

Dominion Lending Centres Inc.

Q3 2024

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, 2024, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of November 5, 2024, in conjunction with the interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2024 ("interim financial statements"), and our 2023 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.sedarplus.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.

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, 2023.

On June 14, 2024, the Corporation acquired a 70% majority and voting interest of the issued shares in Broker Financial Group Inc. ("BFG") for consideration of \$3.0 million cash and a \$0.5 million earn-out consideration. BFG has two wholly-owned subsidiaries, Real Mortgage Associates Inc. which is a mortgage brokerage and Broker One Inc. which is a mortgage brokerage network. The results for BFG and its subsidiaries have been consolidated into the interim financial statements from the acquisition date.

Mortgage Brokerage Franchising (DLC, MA, and MCC)

The DLC Group is one of Canada's leading networks of mortgage professionals. The mortgage brokerage franchisor 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 8,500 agents and \$47.8 billion in mortgage origination during the nine months ended September 30, 2024 (\$62.0 billion for the trailing twelve months ended September 30, 2024 and \$56.5 billion for the year ended December 31, 2023). The business' 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 refinances and renewals, credit lines, and other borrowing needs. Mortgage professionals originate mortgages but do not themselves lend money. The Corporation's agent growth is achieved both organically and via ongoing recruiting efforts, with a strong pipeline for future growth opportunities.

Newton Connectivity Systems

Newton is a financial technology company which provides a secure all-in-one operating platform in Canada called Velocity. Velocity connects mortgage brokers to lenders and various third parties. It provides end-to-end services to automate the entire mortgage application, approval, underwriting, and funding process, along with additional services to assist brokers with the management of their daily operations and access to data resources.

The operating platform provides services through various lender- and broker-facing products. Lender-facing products provide encrypted exchange networks to connect brokers with lenders and third parties. These include web-based services connecting brokers on Velocity to lenders and third-party suppliers, which allow for direct and secure submission of mortgage applications and supporting documents to lenders, and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker-facing products provide deal-management tools and services, including the ability to automatically manage the brokers' revenue and distributions through Velocity, with additional services to match lender-verified products to a client's criteria, and automation of the payroll process. Further, Newton provides services to third-party users through the Velocity platform, ranging from consumer credit reports to borrower banking information.

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 within the Non-IFRS Financial Performance Measures section of this MD&A. 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 2024 FINANCIAL RESULTS

(in thousands, except per share and KPIs)	Three months ended Sept. 30,			Nine months ended Sept. 30,		
	2024	2023	Change	2024	2023	Change
Revenues	\$ 22,073	\$ 19,578	13%	\$ 54,497	\$ 46,759	17%
Income from operations	10,215	8,879	15%	21,063	14,397	46%
Adjusted EBITDA ⁽¹⁾	12,218	10,116	21%	25,746	17,913	44%
Adjusted EBITDA margin	55%	52%	3%	47%	38%	9%
Free cash flow attributable to common shareholders ⁽¹⁾	5,609	4,607	22%	10,529	5,424	94%
Net income ⁽²⁾	5,271	5,271	-	11,987	2,067	480%
Adjusted net income ⁽¹⁾	3,754	3,115	21%	7,792	4,973	57%
Diluted earnings per Common Share ⁽²⁾	0.11	0.11	-	0.25	0.04	525%
Adjusted diluted earnings per Common Share ⁽¹⁾	0.08	0.06	33%	0.16	0.10	60%
Dividends declared per share	\$ 0.03	\$ 0.03	-	\$ 0.09	\$ 0.09	-
Funded mortgage volumes ⁽³⁾	19.7	17.7	11%	47.8	42.3	13%
Number of franchises ⁽⁴⁾	521	526	(1%)	521	526	(1%)
Number of brokers ⁽⁴⁾	8,784	8,081	9%	8,784	8,081	9%
% of DLCG funded mortgage volumes submitted through Velocity	73%	64%	9%	72%	63%	9%

(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, 2024 includes \$2.0 million and \$4.5 million of non-cash finance expense on the Preferred Share liability (September 30, 2023 – \$0.9 million and \$8.0 million expense). 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.

(3) Funded mortgage volumes are presented in billions.

(4) The number of franchises and brokers are as at the respective period end date (not in thousands).

The following are included in the above income from operations:

(in thousands)	Three months ended Sept. 30,			Nine months ended Sept. 30,		
	2024	2023	Change	2024	2023	Change
Direct costs	\$ 2,666	\$ 2,230	20%	\$ 7,290	\$ 7,175	2%
General and administrative expenses	7,622	7,542	1%	22,619	22,672	-
Share-based payments expense (recovery)	453	(12)	NMF ⁽¹⁾	531	(333)	NMF ⁽¹⁾
Depreciation and amortization	1,117	939	19%	2,994	2,848	5%
Operating expenses	\$ 11,858	\$ 10,699	11%	\$ 33,434	\$ 32,362	3%

(1) The percentage change is not a meaningful figure.

Other (expense) income, included in net income includes:

(in thousands)	Three months ended Sept. 30,			Nine months ended Sept. 30,		
	2024	2023	Change	2024	2023	Change
Finance expense	\$ (605)	\$ (832)	27%	\$ (2,072)	\$ (2,329)	11%
Finance expense on the Preferred Share liability	(2,025)	(880)	(130%)	(4,539)	(7,991)	43%
Income from equity-accounted investments	10	146	(93%)	327	494	(34%)
Gain on disposal of an equity-accounted investment	-	-	-	681	-	-
Non-cash impairment of an equity-accounted investment	-	-	-	(198)	-	-
Other income	331	132	151%	1,751	462	279%
Other expense, net	\$ (2,289)	\$ (1,434)	(60%)	\$ (4,050)	\$ (9,364)	57%

During the three and nine months ended September 30, 2024, the Corporation saw an increase in revenues over the three and nine months ended September 30, 2023 from higher Newton revenues, primarily due to an increase in Velocity adoption and lender contract renewals. In addition, revenue increased from an increase in mortgage brokers under a DLC corporately-owned franchise, contributing to higher revenues from brokering of mortgages. Further, our funded mortgage volumes increased during the three and nine month periods when compared to 2023's equivalent periods, which contributed to increased revenues during those periods.

As the Corporation's operating expenses are largely fixed in nature and are not necessarily proportionate to changes in revenues, changes in the Corporation's revenues have a more pronounced impact on adjusted net income, adjusted EBITDA, and adjusted EBITDA margins. As such, these metrics have increased, with higher revenues during the three and nine months ended September 30, 2024 when compared to the three and nine months ended September 30, 2023.

Income from operations increased from higher revenues, but were partly offset by an increase in operating expenses during the three and nine months ended September 30, 2024 when compared to the three and nine months ended September 30, 2023. The increase in operating expenses is primarily from an increase in direct costs from higher franchise recruiting and support costs.

Net income increased during the nine months ended September 30, 2024, and was consistent for the three months ended September 30, 2024, compared to the prior year periods. The increase during the nine-month period is primarily from higher revenues and lower other expenses. Other expenses decreased during the nine months ended September 30, 2024, primarily from period-over-period variances in finance expense on the Preferred Share liability (refer to Preferred Shares section), finance expense, gain on disposal of an equity-accounted investment, and other income. During the three months ended September 30, 2024, higher revenue was partly offset by higher operating expenses and higher other expenses. Other expenses increased during the three months ended September 30, 2024, primarily from period-over-period variances in finance expense on the Preferred Share liability (refer to Preferred Shares section).

On April 25, 2024, the Corporation disposed of its 52% interest in Cape Communications International Inc. (operating as "Impact") for cash proceeds of \$3.7 million. The proceeds from sale were used to fully repay the Junior Credit Facility. The \$0.7 million gain on disposal of an equity-accounted investment for the nine months ended September 30, 2024 relates to cumulative amounts arising on foreign exchange translation of Impact that were previously recognized in other comprehensive income (loss) and were reclassified to income on the sale of Impact. Other income for the nine months ended September 30, 2024 includes \$1.0 million related to reversal of the liquidation rights liability on the sale of Impact (refer to Related Party section).

Free cash flow increased during the three months ended September 30, 2024, primarily from higher adjusted cash flows from operations from higher income from operations, and were partly offset by higher maintenance CAPEX. Free cash flow increased during the nine ended September 30, 2024, primarily from higher adjusted cash flows from operations from higher income from operations, and lower maintenance CAPEX.

SUMMARY OF QUARTERLY RESULTS

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

<i>(in thousands except per share amounts)</i>	Sept. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022
Funded mortgage volumes ⁽¹⁾	19.7	16.9	11.2	14.2	17.7	14.8	9.8	14.0
Revenues	\$22,073	\$18,788	\$13,636	\$15,758	\$19,578	\$15,543	\$11,638	\$13,934
Income from operations	10,215	7,380	3,468	3,914	8,879	4,188	1,330	1,554
Adjusted EBITDA ⁽²⁾	12,218	8,532	4,996	6,507	10,116	5,158	2,639	3,031
Net income (loss) ⁽³⁾	5,271	4,085	2,631	(2,003)	5,271	(3,157)	(47)	(1,314)
Adjusted net income (loss) ⁽²⁾	3,754	2,599	1,439	1,775	3,115	1,660	198	(175)
Net income (loss) attributable to:								
Common shareholders ⁽³⁾	5,190	4,033	2,627	(2,008)	5,269	(3,161)	(57)	(1,327)
Non-controlling interests	81	52	4	5	2	4	10	13
Adjusted net income (loss) attributable to: ⁽²⁾								
Common shareholders	3,673	2,547	1,435	1,770	3,113	1,656	188	(188)
Non-controlling interests	81	52	4	5	2	4	10	13
Net earnings (loss) per Common Share:								
Basic	0.11	0.08	0.05	(0.04)	0.11	(0.07)	(0.00)	(0.03)
Diluted	0.11	0.08	0.05	(0.04)	0.11	(0.07)	(0.00)	(0.03)
Adjusted net earnings (loss) per Common Share: ⁽²⁾								
Diluted	0.08	\$0.05	\$0.03	\$0.04	\$0.06	\$0.03	\$0.00	\$(0.00)

(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 months ended September 30, 2024 includes \$2.0 million of non-cash finance expense on the Preferred Share liability (three months ended June 30, 2024 includes \$2.7 million expense and three months ended March 31, 2024 includes \$0.2 million recovery). 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. For the three months ended September 30, 2024, revenues increased compared to the same prior year period due to an increase in funded mortgage volumes and higher Newton revenue. Revenue increased compared to the three months ended June 30, 2024 primarily due to seasonality of higher funded mortgage volumes from July through September.

Income from operations and adjusted net income for the three months ended September 30, 2024 increased over the three months ended June 30, 2024, primarily due to an increase in revenues, partly offset by higher operating expenses. Net income increased compared to the three months ended June 30, 2024, primarily due to higher revenues, and lower finance expense on Preferred Share liability (\$2.0 million during this quarter compared to \$2.7 million for the previous quarter), partly offset by higher operating expenses and lower other income. Other income for the three months ended June 30, 2024 includes \$1.0 million related to reversal of the liquidation rights liability on the sale of Impact (refer to Related Party section).

DOMINION LENDING CENTRES INC.
Third Quarter 2024

OUTLOOK

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

On October 2, 2024, the Corporation entered into an acquisition agreement with KayMaur Holdings Ltd. ("KayMaur") and certain minority shareholders to acquire ("Proposed Acquisition") all of the issued and outstanding Preferred Shares in exchange for consideration of \$137 million as follows: 30,500,000 Common Shares (having a 20 day volume weighted average price of \$4.00 per share on the date of announcement) and an aggregate cash payment of \$15 million.

The Proposed Acquisition, if completed, would be a related-party transaction as Gary Mauris and Chris Kayat are both officers and directors of the Corporation, indirectly own and control KayMaur, and also beneficially own, or exercise control or direction over, directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Corporation. Upon completion of the Proposed Acquisition, the Corporation intends to cancel the Preferred Shares and amend the articles of incorporation to remove the Preferred Shares as a class and series of shares available for issuance by the Corporation.

The Proposed Acquisition is subject to a number of conditions, including approval by the Exchange and approval by shareholders of the Corporation. If such conditions are met, the Corporation anticipates closing to occur at or near the end of 2024. For more information regarding the Proposed Acquisition, refer to the Information Circular dated October 25, 2024 filed on SEDAR+ at www.sedarplus.com.

Further, if the Proposed Acquisition closes, we anticipate recognizing an expense of approximately \$23.4 million on the closing date (subject to changes based on the share price on closing) based on the difference between the amortized cost book value of the Preferred Shares liability and the fair value of consideration transferred.

For the remainder of 2024, we continue to focus on recruitment and retention of franchises and brokers and onboarding of brokers onto our connectivity platform 'Velocity'. 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 DLCC mortgages from applications submitted through Velocity of 72% for the nine months ended September 30, 2024 when compared to 63% for the nine months ended September 30, 2023 and 63% for the year ended December 31, 2023.

Adjusted EBITDA margins have increased during the three and nine months ended September 30, 2024 when compared to the previous year periods because the Corporation's general and administrative expenses are relatively fixed and independent of movements in revenues. As a result, an increase in revenues results in growth in adjusted EBITDA margins. Management anticipates that adjusted EBITDA margins will continue to improve as revenues improve.

On April 15, 2024, the Corporation issued 421,444 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 RSU Plan provides RSUs to be settled on vesting in cash or by the delivery of Common Shares acquired in the market. The RSUs granted to the board members and certain executives were issued in consideration for a reduction in their fixed salaries and as a substitution for a portion of their cash bonuses. As a result, it is expected that the Corporation will have an offsetting decrease in general and administrative expenses going forward.

During the nine months ended September 30, 2024, the Corporation declared and paid cash dividends of \$0.09 per Common Share resulting in a dividend payment of \$4.3 million (September 30, 2023 – \$0.09 per Common Share for a total of \$4.3 million). The Corporation expects that it will continue to pay a quarterly dividend.

LIQUIDITY AND CAPITAL RESOURCES

BALANCE SHEET SUMMARY

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

<i>(in thousands, except shares outstanding)</i>	As at	
	September 30, 2024	December 31, 2023
Cash	\$ 9,876	\$ 5,614
Working capital deficiency	(13,112)	(10,616)
Total assets	224,328	218,107
Total loans and borrowings ⁽¹⁾	31,982	39,910
Total non-current liabilities	149,697	158,926
Total Preferred Share liability ⁽¹⁾	113,604	114,442
Shareholders' equity	32,212	25,697
Common Shares outstanding	48,224,438	48,227,238
Preferred Shares outstanding	26,774,054	26,774,054

(1) Net of debt issuance and transaction costs.

LIQUIDITY

<i>(in thousands, except shares outstanding)</i>	As at	
	September 30, 2024	December 31, 2023
Cash	\$ 9,876	\$ 5,614
Trade and other receivables	14,806	14,343
Prepaid expenses and deposits	2,526	2,003
Notes receivable	592	656
Accounts payable and accrued liabilities	(25,119)	(19,155)
Loans and borrowing ⁽¹⁾	(5,152)	(5,902)
Deferred contract liability ⁽¹⁾	(638)	(620)
Lease obligation ⁽¹⁾	(405)	(373)
Preferred Share liability ⁽¹⁾	(9,598)	(7,182)
Working capital deficiency	\$ (13,112)	\$ (10,616)

(1) Current portion.

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 recruiting opportunities, and drive organic revenue growth to increase free cash flow.

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, recruiting and support costs, 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.

The increase in working capital deficit from the comparative period is primarily due to utilizing cash to invest in intangible assets and business acquisitions. In addition, accounts payable increased due to timing of payments and Preferred Share liability increased due to higher expected future cash flows. 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 believes 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 of 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.

As at September 30, 2024, 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 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:

<i>(in thousands)</i>	Nine months ended September 30,	
	2024	2023
Cash provided by operating activities	\$ 26,929	\$ 13,653
Cash used in investing activities	(3,677)	(10,393)
Cash used in financing activities	(18,990)	(4,653)
Increase (decrease) in cash	4,262	(1,393)
Cash, beginning of period	5,614	9,214
Cash, end of period	\$ 9,876	\$ 7,821

Operating activities

<i>(in thousands)</i>	Nine months ended September 30,	
	2024	2023
Cash flow provided by operating activities	\$ 26,929	\$ 13,653
Changes in non-cash working capital and other non-cash items	(2,929)	2,952
Cash provided by operations, excluding changes in non-cash working capital and other non-cash items	\$ 24,000	\$ 16,605

Cash from operating activities, excluding non-working capital and other non-cash items, increased during the nine months ended September 30, 2024 when compared to the prior year period, primarily from an increase in income from operations from higher revenues driven by the increase in funded mortgage volumes and higher Newton revenue.

Investing activities

The cash used in investing activities for the nine months ended September 30, 2024 consisted primarily of investments in intangible assets of \$6.2 million, investments in business acquisitions of \$1.0 million (net of cash acquired), contributions to equity-accounted investments of \$0.5 million, partly offset by proceeds on sale of Impact of \$3.7 million and distributions from equity-accounted investments of \$0.3 million.

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 partly offset by distributions from equity-accounted investments of \$0.3 million and proceeds on the disposal of intangible assets of \$0.1 million.

Financing activities

Cash used in financing activities for the nine months ended September 30, 2024 consisted primarily of dividends paid to the Preferred Shareholders of \$5.4 million, dividends paid to common shareholders of \$4.3 million, repayments on debt of \$8.1 million, lease payments of \$0.3 million, and Common Shares purchased for the RSU Plan of \$0.9 million.

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.

CAPITAL RESOURCES

Our capital structure is composed of total shareholders' equity, the Preferred Share liability, and loans and borrowings, less cash. The following table summarizes our capital structure as at September 30, 2024 and December 31, 2023.

(in thousands)	As at	
	September 30, 2024	December 31, 2023
Loans and borrowings, net of debt issuance costs	\$ 31,982	\$ 39,910
Less: cash	9,876	5,614
Net loans and borrowings	\$ 22,106	\$ 34,296
Shareholders' equity	\$ 32,212	\$ 25,697
Preferred Share liability	\$ 113,604	\$ 114,442

Loans and borrowings

(in thousands)	As at	
	September 30, 2024	December 31, 2023
Revolving Facility	\$ -	\$ -
Term Facility	32,198	36,062
Junior Credit Facility	-	4,200
	32,198	40,262
Debt issuance costs	(216)	(352)
Total loans and borrowings	\$ 31,982	\$ 39,910

The Corporation's loans and borrowings are composed of two senior credit facilities (collectively, the "Senior Credit Facilities") and previously a junior term credit facility (the "Junior Credit Facility"). The Senior Credit Facilities have a term of three years and mature on December 19, 2026. The Junior Credit Facility was extinguished prior to maturity upon repayment earlier in 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 a fixed charge coverage ratio greater than 1.10:1.00. At September 30, 2024, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charge coverage ratio were 0.70:1.00 and 2.40:1.00, 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 \$15.0 million revolving working capital credit line (the "Revolving Facility") and a \$36.1 million term loan ("Term Facility"). As at September 30, 2024, \$5.2 million of the Senior Credit Facilities is classified as current (December 31, 2023 - \$5.2 million).

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 \$3.7 million. The proceeds from sale were used to fully repay the Junior Credit Facility.

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 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 winding-up of the Corporation's assets and property, or the sale of the Core Business Operations, to receive the amount equal to any accrued but unpaid Dividend Entitlement plus an amount equal to 40% of the net proceeds of any liquidation event of the sale of the Core Business Operations.

The Preferred 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 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 nine months ended September 30, 2024, the Corporation paid Interim Dividends of \$1.7 million and \$5.0 million to the Preferred Shareholders, respectively (September 30, 2023—\$1.1 million and \$4.5 million). The actual Dividend Entitlement attributable to Preferred Shareholders during the nine months ended September 30, 2024 was \$4.8 million (September 30, 2023 - \$4.9 million). The overpayment will result in a \$0.2 million 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 in the period is as follows:

	Number of Preferred Shares	Amount (in thousands)
Balance at December 31, 2023 ⁽¹⁾	26,774,054	\$ 114,442
Dividends paid ⁽²⁾	-	(5,377)
Finance expense on the Preferred Share liability	-	4,539
Balance at September 30, 2024 ⁽¹⁾	26,774,054	\$ 113,604

(1) Net of transaction costs.

(2) Includes \$0.3 million paid as a true-up of the Dividend Entitlement related to the December 31, 2023 year end.

(in thousands)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Accretion expense on the Preferred Share liability	\$ 4,395	\$ 4,422	\$ 13,097	\$ 12,808
Revaluation recovery on the Preferred Share liability	(2,370)	(3,542)	(8,558)	(4,817)
Finance expense on the Preferred Share liability	\$ 2,025	\$ 880	\$ 4,539	\$ 7,991

During the three and nine months ended September 30, 2024, the Corporation recognized a revaluation recovery due to changes in our estimated future Dividend Entitlement, largely based on current market conditions and changes related to business acquisitions.

SHARE CAPITAL

As of November 5, 2024 and September 30, 2024, the Corporation had 48,244,238 Common Shares outstanding and 26,774,054 Preferred Shares outstanding (December 31, 2023—26,774,054). As of November 5, 2024 and September 30, 2024 the Corporation had 47,975,980 and 47,990,038 Common Shares, net of 248,458 and 234,400 Common Shares held in trust under the RSU Plan, respectively (December 31, 2023—48,227,238)

RSU plan

On April 15, 2024, the Corporation issued 421,444 RSUs to corporate board members and certain executives. The RSUs vest on April 15, 2027. The RSUs were issued pursuant to 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 in 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.

Normal-course issuer bid

The Corporation implemented a NCIB on May 25, 2023. The NCIB had a twelve-month duration commencing on May 29, 2023 and ending on May 28, 2024. Under the NCIB, the Corporation was allowed to purchase up to 1,000,000 Common Shares, representing approximately 2% of the issued and outstanding Common Shares as at May 23, 2023. The NCIB expired on May 28, 2024 and was not renewed. 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. During the nine months ended September 30, 2024, the Corporation made \$9 thousand purchases under the NCIB.

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 7, 8, 9, and 16 of the 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	\$	25,119	\$ -	\$ -	\$ -	25,119
Loans and borrowings ⁽¹⁾		5,152	27,046	-	-	32,198
Long-term accrued liabilities		-	490	-	135	625
Leases ⁽²⁾		312	209	94	3	618
Preferred Share liability ⁽³⁾		9,598	21,380	17,860	65,053	113,891
	\$	40,181	\$ 49,125	\$ 17,954	\$ 65,191	172,451

(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. 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, 2024 or November 5, 2024.

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.

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 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. 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 had a \$0.1 million decrease and \$0.3 million decrease of income before tax for the three and nine months ended September 30, 2024 (September 30, 2023—\$0.1 million and \$0.3 million decrease of income before tax).

CREDIT RISK

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is mainly attributable to its cash, 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 September 30, 2024, \$0.3 million of our trade receivables were greater than 90 days outstanding (December 31, 2023—\$0.3 million), and the provision for total expected credit losses as at September 30, 2024 was \$0.3 million (December 31, 2023—\$0.2 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, 2024	December 31, 2023
Cash and cash equivalents	\$ 9,876	\$ 5,614
Trade and other receivables	14,953	14,446
Notes receivable	884	1,326
	\$ 25,713	\$ 21,386

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 2023 Annual MD&A and our 2023 Annual Information Form dated March 19, 2024.

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 spaces from related companies 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, 2024, the total costs incurred under these leases were \$0.1 million and \$0.3 million, respectively (September 30, 2023—\$0.1 million and \$0.3 million). The lease terms mature 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, 2024, the total costs incurred under this lease was \$21 thousand and \$63 thousand, respectively (September 30, 2023—\$21 thousand and \$63 thousand). The lease term matures in 2025.

The expenses related to these leases are recorded in finance expense, 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, 2024 were \$0.2 million and \$0.7 million, respectively (September 30, 2023—\$0.2 million and \$0.7 million).

Other

The Corporation had an agreement with a shareholder of Impact (Keith Kostek). The agreement was related to liquidation rights, and if a liquidation event occurs, the Corporation had a possible commitment to pay \$1.0 million to this shareholder. As discussed in the Outlook section, on April 25, 2024 the Corporation sold its investment in Impact. As the liquidation rights clause was not in effect on the closing date, the related liability of \$1.0 million was reversed and recognized as 'other income' in the condensed consolidated statement of income.

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 estimate is 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, 2023, as filed on SEDAR+ at www.sedarplus.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, 2023.

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2023.

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 2024 outlook and strategic objectives;

- Our expectation that the Proposed Acquisition closes at or near the end of 2024, if the conditions for the Proposed Acquisition are met;
- Our expectation to recognise an expense of approximately \$23.4 million (subject to changes based on the share price on closing) if the conditions for the Proposed Acquisition are met and the Proposed Acquisition closes at or near the end of 2024;
- Our business plan and growth strategy;
- Adding additional DLC Group franchises through recruiting activities;
- Newton growing its submission volumes through Velocity, extending Velocity's delivery channels, and increasing its number of third-party users;
- Our expectation that our adjusted EBITDA margins will continue to improve throughout fiscal 2024, if revenues increase;
- Our expectation that the RSU grant will result in a decrease in general and administrative expenses going forward;
- Our expectation that the Corporation will continue to pay a quarterly dividend to common shareholders; 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;
- 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;
- Changes in demand for the Corporation's products;
- Our ability to realize the expected benefits of our sale of 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, maintaining, and evaluating disclosure controls and procedures ("DC&P") and internal controls over financial 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 nine months ended September 30, 2024, there have not been any changes in the Corporation's ICFR that have materially affected or are 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 which 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 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:

(in thousands)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Income before income tax	\$ 7,926	\$ 7,445	\$ 17,013	\$ 5,033
Add back:				
Depreciation and amortization	1,117	939	2,994	2,848
Finance expense	605	832	2,072	2,329
Finance expense on the Preferred Share liability	2,025	880	4,539	7,991
	11,673	10,096	26,618	18,201
Adjustments:				
Share-based payments expense (recovery)	453	(12)	531	(333)
Promissory note income	(21)	(40)	(78)	(116)
Foreign exchange loss	3	6	26	26
Loss on contract settlement	16	(10)	36	58
Gain on disposal of equity-accounted investment	-	-	(681)	-
Non-cash impairment of equity-accounted investments	-	-	198	-
Other expense (income) ⁽¹⁾	94	76	(904)	77
Adjusted EBITDA ⁽²⁾	\$ 12,218	\$ 10,116	\$ 25,746	\$ 17,913

(1) Other (income) expense for the three and nine months ended September 30, 2024 relates to the reversal of the liquidation rights liability on the sale of Impact (see the Related Party Transactions section of this document) and costs associated with the Proposed Acquisition. Other (income) expense for the three and nine months ended September 30, 2023 relates to a loss on the disposal of an intangible asset.

(2) Amortization of franchise rights and relationships of \$1.3 million and \$3.9 million for the three and nine months ended September 30, 2024, respectively (September 30, 2023 – \$1.1 million and \$3.7 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 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 which 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:

(in thousands)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Cash flow from operating activities	\$ 11,289	\$ 9,243	\$ 26,929	\$ 13,653
Changes in non-cash working capital and other non-cash items	(620)	(382)	(2,929)	2,952
Cash provided from operations excluding changes in non-cash working capital and other non-cash items	10,669	8,861	24,000	16,605
Adjustments:				
Distributions from equity-accounted investees	-	125	285	275
Maintenance CAPEX	(886)	(630)	(4,349)	(6,039)
Lease payments	(117)	(160)	(343)	(476)
Loss on contract settlement	16	(10)	36	58
Share-based payments	68	-	68	-
NCI portion of cash provided from operations excluding changes in non-cash working capital	(242)	-	(311)	-
Other non-cash items ⁽¹⁾	76	-	(956)	1
Free cash flow attributable to Preferred Shareholders ⁽²⁾	9,584	8,186	18,430	10,424
	(3,975)	(3,579)	(7,901)	(5,000)
Free cash flow attributable to common shareholders	\$ 5,609	\$ 4,607	\$ 10,529	\$ 5,424

(1) Other non-cash items for the three and nine months ended September 30, 2024 represent foreign exchange losses and promissory note income. The three and nine months ended September 30, 2023 includes losses on disposal of an intangible asset.

(2) 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:

(in thousands)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Net income	\$ 5,271	\$ 5,271	\$ 11,987	\$ 2,067
Adjustments:				
Gain on sale of an equity-accounted investment	-	-	(681)	-
Non-cash impairment of equity-accounted investments	-	-	198	-
Foreign exchange loss	3	6	26	26
Finance expense on the Preferred Share liability ⁽¹⁾	2,025	880	4,539	7,991
Loss on contract settlement	16	(10)	36	58
Promissory note interest income	(21)	(40)	(78)	(116)
Other expense (income) ⁽²⁾	94	76	(904)	77
Income tax effects of adjusting items	(25)	(1)	(29)	(4)
	7,363	6,182	15,094	10,099
Income attributable to Preferred Shareholders ⁽³⁾	(3,609)	(3,067)	(7,302)	(5,126)
Adjusted net income	3,754	3,115	7,792	4,973
Adjusted net income attributable to common shareholders	3,673	3,113	7,655	4,957
Adjusted net income attributable to non-controlling interest	81	2	137	16
Diluted adjusted earnings per Common Share	\$ 0.08	\$ 0.06	\$ 0.16	\$ 0.10

(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 (income) for the three and nine months ended September 30, 2024 relates to the reversal of the liquidation rights liability on the sale of Impact (see the Related Party Transactions section of this document) and costs associated with the Proposed Acquisition. Other expense for the three and nine months ended September 30, 2023 relates to a loss on the disposal of intangible assets.

(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).