Dominion Lending Centres Inc.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2025 & June 30, 2024

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

	As at June 30, 2025	As at December 31, 2024
Assets		
Current assets		
Cash	**$ 3,810**	$ 4,732
Trade and other receivables	**16,873**	17,177
Prepaid expenses and deposits	**3,134**	2,267
Total current assets	**23,817**	24,176
Non-current assets		
Trade receivables, other receivables, and other assets	**652**	676
Investments	**246**	246
Equity-accounted investments (note 4)	**3,929**	2,048
Right-of-use and capital assets	**1,608**	1,315
Intangible assets (note 5)	**126,123**	128,270
Goodwill	**62,159**	62,159
Total assets	**$ 218,534**	$ 218,890
Liabilities and Equity		
Current liabilities		
Revolving loans and borrowings (note 7)	**$ 561**	$ 5,176
Accounts payable and accrued liabilities (note 6)	**29,236**	29,522
Term loans and borrowings (note 7)	**5,152**	5,152
Deferred contract liabilities	**592**	551
Lease obligations	**681**	378
Total current liabilities	**36,222**	40,779
Non-current liabilities		
Term loans and borrowings (note 7)	**22,658**	25,566
Deferred contract liabilities	**119**	132
Other long-term liabilities	**397**	554
Lease obligations	**1,067**	1,069
Deferred tax liabilities	**17,689**	17,085
Total liabilities	**78,152**	85,185
Equity		
Share capital (note 8)	**372,735**	375,093
Contributed surplus	**13,079**	12,337
Deficit	**(246,912)**	(255,290)
Total equity attributable to shareholders	**138,902**	132,140
Non-controlling interest	**1,480**	1,565
Total liabilities and equity	**$ 218,534**	$ 218,890

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

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

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

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	**2025**	2024
Revenue (note 10)	**$ 24,609**	$ 18,788	**$ 43,341**	$ 32,424
Direct costs	**3,216**	2,659	**5,345**	4,624
Gross profit	**21,393**	16,129	**37,996**	27,800
General and administrative expenses	**8,653**	7,733	**17,236**	14,997
Share-based payments expense (note 9)	**655**	78	**742**	78
Depreciation and amortization	**1,046**	938	**2,094**	1,877
	10,354	8,749	**20,072**	16,952
Income from operations	**$ 11,039**	$ 7,380	**$ 17,924**	$ 10,848
Other (expense) income				
Finance expense (note 11)	**(405)**	(703)	**(727)**	(1,467)
Finance expense on the Preferred Share liability	**-**	(2,668)	**-**	(2,514)
(Loss) income from equity-accounted investments (note 4)	**(405)**	(109)	**(681)**	317
Gain on sale of equity-accounted investment (note 4)	**-**	681	**1,362**	681
Non-cash recovery (impairment) of equity-accounted investment (note 4)	**-**	38	**-**	(198)
Other income	**277**	1,254	**542**	1,420
	(533)	(1,507)	**496**	(1,761)
Income before tax	**$ 10,506**	$ 5,873	**$ 18,420**	$ 9,087
Income tax expense				
Current tax expense	**(2,426)**	(1,484)	**(3,823)**	(2,170)
Deferred tax expense	**(354)**	(304)	**(604)**	(201)
	(2,780)	(1,788)	**(4,427)**	(2,371)
Net income	**$ 7,726**	$ 4,085	**$ 13,993**	$ 6,716
Attributable to:				
Common Shareholders	**$ 7,645**	$ 4,033	**$ 13,879**	$ 6,660
Non-controlling interest	**$ 81**	$ 52	**$ 114**	$ 56
Earnings per Common Share attributable to Common Shareholders (note 12)				
Basic	**$ 0.10**	$ 0.08	**$ 0.18**	$ 0.14
Diluted	**$ 0.10**	$ 0.08	**$ 0.18**	$ 0.14

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	**2025**	2024
Net income	**$ 7,726**	$ 4,085	**$ 13,993**	$ 6,716
Other comprehensive income				
Items that will be subsequently reclassified to net income (loss):				
Foreign exchange translation (loss) income from equity-accounted investments (net of tax)	**-**	-	**-**	89
Cumulative loss arising on foreign exchange translation from equity-accounted investments reclassified to profit or loss	**-**	(681)	**-**	(681)
Total other comprehensive income (loss)	**-**	(681)	**-**	(592)
Comprehensive income	**$ 7,726**	$ 3,404	**$ 13,993**	$ 6,124
Attributable to:				
Common Shareholders	**$ 7,645**	$ 3,352	**$ 13,879**	$ 6,068
Non-controlling interest	**$ 81**	$ 52	**$ 114**	$ 56

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

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

	Attributable to Shareholders of Dominion Lending Centres Inc.						
	Share capital	**Contributed surplus**	**AOCI**	**Deficit**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2024	$ 135,710	$ 11,783	$ 592	$ (122,388)	$ 25,697	$ 252	$ 25,949
Net income and comprehensive income	-	-	(592)	6,660	6,068	56	6,124
Normal course issuer bid ("NCIB")	(9)	-	-	-	(9)	-	(9)
Change in Common Shares for Restricted share unit ("RSU") plan	(290)	-	-	-	(290)	-	(290)
Share-based payments expense	-	78	-	-	78	-	78
Non-controlling interest on acquisition	-	-	-	-	-	967	967
Dividends declared	-	-	-	(2,894)	(2,894)	-	(2,894)
Balance at June 30, 2024	$ 135,411	$ 11,861	$ -	$ (118,622)	$ 28,650	$ 1,275	$ 29,925
Balance at January 1, 2025	**$ 375,093**	**$ 12,337**	**$ -**	**$ (255,290)**	**$ 132,140**	**$ 1,565**	**$ 133,705**
NCIB	**(1,136)**	**-**	**-**	**-**	**(1,136)**	**-**	**(1,136)**
Change in Common Shares for RSU plan (note 8)	**(1,222)**	**-**	**-**	**-**	**(1,222)**	**-**	**(1,222)**
Share-based payments expense (note 9)	**-**	**742**	**-**	**-**	**742**	**-**	**742**
Net income	**-**	**-**	**-**	**13,879**	**13,879**	**114**	**13,993**
Dividends declared (note 8)	**-**	**-**	**-**	**(5,501)**	**(5,501)**	**(199)**	**(5,700)**
Balance at June 30, 2025	**$ 372,735**	**$ 13,079**	**$ -**	**$ (246,912)**	**$ 138,902**	**$ 1,480**	**$ 140,382**

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

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

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Operating Activities				
Net income	**$ 7,726**	$ 4,085	**$ 13,993**	$ 6,716
Items not affecting cash:				
Share-based payments expense (note 9)	**655**	78	**742**	78
Depreciation and amortization	**1,046**	938	**2,094**	1,877
Amortization (gain) of debt issuance costs (note 11)	**28**	72	**(80)**	112
Amortization of franchise rights (note 5)	**1,279**	1,258	**2,537**	2,593
Finance expense on the Preferred Share liability	**-**	2,668	**-**	2,514
Deferred tax expense	**354**	304	**604**	201
Loss (income) from equity-accounted investments (note 4)	**405**	109	**681**	(317)
Non-cash (recovery) impairment of equity-accounted investment (note 4)	**-**	(38)	**-**	198
Gain on sale of equity-accounted investment (note 4)	**-**	(681)	**(1,362)**	(681)
Other non-cash items	**(143)**	(515)	**119**	98
Changes in non-cash working deficit (note 13)	**(573)**	2,255	**(808)**	2,211
Cash provided by operating activities	**10,777**	10,533	**18,520**	15,600
Investing Activities				
Investment in intangible assets (note 5)	**(1,361)**	(849)	**(2,576)**	(4,997)
Proceeds from sale of equity-accounted investee (note 4)	**-**	3,710	**2,800**	3,710
Proceeds on disposal of capital and intangible assets	**38**	-	**38**	-
Distributions from equity-accounted investees (note 4)	**-**	100	**-**	285
Investment in business acquisitions, net of cash acquired	**-**	(979)	**-**	(979)
Dividends to non-controlling interests	**(199)**	-	**(199)**	-
Contribution to equity-accounted investees (note 4)	**(2,500)**	-	**(4,000)**	-
Cash provided by (used in) investing activities	**(4,022)**	1,982	**(3,937)**	(1,981)
Financing Activities				
Transaction costs for debt financing (note 7)	**-**	-	**(252)**	-
Repayment of debt (note 7)	**(2,002)**	(5,730)	**(7,191)**	(6,776)
NCIB share repurchase (note 8)	**(1,136)**	(9)	**(1,136)**	(9)
Shares purchased for RSU plan (note 8)	**(729)**	(290)	**(1,222)**	(290)
Payment of principal portion of lease liabilities	**(103)**	(94)	**(203)**	(186)
Dividends paid to common shareholders (note 8)	**(3,139)**	(1,447)	**(5,501)**	(2,894)
Dividends paid to Preferred Shareholders	**-**	(1,680)	**-**	(3,697)
Cash used in financing activities	**(7,109)**	(9,250)	**(15,505)**	(13,852)
Decrease in cash	**(354)**	3,265	**(922)**	(233)
Cash, beginning of period	**4,164**	2,116	**4,732**	5,614
Cash, end of period	**$ 3,810**	$ 5,381	**$ 3,810**	$ 5,381
Cash flows include the following amounts:				
Interest paid	**$ 361**	$ 611	**$ 773**	$ 1,315
Interest received	**$ 48**	$ 87	**$ 94**	$ 140
Income taxes paid	**$ 2,503**	$ 233	**$ 6,493**	$ 1,322

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

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

Entity overview

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

	Ownership interest	
	June 30, 2025	December 31, 2024
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton")	**100%**	100%

The Corporation also holds an indirect 40% equity interest in a non-B20 lender Heartwood Financial, LP ("Heartwood"). The Corporation will not be responsible for Heartwood's debts and Heartwood operates independently from the DLC Group. The investment in Heartwood is an equity-accounted investment.

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements ("interim financial statements") of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standards 34 – Interim Financial Reporting. Certain prior period balances have been reclassified to match the current year presentation.

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on August 7, 2025.

3. MATERIAL ACCOUNTING POLICIES

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

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. EQUITY-ACCOUNTED INVESTMENTS

Heartwood Financial, LP

The Corporation has an indirect 40% ownership interest (previously, 50%) in Heartwood. Heartwood was organized in 2024 and it established a management team to secure financing to create a non-B20 lender. The Corporation will not be responsible for Heartwood's debts and Heartwood will operate independently from the DLC Group.

Prior to June 30, 2025, the Corporation's ownership interest was diluted from 50% to 40%. The decrease in ownership resulted in a non-cash deemed disposal, and a gain of $224 was recognized in income from equity-accounted investments.

The Corporation contributed $3,500 to Heartwood during the six months ended June 30, 2025.

The following tables summarise the financial information of Heartwood:

		June 30, 2025		December 31, 2024
Current assets	**$**	**7,618**	$	641
Non-current assets		**863**		7
Current liabilities		**(717)**		(38)
Net assets		**7,764**		610
% of ownership		**40%**		50%
Corporation share of net assets	**$**	**3,106**	$	305

		Three months ended June 30, 2025		2024		**Six months ended June 30, 2025**		2024
Revenue	**$**	**17**	$	-	**$**	**17**	$	-
Expenses (including income tax)		**1,273**		-		**1,864**		-
Net loss		**(1,256)**		-		**(1,847)**		
% of ownership [(1)]		**50%**		50%		**50%**		50%
Corporation share of net loss	**$**	**(628)**	$	-	**$**	**(924)**	$	-

(1) As the decrease in the Corporation's ownership interest occurred just prior to June 30, 2025, the portion of income from equity accounted investees was 50% for the three and six months ended June 30, 2025.

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 Corporation's investment in Impact was previously classified as 'held for sale' as of March 31, 2024.

		Three months ended June 30, 2024		**Six months ended June 30,** 2024
Revenue	$	816	$	3,624
Expenses (including income tax)		889		3,414
Net (loss) income		(73)		210
% of ownership		52%		52%
Corporation share of net (loss) income	$	(38)	$	109

		Three months ended June 30, 2024		**Six months ended June 30,** 2024
Other comprehensive income (loss)		-		172
% of ownership		52%		52%
Corporation share of other comprehensive income (loss)	$	-	$	89

(in thousands of Canadian dollars)

Other equity-accounted investments

The following tables summarize the financial information of the Corporation's investments in its other joint arrangements. The Corporation's ownership interest in these entities is not significant, and ranges from 30%-50%. The Corporation is entitled to the net assets of these entities, and therefore, the joint control arrangements are considered joint ventures and are accounted for using the equity method.

Included in other equity-accounted investments is a $500 contribution into a new equity-accounted investee during the six months ended June 30, 2025. During the six months ended June 30, 2025, the Corporation did not receive distributions from its other joint arrangements (June 30, 2024—$285).

On January 17, 2025, the Corporation disposed of one of its joint arrangements for proceeds of $2,800 and recognized a gain on disposal of $1,362.

		June 30, 2025		December 31, 2024
Current assets	**$**	**1,232**	$	1,720
Non-current assets		**115**		62
Current liabilities		**(647)**		(789)
Non-current liabilities		**-**		(34)
Net assets		**700**		959
% of ownership		**30%-50%**		30%-50%
		291		440
Goodwill		**532**		1,303
Corporation share of net assets	**$**	**823**	$	1,743

	Three months ended June 30,				**Six months ended June 30,**			
		2025		2024		**2025**		2024
Revenue	**$**	**851**	$	3,583	**$**	**1,461**	$	6,157
Expenses (including income tax)		**844**		3,785		**1,385**		5,808
Net income		**7**		(202)		**76**		349
% of ownership		**30%-50%**		30%-50%		**30%-50%**		30%-50%
Corporation share of net income	**$**	**1**	$	(71)	**$**	**19**	$	208

(in thousands of Canadian dollars)

5. INTANGIBLE ASSETS

		Franchise rights, relationships and agreements		Brand names		Software		Total intangible assets
Cost								
Balance at December 31, 2024	$	127,292	$	47,340	$	4,042	$	178,674
Additions [(1)]		**2,312**		**-**		**-**		**2,312**
Disposals		**(100)**		**-**		**-**		**(100)**
Balance at June 30, 2025	**$**	**129,504**	**$**	**47,340**	**$**	**4,042**	**$**	**180,886**
Accumulated amortization								
Balance at December 31, 2024	$	(46,444)	$	(191)	$	(3,769)	$	(50,404)
Amortization recognized as a charge against revenue		**(2,537)**		**-**		**-**		**(2,537)**
Amortization expense		**(1,672)**		**(164)**		**(47)**		**(1,883)**
Disposals		**61**		**-**		**-**		**61**
Balance at June 30, 2025	**$**	**(50,592)**	**$**	**(355)**	**$**	**(3,816)**	**$**	**(54,763)**
Carrying value								
December 31, 2024	$	80,848	$	47,149	$	273	$	128,270
June 30, 2025	**$**	**78,912**	**$**	**46,985**	**$**	**226**	**$**	**126,123**

(1) Additions includes franchise rights, relationships, and agreements of $267 included within accrued liabilities as of June 30, 2025 (December 31, 2024 - $531).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2025		December 31, 2024
Accrued liabilities				
Commissions payable	**$**	**19,657**	$	15,303
Other accrued liabilities		**5,690**		8,528
		25,347		23,831
Trade payables		**1,667**		2,044
Government agencies payable		**1,207**		3,531
Other		**1,015**		116
	$	**29,236**	$	29,522

7. LOANS AND BORROWINGS

		June 30, 2025		December 31, 2024
Revolving loans and borrowings				
Revolving Facility	**$**	**561**	$	5,176
Term loans and borrowings				
Term Facility	**$**	**28,334**	$	30,910
Debt issuance costs		**(524)**		(192)
Total term loans and borrowings		**27,810**		30,718
Less: current portion		**(5,152)**		(5,152)
	$	**22,658**	$	25,566

The Corporation’s loans and borrowings are composed of two senior credit facilities (collectively, the “Senior Credit Facilities”). The Senior Credit Facilities consist of a revolving working capital credit line (the “Revolving Facility”) and a term loan (“Term Facility”).

(in thousands of Canadian dollars)

On February 18, 2025, the Senior Credit Facilities term was extended from December 19, 2026 to February 18, 2030, and the Revolving Facility increased from $15,000 to $25,000.

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%.

Quarterly financial covenants for the Senior Credit Facilities include the requirement to maintain an adjusted total debt-to-EBITDA ratio of less than 2.75:1.00 and a fixed charged coverage ratio greater than 1.10:1.00. At June 30, 2025, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charge coverage ratio were 0.51:1.00 and 3.81:1.00, respectively, and as such, the Corporation was in compliance with all such covenants.

8. 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, 2024	78,459,180		375,093
NCIB	**(121,600)**		**(1,136)**
Change in Common Shares for RSU plan (note 9)	**(149,942)**		**(1,222)**
Balance at June 30, 2025	**78,187,638**	**$**	**372,735**
Common Shares outstanding	**78,602,838**		

At June 30, 2025, a total of 78,602,838 Common Shares were outstanding (December 31, 2024 – 78,724,438), net of 415,200 Common Shares held in trust under the RSU plan (December 31, 2024 – 265,258).

Dividends

During the three and six months ended June 30, 2025, the Corporation declared dividends of $0.04 and $0.07 per Common Share, respectively, resulting in dividend payments of $3,139 and $5,501 respectively (June 30, 2024—$1,447 and $2,894).

NCIB

The Corporation implemented a NCIB on June 5, 2025. The NCIB has a twelve-month duration, which commenced on June 5, 2025 and ends the earlier of June 4, 2026 or the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Under the NCIB, the Corporation may purchase up to 2,100,000 Common Shares. During the six months ended June 30, 2025, the Corporation made repurchases under the NCIBs of 121,600 Common Shares at an average price of $9.34 per Common Share. The repurchased shares were cancelled and returned to treasury.

9. SHARE-BASED PAYMENTS

The Corporation recorded total share-based payments expense of $655 and $742 for the three and six months ended June 30, 2025, respectively (June 30, 2024—$78 and $78). These amounts include share-based payments expense related to the Corporation's restricted share units ("RSUs") for the three and six months ended June 30, 2025.

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. On April 15, 2025, the Corporation issued 335,234 RSUs to corporate board members and certain executives. The RSUs vest one-third on each of April 15, 2026, April 15, 2027, and April 15, 2028 for management and on April 15, 2028 for independent board members.

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 at the option of the Corporation. Pursuant to the RSU Plan, holders are entitled to receive additional RSUs in lieu of dividends (the "Dividend Entitlement") on each dividend payment date. As such, for the six months ended June 30, 2025, the Corporation issued an additional 4,873 RSU's in lieu of dividends.

(in thousands of Canadian dollars)

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

Outstanding RSUs, December 31, 2024	429,796
April 15, 2025 grant	**335,234**
2025 Dividend Entitlement	**4,873**
Outstanding RSUs, June 30, 2025	**769,903**

10. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	**2025**	2024
Franchising revenue, mortgage brokerage services	**$ 14,981**	$ 13,217	**$ 27,349**	$ 23,307
Newton revenues	**8,326**	4,847	**13,423**	8,127
Brokering of mortgages	**1,302**	724	**2,569**	990
	$ 24,609	$ 18,788	**$ 43,341**	$ 32,424

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 $25,510 and $45,300 for the three and six months ended June 30, 2025 (June 30, 2024—$19,861 and $34,741).

11. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	**2025**	2024
Interest expense on debt obligations	**$ 361**	$ 611	**$ 773**	$ 1,315
Interest on lease obligations	**16**	20	**34**	40
Amortization of debt issuance costs	**28**	72	**(80)**	112
	$ 405	$ 703	**$ 727**	$ 1,467

12. EARNINGS PER COMMON SHARE

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	**2025**	2024
Net income attributable to shareholders	**$ 7,645**	$ 4,033	**$ 13,879**	$ 6,660
Basic weighted average number of Common Shares	**78,322,430**	48,199,790	**78,373,172**	48,213,514
Effect of dilutive instruments	**459,080**	-	**448,933**	-
Diluted weighted average number of Common Shares	**78,781,510**	48,199,790	**78,822,105**	48,213,514
Basic earnings per share	**0.10**	0.08	**0.18**	0.14
Diluted earnings per share	**0.10**	0.08	**0.18**	0.14

(in thousands of Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the six months ended June 30,		**2025**		2024
Trade and other receivables	**$**	**304**	$	2,330
Prepaid expenses and deposits		**(867)**		167
Accounts payable and accrued liabilities		**(286)**		(205)
Deferred contract liabilities		**41**		(81)
	$	**(808)**	$	2,211

14. 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 $75 and $152 decrease of income before tax for the three and six months ended June 30, 2025, respectively (June 30, 2024—$88 and $186 decrease).

Credit risk

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

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

The Corporation's primary source of credit risk, therefore, relates to the possibility of franchisees, agents, or other customers not paying receivables. The Corporation manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. As at June 30, 2025, $419 of trade receivables were greater than 90 days outstanding (December 31, 2024—$309), and the provision for total expected credit losses as at June 30, 2025 was $368 (December 31, 2024—$364). A decline in economic conditions, or other adverse conditions experienced by franchisees and agents, could impact the collectability of the Corporation's accounts receivable.

(in thousands of Canadian dollars)

The Corporation's maximum exposure to credit risk approximates the carrying value of the assets on the Corporation's consolidated statements of financial position.

		June 30, 2025		December 31, 2024
Cash	**$**	**3,810**	$	4,732
Trade receivables, other receivables, and other assets		**17,525**		17,853
	$	**21,335**	$	22,585

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation utilizes cash and debt management policies and practices to mitigate the likelihood of difficulties in meeting its financial obligations and commitments. These policies and practices include the preparation of budgets and forecasts which are regularly monitored. As at June 30, 2025, 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	$	29,236	$	29,236	$	-	$	-
Lease obligations (1)		922		454		468		-
Revolving loans and borrowings		561		561		-		-
Term loans and borrowings (2)		28,334		5,152		23,182		-
Long-term liabilities		397		-		397		-
	$	59,450	$	35,403	$	24,047	$	-

(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 June 30, 2025 and December 31, 2024.

		June 30, 2025		December 31, 2024
Term loans and borrowings	**$**	**27,810**	$	30,718
Revolving loans and borrowings		**561**		5,176
Less: cash		**3,810**		4,732
Net loans and borrowings	**$**	**24,561**	$	31,162
Shareholders' equity	**$**	**138,902**	$	132,140

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

The Corporation is not subject to any externally-imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally-imposed capital requirements as at June 30, 2025 (see note 7).