Condensed Interim Consolidated Financial Statements of

DEALNET CAPITAL CORP.

Three months ended March 31, 2020 and 2019
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements of Dealnet Capital Corp. for the three months ended March 31, 2020 and 2019.

DEALNET CAPITAL CORP.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in thousands of dollars)
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 4,693	$ 5,798
Restricted cash (notes 8(a) and 9)	20,666	15,936
Trade receivables, net of allowance	1,253	1,280
Finance receivables, net (note 5)	206,508	201,740
Other assets (note 6)	5,019	5,135
Property and equipment, net	1,310	1,355
Intangible assets, net	1,427	1,312
	$ 240,876	$ 232,556
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and other liabilities (note 7)	$ 3,660	$ 2,968
Debentures, notes payable and other financial debt (note 8)	22,367	22,970
Secured borrowings (note 9)	180,013	171,977
	206,040	197,915
Shareholders' equity:		
Share capital (note 12)	71,163	71,123
Contributed surplus	7,213	7,189
Accumulated other comprehensive loss	(66)	(83)
Deficit	(43,474)	(43,588)
	34,836	34,641
	$ 240,876	$ 232,556

See accompanying notes to condensed interim consolidated financial statements.

DEALNET CAPITAL CORP.

Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Expressed in thousands of dollars, except per share amounts or unless otherwise stated)
(Unaudited)

	Three months ended March 31, 2020	2019
Consumer finance:		
Interest income	$ 4,645	$ 4,120
Interest expense	2,392	2,230
	2,253	1,890
Fee and ancillary revenue	536	482
Direct expense	(351)	(342)
Provision for credit losses	(169)	(139)
	16	1
Finance income	2,269	1,891
Call Centre:		
Revenue	2,465	2,059
Cost of sales	1,543	1,343
	922	716
Gross profit	3,191	2,607
Operating expenses:		
Salaries, wages and benefits	1,728	1,893
General and administrative	975	884
Finance costs, net	(11)	34
Depreciation and amortization	345	308
Share-based compensation (note 13)	40	102
	3,077	3,221
Net income (loss)	114	(614)
Other comprehensive income (loss):		
Foreign currency translation	17	–
Net income (loss) and comprehensive income (loss)	$ 131	$ (614)
Income (loss) per common share, basic and diluted (note 16)	$ 0.00	$ (0.00)

See accompanying notes to condensed interim consolidated financial statements.

DEALNET CAPITAL CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of dollars, unless otherwise stated)
(Unaudited)

	Share capital (note 12)					
	Number	Value		Accumulated other		
	Common shares (000s)	Common shares	Contributed surplus	comprehensive income (loss)	Deficit	Total
Balance as at December 31, 2018	282,528	$ 71,123	$ 6,747	$ (53)	$ (41,805)	$ 36,012
Share-based compensation (note 13)	–	–	108	–	–	108
Other comprehensive loss	–	–	–	–	–	–
Net loss	–	–	–	–	(614)	(614)
Balance as at March 31, 2019	282,528	71,123	6,855	(53)	(42,419)	35,506
Share-based compensation	–	–	334	–	–	334
Other comprehensive loss	–	–	–	(30)	–	(30)
Net loss	–	–	–	–	(1,169)	(1,169)
Balance as at December 31, 2019	282,528	71,123	7,189	(83)	(43,588)	34,641
Share-based compensation (note 13)	–	–	40	–	–	40
Stock options exercised (note 12(a))	350	40	(16)	–	–	24
Other comprehensive gain	–	–	–	17	–	17
Net income	–	–	–	–	114	114
Balance as at March 31, 2020	282,878	$ 71,163	$ 7,213	$ (66)	$ (43,474)	$ 34,836

See accompanying notes to condensed interim consolidated financial statements.

DEALNET CAPITAL CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in thousands of dollars)
(Unaudited)

	Three months ended March 31, 2020	2019
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 114	$ (614)
Items not involving cash:		
Provision for credit losses	169	139
Depreciation and amortization	345	308
Share-based compensation (note 13)	40	102
Accretion of interest and transaction costs	56	85
	724	20
Change in non-cash working capital balances related to operations:		
Trade receivables and other assets	(5)	(1,541)
Finance receivable, net	(4,927)	(3,260)
Restricted cash	(4,730)	(5,538)
Secured borrowings	8,020	9,128
Accounts payable and other liabilities	692	(739)
Cash used in operating activities	(226)	(1,930)
Financing activities:		
Repayment of notes and debentures, net (note 18(a))	(559)	(559)
Proceeds from options exercised (note 12(a))	24	–
Reduction of lease liabilities	(128)	(76)
Cash used in financing activities	(663)	(635)
Investing activities:		
Proceeds from the sale of discontinued operations, net of assets	138	2,500
Additions to property and equipment	(87)	–
Additions to intangible assets	(284)	(159)
Cash provided by Investing activities	(233)	2,341
Effect of foreign exchange on cash	17	–
Decrease in cash and cash equivalents	(1,105)	(224)
Cash and cash equivalents, beginning of period	5,798	8,684
Cash and cash equivalents, end of the period	$ 4,693	$ 8,460

Supplemental cash flow information:		
Interest paid	$ 2,427	$ 2,112
Income taxes paid	–	–

See accompanying notes to condensed interim consolidated financial statements.

1. Corporate information:

Dealnet Capital Corp. (the "Company" or "Dealnet") was incorporated on September 8, 1986 under the laws of the Province of British Columbia and was continued under the laws of the Province of Ontario on May 7, 1991. Effective July 28, 2015, the Company commenced trading on the TSX Venture Exchange ("TSX-V"). The address of the Company's registered office is 4 King Street West, Suite 1700, Toronto, Ontario, M5H 1B6, Canada.

Dealnet operates in two markets, Consumer Finance and Call Centre.

The principal focus of Consumer Finance is to develop and support the origination, securitization and servicing of consumer loans and leases within the Canadian home improvement sector. The Company runs this segment through the operating businesses of EcoHome Financial Inc. and One Dealer Financial Services Inc. (collectively, "EcoHome").

Call Centre currently consists of One Contact Canada Inc. and One Contact Inc. (collectively, "One Contact") providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services in Canada and the United States.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and should be read in conjunction with the Company’s annual audited consolidated financial statements as at December 31, 2019. They do not include all the information and disclosures required in the annual audited consolidated financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors ("Board") of the Company on May 21, 2020.

(b) Basis of consolidation:

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after the elimination of intercompany balances and transactions. The significant subsidiaries included are One Contact Inc., One Contact Canada Inc., One Dealer Inc. and EcoHome Financial Inc.

(c) Measurement basis:

These condensed interim consolidated financial statements are prepared on a going concern basis under the historical cost method, except for certain financial assets and liabilities that are measured at fair value.

(d) Functional and presentation currency:

The presentation currency is the Canadian dollar. The condensed interim consolidated financial statements are prepared in thousands of Canadian dollars, except per share amounts, and as otherwise noted. The functional currency of the Company and its subsidiaries is the Canadian dollar, except for its US subsidiary, One Contact Inc., which is in US dollars.

3. Summary of significant accounting policies:

The accounting policies and judgments applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company for the year ended December 31, 2019.

4. Critical accounting estimates and use of judgments:

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date of the condensed interim consolidated financial statements. Accordingly, actual results may differ from those recorded amounts.

The significant judgments made by management in applying the Company's accounting policies and key sources of estimations were the same as those described in note 5 of the Consolidated financial statements for the year ended December 31, 2019.

5. Finance receivables:

Finance receivables consist of the following:

	March 31, 2020	December 31, 2019
Consumer finance leases, net (a)	$ 85,841	$ 88,538
Consumer finance loans, net (b)	120,667	113,202
	$ 206,508	$ 201,740

(a) Consumer finance leases, net:

	March 31, 2020	December 31, 2019
Aggregate minimum payments	$ 124,320	$ 129,066
Unearned income	(38,749)	(40,898)
	85,571	88,168
Fair value of leases acquired	563	731
Unamortized initial direct cost	798	842
Allowance for credit losses	(1,091)	(1,203)
Consumer finance leases, net	$ 85,841	$ 88,538

5. Finance receivables (continued):

The following table presents the aging of the consumer finance leases, by contract balance:

	March 31, 2020		December 31, 2019	
1-30 days past due	$ 848	1.0%	$ 412	0.5%
31-60 days past due	641	0.8%	352	0.4%
61-90 days past due	209	0.2%	361	0.4%
Greater than 90 days past due	5,105	6.0%	4,846	5.5%
Total past due	6,803	8.0%	5,971	6.8%
Current	78,768	92.0%	82,197	93.2%
Total consumer finance leases	$ 85,571	100.0%	$ 88,168	100.0%

As March 31, 2020, the Company has an allowance for expected credit losses for leases of $1,091 (December 31, 2019 - $1,203).

Credit risk ratings are assigned to each lease in Stage 1 based on the customer's external credit risk score.

The following table sets out the Company's credit risk exposure for leases as at March 31, 2020:

Credit risk score	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Greater than 750	$ 35,738	$ –	$ –	$ 35,738
680 to 750	19,760	–	–	19,760
Less than 680	19,083	–	–	19,083
Under-Performing	–	6,594	–	6,594
Non-Performing	–	–	5,757	5,757
Net consumer finance leases before allowance for expected credit losses	74,581	6,594	5,757	86,932
Allowance for expected credit losses	(441)	(103)	(547)	(1,091)
Consumer finance leases, net	$ 74,140	$ 6,491	$ 5,210	$ 85,841

5. Finance receivables (continued):

The following table sets out the Company's credit risk exposure for leases as at December 31, 2019:

Credit risk score	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Greater than 750	$ 36,089	$ –	$ –	$ 36,089
680 to 750	21,557	–	–	21,557
Less than 680	20,675	–	–	20,675
Under-Performing	–	5,951	–	5,951
Non-Performing	–	–	5,469	5,469
Net consumer finance leases before allowance for expected credit losses	78,321	5,941	5,469	89,741
Allowance for expected credit losses	(466)	(118)	(619)	(1,203)
Consumer finance leases, net	$ 77,855	$ 5,833	$ 4,850	$ 88,538

As at March 31, 2020, the Company determined the following forward-looking macroeconomic factors as the key drivers that contribute to credit losses: gross domestic product, unemployment rates and housing price index.

The ECL allowances are calculated through three probability-weighted forward-looking scenarios including base, optimistic and pessimistic, which are chosen from a number of scenarios sourced from publicly available information. There have been no material changes in the assumptions used to estimate expected credit loss ("ECL") for leases under the different scenarios since the previous year-end. Refer to note 9(a) – *Finance receivables* of the 2019 annual audited consolidated financial receivables for further disclosure.

5. Finance receivables (continued):

An analysis of the changes in the classification of allowance for expected credit losses for leases is as follows:

	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
As at December 31, 2018	$ 123	$ 238	$ 444	$ 805
Transfers to (from):				
Stage 1	(5)	4	1	–
Stage 2	74	(82)	8	–
Stage 3	16	–	(16)	–
Originations	7	1	161	169
Principal payments	(5)	(40)	(223)	(268)
Write-offs against allowance	–	–	(40)	(40)
Changes in credit risk	256	(3)	284	537
As at December 31, 2019	466	118	619	1,203
Transfers to (from):				
Stage 1	(24)	23	1	–
Stage 2	28	(68)	40	–
Stage 3	83	–	(83)	–
Originations	2	1	79	82
Principal payments	(10)	(6)	(95)	(111)
Write-offs against allowance	–	–	(6)	(6)
Changes in models and credit risk	(104)	35	(8)	(77)
As at March 31, 2020	$ 441	$ 103	$ 547	$ 1,091

(b) Consumer finance loans, net:

	March 31, 2020	December 31, 2019
Consumer finance loans	$ 121,385	$ 113,782
Accrued interest	899	811
Fair value of loans acquired	50	54
Vendor buy-down subsidies	(1,198)	(1,142)
Unamortized initial direct cost	723	641
Allowance for credit losses	(1,192)	(944)
Consumer finance loans, net	$ 120,667	$ 113,202

5. Finance receivables (continued):

The following table presents the aging of the consumer finance loans, by contract balance:

	March 31, 2020		December 31, 2019	
1-30 days past due	$ 1,598	1.3%	$ 507	0.4%
31-60 days past due	466	0.4%	354	0.3%
61-90 days past due	289	0.2%	221	0.2%
Greater than 90 days past due	2,117	1.8%	1,659	1.5%
Total past due	4,470	3.7%	2,741	2.4%
Current	116,915	96.3%	111,041	97.6%
Total consumer finances loans	$ 121,385	100%	$ 113,782	100.0%

As at March 31, 2020, the Company has an allowance for expected credit losses for loans of $1,192 (December 31, 2019 - $944).

Credit risk ratings are assigned to each loan in Stage 1 based on the customer's external credit risk score.

The following table sets out the Company's credit risk exposure for loans as at March 31, 2020:

Credit risk score	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Greater than 750	$ 33,219	$ –	$ –	$ 33,219
680 to 750	47,667	–	–	47,667
Less than 680	29,038	–	–	29,038
Under-Performing	–	10,197	–	10,197
Non-Performing	–	–	1,738	1,738
Net consumer finance loans before allowance for expected credit losses	109,924	10,197	1,738	121,859
Allowance for expected credit losses	(331)	(246)	(615)	(1,192)
Consumer finance loans, net	$ 109,593	$ 9,951	$ 1,123	$ 120,667

5. Finance receivables (continued):

The following table sets out the Company's credit risk exposure for loans as at December 31, 2019:

Credit risk score	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Greater than 750	$ 31,844	$ –	$ –	$ 31,844
680 to 750	45,243	–	–	45,243
Less than 680	29,349	–	–	29,349
Under-Performing	–	6,355	–	6,355
Non-Performing	–	–	1,355	1,355
Net consumer finance loans before allowance for expected credit losses	106,436	6,355	1,355	114,146
Allowance for expected credit losses	(244)	(163)	(537)	(944)
Consumer finance loans, net	$ 106,192	$ 6,192	$ 818	$ 113,202

As at March 31, 2020, the Company determined the following forward-looking macroeconomic factors as the key drivers that contribute to credit losses: gross domestic product, unemployment rates and housing price index.

The ECL allowances are calculated through three probability-weighted forward-looking scenarios including base, optimistic and pessimistic, which are chosen from a number of scenarios sourced from publicly available information. There have been no material changes in the assumptions used to estimate expected credit loss ("ECL") for loans under the different scenarios since the previous year-end. Refer to note 9(b) – *Finance receivables* of the 2019 annual audited consolidated financial receivables for further disclosure.

5. Finance receivables (continued):

An analysis of the changes in the classifications of allowance for expected credit losses for loans is as follows:

	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
As at December 31, 2018	$ 222	$ 374	$ 355	$ 951
Transfers to (from):				
Stage 1	(8)	7	1	–
Stage 2	60	(71)	11	–
Stage 3	8	1	(9)	–
Originations	119	43	45	207
Principal payments	(65)	(157)	(96)	(318)
Write-offs against allowance	–	(2)	(123)	(125)
Changes in credit risk	(92)	(32)	353	229
As at December 31, 2019	244	163	537	944
Transfers to (from):				
Stage 1	(18)	18	–	–
Stage 2	43	(103)	60	–
Stage 3	16	2	(18)	–
Originations	46	10	–	56
Principal payments	(50)	(15)	(9)	(74)
Write-offs against allowance	–	–	(2)	(2)
Changes in models and credit risk	50	171	47	268
As at March 31, 2020	$ 331	$ 246	$ 615	$ 1,192

6. Other assets:

Other assets consist of the following:

	March 31, 2020	December 31, 2019
Due from dealers (a)	$ 2,983	$ 3,059
HST receivable (b)	676	915
Prepaid expenses and other receivables	843	595
Security deposits	369	267
Canada emergency wage subsidy ("CEWS") (c)	82	–
Due from Gemma liquidation	66	161
Due from purchaser	–	138
	$ 5,019	$ 5,135

(a) Pursuant to dealer agreements, the amounts due from dealers are recoverable by future escalation payments otherwise due to the originating dealers. During the three months ended March 31, 2020, the Company wrote-off $10 of unrecoverable dealer reserves (three months ended March 31, 2019 – nil) and the amount was included in provision for credit losses on the consolidated statements of income (loss) and comprehensive income (loss).

(b) The Company received the HST refund on April 20, 2020.

(c) The Company's application for the CEWS program has been processed by the Canada Revenue Agency. The portion of the subsidy relating to the three months ended March 31, 2020, totaling $82, has been recognized as a reduction of salaries, wages and benefits on the condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the three months ended March 31, 2020.

7. Accounts payable and other liabilities:

Accounts payable and other liabilities consist of the following:

	March 31, 2020	December 31, 2019
Accounts payable and accruals	$ 1,967	$ 1,327
Dealer reserves	827	830
Payroll liabilities	836	771
Other taxes payable	23	34
Contract liabilities	7	6
	$ 3,660	$ 2,968

8. Debentures, notes payable and other financial debt:

Debentures, notes payable and other financial debt consist of the following:

	March 31, 2020	December 31, 2019
Secured debentures (a)	$ 19,103	$ 19,063
Secured promissory note (b)	2,114	2,671
Lease obligation (c)	1,145	1,228
	22,362	22,962
Interest payable	5	8
	$ 22,367	$ 22,970

8. Debentures, notes payable and other financial debt (continued):

Movements in debentures, notes payable and other financial debt are as follows:

	Secured Debentures	Secured promissory note	Lease obligation	Total
	(a)	(b)	(Note 10)	
As at December 31, 2018	$ 18,911	$ 4,900	$ –	$ 23,811
Lease liabilities	–	–	1,627	1,627
Repayment of principal	–	(2,229)	(385)	(2,614)
Interest accretion	152	–	–	152
Translation	–	–	(14)	(14)
As at December 31, 2019	19,063	2,671	1,228	22,962
Repayment of principal	–	(557)	(128)	(685)
Interest accretion	40	–	–	40
Translation	–	–	45	45
As at March 31, 2020	$ 19,103	$ 2,114	$ 1,145	$ 22,362

(a) Secured debentures:

On January 12, 2016, the Company issued a $10 million secured debenture, with capacity to issue up to $100 million, a term of 10 years, and a fixed interest rate of 5.99%. The funds received may only be used for the purpose of funding eligible HVAC, home improvement and other unsecured finance contracts. As part of this transaction, the Company issued 2,000,000 common share purchase warrants, each warrant being able to purchase one common share of the Company at an exercise price of $0.67 per share. These warrants expired, unexercised, on January 12, 2019 (note 12).

The Company used the residual method to allocate the liability and equity portions of the secured debenture. The Company estimated the fair value of the equity component to be $722 (including $33 of transaction costs). The fair value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest rate of 7%, which assumes no equity component. The fair value of the equity component was netted against the liability and is being accreted over the term of the loan.

On November 28, 2016, the Company issued a $10 million secured debenture at a fixed interest rate of 6%. The debenture has a term of five years with an option to extend for an additional five years at the holder's option.

8. Debentures, notes payable and other financial debt (continued):

Included in restricted cash as at March 31, 2020 are $4,341 (December 31, 2019 - $615) of funds received under the secured debentures. These funds are available for the originations of finance receivable contracts or to repay the facility or a combination thereof.

Also included in restricted cash as at March 31, 2020 are total cash reserves of $ 2,000 (December 31, 2019 - $2,000) to support the credit risk associated with the secured debentures. In addition, the debentures are secured against consumer finance contracts with a book value of $15.9 million (December 31, 2019 - $19.4 million).

(b) Secured promissory note:

As part of the February 18, 2016 acquisition of EcoHome Financial Inc. ("EcoHome"), the Company issued an $8 million promissory note to Chesswood Group Limited ("Chesswood") bearing interest at 4.0% per annum, to mature on April 28, 2016. The note represented the intercompany warehouse funding to EcoHome for leases and loans that had not yet been securitized with EcoHome funders prior to the acquisition of EcoHome.

On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the note, inter alia, to evidence an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million, bearing interest at the prime rate plus 3% per annum, with monthly repayment of $186 plus interest, and final principal repayment of $1 million due on the maturity date of October 16, 2020. The promissory note can be repaid before its maturity date without penalty. In addition, the promissory note is secured against consumer finance contracts with a book value of $4,298 (December 31, 2019 - $4,301).

The secured promissory note was repaid on May 11, 2020 (note 18(a)).

9. Secured borrowings:

The following table provides a summary of financial receivables transferred that do not qualify for derecognition, together with the associated liabilities:

	March 31, 2020	December 31, 2019
Carrying value		
Carrying value of finance receivables transferred	$ 180,855	$ 173,082
Cash reserves	14,325	13,321
Available collateral	$ 195,180	$ 186,403
Principal	$ 179,932	$ 171,830
Interest payable	99	170
Deferred financing cost	(26)	(33)
Fair value increment	8	10
Carrying value of associated liabilities	$ 180,013	$ 171,977
Fair value		
Fair value of finance receivables transferred	$ 185,627	$ 172,148
Cash reserves	14,325	13,321
	$ 199,952	$ 185,469
Fair value of associated liabilities	$ 180,023	$ 171,479

The weighted average stated interest rate of the outstanding liabilities is 4.60% as at March 31, 2020 (December 31, 2019 - 4.66%) and excludes deferred financing costs and premiums or discounts. Included in restricted cash are cash reserves held with counterparties and forming part of the collateral security for these facilities of $14,325 as at March 30, 2020 (December 31, 2019 - $13,321).

9. Secured borrowings (continued):

In August 2019, the Company renewed its securitization facility with a major Canadian life insurance company for an additional $40 million. During the three months ended March 31, 2020 the Company securitized $11.5 million under this facility (three months ended March 31, 2019 - $15.4 million) at an average interest rate of 4.32% (the three months ended March 31, 2019 – 4.97%).

As part of the August 2019 renewal, the Company also renewed the warehouse facility of $15 million with a term of 270 days from the funding date, bearing interest at 90-day Banker's Acceptance rates plus 3.5%. As at March 31, 2020, the Company utilized $5.1 million (December 31, 2019 - $7.1 million) of the $15 million warehouse facility.

In October 2019, the Company renewed its securitization facility with a Schedule 1 bank, the Company securitized $10.1 million during the three months ended March 31, 2020 (three months ended March 31, 2019 - nil) at an average interest rate of 4.26% (the three months ended March 31, 2019 – nil). As part of the October 2019 renewal, the Company also renewed the warehouse facility of $5 million. The facility has a term of 90 days from the funding date, bearing interest at the prime rate plus 2.5% per annum. As at March 31, 2020, the Company utilized $0.1 million (December 31, 2019 - $1.4 million) of the $5 million warehouse facility.

On February 12, 2019, the Company entered into a twelve-month revolving credit facility of $10 million with a private lender. This credit facility was put in place to finance eligible consumer finance receivable contracts originated in the province of Quebec until a permanent Quebec funding facility was established. The credit facility bore interest at the prime rate plus 8.05% and a monitoring fee of $2 per month. In May 2019, the Company terminated and repaid this revolving credit facility. The Company incurred transaction costs of $162 and upon termination and repayment of the revolving credit facility these costs were expensed and included in interest expense on the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

The Company retains a significant portion of the risk and reward associated with the transferred assets. The transferee has recourse only to the transferred assets and cash reserves.

The Company was in compliance with all financial and reporting covenants with all its lenders as at March 31, 2020.

10. Leases:

The Company has entered into commercial leases for office premises. As at March 31, 2020 the Company recognized $990 of Right-of-use assets (December 31, 2019 - $1,076) included in property and equipment, net and $1,145 of lease obligation (note 8) (December 31, 2019 - $1,228) on the condensed interim consolidated statements of financial position.

During the three months ended March 31, 2020, the Company recognized $130 (three months ended March 31, 2019 - $86) of depreciation expense included in depreciation and amortization expense and $17 (three months ended March 31, 2019 -$14) of interest expense included in finance costs, net on the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

The lease for the Company's existing head office expires on June 30, 2020. On March 2, 2020, the Company signed a sub-lease for new office space at 130 King Street West, Toronto with the lease period from May 1, 2020 to September 30, 2023. The first four months are rent free and the cost of the space is approximately the same as the existing head office space.

11. Contingencies:

From time to time, the Company encounters disputes and is sometimes subject to claims from third parties in relation to its normal course of operations. The Company believes such claims are without merit and will consult with its legal counsel to vigorously defend its position.

12. Share capital:

As at March 31, 2020, an unlimited number of common shares with no par value were authorized.

Pursuant to the shareholders' approval on October 23, 2015, the Company filed articles of amendment to create a new class of shares to be classified as "Preferred Shares". An unlimited number of Preferred Shares were created and the Preferred Shares can be issuable in one or more series.

12. Share capital (continued):

	Number (000s)	Value
Common shares		
Balance as at December 31, 2018	282,528	$ 71,123
Movement in 2019	–	–
Balance as at December 31, 2019	282,528	71,123
Stock options exercised (a)	350	40
Balance as at March 31, 2020	282,878	$ 71,163

	Number (000s)	Weighted average exercise price
Common share warrants		
Balance as at December 31, 2018	2,000	$ 0.67
Expired (note 8(a))	(2,000)	(0.67)
Balance as at December 31, 2019	–	–
Movement in 2020	–	–
Balance as at March 31, 2020	–	$ –

(a) On February 6, 2020, the Company issued 350,001 (December 31, 2019 – nil) common shares from the exercise of employee stock options at a weighted average exercise price of $0.07 each (note 13(a)) for cash proceeds of $24 and book value of $16.

13. Share-based compensation:

Share-based compensation expense consists of the following:

	Three months ended March 31 2020	2019
Stock options (a)	$ 40	$ 108
Deferred share units (b)	–	(6)
	$ 40	$ 102

(a) Stock options:

The Company awards stock options to employees, officers, directors and others at the recommendation of the Board under an incentive stock plan (the "Plan"). Options are granted at the fair value of the shares on the day granted (as decided by the Board), and vest over various terms with varying terms of exercise. Compensation expense is recognized over the vesting term. The changes in the number of stock options were as follows:

	Number (000s)	Weighted average exercise price
As at December 31, 2018	18,573	$ 0.27
Issued	8,450	0.06
Expired/forfeited	(5,546)	0.39
As at December 31, 2019	21,477	0.16
Issued	-	-
Exercised (note 12(a))	(350)	0.07
Expired/forfeited	(767)	0.53
As at March 31, 2020	20,360	$ 0.15

During 2019, the Company granted a total of 8,450,000 stock options to directors, officers, employees and consultants.

13. Share-based compensation (continued):

Of the 8,450,000 stock options issued in 2019, 1,850,000 vested immediately and the remainder will vest over a period of 18 months, with an expected exercisable period of 3 years at a weighted average exercise price of $0.06. The fair value of these options was estimated to be $283 on the date of grant using the Black-Scholes option pricing model.

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at March 31, 2020 are as follows:

	Options outstanding (000s)	Weighted average exercise price	Remaining contractual life (in years)	Options vested (000s)	Options unvested (000s)
Expiry date					
2020	1,660	$ 0.23	0.20	1,660	–
2021	2,200	0.58	1.42	2,200	–
2022	1,100	0.23	2.41	1,100	–
2023	7,450	0.08	3.39	7,450	–
2024	7,950	0.06	4.14	5,917	2,033
	20,360	$ 0.15	3.16	18,327	2,033

The fair value of the employee stock options was determined using the Black-Scholes option pricing model using the following assumptions:

	Year ended December 31, 2019
Average fair value of options granted	$0.03
Exercise price	$0.06 - $0.08
Share price on date of issuance	$0.06 - $0.08
Risk-free interest rate	1.4% - 1.6%
Average term to exercise	3 years
Estimated volatility	82% - 84%
Dividend yield	nil

The Company's basis for volatility is based on the Company's own historical volatility.

13. Share-based compensation (continued):

(b) Deferred share units:

DSUs outstanding as at March 31, 2020 are as follows:

	Number (000s)
As at December 31, 2018	539
Movement in 2019	–
As at December 31, 2019	539
Issued	378
As at March 31, 2020	917

The directors have elected to receive 25% of their annual retainer in DSUs at the Board's recommendation under the Plan. The Board has determined that the DSUs will be granted in four equal tranches at end of each fiscal quarter and will vest immediately. Each DSU has a fair market value on the date of grant as determined by the volume weighted average trading price ("VWATP") of the common shares on the principal market for the five days preceding the date of grant.

On March 31, 2020, the Company granted 378,347 DSUs to the directors which represents one quarter of 25% of their annual retainer at VWATP of common shares of $0.043.

As at March 31, 2020, the fair value of DSUs recorded on the consolidated statements of financial position in accounts payable and other liabilities was $43 (December 31, 2019 - $43).

14. Financial instruments:

All financial instruments measured at fair value and those where fair value is disclosed are categorized into one of three hierarchy levels, Level 1, Level 2 or Level 3, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities. The table below summarizes the Company's fair value measurement for the various forms of financial instruments it holds.

March 31, 2020	IFRS 9 Category	Level 1	Level 2	Level 3	Total
Financial instruments					
Cash and cash equivalents (i)	Amortized cost	$ 4,693	$ –	$ –	$ 4.693
Restricted cash (i)	Amortized cost	20,666	–	–	20,666
Trade receivables (i)	Amortized cost	–	1,253	–	1,253
Consumer finance leases, net (ii)	Amortized cost	–	86,917	–	86,917
Consumer finance loans, net (ii)	Amortized cost	–	124,233	–	124,233
Other assets (i)	Amortized cost	–	3,593	–	3,593
Due from Gemma liquidation (i)	FVTPL	–	66	–	66
Accounts payable and other liabilities (i)	Amortized cost	–	(3,660)	–	(3,660)
Debentures and notes payable (iv)	Amortized cost	–	–	(21,644)	(21,644)
Secured borrowings (iii)	Amortized cost	–	(180,023)	–	(180,023)

December 31, 2019	IFRS 9 Category	Level 1	Level 2	Level 3	Total
Financial instruments					
Cash and cash equivalents (i)	Amortized cost	$ 5,798	$ –	$ –	$ 5,798
Restricted cash (i)	Amortized cost	15,936	–	–	15,936
Trade receivables (i)	Amortized cost	–	1,280	–	1,280
Consumer finance leases, net (ii)	Amortized cost	–	86,705	–	86,705
Consumer finance loans, net (ii)	Amortized cost	–	113,124	–	113,124
Other assets (i)	Amortized cost	–	3,541	–	3,541
Due from Gemma liquidation (i)	FVTPL	–	161	–	161
Accounts payable and other liabilities (i)	Amortized cost	–	(2,968)	–	(2,968)
Debentures and notes payable (iv)	Amortized cost	–	–	(21,403)	(21,403)
Secured borrowings (iii)	Amortized cost	–	(171,479)	–	(171,479)

14. Financial instruments (continued):

There were no transfers between any levels during the three months ended March 31, 2020 and for the year ended December 31, 2019.

Inputs and valuation techniques used for the financial instruments are as follows:

(i) Carrying amounts are expected to be reasonable approximations of fair value for cash and for financial instruments with short maturities, including trade, other receivables, due from Gemma liquidation, Government wage subsidy receivable and accounts payable.

(ii) Fair value of consumer finance leases and loans, net consider only changes in components of the valuation model that are observable in active markets, namely, a change in the Government of Canada bond yields between the origination date and current date.

(iii) Fair value of secured borrowings considers only changes in components of the valuation model that are observable in active markets, namely, a change in the Government of Canada bond yields between the issued date and current date.

(iv) Fair value of notes and debentures are calculated using a valuation model that considers the future stream of cash flows discounted at the market swap yield adjusted for risk premium.

(a) Risk management policies:

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash and cash equivalents, restricted cash, trade receivables, due from dealers and finance receivables. The carrying amounts of financial assets represent the maximum credit exposure. Cash accounts are maintained with major international financial institutions of reputable credit and, therefore, bear minimal credit risk.

14. Financial instruments (continued):

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which the Company believes are subject to normal industry credit risks. As at March 31, 2020, the Company has no allowance for credit losses (December 31, 2019 - nil) relating to trade receivables.

The Company's overall exposure to credit risk arising from consumer finance receivables is governed by credit specific risk appetite limits and credit risk policies as approved by the Company's Board. The Credit and Risk Committee of the Board has established and monitors credit risk related policies and guidelines enterprise-wide, taking into account business objectives, corporate risk appetite, funder risk requirements, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures and include geographic, product, size, and security type limits. The Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs.

The Company's loan receivables consist of unsecured consumer loans and, accordingly, the Company is exposed to credit risk within this portfolio. The Company mitigates credit risk by assessing the borrower's capacity and willingness to pay through its underwriting policies and by ensuring that all loan contracts greater than $15 or ones that have experienced material credit deterioration and/or have become delinquent are registered with a Notice of Security Interest ("NOSI") in the real property registry to minimize credit losses of loans. As at March 31, 2020, the Company recorded an allowance for expected credit losses for loans of $1,192 (December 31, 2019 - $944).

14. Financial instruments (continued):

Credit risk within the Company's lease receivables portfolio is mitigated by ensuring all lease contracts greater than $15 or ones that have experienced a material credit deterioration and/or have become delinquent are registered with a NOSI and by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance of these reserves and is entitled to seek additional cash reserves from the dealers. As at March 31, 2020, the Company held $827 (December 31, 2019 - $830) in dealer reserves within accounts payable and other liabilities (note 7). In addition, the Company has recorded an allowance for expected credit losses for leases of $1,091 (December 31, 2019 - $1,203).

As at March 31, 2020, the Company has $2,983 (December 31, 2019 - $3,059) due from dealers reported under other assets (note 6). The receivables arose primarily from terminated delinquent finance lease contracts and related costs. The Company intends to recover the outstanding balances through garnishment of future escalation payments otherwise due to the originating dealers or enforcement of its security interests.

(c) Interest rate risk:

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures the large majority of its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on the term facility and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

(d) Currency risk:

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars.

14. Financial instruments (continued):

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to the profit for the year. As at March 31, 2020, the Company did not hedge any currency exposures.

(e) Liquidity risk:

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due. The Company oversees its liquidity to ensure that it has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations under both normal and stressed conditions. The most significant exposure to liquidity risk relates to the repayment of secured borrowings, debentures, and notes payable. In addition, a growth in origination volume requires the use of upfront cash. The exposure to secured borrowings is primarily managed by term-matching the cash flows generated by the Company's net investment in leases and loans with the repayment requirements. With respect to debentures, notes payable and origination growth, the mitigation of liquidity risk is dependent on the Company's ability to (i) match utilization levels and excess available restricted cash to maturing obligations, (ii) extend current debt facilities and/or raise additional funds through secured debt placements or equity.

14. Financial instruments (continued):

The following tables set out the remaining undiscounted contractual payments and maturities of the Company's financial assets, financial liabilities and other commitments including interest as at March 31, 2020:

	2020	2021	2022	2023	2024	2025+	Total
Finance assets							
Cash and cash equivalents	$ 4,693	$ –	$ –	$ –	$ –	$ –	$ 4,693
Restricted cash	6,005	4,096	2,621	2,765	2,761	2,418	20,666
Trade receivables	1,253	–	–	–	–	–	1,253
Finance receivables leases (a)	15,055	17,498	17,797	17,737	16,056	40,177	124,320
Finance receivables loans (a)	17,709	24,363	29,361	32,809	29,657	25,467	159,366
Other assets	3,543	–	13	51	–	52	3,659
Total financial assets	$ 48,258	$ 45,957	$ 49,792	$ 53,362	$ 48,474	$ 68,114	$ 313,957
Finance liabilities							
Accounts payable and other liabilities	$ (3,660)	$ –	$ –	$ –	$ –	$ –	$ (3,660)
Secured debentures (b)	–	(10,000)	–	–	–	(10,000)	(20,000)
Secured promissory note (c)	(2,114)	–	–	–	–	–	(2,114)
Secured borrowings (d)	(25,496)	(37,541)	(31,942)	(33,853)	(33,730)	(17,370)	(179,932)
Lease liabilities – properties	(296)	(337)	(253)	(111)	(117)	(31)	(1,145)
Interest payable	(6,726)	(7,452)	(5,459)	(3,801)	(2,208)	(1,239)	(26,885)
Total financial liabilities	$ (38,292)	$ (55,330)	$ (37,654)	$ (37,765)	$ (36,055)	$ (28,640)	$ (233,736)

(a) The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including prepayment rates, charge-offs and modifications. Accordingly, the scheduled collections of minimum monthly payments are not to be regarded as a forecast of future cash collections.

(b) Fully secured by restricted cash and finance receivables.

(c) Repaid on May 11, 2020 (note 18(a)).

(d) Repayments of secured borrowings are funded through cash flows from related finance receivables.

15. Reportable segment information:

The Company currently operates in two reportable segments, namely Consumer Finance and Call Centre.

The Consumer Finance segment operates solely in Canada through EcoHome and provides consumer financing solutions through a network of home improvement dealers.

The Call Centre segment operates in Canada and the United States through One Contact, providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services.

The Company's chief operating decision makers monitor the operating results of these business units separately for the purposes of assessing performance and allocating resources. The primary measure that is used in assessing operating performance of the operating segment is segment profit, which is defined as revenue less cost of sales, salaries and wages and general administration expenses.

For the three months ended March 31,2020, revenues from one customer in the Company's Call Centre segment represented approximately 17.8% (three months ended March 31, 2019 - 15.5%) of the Company's total revenue.

15. Reportable segment information (continued):

For three months ended March 31, 2020	Call Centre (One Contact)	Consumer Finance (EcoHome)	Corporate	Consolidated
Revenue:				
Canada	$ 638	$ 5,181	$ –	$ 5,819
United States	1,827	–	–	1,827
	2,465	5,181	–	7,646
Cost of sales	1,543	2,912	–	4,455
Gross profit	922	2,269	–	3,191
Expenses:				
Salaries, wages and benefits	241	794	693	1,728
General and administrative	172	432	371	975
Finance costs, net	(29)	–	18	(11)
	384	1,226	1,082	2,692
Segment profit (loss)	$ 538	$ 1,043	$ (1,082)	499
Depreciation and amortization				(345)
Share-based compensation				(40)
Income before income taxes				$ 114

For three months ended March 31, 2019	Call Centre (One Contact)	Consumer Finance (EcoHome)	Corporate	Consolidated
Revenue:				
Canada	$ 607	$ 4,602	$ –	$ 5,209
United States	1,452	–	–	1,452
	2,059	4,602	–	6,661
Cost of sales	1,343	2,711	–	4,054
Gross profit	716	1,891	–	2,607
Expenses:				
Salaries, wages and benefits	245	895	753	1,893
General and administrative	106	447	331	884
Finance costs, net	18	–	16	34
	369	1,342	1,100	2,811
Segment profit (loss)	$ 347	$ 549	$ (1,100)	(204)
Depreciation and amortization				(308)
Share-based compensation				(102)
Loss before income taxes				$ (614)

15. Reportable segment information (continued):

Total assets:

Total assets are derived from the following geographic areas based on the location of the individual subsidiaries of the Company:

March 31, 2020	Call Centre	Consumer Finance	Corporate	Consolidated
Canada	$ 1,939	$ 236,422	$ 1,636	$ 239,997
United States	879	–	–	879
Total assets	$ 2,818	$ 236,422	$ 1,636	$ 240,876

December 31, 2019	Call Centre	Consumer Finance	Corporate	Consolidated
Canada	$ 1,979	$ 227,827	$ 1,803	$ 231,609
United States	947	–	–	947
Total assets	$ 2,926	$ 227,827	$ 1,803	$ 232,556

16. Income (loss) per share:

Basic and diluted income (loss) per share ("EPS") amounts have been determined by dividing net income (loss) for the year by the weighted average number of common shares outstanding throughout the period reported.

	Three months ended March 31	
	2020	2019
Weighted average number of common shares (000s)	282,740	282,528
Income (loss) per common share, basic	$0.00	$(0.00)

Share options outstanding as at March 31, 2020, that could potentially dilute basic earnings per share in the future have been excluded in the calculation as they are anti-dilutive for the three months ended March 31, 2020. For the three months ended March 31, 2019, the Company reported a net loss for the period and similarly, the outstanding share options and warrants outstanding were excluded from the calculation of diluted EPS.

17. Income taxes:

As at December 31, 2019, the Company has tax losses of $22,950 and $1,320 in Canada and the United States, respectively, available to be applied against future years' taxable income. In order to record a deferred income tax asset, it must be probable that the deferred income tax asset resulting from the tax losses available for carryforward will be realized. Given the Company's history of losses, the Company has not recognized the full benefit of these losses. The tax losses in Canada expire in years ranging from 2030 through 2039 and the tax in the United States expire in years ranging from 2035 through 2038.

18. Subsequent events:

Subsequent to March 31, 2020, the Company:

(a) On May 11, 2020, the secured promissory note (note 8(b)) had an outstanding balance of $1.9 million. It was prepaid in full by securitizing $1.75 million of the underlying collateral with its Canadian LifeCo funding partner and funding another $0.9 million through capacity available under its existing secured debentures. These refinancings netted the Company $2.62 million of cash proceeds, which exceeded the $1.9 million paid to retire the secured promissory note by $0.72 million. Principal repayments of $559 per quarter will cease.

(b) On May 20, 2020, obtained a $6.25 million, 12-month term loan with a Schedule 1 Bank in partnership with the Export Development Corporation. This loan bears interest at bank's prime rate + 4% with an annual guarantee fee of 1.8% and is secured by first ranking general security agreement over EcoHome. The Company can request a 12-month extension which can be granted at the discretion of the Bank.

(c) As of May 21, 2020, had moved its systems and records into its new office space at 130 King Street West.