Dominion Lending Centres Inc.

Audited Consolidated Financial Statements

For the years ended December 31, 2024
& December 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dominion Lending Centres Inc.

Opinion

We have audited the consolidated financial statements of Dominion Lending Centres Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of (loss) income, consolidated statements of comprehensive loss, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Acquisition of Broker Financial Group Inc. ("BFG")	
As disclosed in Note 4 *Acquisitions*, the Corporation acquired a 70% interest in the issued shares in Broker Financial Group Inc. ("BFG"), including its two wholly-owned subsidiaries, for consideration of $3,000 thousand cash and a $500 thousand earn-out. The Corporation accounted for the acquisition of BFG as a business combination, following the acquisition method. Refer to Note 3 *Material Accounting Policies* for further details regarding the Corporation's accounting policies relevant to business combinations. The purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of acquisition, with the excess of the purchase price amount allocated to	To test the estimated fair value of the intangible assets acquired, we performed the following procedures, among others: • Read the purchase agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations. • Involved our internal valuations specialists to assess the appropriateness of management's selected valuation methods and discount rates. • Evaluated the reasonableness of significant assumptions and estimates used by management, including revenue growth rates, future operating cost estimates and

goodwill. Intangible assets, mainly consisting of a broker network and brand name, were identified and evaluated using a 'multi-period excess earnings' method and a 'relief from royalty' method, respectively. This required management to make significant estimates and assumptions related to revenue growth rates, future operating costs, broker attrition rates and discount rates. Given the significant judgments made by management to estimate the fair value of these intangible assets, performing audit procedures to evaluate the reasonableness of the estimates and assumptions related to the forecasts of revenue growth rates, future operating costs, broker attrition rates and discount rates required a high degree of auditor judgment and an increased extent of effort, including the need to involve our valuation specialists.	broker attrition by considering the past performance of the acquired business, and comparing financial projections to actual results as well as industry data. • Performed sensitivity analyses of significant assumptions to evaluate the changes in fair value of the intangible assets that would result from changes in the assumptions. • Evaluated the adequacy of the business combinations note disclosure included in Note 4 of the accompanying financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jeffrey Curtis Hodl.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Alberta
March 27, 2025

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

	As at December 31, 2024	As at December 31, 2023
Assets		
Current assets		
Cash	**$ 4,732**	$ 5,614
Trade and other receivables (note 5)	**17,177**	14,999
Prepaid expenses and deposits	**2,267**	2,003
Total current assets	**24,176**	22,616
Non-current assets		
Trade receivables, other receivables, and other assets (note 5)	**676**	773
Investments	**246**	246
Equity-accounted investments (note 6)	**2,048**	5,401
Right-of-use and capital assets (note 7)	**1,315**	1,722
Intangible assets (note 8)	**128,270**	126,912
Goodwill (note 8)	**62,159**	60,437
Total assets	**$ 218,890**	$ 218,107
Liabilities and Equity		
Current liabilities		
Bank indebtedness (note 12)	**$ 5,176**	$ -
Accounts payable and accrued liabilities (note 9)	**29,522**	19,155
Loans and borrowings (note 12)	**5,152**	5,902
Deferred contract liabilities (note 10)	**551**	620
Lease obligations (note 13)	**378**	373
Preferred Share liability (note 14)	**-**	7,182
Total current liabilities	**40,779**	33,232
Non-current liabilities		
Loans and borrowings (note 12)	**25,566**	34,008
Deferred contract liabilities (note 10)	**132**	148
Other long-term liabilities (note 11)	**554**	1,020
Lease obligations (note 13)	**1,069**	1,380
Deferred tax liabilities (note 20)	**17,085**	15,110
Preferred Share liability (note 14)	**-**	107,260
Total liabilities	**85,185**	192,158
Equity		
Share capital (note 15)	**375,093**	135,710
Contributed surplus	**12,337**	11,783
Accumulated other comprehensive income	**-**	592
Deficit	**(255,290)**	(122,388)
Total equity attributable to shareholders	**132,140**	25,697
Non-controlling interest	**1,565**	252
Total liabilities and equity	**$ 218,890**	$ 218,107

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

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

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

For the years ended December 31,		**2024**		2023
Revenue (note 17)	**$**	**76,753**	$	62,517
Direct costs		**10,821**		10,429
Gross profit		**65,932**		52,088
General and administrative expenses (note 18)		**31,549**		30,060
Share-based payments expense (recovery) (note 16)		**807**		(70)
Depreciation and amortization (notes 7 and 8)		**4,060**		3,787
		36,416		33,777
Income from operations	**$**	**29,516**	$	18,311
Other (expense) income				
Finance expense (note 19)		**(2,624)**		(3,149)
Finance expense on the Preferred Share liability (note 14)		**(149,042)**		(9,922)
Income from equity-accounted investments (note 6)		**251**		1,611
Gain on sale of equity-accounted investment (note 6)		**697**		-
Non-cash impairment of equity-accounted investments (note 6)		**(198)**		(3,466)
Other income		**2,111**		802
		(148,805)		(14,124)
(Loss) income before tax	**$**	**(119,289)**	$	4,187
Income tax expense (note 20)				
Current tax expense		**(6,583)**		(3,350)
Deferred tax expense		**(896)**		(773)
		(7,479)		(4,123)
Net (loss) income	**$**	**(126,768)**	$	64
(Loss) earnings per Common Share attributable to Common Shareholders (note 21)				
Basic	**$**	**(2.58)**	$	-
Diluted	**$**	**(2.58)**	$	-

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands of Canadian dollars)

For the years ended December 31,		2024		2023
Net (loss) income	**$**	**(126,768)**	$	64
Other comprehensive (loss) income				
Items that will be subsequently reclassified to net income (loss):				
Foreign exchange translation income (loss) from equity-accounted investments (net of tax) (note 6)		**89**		(202)
Cumulative loss arising on foreign exchange translation from equity-accounted investments reclassified to profit or loss (note 6)		**(681)**		-
Total other comprehensive loss		**(592)**		(202)
Comprehensive loss	**$**	**(127,360)**	$	(138)
Attributable to:				
Common Shareholders	**$**	**(127,722)**	$	(159)
Non-controlling interest	**$**	**362**	$	21

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

CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of Canadian dollars)

	Attributable to Shareholders of Dominion Lending Centres Inc.						
	Share capital	Contributed surplus	AOCI	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")	(309)	-	-	-	(309)	-	(309)
Net (loss) income and comprehensive loss	-	-	(202)	43	(159)	21	(138)
Dividends declared	-	-	-	(5,793)	(5,793)	-	(5,793)
Balance at December 31, 2023	$ 135,710	$ 11,783	$ 592	$ (122,388)	$ 25,697	$ 252	$ 25,949
NCIB (note 15)	**(9)**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Change in Common Shares for Restricted share unit ("RSU") plan (note 15)	**(1,032)**	**-**	**-**	**-**	**(1,032)**	**-**	**(1,032)**
Share-based payments expense (note 16)	**-**	**554**	**-**	**-**	**554**	**-**	**554**
Net (loss) income and comprehensive loss	**-**	**-**	**(592)**	**(127,130)**	**(127,722)**	**362**	**(127,360)**
Non-controlling interest on acquisition (note 4)	**-**	**-**	**-**	**-**	**-**	**1,118**	**1,118**
Common shares issued for Preferred Share Acquisition (note 14)	**240,424**	**-**	**-**	**-**	**240,424**	**-**	**240,424**
Dividends declared (note 15)	**-**	**-**	**-**	**(5,772)**	**(5,772)**	**(167)**	**(5,939)**
Balance at December 31, 2024	**$ 375,093**	**$ 12,337**	**$ -**	**$ (255,290)**	**$ 132,140**	**$ 1,565**	**$ 133,705**

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

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

For the years ended December 31,	2024	2023
Operating Activities		
Net (loss) income	**$ (126,768)**	$ 64
Items not affecting cash:		
Share-based payments expense (recovery) (note 16)	**554**	(70)
Depreciation and amortization (notes 7 and 8)	**4,060**	3,787
Amortization of debt issuance costs (note 19)	**160**	168
Amortization of franchise rights (note 8)	**5,079**	4,868
Finance expense on the Preferred Share liability (note 14)	**149,042**	9,922
Deferred tax expense (note 20)	**896**	773
Income from equity-accounted investments (note 6)	**(251)**	(1,611)
Gain on sale of equity-accounted investment (note 6)	**(697)**	-
Non-cash impairment of equity-accounted investment (note 6)	**198**	3,466
Other non-cash items	**560**	2,487
Changes in non-cash working deficit (note 22)	**4,369**	(6,865)
Cash provided by operating activities	**37,202**	16,989
Investing Activities		
Investment in intangible assets (note 8)	**(6,801)**	(11,804)
Proceeds on disposal of intangible assets	**108**	69
Proceeds from the sale of equity-accounted investee (note 6)	**3,710**	-
Distributions from equity-accounted investees (note 6)	**285**	321
Contribution to equity-accounted investee (note 6)	**(500)**	-
Investment in business acquisitions, net of cash acquired (note 4)	**(830)**	-
Distributions to non-controlling interest shareholders	**(167)**	-
Cash used in investing activities	**(4,195)**	(11,414)
Financing Activities		
Proceeds from debt financing, net of transaction costs (note 12)	**5,176**	8,888
Repayment of debt (note 12)	**(9,352)**	(5,816)
NCIB share repurchase (note 15)	**(9)**	(309)
Shares purchased for RSU plan (note 15)	**(1,032)**	-
Payment of principal portion of lease liabilities (note 13)	**(382)**	(505)
Cash consideration for Preferred Share Acquisition, net of transaction costs (note 14)	**(15,221)**	-
Dividends paid to common shareholders (note 15)	**(5,772)**	(5,793)
Dividends paid to Preferred Shareholders (note 14)	**(7,297)**	(5,640)
Cash used in financing activities	**(33,889)**	(9,175)
Decrease in cash	**(882)**	(3,600)
Cash, beginning of period	**5,614**	9,214
Cash, end of period	**$ 4,732**	$ 5,614
Cash flows include the following amounts:		
Interest paid	**$ 2,385**	$ 2,884
Interest received	**$ 379**	$ 282
Income taxes paid	**$ 3,228**	$ 2,241

The accompanying notes from an integral part of these 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	
	December 31, 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 audited consolidated financial statements ("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"). The accounting policies that follow have been consistently applied to all years presented. Certain prior period balances have been reclassified to match the current year presentation. These financial statements were authorized for issuance by the Board of Directors on March 27, 2025.

3. MATERIAL ACCOUNTING POLICIES

The following are the accounting policies that management considers material to the users of the consolidated financial statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions, other events, or conditions in the consolidated financial statements.

a. Basis of consolidation

The Corporation controls an entity when it is exposed to or has the rights to variable returns from its involvement with the investment and can affect those returns through its power over the investee. The existence and effect of voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are deconsolidated from the date control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

Non-controlling interests represent the minority interests in subsidiaries owned by outside parties. Non-controlling interests are measured at the proportionate share of new assets acquired plus their proportionate share of subsequent changes in equity, less distributions made to those entities.

b. Revenue

Revenue is recognized when a customer obtains control of goods or services. Determining the timing of the transfer of control, whether at a point in time or over time, requires judgement.

Franchising revenue, mortgage brokerage services

Mortgage brokerage franchising revenue is earned by providing franchisees the nonexclusive right to operate a DLC Group franchise, which includes income from royalties, monthly advertising and service fees, and connectivity fees. 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 agreements to which they relate. The amortization of these franchise payments is recognized against revenue.

Royalty income is based on a percentage of the mortgage-related revenues earned by the franchises or based on a percentage of the mortgage volume funded by the franchises. It is recognized over time based on commissions earned from actual funded volumes of the franchises. Income from monthly advertising fees is used to fund and manage ongoing advertising expenses. Income from monthly service fees is used to cover certain operating costs such as insurance and brokers' industry association dues. Monthly advertising and service fees are recognized at a point in time, based on the monthly amounts as per the franchise agreements. These revenues are collected either immediately or are due within 15 days of month end.

Connectivity fee revenue relates to agreements made with certain lenders and suppliers to earn income based on the volume of mortgages funded or on broker activity and agreements with suppliers and vendors to earn income based on transactions of their services. Connectivity fee revenue is comprised of two streams: lender and supplier bonus revenues and Newton's revenues. Lender and supplier bonuses are agreements made with certain preferred lenders and suppliers to earn income based on volume of mortgages funded or on other broker-driven activities. Newton's revenues are earned through three channels: fees paid by lenders based on funded volumes of mortgages, monthly subscription fees from non-DLC Group brokers, and third-party supplier fees on a transaction basis. Connectivity fee revenue is accrued over time based on actual volumes or activity thresholds as they are fulfilled, with transaction prices based on rates outlined in each individual agreement. Collection terms vary from monthly to annually, depending on the individual agreement, though a significant portion is due annually and is collected in the first four months of the following fiscal year.

Brokering of mortgages
Commission income relates to income earned from the brokering of mortgages within the corporately-owned-and-operated mortgage franchises and is earned at a point in time when the mortgage deal has closed.

c. Intangible assets and goodwill

Intangible assets
Identifiable intangible assets acquired through a business combination are initially recorded at fair value and are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The indefinite life intangible assets, which includes the DLC Group brand names, are tested for impairment annually, or more frequently if there is an indication that the intangible asset may be impaired. The indefinite life assumption is reviewed each reporting period to determine if it continues to be supportable. If the indefinite life assessment is no longer deemed supportable, the change in useful life is made from indefinite to finite. Any change is accounted for prospectively as a change in accounting estimates.

Intangible assets include renewable franchise rights, franchisee non-competition agreements and relationships, DLC Group brand names, and software. Renewable franchise agreements acquired through business combinations are amortized on a straight-line basis over their estimated economic life of twenty-five years. Franchisee non-competition agreements and relationships consist of the cost of acquiring and renewing contracts with DLC Group franchisees and are amortized on a straight-line basis over the life of the related non-competition agreement, which generally range from one to ten years. Software is amortized over its six-year useful life.

Intangible assets acquired upon initial acquisition of Newton relate to software products used in the mortgage brokerage industry. The software products are amortized on a straight-line basis over their respective useful lives, which ranges from three to eleven years.

The amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period and adjusted if appropriate. Any change is accounted for prospectively as a change in accounting estimates.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination at the date of acquisition. When goodwill is acquired through a business combination, for the purposes of impairment testing it is allocated to and monitored at each cash-generating unit ("CGU") or group of CGUs, which represents the smallest identifiable group of assets that generate cash inflows. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

d. Equity-accounted investments

Equity-accounted investments are investments over which the Corporation has significant influence, or joint control through a joint venture, but not control. Generally, the Corporation is considered to exert significant influence when it holds at least a 20% interest in an entity. The financial results of the Corporation's significantly-influenced investments and joint ventures are included in the Corporation's consolidated financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Corporation's share of earnings or losses of the underlying investment and dividends. If the Corporation's carrying value in the equity-accounted investment is reduced to zero, further losses are not recognized except to the extent that the Corporation has incurred legal or constructive obligations or has made payments on behalf of the equity-accounted investee.

At the end of each reporting period, the Corporation assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Corporation estimates its recoverable amount, and any difference is charged to the consolidated statements of (loss) income.

e. Share-based payments

Phantom share options ("PSO")

PSOs are cash-settled share-based payments awarded to employees. The fair value of the PSOs are recognized as share-based payments expense, with a corresponding change in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimated number of PSOs expected to vest which are in-the-money. PSOs are in-the-money when the Corporation's share price exceeds the exercise price of the PSOs. PSOs are measured at their fair value at each reporting period, which is determined using the share price at the closing date, less the exercise price and an estimate for expected forfeited PSOs.

Restricted share units ("RSU")

RSUs are share-based payments awarded to directors and employees 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.

f. Impairment

Long-lived assets with finite useful lives are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if an indicator for impairment exists. To assess for impairment, assets are grouped into CGUs, and an impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the higher of the CGUs' fair value less cost of disposal or its value in use. At the end of each reporting period, an assessment is made as to whether there is any indication that impairment losses previously recognized (other than those that relate to goodwill impairment) may no longer exist or have decreased. If such indications exist, the Corporation makes an estimate of the recoverable amount and, if appropriate, reverses all or part of the impairment. If an impairment is reversed, the carrying amount will be revised to equal the newly-estimated recoverable amount. The revised carrying amount may not exceed the carrying amount that would have resulted after taking amortization into account had no impairment loss been recognized in prior periods. The amount of any impairment reversal is recorded directly in the consolidated statements of (loss) income.

a. Current and deferred taxes

Current taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates enacted at the end of the reporting period. Deferred tax is recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognized to the extent that it is probable that future profit will be available against which the deductible temporary differences can be utilized. They are reviewed at the end of the reporting period and, if necessary, reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are presented as non-current. They are offset when there is a legally-enforceable right to offset, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated using tax rates that have been enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax expense or recovery is recognized in net income and comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income, in which case the applicable income tax is also recognized in other comprehensive income.

b. Use of estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments, and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. Those include estimates that, by their nature, are uncertain, and actual results could differ materially from the 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.

The areas which require management to make significant estimates, judgments and assumptions are as follows:

Valuation of the Preferred Share liability
Management applied significant judgement when assessing the fair value of the Preferred Share liability. Significant assumptions were used in determining the fair value of the Preferred Share liability including determination of future revenues and cash flows, and the discount rate. The estimates and assumptions that were used in determining the Preferred Share liability were subject to uncertainty, and if changed, they could have significantly differed from those recognized in the financial statements.

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

Management has concluded that the DLC Group brand names have an indefinite useful life. This conclusion was based on many factors, including the Corporation's ability to continue to use the brand and the indefinite period over which the brand name is expected to generate positive cash flow. The determination that the brand has an indefinite useful life involves judgement, which could have an impact on the amortization charges recorded in the consolidated statements of (loss) income.

Impairment of goodwill and intangible assets
Goodwill and indefinite-life intangible assets are not amortized. Goodwill and indefinite-life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of each asset to its recoverable amount, which is calculated as the higher of the CGU's fair value less cost of disposal or its value in use. The Corporation applies the fair value less cost of disposal method. The fair value less cost of disposal is calculated using a discounted cash flow analysis, which requires management to make many significant assumptions, including those related to future operating plans, discount rates, and future growth rates.

Finite-life intangible assets are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Corporation assesses whether the carrying amount of the asset is considered recoverable. An impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the higher of the asset's fair value less cost of disposal or its value in use. The Corporation applies the fair value less cost of disposal method. The fair value less cost of disposal is calculated using a discounted cash flow analysis, which requires management to make many significant assumptions, including those related to future operating plans, discount rates, and future growth rates.

c. Financial instruments: classification and measurement

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

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

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). All of the Corporation's financial assets are measured at amortized cost other than its investments and call option, which are measured at FVTPL. Upon initial recognition, a financial liability is classified as measured at amortized cost or FVTPL. All of the Corporation's financial liabilities are measured at amortized cost other than contingent consideration, which is measured at FVTPL.

For those financial assets measured at amortized cost, an allowance for doubtful accounts is required to be determined using a forward-looking expected credit loss ("ECL") model. The Corporation applies the simplified approach in estimating the ECL for all of its trade and other receivables, under which the lifetime ECLs are measured and recognized upon initial recognition of the receivable. Credit losses are measured at the present value of all expected cash shortfalls over the life of the asset.

The fair value of trade receivables, other receivables, and other assets, and of accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these financial instruments.

The Preferred Shares were initially measured at their fair value net of any directly-attributable transaction costs and were subsequently recognized at amortized cost. The Preferred Share liability was revised for any changes in cash flow estimates at the end of each reporting period using an income approach based on the initial discount rate applied. The adjustments to the carrying value of the Preferred Shares were recognized as a revaluation expense or recovery within finance expense on the Preferred Share liability on the consolidated statements of (loss) income.

d. Recent accounting pronouncements

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.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued "IFRS 18 Presentation and Disclosure in Financial Statements". IFRS 18 replaces "IAS 1 Presentation of Financial Statements" and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. We have not yet adopted such standard and are currently assessing the impact on our consolidated financial statements.

(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. which is a mortgage brokerage, and Broker One Inc. which is a mortgage brokerage network. The Corporation acquired BFG because it enlarges the Corporation's 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 (Level 3). 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.

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

Cash paid	$	3,000
Contingent consideration		392
Tax indemnity (1)		(149)
Less: Call option		(74)
Total purchase consideration		3,169
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		1,479
	$	3,169

(1) The Corporation is indemnified for pre-acquisition taxes payable. An adjustment has been made for pre-acquisition taxes owed.

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 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 the 'multi-period excess earnings' method for broker network intangibles. The 'relief from royalty' method values the intangible assets 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 assets 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. This approach requires management to make estimates and assumptions about revenue, operating costs, broker attrition rates, discount rates, and perpetual growth rates (level 3 within the fair value hierarchy). Future cash flows are based on management's projections for a five-year period with a perpetual growth rate applied thereafter. The discount rate is based on the weighted-average cost of capital ("WACC") for comparable companies operating in similar industries.

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

(in thousands of Canadian dollars)

From the date of acquisition, BFG contributed revenues of $1,109 and net income of $319 to the Corporation. If the acquisition had occurred on January 1, 2024, consolidated revenues and consolidated net income for the year ended December 31, 2024 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.

During the year ended December 31, 2024, the Corporation also completed the acquisition of an immaterial investment that was accounted for as a business combination.

5. TRADE AND OTHER RECEIVABLES

		December 31, 2024		December 31, 2023
Trade accounts receivable				
Franchise fees and mortgage brokerage services	**$**	**11,630**	$	10,317
Other trade receivables (1)		**4,154**		2,952
		15,784		13,269
Government agencies receivables		**-**		344
Notes receivable		**962**		1,326
Other receivables and assets		**1,107**		833
Total trade and other receivables		**17,853**		15,772
Long-term portion		**(676)**		(773)
	$	**17,177**	$	14,999

(1) Other trade receivables primarily relate to receivables from Newton's customers.

Franchise fees and mortgage brokerage services receivables also include connectivity fee receivables, which are recognized on an accrual basis as the volume or activity thresholds are fulfilled, with a significant portion collected in the first four months of the following fiscal year.

		December 31, 2024		December 31, 2023
Current	**$**	**15,184**	$	12,907
31-60 days		**248**		248
61-90 days		**407**		125
Past due > 90 days		**309**		240
Allowance for doubtful accounts		**(364)**		(251)
	$	**15,784**	$	13,269

6. 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 this sale were used to fully repay the Junior Credit Facility (see note 12).

The $681 cumulative loss arising on foreign exchange translation of Impact that was previously recognized in other comprehensive 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, for which the Company had recorded a provision to pay $1,000 to this shareholder. As the liquidation rights clause was not in effect on the closing date, the provision was reduced to $nil and recognised as 'other income' in the statements of (loss) income.

The Corporation's investment in Impact was previously classified as 'held for sale' as of March 31, 2024. A non-cash $198 write-down was recognised during the year ended December 31, 2024 to reduce the carrying amount of the investment to its fair value less costs to sell upon classifying Impact as 'held for sale'.

(in thousands of Canadian dollars)

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

For the years ended December 31,		**2024**		**2023**
Revenue	**$**	**3,624**	$	11,100
Expenses		**3,474**		10,377
Income before tax		**150**		723
Income tax recovery		**60**		1,672
Net income		**210**		2,395
% of ownership		**52.0%**		52.0%
Corporation share of net income	**$**	**109**	$	1,245

Other comprehensive income (loss)	**$**	**172**	$	(389)
% of ownership		**52.0%**		52.0%
Corporation share of other comprehensive income (loss)	**$**	**89**	$	(202)

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.

Included in other equity-accounted investments is a $500 contribution into a new equity-accounted investee made during the year ended December 31, 2024. The $500 contribution represents our initial 50% ownership investment in a non-B20 lender. The Corporation has a commitment to invest up to $5,000 to maintain a 50% ownership interest. The commitment is expected to be fulfilled in 2025.

(in thousands of Canadian dollars)

During the year ended December 31, 2024, the Corporation received distributions from its other joint arrangements of $285 (December 31, 2023—$321).

		December 31, 2024		December 31, 2023
Current assets	**$**	**2,361**	$	1,377
Non-current assets		**69**		162
Current liabilities		**(827)**		(540)
Non-current liabilities		**(34)**		(81)
Net assets		**1,569**		918
% of ownership		**30%-50%**		30%-50%
		745		388
Goodwill		**1,303**		1,303
Corporation share of net assets	**$**	**2,048**	$	1,691

For the years ended December 31,		**2024**		2023
Revenue	**$**	**7,872**	$	7,371
Expenses (including income tax)		**7,645**		6,542
Net income		**227**		829
% of ownership		**30%-50%**		30%-50%
Corporation share of net income	**$**	**142**	$	366

7. RIGHT OF USE AND CAPITAL ASSETS

		Right of use office & buildings		Capital assets		Total right of use and capital assets
Cost						
Balance at December 31, 2022	$	3,135	$	598	$	3,733
Balance at December 31, 2023	$	3,135	$	598	$	3,733
Acquisitions (note 4)		**76**		**-**		**76**
Balance at December 31, 2024	**$**	**3,211**	**$**	**598**	**$**	**3,809**
Accumulated amortization						
Balance at December 31, 2022	$	(1,174)	$	(357)	$	(1,531)
Depreciation expense		(380)		(100)		(480)
Balance at December 31, 2023	$	(1,554)	$	(457)	$	(2,011)
Depreciation expense		**(391)**		**(92)**		**(483)**
Balance at December 31, 2024	**$**	**(1,945)**	**$**	**(549)**	**$**	**(2,494)**
Carrying value						
December 31, 2023	$	1,581	$	141	$	1,722
December 31, 2024	**$**	**1,266**	**$**	**49**	**$**	**1,315**

(in thousands of Canadian dollars)

8. INTANGIBLE ASSETS AND GOODWILL

	Franchise rights, relationships and agreements	Brand names	Software	Total intangible assets
Cost				
Balance at December 31, 2022	$ 111,107	$ 45,700	$ 4,042	$ 160,849
Additions [1]	9,877	-	-	9,877
Disposals	(1,989)	-	-	(1,989)
Balance at December 31, 2023	$ 118,995	$ 45,700	$ 4,042	$ 168,737
Additions [1]	**5,835**	**-**	**-**	**5,835**
Acquisitions (note 4)	**2,640**	**1,640**	**-**	**4,280**
Disposals	**(178)**	**-**	**-**	**(178)**
Balance at December 31, 2024	**$ 127,292**	**$ 47,340**	**$ 4,042**	**$ 178,674**
Accumulated amortization				
Balance at December 31, 2022	$ (32,077)	$ -	$ (3,466)	$ (35,543)
Disposals	1,893	-	-	1,893
Amortization recognized as a charge against revenue	(4,868)	-	-	(4,868)
Amortization expense	(3,137)	-	(170)	(3,307)
Balance at December 31, 2023	$ (38,189)	$ -	$ (3,636)	$ (41,825)
Disposals	**77**	**-**	**-**	**77**
Amortization recognized as a charge against revenue	**(5,079)**	**-**	**-**	**(5,079)**
Amortization expense	**(3,253)**	**(191)**	**(133)**	**(3,577)**
Balance at December 31, 2024	**$ (46,444)**	**$ (191)**	**$ (3,769)**	**$ (50,404)**
Carrying value				
December 31, 2023	$ 80,806	$ 45,700	$ 406	$ 126,912
December 31, 2024	**$ 80,848**	**$ 47,149**	**$ 273**	**$ 128,270**

(1) Additions includes franchise rights, relationships, and agreements of $531 included within accrued liabilities as of December 31, 2024 (December 31, 2023 - $1,497).

	2024	2023
Goodwill Balance at January 1	**$ 60,437**	$ 60,437
Acquisitions (note 4)	**1,722**	-
Balance at December 31	**$ 62,159**	$ 60,437

Intangible assets with indefinite lives:

	December 31, 2024	December 31, 2023
DLC Group brand names	**$ 45,700**	$ 45,700

For the purposes of impairment testing, the Corporation has two groups of CGUs to which goodwill is allocated: the DLC Group franchises and Newton.

The following table shows the carrying amount of goodwill by CGU:

Goodwill by CGU	**December 31, 2024**	December 31, 2023
DLC Group	**$ 58,819**	$ 57,097
Newton	**3,340**	3,340
	$ 62,159	$ 60,437

The Corporation completed its annual impairment test for goodwill and indefinite-life intangible assets as at December 31, 2024. The recoverable amounts were based on the fair value less cost of disposal, an income-based approach whereby a present value technique is employed that takes into account estimated future cash flows based on assumptions that would be common to any market participant. This approach requires management to make estimates and assumptions about

(in thousands of Canadian dollars)

EBITDA, discount rates, and perpetual growth rates (level 3 within the fair value hierarchy). Future cash flows are based on management's projections for a five-year period with a perpetual growth rate applied thereafter. The discount rate is based on the weighted-average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

The Corporation's assumptions regarding EBITDA were based on each CGU's 5-year budget, which is approved by the Board of Directors. The key assumptions used in performing the impairment tests were as follows:

	DLC Group Franchises	Newton
Perpetual growth rate	2.0%	2.0%
Discount rate	11.6%	24.3%

Based on management's assessment, no impairment was recognized during the years ended December 31, 2024 or December 31, 2023.

Sensitivity analysis

Based on a sensitivity analysis, the Corporation does not believe there are any possible reasonable changes in key assumptions that would cause the recoverable amount of the DLC Group or Newton CGUs to fall below their carrying amounts.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2024		December 31, 2023
Accrued liabilities				
Commissions payable	**$**	**15,303**	$	9,548
Other accrued liabilities		**8,528**		6,521
		23,831		16,069
Trade payables		**2,044**		2,484
Government agencies payable		**3,531**		311
Other		**116**		291
	$	**29,522**	$	19,155

10. DEFERRED CONTRACT LIABILITIES

The following table provides information about deferred contract liabilities from contracts with customers:

		2024		2023
Balance at January 1	**$**	**768**	$	684
Additions		**2,367**		2,856
Revenue recognized from deferred contract liabilities		**(2,452)**		(2,772)
Balance at December 31	**$**	**683**	$	768
Current	**$**	**551**	$	620
Non-current	**$**	**132**	$	148

11. OTHER LONG-TERM LIABILITIES

		December 31, 2024		December 31, 2023
Impact liability (note 6)	**$**	**-**	$	1,000
Contingent consideration (note 4)		**402**		-
Redeemable non-controlling interest shares		**133**		-
Franchise renewal incentives		**19**		20
	$	**554**	$	1,020

(in thousands of Canadian dollars)

12. LOANS AND BORROWINGS

		December 31, 2024		December 31, 2023
Bank indebtedness				
Revolving Facility	$	5,176	$	-
Bank indebtedness	$	5,176	$	-
Loans and borrowings				
Term Facility	$	30,910	$	36,062
Junior Credit Facility		-		4,200
		30,910		40,262
Debt issuance costs		(192)		(352)
Total loans and borrowings		30,718		39,910
Less: current portion		(5,152)		(5,902)
	$	25,566	$	34,008

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"). On February 18, 2025, the Senior Credit Facilities term was extended from December 19, 2026, to February 18, 2030. 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 charged coverage ratio greater than 1.10:1.00. At December 31, 2024, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charge coverage ratio were 0.79:1.00 and 2.94:1.00, respectively, and as such, the Corporation was in compliance with all such covenants.

Senior Credit Facilities

The Senior Credit Facilities comprise of a revolving working capital credit line (the "Revolving Facility") and a $36,062 term loan ("Term Facility"). On February 18, 2025, the Revolving Facility increased from $15,000 to $25,000. As at December 31, 2024, $5,152 of the Term Facility is classified as current (December 31, 2023 - $5,152) and $5,176 was drawn on the Revolving Facility.

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 the sale were used to fully repay and extinguish the Junior Credit Facility (see note 6).

13. LEASE OBLIGATIONS

The Corporation has lease commitments for buildings and office spaces with varying terms that expire between 2025 and 2029, captured in the below table:

Balance at December 31, 2022		2,258
Lease payments		(602)
Interest on lease obligations		97
Balance at December 31, 2023		1,753
Lease payments		**(461)**
Acquisitions (note 4)		**76**
Interest on lease obligations		**79**
Balance at December 31, 2024		**1,447**
Current portion		**(378)**
	$	**1,069**

(in thousands of Canadian dollars)

The approximate undiscounted contractual lease payments remaining are as follows:

Year		Lease payments
2025	$	226
2026		129
2027		62
2028		53
2029		30
Thereafter		-
		500

14. PREFERRED SHARE LIABILITY

On December 17, 2024, the Corporation completed its acquisition (the "Preferred Share Acquisition") of all the issued and outstanding non-voting, non-convertible series 1 class "B" preferred shares (the "Preferred Shares") in exchange for 30,500,000 Common Shares and cash payment of $15,000. The fair value of the share consideration was $240,645 using the December 17, 2024 share price of $7.89. The difference between the fair value of consideration and the book value of the Preferred Shares was recognized as a loss on acquisition, recognized on the consolidated statements of loss within finance expense on the Preferred Share liability. Total transaction-related fees were $221 and were applied against share capital as share issuance costs.

The Preferred Shares were a liability as the Corporation had an unavoidable obligation to pay dividends on the Preferred Shares in perpetuity. The holders of the Preferred Shares (the "Preferred Shareholders") were entitled to dividends equal to 40% of Core Business Distributable Cash ("Dividend Entitlement"), as defined in the Preferred Share terms.

The Preferred Shares were initially measured at their fair value net of any directly-attributable transaction costs and were subsequently recognized at amortized cost. The Preferred Share liability was 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 consolidated statements of (loss) income within finance expense on the Preferred Share liability.

The Corporation paid interim monthly cash dividends ("Interim Dividends") to the Preferred Shareholders in an amount determined by the Board of the Corporation that represented 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 year ended December 31, 2024, the Corporation paid Interim Dividends of $6,960 to the Preferred Shareholders (December 31, 2023—$5,640). The actual Dividend Entitlement attributable to Preferred Shareholders during the year ended December 31, 2024 was $7,502 (December 31, 2023—$5,977). The underpayment of $542 is accrued as a dividend payable.

(in thousands of Canadian dollars)

A summary of activity during the year is as follows:

	Number of Preferred Shares		Amount
Balance at December 31, 2022 (1)	26,774,054		110,160
Dividends paid	-		(5,640)
Finance expense on the Preferred Share liability	-		9,922
Balance at December 31, 2023 (1)	26,774,054	$	114,442
Dividends paid	**-**		**(7,297)**
Dividends payable (2)	**-**		**(542)**
Consideration for Preferred Share Acquisition	**(26,774,054)**		**(255,645)**
Finance expense on the Preferred Share liability	-		**149,042**
Balance at December 31, 2024 (1)	**-**	**$**	**-**
Current		**$**	**-**
Non-Current		**$**	**-**

(1) Net of transaction costs.
(2) Dividends payable were accrued and recognized as part of accounts payable and accrued liabilities (note 9).

For the years ended December 31,		**2024**		2023
Accretion expense on the Preferred Share liability	**$**	**16,830**	$	17,226
Revaluation recovery of the Preferred Share liability		**(7,792)**		(7,304)
Loss on the Preferred Share Acquisition		**140,004**		-
Finance expense on the Preferred Share liability	**$**	**149,042**	$	9,922

15. SHARE CAPITAL

Authorized share capital

The Corporation is authorized to issue an unlimited number of Common Shares without par value. 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)**
Common shares issued for Preferred Share Acquisition (note 14) (1)	**30,500,000**		**240,424**
Common Shares outstanding	**78,724,438**	$	**376,125**
Change in Common Shares for RSU plan (note 16)	**(265,258)**		**(1,032)**
Balance at December 31, 2024 (1)	**78,459,180**	**$**	**375,093**

(1) Net of transaction costs.

At December 31, 2024, a total of 78,724,438 Common Shares were outstanding (December 31, 2023 – 48,227,238), net of 265,258 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 year ended December 31, 2024, the Corporation purchased 2,800 Common Shares under the NCIB.

Dividends

During the year ended December 31, 2024, the Corporation declared dividends of $0.12 per Common Share, resulting in dividend payments of $5,772 (December 31, 2023—$5,793). All dividends declared during the year were done so prior to the Preferred Share Acquisition (see note 14).

(in thousands of Canadian dollars)

16. SHARE-BASED PAYMENTS

The Corporation recorded total share-based payments expense of $807 for the year ended December 31, 2024 (December 31, 2023—$70 recovery). These amounts include share-based payments expense related to the Corporation's restricted share units ("RSUs") of $554 (December 31, 2023—$70 recovery) and phantom share options ("PSOs") of $253 (December 31, 2023 - $nil) for the year ended December 31, 2024.

RSUs

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 a restricted share unit plan approved by the Board on March 19, 2024 (the "RSU Plan"). 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. Pursuant to the RSU Plan, holders are entitled to receive additional RSUs in lieu of dividends on each dividend payment date.

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

Outstanding RSUs, December 31, 2023	-
April 15, 2024 grant	**421,444**
2024 Dividend Entitlement	**8,352**
Outstanding RSUs, December 31, 2024	**429,796**

PSO plan

The Corporation had issued PSOs to certain Newton executives with an exercise price of $3.85. Each PSO entitled the holder thereof to cash payments equal to the difference between the PSO price and the market price upon the exercise date. The PSOs had a three-year term and vested one-half on the first and second anniversary from the date of grant. At December 31, 2024, all PSOs were exercised.

A summary of the PSO activity during the year is as follows:

Outstanding PSOs, December 31, 2023	250,000
Exercised	(250,000)
Outstanding PSOs, December 31, 2024	**-**

17. REVENUE

For the years ended December 31,		**2024**		2023
Franchising revenue, mortgage brokerage services	**$**	**52,598**	$	48,241
Newton revenues		**20,014**		13,419
Brokering of mortgages		**4,141**		857
	$	**76,753**	$	62,517

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 $81,042 for the year ended December 31, 2024 (December 31, 2023—$66,820).

(in thousands of Canadian dollars)

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,		**2024**		2023
Salary and salary-related	**$**	**18,341**	$	18,384
Office, administration, and property costs		**1,297**		1,328
Information technology		**3,036**		2,524
Advertising, events, promotion, and travel		**3,559**		2,946
Professional fees		**1,518**		1,684
Management and consulting fees		**2,787**		2,794
Other expenses		**1,011**		400
	$	**31,549**	$	30,060

19. FINANCE EXPENSE

For the years ended December 31,		**2024**		2023
Interest expense on debt obligations	**$**	**2,385**	$	2,884
Interest on lease obligations		**79**		97
Amortization of debt issuance costs		**160**		168
	$	**2,624**	$	3,149

20. INCOME TAXES

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial tax rate of 26.6% (2023—26.4%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for 2024 and 2023:

For the years ended December 31,		**2024**		2023
(Loss) income before income tax	**$**	**(119,289)**	$	4,187
(Loss) income before income tax multiplied by the statutory rate of 26.6% (2023—26.4%)		**31,729**		(1,106)
Effect of:				
Permanent differences		**467**		(186)
Non-deductible finance expense on the Preferred Share liability		**(39,569)**		(2,639)
Change in tax rates and rate differences		**238**		(281)
Change in unrecognized temporary differences		**30**		(27)
Changes in non-recognized equity accounting		**76**		85
Reserve for capital loss carry forward		**-**		(125)
Other		**(450)**		156
Total tax expense	**$**	**(7,479)**	$	(4,123)

(in thousands of Canadian dollars)

The Corporation's deferred tax assets are netted against its deferred tax liabilities. Net deferred tax liabilities as at December 31, 2024 and 2023 consist of the following:

		December 31, 2024		December 31, 2023
Deferred tax liabilities				
Intangible assets	$	**(24,655)**	$	(24,365)
Right-of-use assets		**(337)**		(420)
		(24,992)		(24,785)
Deferred tax assets				
Non-capital losses		**7,199**		9,116
Share capital issuance costs		**51**		15
Lease liabilities, net of lease receivable		**385**		466
Other		**272**		78
		7,907		9,675
Net deferred tax liability	$	**(17,085)**	$	(15,110)

The deferred tax liability movement is comprised of:

		December 31, 2024		December 31, 2023
Balance, beginning of year	$	**(15,110)**	$	(14,337)
Deferred tax expense recognized in net income		**(896)**		(773)
Acquisitions (note 4)		**(1,079)**		-
Net deferred tax liability	$	**(17,085)**	$	(15,110)

21. (LOSS) EARNINGS PER COMMON SHARE

For the years ended December 31,		**2024**		2023
Net (loss) earnings attributable to common shareholders	$	**(127,130)**	$	43
Basic weighted average number of Common Shares		**49,360,267**		48,282,893
Effect of dilutive instruments		**-**		-
Diluted weighted average number of Common Shares		**49,360,267**		48,282,893
Basic earnings per Common Share	$	**(2.58)**	$	-
Diluted earnings per Common Share	$	**(2.58)**	$	-

As of December 31, 2024, the Corporation had 262,239 dilutive instruments related to the RSU plan that were considered anti-dilutive (December 31, 2023—nil).

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31,		**2024**		2023
Trade and other receivables	$	**(1,497)**	$	(826)
Prepaid expenses and deposits		**(134)**		1,168
Accounts payable and accrued liabilities		**6,356**		(7,345)
Deferred contract liabilities		**(356)**		138
	$	**4,369**	$	(6,865)

(in thousands of Canadian dollars)

23. 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, and loans and borrowings. 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 a $350 decrease of income before tax for the year ended December 31, 2024, (December 31, 2023—$409 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 December 31, 2024, $309 of trade receivables were greater than 90 days outstanding (December 31, 2023—$240), and the provision for total expected credit losses as at December 31, 2024 was $364 (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.

	December 31, 2024	December 31, 2023
Cash	**$ 4,732**	$ 5,614
Trade receivables, other receivables, and other assets	**17,853**	15,772
	$ 22,585	$ 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 December 31, 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	$ 29,522	$ 29,522	$ -	$ -
Lease obligations (1)	500	226	274	-
Bank indebtedness	5,176	5,176	-	-
Loans and borrowings (2)	30,910	5,152	25,758	-
Long-term liabilities	554	-	422	132
	$ 66,662	$ 40,076	$ 26,454	$ 132

(1) Undiscounted lease payments.
(2) Gross of debt issuance costs.

Capital management

The Corporation's capital structure is composed of total shareholders' equity, and loans and borrowings, less cash. The following table summarizes the carrying value of the Corporation's capital at December 31, 2024 and December 31, 2023.

	December 31, 2024	December 31, 2023
Loans and borrowings	**$ 30,718**	$ 39,910
Bank indebtedness	**5,176**	-
Less: cash	**4,732**	5,614
Net loans and borrowings	**$ 31,162**	$ 34,296
Shareholders' equity	**$ 132,140**	$ 25,697
Preferred Share liability	**$ -**	$ 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 December 31, 2024 (see note 12).

24. COMMITMENTS AND CONTINGENCIES

Service agreement

The Corporation entered into an agreement with a software development company to develop and support a customized mortgage application ("app"). The agreement is a related party transaction due to common management between the Corporation and the service provider (see note 25). The service agreement expires in 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 consolidated financial statements.

(in thousands of Canadian dollars)

25. RELATED PARTY TRANSACTIONS

Preferred Share Acquisition

The Corporation completed the Preferred Share Acquisition (note 14) from one or more companies controlled by Gary Mauris, one or more companies controlled by Chris Kayat, and from certain other holders of Preferred Shares.

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 year ended December 31, 2024, the total costs incurred under these leases were $327 (December 31, 2023—$327). The lease terms mature in 2025.

The Corporation leases a condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the year ended December 31, 2024, the total costs incurred under this lease was $84 (December 31, 2023—$84). The lease term matures in 2025.

The expenses related to these leases are recorded in interest, 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 which is partly owned by key management of the Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the year ended December 31, 2024 were $935 (December 31, 2022—$940).

Key management compensation

Key management personnel are composed of members of the Board of Directors and fourteen executives considered key management of the Corporation. Their compensation is as follows:

For the years ended December 31,		**2024**		2023
Salaries and benefits	**$**	**5,437**	$	5,828
Share-based payments expense (recovery)		**751**		(70)
	$	**6,188**	$	5,758

26. SUBSEQUENT EVENTS

Sale of equity-accounted investee

On January 17, 2025, the Corporation completed its sale of an equity-accounted investee for proceeds of $2,800. The total carrying value of the equity-accounted investee as at December 31, 2024 was $1,439.

Dividend

On February 14, 2025, the Board of Directors of the Corporation declared a cash dividend of $0.03 per Common Share. The dividend was paid on March 14, 2025, to shareholders of record as of February 28, 2025, resulting in a dividend payment of $2,362.

Senior Credit Facility amendment

On February 18, 2025, the Corporation amended its existing Revolving Facility to increase the available credit line from $15,000 to $25,000 and to extend the maturity date to February 18, 2030.