)	285	150
Investment in business acquisitions, net of cash acquired (note 4)	(979)	-
Cash used in investing activities	(1,981)	(8,846)
Financing Activities		
Proceeds from debt financing, net of transaction costs (note 8)	-	9,054
Repayment of debt (note 8)	(6,776)	(2,449)
NCIB share repurchase (note 10)	(9)	(230)
Shares purchased for RSU plan (note 10)	(290)	-
Lease payments	(226)	(316)
Dividends paid to common shareholders (note 10)	(2,894)	(2,899)
Dividends paid to Preferred Shareholders (note 9)	(3,697)	(3,360)
Cash used in financing activities	(13,892)	(200)
Decrease in cash	(233)	(4,636)
Cash, beginning of period	5,614	9,214
Cash, end of period	$ 5,381	$ 4,578
Cash flows include the following amounts:		
Interest paid	$ 1,315	$ 1,361
Interest received	$ 140	$ 69
Income taxes paid	$ 1,322	$ 818

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Dominion Lending Centres Inc. (the "Corporation") is a Canadian mortgage brokerage franchisor 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" or "DLCG") consists of the Corporation and its three main subsidiaries:

	Ownership interest	
	June 30, 2024	December 31, 2023
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton")	**100%**	100%

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 August 7, 2024.

3. MATERIAL ACCOUNTING POLICIES

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

Adoption of Classification of Liabilities as Current or Non-Current (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 an entity's liabilities as current or non-current should be based on rights which existed at the end of the reporting period, regardless of any expectations about whether or not the 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 adopted the amendment on the effective date of January 1, 2024. The adoption of the amendment did not have an effect on its classification of current and non-current liabilities within its consolidated statements of financial position.

(in thousands of Canadian dollars)

4. ACQUISITIONS

Broker Financial Group Inc.

On June 14, 2024, the Corporation acquired a 70% interest of the issued shares in Broker Financial Group Inc. ("BFG") for consideration of $3,000 cash and a $500 earn-out consideration. BFG has two wholly-owned subsidiaries, Real Mortgage Associates Inc. ("RMA") which is a mortgage brokerage and Broker One Inc. ("BOI") which is a mortgage brokerage network.

The $500 earn-out consideration is due any time prior to December 31, 2027 if BFG achieves certain funded mortgage volume targets. The $392 amount recognized as of the acquisition date represents the probability weighted present value of the earn-out payment. The range of outcomes is either $nil or $500, contingent on achieving funded mortgage volume targets.

The Corporation accounted for the acquisition of BFG as a business combination, following the acquisition method, whereby the assets acquired and liabilities assumed have been recognized at their estimated fair values. The purchase price allocation related to the acquisition is preliminary and may be subject to adjustments, which may be material, pending completion of final valuations including the allocation between goodwill and intangibles.

Details of the purchase consideration, net assets acquired, and goodwill are as follows:

Cash paid	$	3,000
Contingent consideration		392
Less: Call option		(74)
Total purchase consideration		3,318
Cash	$	1,815
Trade and other receivables		219
Prepaid expense and other assets		86
Intangible assets		3,190
Accounts payable and accrued liabilities		(1,768)
Contract liabilities		(282)
Deferred tax liabilities		(845)
Net identifiable assets acquired		2,415
Less: Non-controlling interest		(725)
Add: Goodwill		1,628
	$	3,318

The excess of the purchase price over the net tangible and identifiable assets acquired and liabilities assumed has been recorded as goodwill. Goodwill is attributable to BFG's broker network and market presence in the mortgage brokerage industry, along with expected revenue and cost synergies to arise as the result of the acquisition. Goodwill is not tax deductible.

The valuation techniques used for measuring the fair value of material assets acquired were the relief from royalty method for brand name intangibles and multi-period excess earnings method for broker network intangibles. The relief-from-royalty method values the intangible asset based on the present value of the after-tax royalty payments that are expected to be avoided as a result of the brand name being owned. The multi-period excess earnings method values the intangible asset based on the present value of incremental after-tax cash flows that are attributable only to the broker network after deducting any contributory asset charges.

The Corporation has the ability to purchase the non-controlling interest anytime after January 1, 2029 based on a set formula used to determine the transaction price. The call option was valued using an option pricing model with the key inputs being revenue, growth, margin, and market multiple.

From the date of acquisition, BFG contributed revenues of $53 and net income of $21 to the Corporation. If the acquisition occurred on January 1, 2024, consolidated revenues and consolidated net income for the period would have been $1,080 and $450 higher, respectively. This pro forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effective on the date indicated, or of future results.

(in thousands of Canadian dollars)

During the three months ended June 30, 2024, the Corporation also completed the acquisition of an immaterial investment that was accounted for as a business combination.

5. EQUITY-ACCOUNTED INVESTMENTS

Cape Communications International Ltd. ("Impact")

On April 25, 2024, the Corporation disposed of its 52% interest in Impact for cash proceeds of $3,710. The proceeds from sale were used to fully repay the Junior Credit Facility (see note 8).

The $681 cumulative loss arising on foreign exchange translation of Impact that was previously recognized in other comprehensive income (loss) was reclassified to income recognized as 'gain on sale of equity-accounted investments' on the closing date.

The Corporation previously entered into an agreement with a shareholder of Impact related to liquidation rights, and if a liquidation event were to occur, the Corporation had a possible commitment to pay $1,000 to this shareholder. As the liquidation rights clause was not in effect on the closing date, the $1,000 liability was reversed and recognised as 'other income' in the statement of income (loss).

The Corporation's investment in Impact was previously classified as 'held for sale'. A non-cash $38 recovery and $198 write-down was recognised during the three and six months ended June 30, 2024 to reduce the carrying amount of the investment to its fair value less costs to sell upon classifying Impact as held for sale.

The following tables summarise the financial information of Impact:

		December 31, 2023
Current assets	$	6,233
Non-current assets		3,106
Current liabilities		(1,042)
Non-current liabilities (including contributed surplus)		(1,163)
Net assets		7,134
% of ownership		52.0%
Corporation share of net assets	$	3,710

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Revenue	**$**	**816**	$	2,775	**$**	**3,624**	$	5,257
Expenses		**889**		2,599		**3,474**		5,058
(Loss) income before tax		**(73)**		176		**150**		199
Income tax (expense) recovery		**-**		(49)		**60**		80
Net (loss) income		**(73)**		127		**210**		279
% of ownership		**52.0%**		52.0%		**52.0%**		52.0%
Corporation share of net (loss) income	**$**	**(38)**	$	66	**$**	**109**	$	145

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Other comprehensive (loss) income	**$**	**-**	$	(333)	**$**	**172**	$	(352)
% of ownership		**52.0%**		52.0%		**52.0%**		52.0%
Corporation share of other comprehensive (loss) income	**$**	**-**	$	(173)	**$**	**89**	$	(183)

(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 is not significant, and ranges from 30%-50%. The Corporation is entitled to the net assets of these entities, and therefore, the joint control arrangements are considered joint ventures and are accounted for using the equity method.

During the three and six months ended June 30, 2024, the Corporation received distributions from its other joint arrangements of $100 and $285 (June 30, 2023—$150).

		June 30, 2024		December 31, 2023
Current assets	**$**	**1,404**	$	1,377
Non-current assets		**246**		162
Current liabilities		**(935)**		(540)
Non-current liabilities		**(25)**		(81)
Net assets		**690**		918
% of ownership		**30%-50%**		30%-50%
		311		390
Goodwill		**1,303**		1,303
Corporation share of net assets	**$**	**1,614**	$	1,691

	Three months ended June 30,				**Six months ended June 30,**			
		2024		2023		**2024**		2023
Revenue	**$**	**3,583**	$	1,820	**$**	**6,157**	$	3,684
Expenses		**3,785**		1,745		**5,808**		3,287
Net (loss) income		**(202)**		75		**349**		397
% of ownership		**30%-50%**		30%-50%		**30%-50%**		30%-50%
Corporation share of net (loss) income	**$**	**(71)**	$	51	**$**	**208**	$	203

6. INTANGIBLE ASSETS

		Franchise rights and broker network		Brand names		Software		Total intangible assets
Cost								
Balance at December 31, 2023	$	118,995	$	45,700	$	4,042	$	168,737
Additions (1)		**4,643**		-		-		**4,643**
Acquisitions		**2,020**		**1,380**		-		**3,400**
Disposals		**(15)**		-		-		**(15)**
Balance at June 30, 2024	**$**	**125,643**	**$**	**47,080**	**$**	**4,042**	**$**	**176,765**
Accumulated amortization								
Balance at December 31, 2023	$	(38,189)	$	-	$	(3,636)	$	(41,825)
Disposals		**13**		-		-		**13**
Amortization recognized as a charge against revenue		**(2,593)**		-		-		**(2,593)**
Amortization expense		**(1,557)**		-		**(82)**		**(1,639)**
Balance at June 30, 2024	**$**	**(42,326)**	**$**	**-**	**$**	**(3,718)**	**$**	**(46,044)**
Carrying value								
December 31, 2023	$	80,806	$	45,700	$	406	$	126,912
June 30, 2024	**$**	**83,317**	**$**	**47,080**	**$**	**324**	**$**	**130,721**

(1) Additions includes franchise rights, relationships, and agreements of $1,143 included within accrued liabilities as of June 30, 2024 (December 31, 2023 - $1,497).

(in thousands of Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2024		December 31, 2023
Accrued liabilities				
Commissions payable	$	**12,761**	$	9,548
Other accrued liabilities		**6,692**		6,521
		19,453		16,069
Trade payables		**1,823**		2,484
Government agencies payable		**1,035**		311
Other		**34**		291
	$	**22,345**	$	19,155

8. LOANS AND BORROWINGS

		June 30, 2024		December 31, 2023
Revolving Facility	$	**-**	$	-
Term Facility		**33,486**		36,062
Junior Credit Facility		**-**		4,200
		33,486		40,262
Debt issuance costs		**(240)**		(352)
Total loans and borrowings		**33,246**		39,910
Less: current portion		**(5,152)**		(5,902)
	$	**28,094**	$	34,008

The Corporation's loans and borrowings are composed of two senior credit facilities (collectively, the "Senior Credit Facilities") and a junior term credit facility (the "Junior Credit Facility"). The Senior Credit Facilities and the Junior Credit Facility all have a term of three years and mature on December 19, 2026.

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 a fixed charged coverage ratio greater than 1.10:1.00. At June 30, 2024, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charged coverage ratio were 0.86:1.00 and 2.24:1.00, respectively, and as such, the Corporation was in compliance with all such covenants.

Senior Credit Facilities

The Senior Credit Facilities provides the Corporation with a $15,000 revolving working capital credit line (the "Revolving Facility"), and a $36,062 term loan ("Term Facility"). As at June 30, 2024, $5,152 of the Senior Credit Facilities is classified as current (December 31, 2023 - $5,152).

Borrowings under the Senior Credit Facilities are composed of floating-rate advances or Term CORRA advances. Floating-rate advances bear interest at a rate equal to prime plus 0.00% to 0.50%. Term CORRA advances bear interest at a rate determined at the time of their renewal plus a credit fee of 1.75% to 2.25%.

Junior Credit Facility

On April 25, 2024, the Corporation disposed of its interest in Impact for cash proceeds of $3,710. The proceeds from sale were used to fully repay the Junior Credit Facility (see note 5).

9. PREFERRED SHARE LIABILITY

The Corporation is authorized to issue an unlimited number of non-voting, non-convertible series 1 class "B" preferred shares (the "Preferred Shares"). The Preferred Shares are not publicly traded. The Preferred Shares are a liability as the Corporation has an unavoidable obligation to pay dividends on the Preferred Shares 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 after spending what is required to maintain or expand the current asset base. 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 in Impact. The Preferred Shareholders are further entitled, in the event of a liquidation or windingup 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.

(in thousands of Canadian dollars)

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 (reflected as revaluation recovery or expense) 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. The revaluation recovery or expense and accretion expense are non-cash items, recognized on the condensed consolidated statements of income (loss) within finance expense on the Preferred Share liability.

The Corporation pays interim monthly cash dividends (“Interim Dividends”) to the Preferred Shareholders in an amount determined by the Board of the Corporation that represents a good-faith estimate of the monthly instalment of the Dividend Entitlement, which may be more or less than the actual Dividend Entitlement based on seasonality of cash flows. During the three and six months ended June 30, 2024, the Corporation paid Interim Dividends of $1,680 and $3,360 to the Preferred Shareholders, respectively (June 30, 2023—$1,680 and $3,360). The actual Dividend Entitlement attributable to Preferred Shareholders during the six months ended June 30, 2024 was $1,733 (June 30, 2023—$2,468). The overpayment will result in a $1,627 reduction of future dividends payable to Preferred Shareholders. This overpayment is included within the Preferred Share liability and is recognized as part of the revaluation recovery of the Preferred Share liability.

A summary of activity during the period is as follows:

	Number of Preferred Shares		Amount
Balance at December 31, 2023[(1)]	26,774,054	$	114,442
Dividends paid[(2)]	-		**(3,697)**
Finance expense on the Preferred Share liability	-		**2,514**
Balance at June 30, 2024[(1)]	**26,774,054**	**$**	**113,259**
Current		**$**	**7,740**
Non-Current		**$**	**105,519**

(1) Net of transaction costs.
(2) Includes $337 paid as a true-up of the Dividend Entitlement related to the December 31, 2023 year end.

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Accretion expense on the Preferred Share liability	**$**	**4,309**	$	4,213	**$**	**8,702**	$	8,386
Revaluation (recovery) expense of the Preferred Share liability		**(1,641)**		2,008		**(6,188)**		(1,275)
Finance expense on the Preferred Share liability	**$**	**2,668**	$	6,221	**$**	**2,514**	$	7,111

(in thousands of Canadian dollars)

10. SHARE CAPITAL

Authorized share capital

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

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

	Number of Common Shares		Amount
Balance at December 31, 2023	48,227,238	$	135,710
NCIB	(2,800)		**(9)**
Change in Common Shares for RSU Plan (note 11)	(80,900)		**(290)**
Balance at June 30, 2024	**48,143,538**	**$**	**135,411**

At June 30, 2024, 48,143,538 Common Shares were outstanding (December 31, 2023 – 48,227,238), net of 80,900 Common Shares held in trust under the RSU plan (December 31, 2023 – nil).

NCIB

The Corporation implemented a NCIB on May 25, 2023. The NCIB had a twelve-month duration commencing on May 29, 2023 and ending on the earlier of May 28, 2024 or the date on which the maximum number of Common Shares that could be acquired pursuant to the NCIB (being 1,000,000) were purchased. The NCIB expired on May 28, 2024 and was not renewed. During the three and six months ended June 30, 2024, the Corporation purchased 2,800 Common Shares under the NCIB.

Dividends

During the three and six months ended June 30, 2024, the Corporation declared a quarterly dividend of $0.03 and $0.06 per Common Share, respectively, resulting in dividend payments of $1,447 and $2,894, respectively (June 30, 2023—$1,448 and $2,899).

11. SHARE-BASED PAYMENTS

The Corporation recorded total share-based payment expense of $78 and $78 for the three and six months ended June 30, 2024, respectively (June 30, 2023—$225 and $321 recoveries). These amounts include share-based payment expense related to the Corporation's restricted share units ("RSUs"). The Corporation did not have any expenses related to the phantom share options ("PSOs") for the three and six months ended June 30, 2024 and 2023.

RSU plan

On April 15, 2024, the Corporation issued 417,000 Restricted Share Units ("RSUs") to corporate board members and certain executives. The RSUs vest on April 15, 2027. The RSUs were issued pursuant to a restricted share unit plan (the "RSU Plan") approved by the Board on March 19, 2024. The Corporation's RSU Plan provides RSUs to be settled on vesting in cash or by the delivery of Common Shares acquired in the market.

An independent trustee purchases Common Shares in the open market and holds such shares until completion of the vesting period. The Common Shares purchased on the open market are initially recorded as a reduction to Share Capital. The grant date fair value of RSUs is recognized over the vesting period as share-based compensation expense, with a corresponding increase to Contributed Surplus. Upon vesting of awards, the related Contributed Surplus is reclassified to Share Capital.

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

Outstanding RSUs, December 31, 2023	-
April 15, 2024 grant	417,000
Outstanding RSUs, June 30, 2024	**417,000**

(in thousands of Canadian dollars)

12. REVENUE

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Franchising revenue, mortgage brokerage services	**$ 13,217**	$ 11,974	**$ 23,307**	$ 21,443
Newton revenues	**4,847**	3,369	**8,127**	5,397
Brokering of mortgages	**724**	200	**990**	341
	$ 18,788	$ 15,543	**$ 32,424**	$ 27,181

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 lower revenues during the months of January through March.

The Corporation may incur franchise agreement expenses prior to or concurrent with entering into franchise agreements, including payments to the franchisees. 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 included in the above (gross of the amortization of franchise payments) is $19,861 and $34,741 for the three and six months ended June 30, 2024, respectively (June 30, 2023—$16,996 and $29,458).

13. FINANCE EXPENSE

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Interest expense on debt obligations	**$ 611**	$ 750	**$ 1,315**	$ 1,361
Interest on lease obligations	**20**	25	**40**	52
Amortization of debt issuance costs	**72**	44	**112**	84
	$ 703	$ 819	**$ 1,467**	$ 1,497

14. EARNINGS (LOSS) PER COMMON SHARE

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net income (loss) attributable to shareholders	**$ 4,033**	$ (3,161)	**$ 6,660**	$ (3,218)
Basic and diluted weighted average number of Common Shares	**48,199,790**	47,764,101	**48,213,514**	48,323,123
Basic earnings per share	**0.08**	(0.07)	**0.14**	(0.07)
Diluted earnings per share	**0.08**	(0.07)	**0.14**	(0.07)

As at June 30, 2024 and June 30, 2023, the Corporation does not have any dilutive securities.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the six months ended June 30,	**2024**	2023
Trade and other receivables	**$ 2,370**	$ 1,752
Prepaid expenses and deposits	**167**	1,387
Notes receivable	**(40)**	(391)
Accounts payable and accrued liabilities	**(205)**	(9,630)
Deferred contract liabilities	**(81)**	69
	$ 2,211	$ (6,813)

(in thousands of Canadian dollars)

16. 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 its risks and related exposures are consistent with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

The Corporation is exposed in varying degrees to a variety of risks from its use of financial instruments, which mainly include cash, 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.

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. The Corporation's market risk is composed primarily 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. 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 $88 and $186 decrease of income before tax for the three and six months ended June 30, 2024, respectively (June 30, 2023—$111 and $201 decrease).

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, notes receivable, and trade and other receivables.

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

The Corporation's primary source of credit risk, therefore, relates to the possibility of 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 June 30, 2024, $239 of trade receivables were greater than 90 days outstanding (December 31, 2023—$240), and the provision for total expected credit losses as at June 30, 2024 was $330 (December 31, 2023—$251). A decline in economic conditions, or other adverse conditions experienced by franchisees and agents, could impact the collectability of the Corporation's accounts receivable.

The Corporation also has a source of credit risk related to its 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 consolidated statements of financial position.

	June 30, 2024	December 31, 2023
Cash	**$ 5,381**	$ 5,614
Trade, other receivables, and other assets	**12,820**	14,446
Notes receivable	**1,042**	1,326
	$ 19,243	$ 21,386

(in thousands of Canadian dollars)

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.

As at June 30, 2024, 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	$ 22,345	$ 22,345	$ -	$ -
Lease obligations (1)	736	364	360	12
Loans and borrowings (2)	33,486	5,152	28,334	-
Preferred share liability (3)	113,546	7,740	39,358	66,448
Long-term liabilities	422	-	422	-
	$ 170,535	$ 35,601	$ 68,474	$ 66,460

(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, preferred share liability, and loans and borrowings, less cash. The following table summarizes the carrying value of the Corporation's capital at June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Loans and borrowings	**$ 33,246**	$ 39,910
Less: cash	**5,381**	5,614
Net loans and borrowings	**$ 27,865**	$ 34,296
Shareholders' equity	**$ 28,650**	$ 25,697
Preferred share liability	**$ 113,259**	$ 114,442

The Corporation's objectives when managing capital include maintaining an optimal capital base to support the capital requirements of the Corporation, including opportunities to grow the number of DLC Group franchises 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 June 30, 2024 (see note 8).