Dealnet Capital Corp.

Management Discussion and Analysis

March 31, 2020

As approved by the Board of Directors on May 21, 2020

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Dealnet Capital Corp. (the "Company" or "Dealnet") as at and for the quarter ended March 31, 2020 as approved by the Board of Directors on May 21, 2020. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website www.dealnetcapital.com.

CAUTIONARY STATEMENT

This MD&A has been prepared taking into consideration information available to May 21, 2020 and contains forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address Dealnet's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements.

You should not place undue reliance on these forward-looking statements. These statements reflect management's current view of future events and are subject to certain risks and uncertainties as contained herein, and in the Company's other filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that these expectations are based on reasonable assumptions, we can give no assurance that those expectations will materialize.

This MD&A contains forward-looking statements on future cash flows that are based on assumptions involving the impact of COVID-19 on the Company's future cash flows, operating results and financial position.

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COVID-19

Dealnet has taken proactive steps to respond to COVID-19. All of the operations of EcoHome are being conducted remotely. Since many of the activities of One Contact include credit card payments, confidential customer data and direct access into third party systems, it is not possible for these activities to be performed remotely. Accordingly, One Contact has taken steps to protect its employees including social distancing, providing access to additional cleaning supplies and ensuring that employees follow self-isolation guidelines. To date, both call centres have been classified as essential services.

COVID-19:

- Will significantly decrease originations and fees. Dealers are currently closed and consumers are hesitant to have dealers in their homes.
- Will likely increase the level of delinquencies, however, the impact of COVID-19 on portfolio performance has been limited so far.
- Could result in a short-term shutdown of either or both call centres in the event of wide-spread COVID-19 infection.

EcoHome Financial

The largest impact of COVID-19 on EcoHome has been a significant reduction in the level of originations for the first six weeks of the second quarter of 2020. With the government mandated social distancing measures in place and business activity limited to essential services only, the impact of COVID-19 has significantly limited the sales activities of our dealer partners such that origination activity in the near term has been limited to emergency equipment replacements, primarily in our HVAC vertical.

Prior to COVID-19, EcoHome had made strong progress, growing its organic originations consistently at approximately 35% quarter over quarter through 2019 at stable risk adjusted margins in excess of 4%. Our origination plan for 2020 included an expectation that this trend of profitable origination growth would continue. Unfortunately, the impact of COVID-19 has had a material impact on origination activities from mid-March through to the date of this MD&A, such that the expectation for originations in 2020 has shifted from one of growth to one of contraction. Originations in the second quarter of 2020 are forecasted to be as low as $3 million (second quarter 2019 – $12.9 million). The timeframe and degree of contraction remains uncertain and is wholly dependent on the duration of government mandated social distancing measures and the timing of resumption of normal business activities by our underlying dealer partners.

In addition to slowing portfolio growth, a slowdown in origination activity has a material impact on liquidity as the upfront payment the Company receives from its securitization funding partners is reduced. The payments are a major source of operating liquidity for the Company. A prolonged reduction in origination activity would materially reduce these cash flows to the Company. As outlined below, the Company has completed near term initiatives to alleviate the impact of this.

The other area where COVID-19 is expected to have an impact on EcoHome is portfolio performance. The number and dollar value of delinquent accounts at March 31, 2020 have increased since December 31, 2019. To date, we have seen less than 100 inquiries about payment deferrals on a portfolio of greater than 39,000 contracts (which equates to less than 0.5% of our entire customer base). Of the consumers that have inquired about deferrals, only one consumer has submitted an application for a payment deferral yet. As of April 30, 2020, the aging profile of our portfolio actually improved in April compared to the March figures reported herein. This could change depending on the length and severity of the pandemic and its stress on the economy. As of the end of first quarter 2020, the Company's cash reserves on its balance sheet can be used to absorb $4 million of credit losses before reaching the cash reserve 'floor' requirements under its securitization programs.

One Contact

One Contact continues with no known COVID-19 cases reported among staff. The call centre business has been classified as an essential service in both Canada and the US. There is a risk of short-term shutdown in the event of wide-spread COVID-19 infection at one or both locations. In the first quarter of 2020, One Contact had one of its strongest quarterly performances even though COVID-19 caused two of its customers to temporarily reduce their volumes and delayed the ramp-up of a major new account. One Contact has received significant client accolades due to the high service levels it has continued to provide its clients throughout COVID-19, including the recent commitment by one of its major clients to a further 12-month extension. Receivables related to the business are current with no uncollectible accounts.

Proxy

On March 30, 2020, Capital Partners Corporation ("Capital Partners") announced that it had nominated four nominees for election to the Board of Directors at the Company's 2020 annual general meeting in accordance with the Company's Advance Notice By-Law. Capital Partners is the owner of 14.6 million shares (representing approximately 5.14% of the Company's issued and outstanding shares) and its Chief Executive Officer, Dr Steven Small, previously served as Executive Chairman of Dealnet from June 2015 until March 2018. In addition, Municipal Home Service Inc., the owner of 10.8 million shares (representing approximately 3.82% of the Company's issued and outstanding shares) has agreed to support the nominees. On April 8, 2020 the Company announced that had delayed its 2020 annual general meeting given the rapidly evolving COVID-19 pandemic and confirmed that its first priority continued to be the safety and well-being of its employees and shareholders and ensuring the Company's business continuity plans are carefully executed.

On May 4, 2020, the Company announced that it received materials from Capital Partners, led by Dr. Small requisitioning a meeting of the Company's shareholders, putting forward the same four nominees.

The Company believes that shareholders should be aware of the full context surrounding the action being taken by Capital Partners. Dealnet has concerns about the omissions contained in Small's disclosure material in his attempt to take 100% control of the Board of Directors. The Company also believes that this takeover attempt is a distraction and that it is in Dealnet's best interests and that of its shareholders, for management and the Board to focus 100% of their time and cash resources towards value creation and value preservation. Shareholders are urged to review the Company's press releases regarding this matter at www.dealnetcapital.com/2020-news.

The Company will update shareholders on the timing of its 2020 annual general meeting and the requisitioned meeting before May 25, 2020.

Sufficient Liquidity to Fund On-going Operations

As reported in the fiscal 2019 financial statements, the Company's ability to continue as a going concern was dependent upon the Company raising liquidity to fund its on-going operations and finance the impacts of COVID-19 on the business. That need for immediate liquidity has now been resolved through actions taken by Management:

- Achieved a net income of $114 thousand in the first quarter of 2020 (first quarter of 2019 loss of $614 thousand).
- Obtained a $6.25 million, 12-month term loan with a Schedule 1 Bank in partnership with the Export Development Corporation. The loan bears interest at the 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.
- Prepaid its credit facility on May 11, 2020 with Chesswood 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 $2.6 million of cash proceeds, which exceeded the $1.9 million paid to Chesswood to retire their facility by $0.7 million. In addition to this positive one-time cash inflow from refinancing Chesswood, the Company will also preserve liquidity in the near term on this refinancing as the duration of that underlying debt refinanced better matches the duration of the underlying assets compared to the prior facility with Chesswood.
- Compensation has been reduced by $1 million in fiscal 2020 as a result of layoffs, headcount reductions and lower short-term incentive plan ("STIP") payouts due to COVID-19.
- Applied to the Paycheck Protection Program in the US and the Canada Emergency Wage Subsidy program in Canada.
- Optimized its working capital position, along with deferring all major capital projects to future years. These cost deferrals are expected to preserve an additional $1.9 million of liquidity in the near term.
- Collected other assets totalling $1.2 million which were receivable as of December 31, 2019.

In addition to the actions taken by Management above, the Company also has:

- Excess capacity in its warehouse facilities of $4.3 million as of March 31,2020, which could either be used to fund originations of finance receivables or to repay the facilities.
- $14 million of cash reserves with the Company's securitization partners, of which $4.0 million can be used to fund future credit losses.
- One Contact which is unencumbered by security interests and the Company has applied for a revolving bank loan secured by One Contact's accounts receivable.

As at April 3, 2020, the issuance date of the Company's audited year-end financial statements, there was a material uncertainty around the Company's ability to raise liquidity in the near term given the uncertain economic impact of COVID-19 and Capital Partners' nomination of alternate directors. Due to Management's actions outlined above, there is no longer a material uncertainty about the Company's ability to raise sufficient liquidity to fund its on-going operations in the near term. Management also performed a thorough analysis of its cash management process and near term cash position, including the preparation of a comprehensive liquidity forecast based on its current financial position, financing obligations and operating environment, along with existing revenue streams, cost structure and expected growth. In addition, given the material disruption to its business caused by COVID-19, Management also evaluated the performance of this base case forecast under stress conditions for key assumptions around origination growth, net interest margin, credit and operational risks, capital expenditures and operating costs. This comprehensive liquidity analysis was presented to the Risk Committee of the Board as part of its quarterly corporate governance process and the Audit Committee as part of its approval for the release of this MD&A and the Condensed Interim Consolidated Financial Statements as at March 31, 2020.

Based on a combination of the tangible actions executed by Management as outlined above, and the comprehensive assessment by both the Board and Management of the Company's near term liquidity position, under both existing and stress conditions, the disclosures with respect to a material uncertainty about the Company's ability to continue as a going concern have been removed from the Condensed Interim Consolidated Financial Statements as at March 31, 2020. Notwithstanding this decision, the business disruptions created by COVID-19 remain fluid and unpredictable. Given the rapidly evolving nature of the pandemic and its impact on the overall economic environment, the assessment of the risk factors and assumptions relied upon for the removal of going concern disclosure may change.

Company Overview and Vision of Compounding Profitable Growth

Dealnet is the parent company of subsidiaries operating in two market segments, consumer finance and call centre. The Company operates in the consumer finance segment in Canada through EcoHome Financial Inc. and One Dealer Financial Services Inc. (collectively, "EcoHome") and its call centre segment under the One Contact banner ("One Contact").

EcoHome is a specialty finance company serving the $20 billion Canadian home improvement finance market. EcoHome develops and supports consumer sales financing programs for approved dealers and distributors under agreements with original equipment manufacturers ("OEMs") that supply a wide range of home improvement products to the retail market. Through a dealer network, EcoHome underwrites, originates, funds and services the prime quality loans and leases that homeowners need to finance the acquisition and installation of capital assets that improve the quality, comfort and safety of their homes.

One Contact offers customer support services to third-party institutions across Canada and the U.S. and to EcoHome.

Dealnet Vision: Compounding Profitable Growth

To provide an interconnected network of synergistic organizations that consistently deliver above average growth and profitability.

EcoHome: To set the standard for profitable growth in specialized consumer finance lending, leveraging strong management expertise and technology to drive innovation, superior service and operational efficiency.

One Contact: To deliver our customers best-in-class omni-channel contact centre and back office solutions.

Analysis for the Period Ended March 31, 2020

Performance Highlights

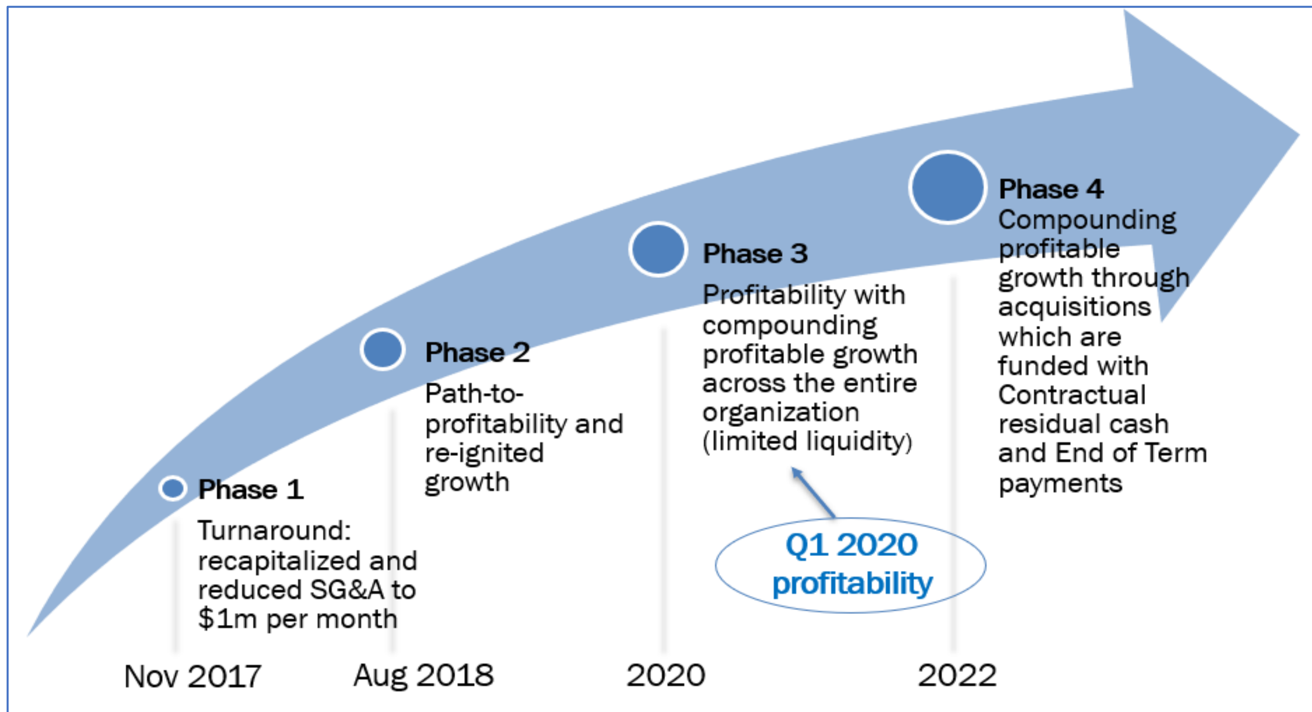
The first quarter of 2020 saw the Company achieve a profit of $114 thousand (first quarter of 2019 loss of $614 thousand) – the first quarterly net income from continuing operations in the Company's current history and an increase in net income of $728 thousand over the first quarter of 2019.

The table below contains certain non-GAAP measures which management uses to assist in assessing the Company's performance.

Q1 - 2020 Performance Highlights (QOQ)							
Consumer Finance Segment (EcoHome)				**Call Centre Segment (One Contact)**			
	Q1 2020	**Q1 2019**			**Q1 2020**	**Q1 2019**	
Net Interest Margin (mm)	**$2.2**	$1.9	↑	Call Centre Revenue (mm)	**$2.5**	$2.1	↑
Fee and Ancillary Revenue (mm)	**$0.5**	$0.5	-				
Finance Income (mm)	**$2.3**	$1.9	↑	Gross Margin (mm)	**$1.0**	$0.7	↑
				Gross Margin (%) [1]	**37%**	35%	↑
Average Yield on Earning Assets [1]	**9.0%**	9.1%	↓	Call Centre Direct OPEX Ratio[1]	**0.8%**	0.8%	-
Weighted Average Interest Expense [1]	**4.7%**	4.9%	↓	**Consolidated Operations**			
Net Interest Margin [1]	**4.3%**	4.2%	↑	Gross Profit Contribution			
				Gross Profit (mm)	**$3.3**	$2.6	↑
Organic orginations[1]	**$14.2**	$12.5	↑	Operating Expenses (mm)	**$2.7**	$2.8	↓
Consumer Finance Direct OPEX Ratio [1]	**2.5%**	3.0%	↓	Consolidated Direct OPEX Ratio [1]	**5.3%**	6.1%	↓
				Net Income from Continuing Operations	**$0.1**	$(0.6)	↑
Average Earning Assets (mm) [1]	**$204**	$184	↑	Return on Average Earning Assets [1]	**(0.1)%**	(1.4)%	↑
Period Ending Earning Assets (mm)	**$207**	$186	↑				
				Corporate Tangible Leverage Ratio [1]	**6.0**	5.3	↑
Consumer Finance Contracts [1]	**39,791**	35,916	↑	Tangible Net Worth (mm) [1]	**$33.4**	$34.4	↓

[1] This is a non-GAAP measurement. Refer to Non-GAAP Measures found on page 25 of this report for the definition of this measurement.

Long-term Strategic Plan: Built for Compounding Profitable Growth



Phase 1

From the fourth quarter of 2017 through to the third quarter of 2018, the Company was placed on a path to profitability through the following targeted initiatives:

a) Restored profitability of its call centre operations by liquidating Gemma Communications.
b) Sold Impact Mobile for total cash consideration of $29.7 million, which recapitalized the Company with a tangible net worth in excess of $35 million without a dilution of equity holders.
c) Reduced overhead expenses to approximately $1 million per month. Excess headcount in finance and accounting has been replaced with expertise in other critical functional areas such as legal, risk management and operations.

Phase 2

Starting from the fourth quarter of 2018 to the end of 2019, the Company has acheived five consecutive 'quiet' quarters where the business has operated as predicted. During this period, the following was achieved:

a) Growth has been re-ignited
   - Growing market share in consumer finance. Organic originations in consumer finance increased from $44.4 million in 2018 to $60.4 million in 2019, representing a 36% increase – all at higher risk-adjusted margins than prior periods.
   - The consumer finance portfolio has grown from $178 million at the completion of the turnaround to over $200 million at the end of 2019, representing over 12% growth. This growth is being achieved consistently, at increased growth rates quarter over quarter.

- Continued investment in technology and improved processes at a positive return on investments:
  - Work on the automated support 'chatbot' was completed and was successfully implemented.
  - Artificial Intelligence ("AI") automation was successfully launched within the contract auditing and booking process.
  - Innovative technologies to automate home ownership verification, debt servicing capabilities and PAP authorization have been executed, increasing efficiency and accuracy at a substantially lower cost.
- Building a growing and profitable niche through omni-channel solutions in the Call Centre. The Call Centre renewed all maturing client contracts at existing or higher pricing. The pipeline for new business remains strong moving into 2020.

b) Progress on path to profitablity
- Growing originations are being achieved at stable risk adjusted margins in excess of 4%.
- Net fee income in consumer finance is growing.
- The Call Centre saw its margins increase from 28% in 2018 to 36% in 2019.
- Operating leverage is being achieved with stable overheads and declining losses for each successive quarter in 2019.

Phase 3

EcoHome has grown its share of originations such that it is now a credible third player in Canada's home improvement finance marketplace, while One Contact has a strong reputation for being a leading provider of omni-channel solutions for its clients. Subject to the constraints of COVID-19, the Company will pursue targeted opportunities for growth which require limited capital investment. For EcoHome, this will include marketing to new dealer relationships and additional industry verticals. With the organizational changes at major competitors, and dealers who have the opportunity to increase their credit penetration, EcoHome has significant room for continued origination growth by focusing on being the best finance partner for Canada's home improvement dealers. One Contact will continue to pursue a strategy of organic growth within its profitable omni-channel niche for back office solutions.

The first quarter of 2020 saw the Company achieve a profit of $114 thousand (first quarter of 2019 loss of $614 thousand) – the first quarterly net income from continuing operations in the Company's current history and an increase in net income of $728 thousand over the first quarter of 2019.

Organic originations in consumer finance increased from $12.5 million in first quarter 2019 to $14.2 million in first quarter 2020, representing a 13.3% increase – all at higher risk-adjusted margins than prior periods. From mid-March onwards, COVID-19 has significantly reduced the Company's originations. Even with this headwind, the Company ended the first quarter of 2020 with a consumer finance portfolio of over $206 million. The Call Centre had one of its best quarters with margins remaining strong at 37%. A major client extended its contract into 2021 in the midst of the pandemic further highlighting confidence in the value proposition of the business. The pipeline for new business remains strong moving into the second quarter of 2020 and beyond.

Phase 4

As the Company moves closer to 2022 and the realization of approximately $50 million of contractual residual cash flows between 2022 and 2025, it will explore additional growth initiatives that require larger capital investments. These may include synergistic acquisitions within our existing call centre and consumer finance segments as well as other complementary businesses. This aggressive growth phase will involve EcoHome moving beyond a niche consumer finance player and One Contact expanding its call centre seating capacity.

Shareholder Alignment

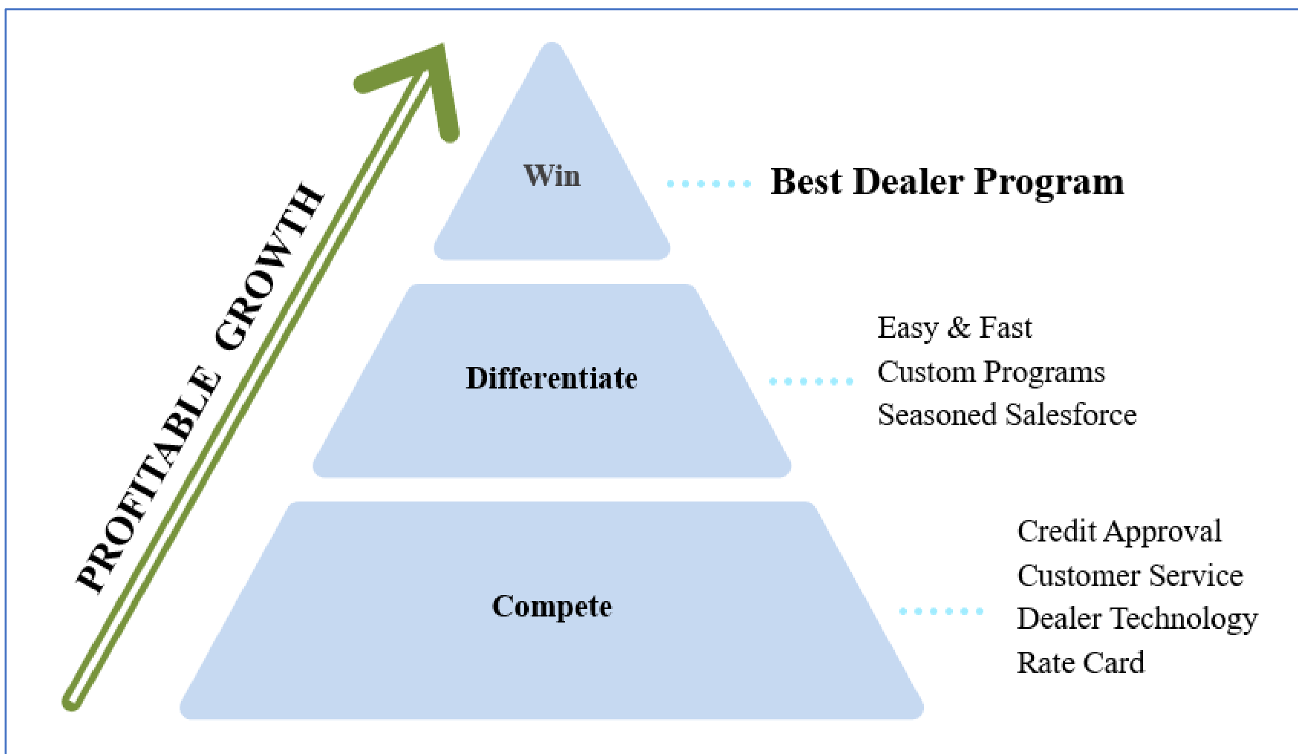
In December 2017, certain officers, directors and key management personnel participated in 28% of the senior secured debenture offering which was used to fund the turnaround. Since the turnaround at the end of 2018, members of management and the Board have collectively purchased over 2.9 million common shares of the Company in the open market. With these purchases, along with existing shares owned and options held, management and the Board collectively own approximately 9% of all common shares issued and outstanding (fully diluted for stock options held).

To provide further alignment with shareholders, (i) 25% of directors base compensation and (ii) 100% of the CEO's, and 25% of the remaining eligible management's 2020 STIP will be paid in deferred share units ("DSU"). The STIP is not payable to the management team if the Company does not earn a positive net income in 2020. Cumulatively, these actions align the interests of the Board and management with those of the Company's shareholders.

Track Record of Successful Execution

The Company has assembled an accomplished and professional management team that is engaged and committed to executing the Company's vision of compounding profitable growth. At the beginning of the turnaround in the fourth quarter of 2017, management outlined a path to profitability. Quarter by quarter, there has been continued evidence of management's progress on the Company's path to profitability – a proven track record of smart moves, successfully executed to win in the marketplace. Furthermore, the Company achieved it's target of profitability in the first quarter 2020.

EcoHome Financial



With a dealer-friendly rate card, the use of risk-based pricing to ensure profitable originations, a custom scorecard to increase auto-decisioning/approvals, improved operational capabilities, and increased use of data analytics to uncover opportunities and manage risk, EcoHome is driving profitable origination growth.

Prior to COVID-19, EcoHome was exploiting current market disruptions, increasing credit penetration of its dealer base, and gaining market share.

One Contact

One Contact is a leading provider of integrated, omni-channel back office solutions to its clients, which is a growing and profitable niche in the marketplace. In addition to solving real business challenges for its third-party clients, One Contact is also leveraging its call centre expertise and technology to deliver value added solutions for EcoHome.

Along with delivering a steady and growing source of liquidity to the Company, One Contact is also winning new U.S. and Canadian contracts which will require hiring additional personnel and expanding its seating capacity in both Reno and Toronto.

In first quarter 2020, One Contact was on-boarding a new customer that required significant IT development as well as physical production capacity increases in both Canada and US locations. Although delayed by COVID-19, final system testing, agent hiring and other ramp-up activities will occur in the second quarter 2020.

Management Priorities for 2020

Management is committed and focused on executing upon its corporate vision of compounding profitable growth. During August 2019, the Board and management participated in an off-site strategy retreat. Strategies and goals were refined into initiatives when the financial plan was developed in the fourth quarter of 2019. This culminated in a session in January 2020, which was focused on timelines, implementation and execution of the 2020 annual plan.

While minimizing the impact of COVID-19 on the business of the Company is currently Management's primary focus, Management will continue to pursue the priorities set out below to the extent possible in the near term and will resume in full as we emerge out of the COVID-19 environment.

Core management priorities for 2020 are as follows:

a) Drive profitable origination growth
    - Increase credit penetration through focused training to our dealer base.
    - Acquire new dealers as competitors experience organization changes.
    - Enter new dealer verticals.
    - Implement a new credit scorecard, in co-operation with Equifax, to increase conversion rates from existing submission volumes by optimizing decision timing and approval rates at desired risk appetite. Through the implementation of the custom scorecard, it is expected that the volume of submissions that currently require manual adjudication should decrease and result in increased originations for every dollar of credit submission.
    - Continue to evolve our product offerings to build competitive advantages and reduce prepayments.
    - Launch credit and debit card processing services which results in net savings to dealers.
    - Build out marketing capabilities in a disciplined manner and within budget:
        i. Targeted dealer events and trade show participation
        ii. Creation of a dealer advisory board
        iii. Establish and build out a social media presence and positive brand awareness for EcoHome

b) Grow One Contact
    - Continue to convert the existing pipeline of new business opportunities.
    - Integrate more of EcoHome operations into One Contact and its leading Genesys technology platform to exploit synergies and drive further efficiency and cost effectiveness into the Company.
    - Continue driving process improvements and innovation to existing and new clients.

c) Deploy technologies that generate positive returns on investment to maintain stable overhead costs and drive operating leverage as the Company grows to scale
    - Continue to implement Robotic Process Automation (“RPA” or “bot”) technology across all repeatable processes throughout the organization.
    - Continue to develop our custom dealer portal to ensure best-in-class dealer origination experience and expand capabilities to include a consumer portal for portfolio management, administration and collections.
    - Use technology to improve the effectiveness of the Company’s collection activities.

d) Execute strategic plays
    - Build and grow strategic partnerships to monetize the Company’s existing customer base and grow fee income.
    - Explore accretive acquisitions which require a low level of capital investment.
    - Continue to develop relationships within the debt capital markets to accelerate monetization of contractual residual cash and other unencumbered security to fund larger acquisitions and growth opportunities outside of existing verticals and funding eligibility, thus avoiding dilutive equity raises to support larger growth opportunities.

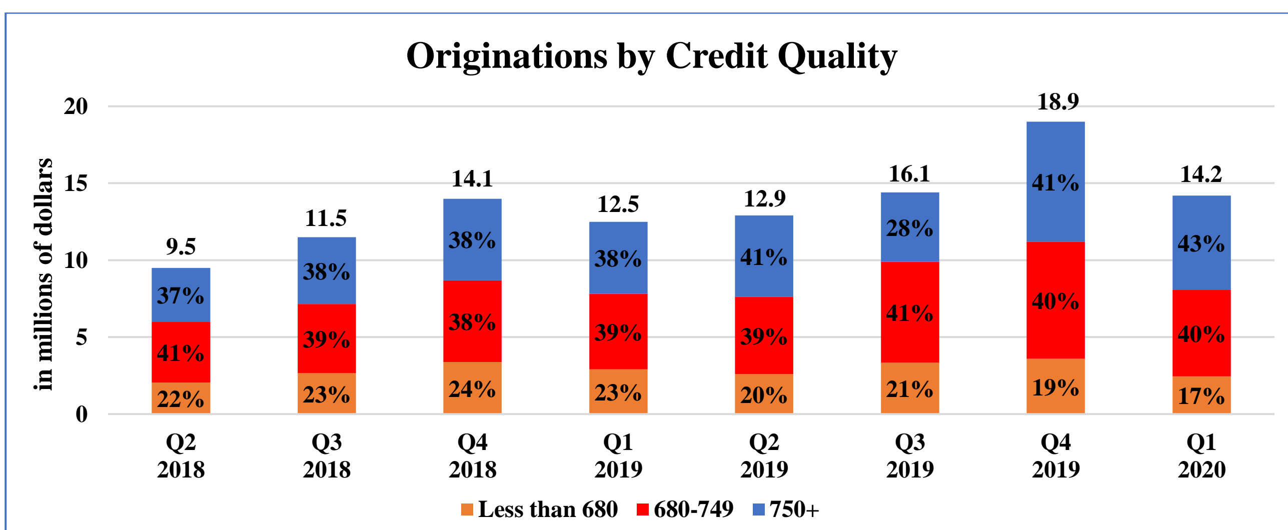
STIP Targets

The management priorities outlined before, which have been approved by the Board, have been simplified into five key metrics to support the STIP for management for 2020. This plan is designed to incentivize management to align with shareholders to drive compounding profitable growth and enhance value throughout the organization. These metrics are as follows:

1. Net income target
2. Profitable origination growth
3. Increase net fee income
4. Reduce total past due accounts as a percentage of finance receivables
5. Establish minimum call centre revenues to be earned from EcoHome

Multi-year Growth Strategy Across the Organization

EcoHome's Profitable Origination Growth of 13.3%

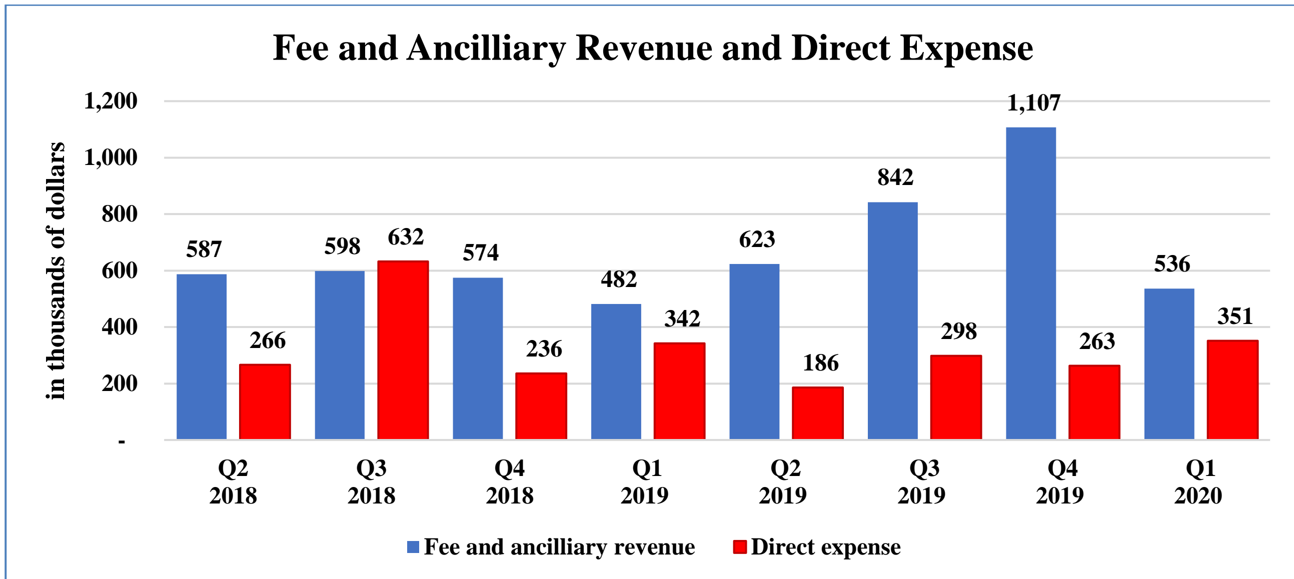


First quarter 2020 organic originations increased 13.3% compared to the same quarter in the prior year. From mid-March onwards, COVID-19 has significantly reduced the Company's originations.

With favourable cost of funds, a growing dealer base, a dealer-friendly rate card, a knowledgeable sales force, and competitive product offerings, EcoHome has significant room for continued origination growth by focusing on fully serving Canada's home improvement dealers. The Company has invested in its sales force to attract and on-board new dealers, and the dealers incur the marketing costs to attract homeowners who need home improvements or new HVAC equipment for their home.

The Company, for the foreseeable future, does not need a direct-to-consumer channel or to enter other new indirect channels in order to achieve its growth targets.

Fee Growth of 11%

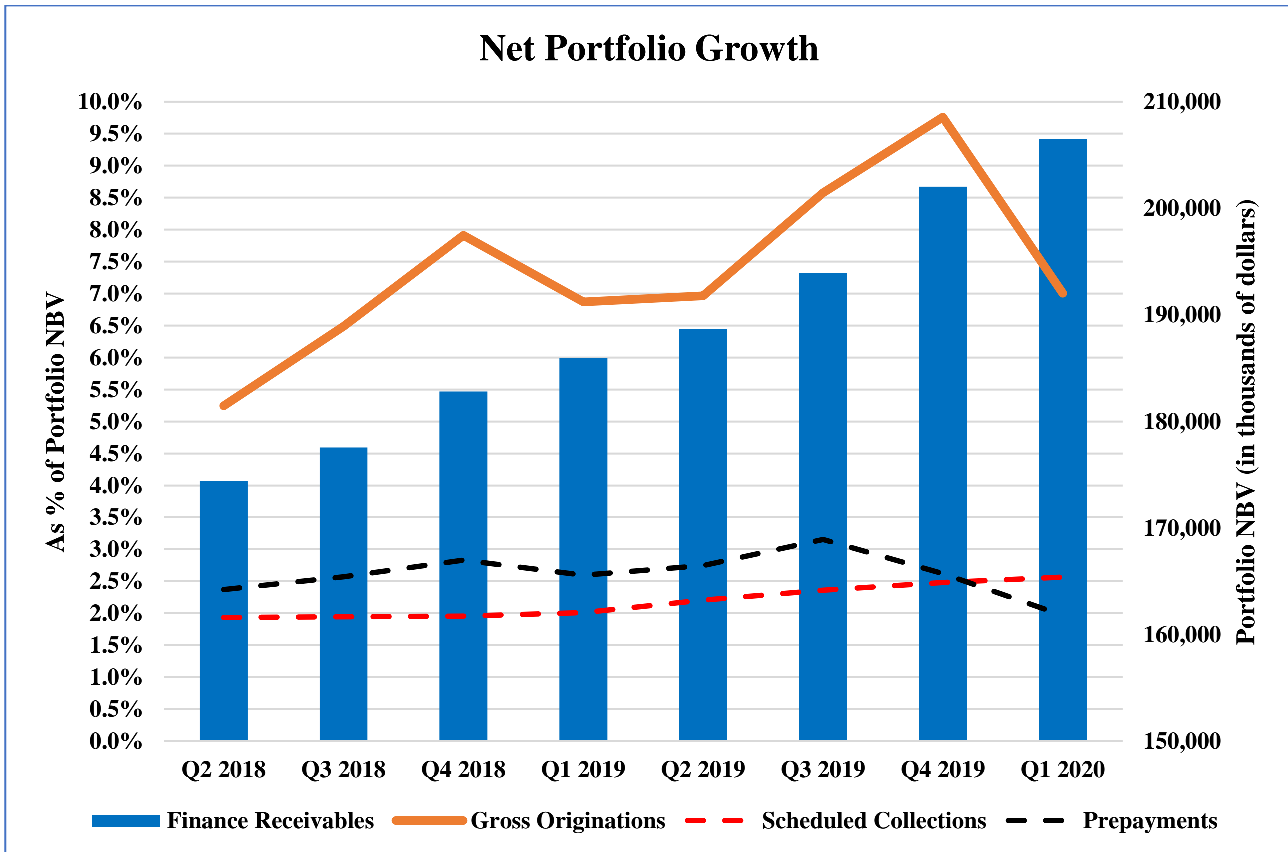


First quarter 2020 fee and ancillary revenue increased by 11% compare to the same quarter in the prior year. From mid-March onwards, COVID-19 has significantly reduced the Company's originations and fees.

In the first quarter of 2020, direct expenses were contained through effective use of technology, which is a continuation of the theme established in 2019. Through a combination of RPA technology integrated with the dealer portal, and web services tied to land title registry searches, EcoHome's bots are able to validate home ownership for new applications in seconds as opposed to hours. Bots run 24/7/365 and enable dealers to close deals far faster than was previously possible. In addition, the Company will continue to roll out RPA automations across key business-rules-driven, repeatable internal processes. Customer billing and customer move in/move out processes are also in the implementation phase. This continuous initiative has saved thousands of man-hours, reduced costs, and improved processing quality and accuracy.

The Company currently has the rights to end of term payments on approximately 16,000 leases and is obligated to perform the service on the related leased equipment.

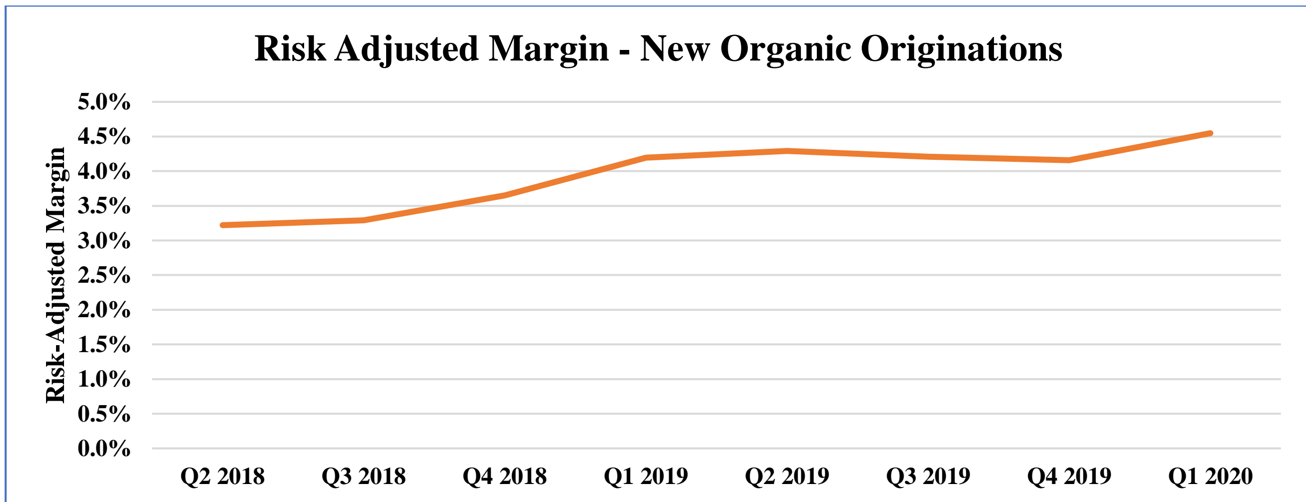
Net Portfolio Growth of 2.2% in First Quarter 2020



By reducing prepayments, the Company delivered net portfolio growth of 2.2% in first quarter 2020 (1.7% in first quarter 2019). From mid-March onwards, COVID-19 has significantly reduced the Company's originations.

The Company has introduced targeted initiatives to reduce prepayments, including higher administration fees, claw-back of commissions, and repayment of its current promotional incentive by the consumer if the loan is repaid within 18 months.

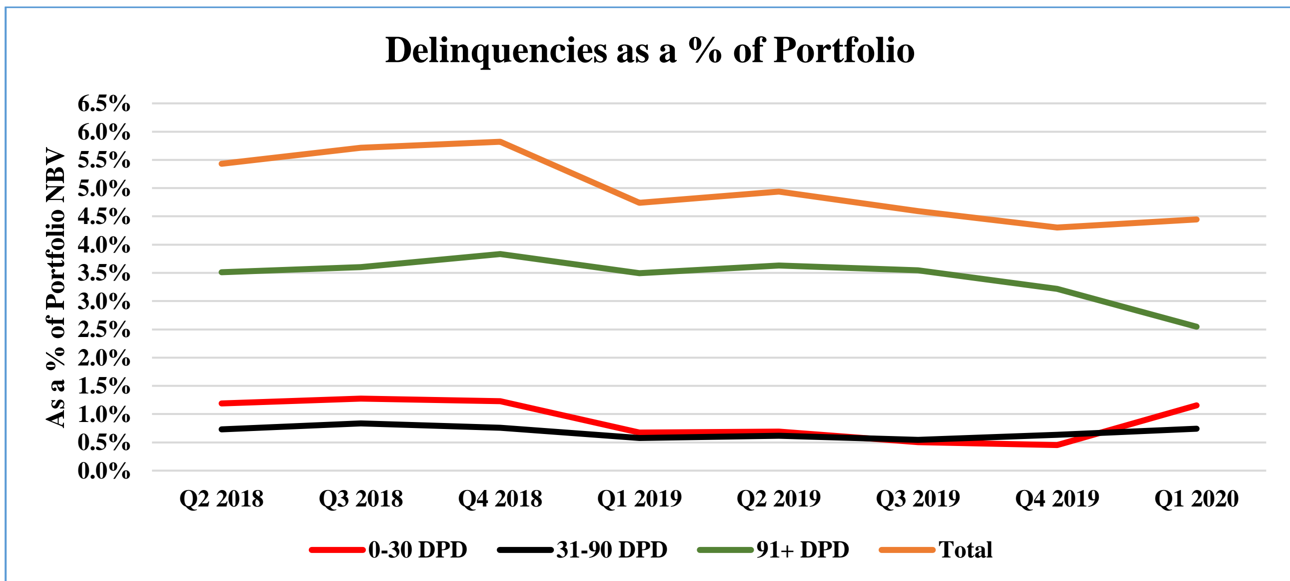
Increased Risk Adjusted Margin



**Risk Adjusted Margin = Gross Yield – Cost of Funds – Expected Losses (Probability of Default net of Recoveries)*

Through risk-based pricing introduced in second quarter of 2018, EcoHome has increased the risk-adjusted margin on new originations by over 8.4% from 4.2% in the first quarter of 2019 to 4.5% in the first quarter 2020. Moving forward, EcoHome is targeting stable risk adjusted margins on new originations of at least 4%.

Improving Portfolio Quality



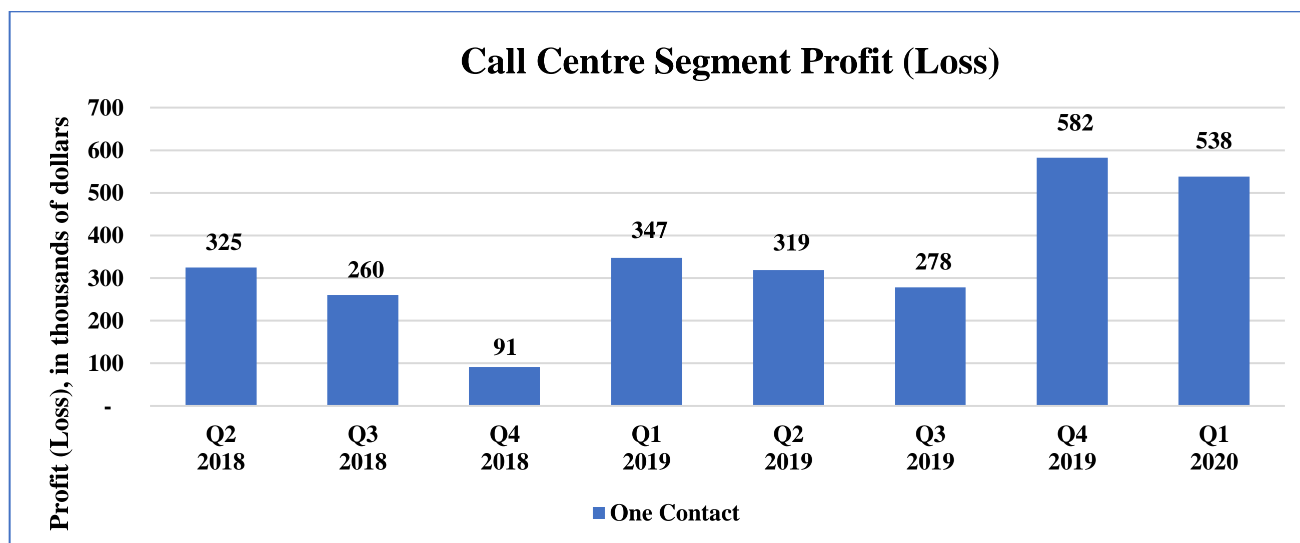
Through proactive measures, EcoHome has managed the amount of delinquent accounts, while simultaneously growing its portfolio. Throughout 2019, delinquent accounts had seen a consistent decrease. Mid-way through March 2020, the COVID-19 pandemic forced an abrupt change in the way that the business is conducted. The entire workforce had to quickly adapt to working from home. This resulted in a temporary disruption of the billing/collection process, which contributed to a temporary spike in 0-30 days delinquency category. In addition, there has been increase in stop payments and NSFs with a greater magnitude of the impact being felt by the loan portfolio. It must be noted that payment deferral requests directly related to COVID-19 have been nominal. Additional collection efforts are underway to cure the delinquent accounts but the closure of the Courts

has temporarily stopped our legal enforcement actions. Subsequent to March 31, 2020, delinquency performance has held, and the aging profile of our portfolio actually improved in April 2020. Delinquencies as of April 30, 2020 were $0.6 million lower than March 31, 2020.

Provision for credit losses was $0.17 million in the first quarter of 2020 ($0.14 million in first quarter 2019 and $0.83 million in fourth quarter 2019). The provision recognized was a combination of an increase to the underlying provision for future credit losses for both dealers and consumers and actual realized credit losses. The increased credit loss provision was driven by a combination of portfolio growth, the change in the aging profile of the portfolio that shifted more contracts from Stage 1 & 2 into Stage 2 & 3 compared to fourth quarter 2019, and adjustments to both the macro economic forecasts and probabilities used in our stress testing to reflect a more pessimistic near term future environment given the impact of COVID-19. Economic forecasts for the key variables of GDP, unemployment and housing prices used in our stress testing were updated to reflect the forecasts issued by the major banks post-COVID-19 and the probabilities used in our scenario analysis were more heavily weighted to the pessimistic scenario from the base and optimistic scenarios compared to fourth quarter 2019. These impacts were slightly offset by positive changes to the overall probability of default compared to fourth quarter 2019 from positive credit score migration from certain customers between fourth quarter 2019 and first quarter 2020. Furthermore, recovery rates in the first quarter 2020 remained strong and consistent with historical experience. As we move forward and the situation evolves, there may be further adjustments to our credit provisioning based on both portfolio performance expectations and further downward adjustments to both future economic forecasts and the probability weightings used in our scenario analysis. Key credit provision ratios are as follows:

	Q1 2020	Q4 2019
Allowance for credit losses/gross finance receivables	1.09%	1.05%
Total delinquent accounts/gross finance receivables	5.45%	4.31%

One Contact's Segment Profit Increase of 55%



One Contact's first quarter 2020 segment profit increased 55% compared to the same quarter in prior year. The Company's call centre operations offer services out of Toronto, Ontario and Reno, Nevada for both external clients and EcoHome. A large portion of the segment profit improvement is due to the gross margin improvement from 35% in the first quarter 2019 to 37% in the first quarter 2020.

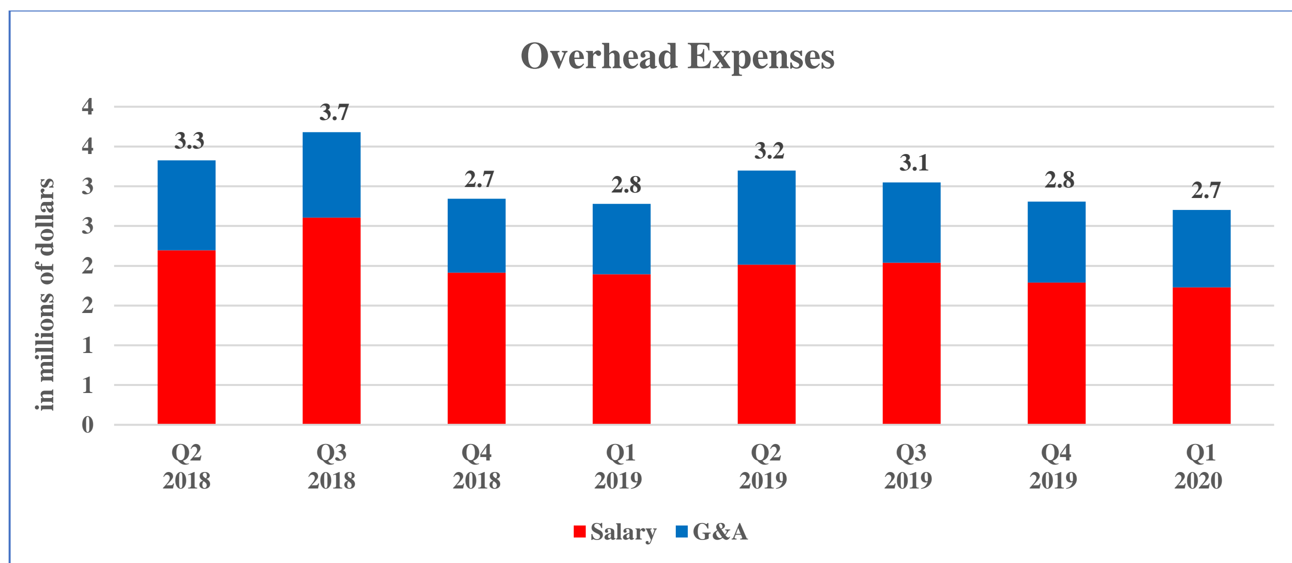
One Contact has become a leading omni-channel solutions provider. Over the last four years, non-voice work (e.g., email, SMS, chat-based support) has grown from 4% to approximately 18% of revenue. This has (i) significantly diversified the scope of services that One Contact provides to its customers, (ii) improved the efficiency and profitability of its operation, and (iii) increased satisfaction and retention of its customers. The overall effect is moving the call centre closer to its vision of delivering best-in-class, omni-channel contact centre and back office solutions to its customers.

One Contact continues with no known COVID-19 cases reported among staff. There is a risk of short-term shutdown in the event of wide-spread COVID-19 infection. The call centre business has been deemed as an essential service in both Canada and the US.

The business had one of its best quarterly performance to date. Notable first quarter 2020 accomplishments:

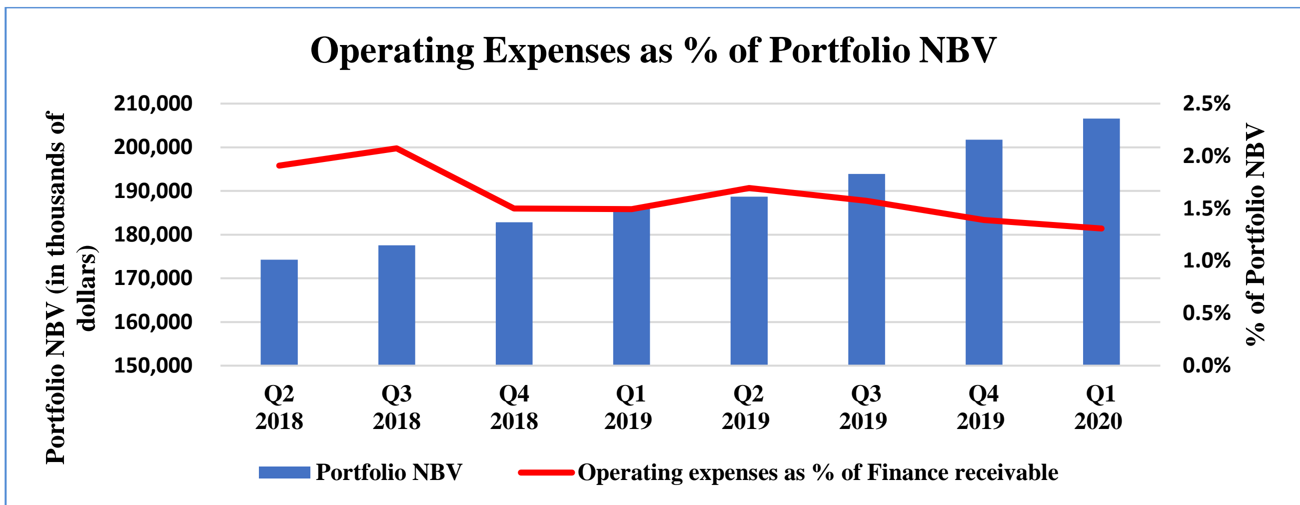
- Did not incur any service level penalties.
- Retained all existing clients and there is also a strong pipeline of potential clients to engage in 2020.
- PCI certification renewed in record time and with minimal disruption to business.
- A major client extended their contract into 2021 further demonstrating the value proposition of One Contact.
- Receivables related to the business are current with no uncollectible accounts.

Overhead Expenses Steady at $1 million/month



Having streamlined operations in 2018, the Company has continued to focus on maintaining a steady overhead of approximately $1 million per month. While overhead remains stable, the portfolio has grown.

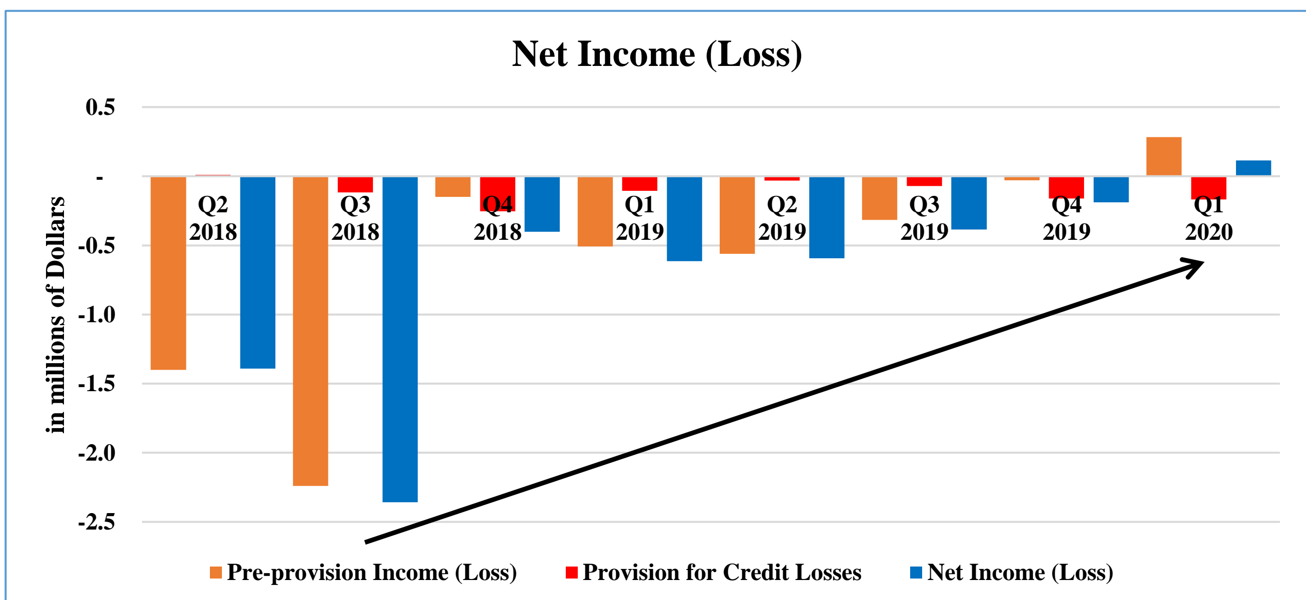
This is a demonstration of the scalability of the technology in which the Company has invested. The chart below illustrates this point.



As of March 31, 2020, the headcount for salaried and hourly employees has reduced. With the onset of COVID-19, headcount was reduced after a careful evaluation of the future course of the Company for the remainder of 2020. The associated salary reductions and the lower expected payout of the Company's short-term incentive plan ("STIP") will save the Company $1 million in fiscal 2020. The majority of the Company's hourly workforce are in the call centre segment and staffing levels fluctuate based on seasonal activity of customer programs in place at any point in time.

	June 2018	September 2018	December 2018	March 2019	June 2019	September 2019	December 2019	March 2020
Salaried	86	74	73	80	79	77	72	57
Hourly	200	214	241	175	187	195	216	192
Total	286	288	314	255	266	272	288	249

Steady Progress on Path to Profitability



The Company ended the first quarter of 2020 with a net profit of $114 thousand (first quarter of 2019 loss of $614 thousand) - the first quarterly profit from continuing operations in the Company's history and an increase in profitability of $728 thousand over the first quarter of 2019.

Capital and Liquidity

Capital

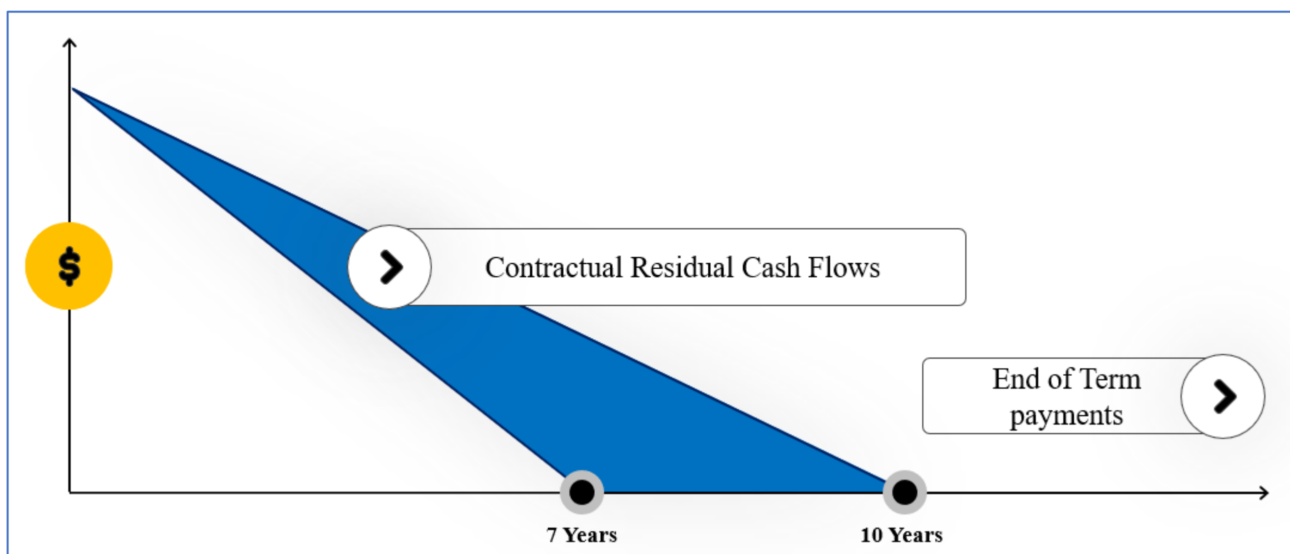
With a Tangible Net Worth in excess of $33 million and existing Corporate Tangible Leverage Ratio of 6.0 times compared to senior funding covenants of 10 times, EcoHome has the ability to grow its portfolio to $330 million without the need for additional capital. Profitability will further increase tangible net worth and will permit portfolio growth in excess of $330 million.

Liquidity

As outlined on pages 6 through 7 of this MD&A, the Company has worked diligently to preserve its cash resources and raise liquidity. Continued discipline on maintaining stable risk adjusted margins on new originations, growing fee income, managing overheads and adding new business to One Contact at strong margins will be required in order to prudently manage liquidity in the near term.

The Company's funding facilities require that the majority of cash flows from its collateralized lease and loan receivables be paid to its funders until the related debt has been completely paid. At that point, any remaining contractual residual cash flow and funder cash reserves will come to the Company. In addition, the Company may have rights to End of Term ("EOT") payments on leases. EOT payments are those made by the customer after the expiration of their lease contract and essentially allows the customer to continue to lease their equipment on a month-to-month basis and continue to enjoy benefits that come from a lease (e.g., maintenance-free). The Company does not recognize EOT payments as an asset in its financial statements as it is not contractual.

The graph below visually illustrates the contractual residual cash flows and EOT payments on a typical 10-year lease.



The amount of contractual residual cash flow to be received will be nominal until 2022. After such time, amounts will increase materially through 2025 and out to maturity in 2031. The Company currently has the right to EOT payments on approximately 16,000 contracts.

The table below shows that as at March 31, 2020 the Company has approximately $76 million of net contractual residual cash flows over the years 2020 – 2031:

Cumulative Contractual Residual Cash Flow

(In millions)	2022	2025	2031
Contractual Cash Inflows	135	263	305
Contractual Cash Outflows	(117)	(204)	(209)
Net Cash Flows	18	59	96
Debenture Repayment	(10)	-	(20)
Surplus	**8**	**59**	**76**

Given that EOT payments do not represent contractual obligations and can be cancelled by the customer with one-month notice, they are not included in the above contractual residual cash flow table. Finance receivables experience on-going attrition and early prepayment by consumer borrowers. These payments accelerate the repayment of debt but also affect the amount of future residual cash flows and EOT payments.

Provided the Company maintains its current discipline on expenses and delivers on its vision of compounding profitable growth, this contractual residual cash, along with additional EOT payments, will serve as a 'war chest' that can be used to:

- Substantially accelerate the growth rate of EcoHome.
- Purchase accretive, complementary businesses.
- Fund a share buy-back program.

Tax Loss Carry Forward

As at December 31, 2019, the Company had tax losses of $24,270 ($22,950 in Canada and $1,320 in the United States) available to be applied against future years' taxable income which have not been recognized in the Company's financial statements to date. The Company will make an assessment on recognizing a deferred income tax asset in the future. 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. 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.

Non-GAAP Measures and Definitions

The Company uses a number of financial measures to assess its performance. Some of these measures are not calculated in accordance with GAAP, are not defined by GAAP, and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. The non-GAAP measures used in this MD&A are defined as follows:

Non-GAAP Measures	Definition
Consumer Finance Segment	
Average Yield on Earning Assets	Interest income (annualized) and expressed as a % of average finance assets for the period.
Weighted Average Interest expense (as a % of Earning Assets)	Interest expense over average earning assets for the quarter (annualized).
Net interest margin (as a % age of Earning assets)	(Interest income less interest expense) divided by average earning assets for the quarter (annualized). This metric measures the profitability of assets.
Consumer Finance Direct OPEX (as a % of Average Earning Assets)	Direct OPEX comprises salaries, wages and benefits plus general and admininistrative expenses (as reported on the Reportable segment information note on the annual condensed consolidated financial statements), divided by average earning assets, expressed as a percentage. This metric measures how efficient the Consumer Finance segment is at generating revenue. A lower percentage indicates better efficiency.
Average Earning Assets ($mm)	Average Finance receivables over the reporting period.
Period Ending Earning Assets ($mm)	Finance receivable balance outstanding as at the end of the reporting period.
Consumer Finance Contracts	Number of lease and loan contracts outstanding as at the end of the reporting period.
Organic Originations	Net book value of new lease and new loan contracts funded in the period.
Risk Adjusted Margin	Interest income (annualized) after payment of secured borrowings and other related debt, and less expected credit losses expressed as a % of average finance assets for the period.
Delinquency	Finance receivable balance more than 30 days past due.
Contractual Residual Cash Flows	Excess of cash flows from finance receivables after payment of secured borrwings and other related debt.
End of Term Payments	Excess of cash flows from finance receivables after end of Contractual Residual Cash Flow.
Call Centre Segment (One Contact)	
Call Centre margin (%)	Call Centre revenue less cost of sales divided by Call Centre Revenue, expressed as a percentage. This metric measures the profitability and viability of the services provided by the Call Centre operations.
Call Centre Direct OPEX (as a % of Average Earning Assets)	Direct OPEX comprises salaries, wages and benefits plus general and admininistrative expenses (as reported on the Reportable segment information note on the annual condensed consolidated financial statements), divided by average earning assets, expressed as a percentage. This metric measures how efficient the Call Centre segment is at generating revenue. A lower percentage indicates better efficiency.
Consolidated Operations	
Operating Expenses	Total of Salaries, wages and benefits plus general and administrative expenses.
Pre-provision Income (Loss)	Net Income (Loss) with provision for credit losses added back.
Consolidated Direct OPEX (as a % of Average Earning Assets)	Direct OPEX comprises salaries, wages and benefits plus general and admininistrative expenses (as reported on the Reportable segment information note on the annual consolidated financial statements), divided by average earning assets, expressed as a percentage. This metric measures how efficient the Company is at generating revenue. A lower percentage indicates better efficiency.
Return on Earnings Assets	Net loss from continuing operations divided by average eaning assets for the quarter (annualized). This metric measures the profitability of the Company.
Corporate Tangible Leverage Ratio	Financial strength ratio that measures proportion of the Company's total debt (secured borrowings, debentures and notes payable) to Tangible net worth. The number indicates the amount of debt in dollars the Company owes for every dollar of tangible net worth.
Tangible Net Worth ($mm)	Total shareholders' equity minus Intangible assets, net, and minus goodwill.

Results of Operations – For the three months ended March 31, 2020, December 31, 2019 and March 31, 2019

The following table sets forth a summary of the Company's consolidated financial performance as of the dates presented:

	For the three months ended				
in $'000s except for per share amounts	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**	**Change over December 31, 2019**	**Change over March 31, 2019**
	$	$	$	%	%
Consumer finance:					
Interest income	**4,645**	4,501	4,120	3.2	12.7
Interest expense	**2,392**	2,363	2,230	1.2	7.3
	2,253	2,138	1,890	5.4	19.2
Fee and ancillary revenue	**536**	1,107	482	(51.6)	11.2
Direct expense	**(351)**	(262)	(342)	34.0	2.6
Provision for credit losses	**(169)**	(835)	(139)	(79.8)	21.6
	16	10	1	60.0	1,500.0
Finance income	**2,269**	2,148	1,891	5.6	20.0
Call centre:					
Revenue	**2,465**	2,686	2,059	(8.2)	19.7
Cost of sales	**1,543**	1,684	1,343	(8.4)	14.9
	922	1,002	716	(8.0)	28.8
Gross profit	**3,191**	3,150	2,607	1.3	22.4
Operating expenses:					
Salaries, wages and benefits	**1,728**	1,789	1,893	(3.4)	(8.7)
General and administrative	**975**	1,017	884	(4.1)	10.3
Finance costs, net	**(11)**	54	34	(120.4)	(132.4)
Depreciation and amortization	**345**	366	308	(5.7)	12.0
Share-based compensation	**40**	114	102	(64.9)	(60.8)
	3,077	3,340	3,221	(7.9)	(4.5)
Income (loss) from continuing operations before income taxes	**114**	(190)	(614)	(160.0)	(118.6)
Income taxes:					
Income tax expense (recovery)	**-**	-	-	n/a	n/a
Deferred tax expense (recovery)	**-**	-	-	n/a	n/a
	-	**-**	**-**	n/a	n/a
Income (loss) from continuing operations	**114**	(190)	(614)	(160.0)	(118.6)
Net income (loss) for the period	**114**	(190)	(614)	(160.0)	(118.6)
Other comprehensive income (loss):					
Foreign currency translation	**17**	-	-	n/a	n/a
Net income (loss) and comprehensive income (loss)	**131**	(190)	(614)	(168.9)	(121.3)
Income (loss) per common share, basic and diluted	**0.00**	(0.00)	(0.00)	n/a	n/a
Continuing operations	**0.00**	(0.00)	(0.00)	n/a	n/a
Discontinued operations	**0.00**	-	-	n/a	n/a

The Company recorded a net income from continuing operations before income taxes of $114 for the current quarter as compared to loss of $190 for the quarter ended December 31, 2019, and a net loss of $614 for the quarter ended March 31, 2019. From mid-March onwards, COVID-19 has significantly reduced the Company's originations. The improvement from the prior quarter is due to higher interest income (from higher originations) and lower operating expenses. As compared to the same quarter in prior year, overall results have improved due to higher finance income, higher call centre margin and lower operating expenses.

Finance income for the current quarter was $2,269, an increase of 5.6% over the $2,148 in the prior quarter and 20.0% higher than the first quarter ended 2019.

The increase over the prior quarter is driven by higher net interest margins from portfolio growth at stable net interest margins and a lower provision for credit losses, partially offset by a lower contribution from net fee income, driven primarily by the seasonal impact of lower originations compared to the prior quarter.

Direct expenses were higher in the quarter compared to the previous quarter. The decrease in the provision for credit losses from the prior quarter was driven primarily by a reduced level of actual credit losses experienced, along with a lower increase to provisions on receivables due from dealers. The amount of the provision for credit losses expensed related to expected future credit losses from the consumer finance portfolio increased by $290,000 in the prior quarter compared to $137,000 in the current quarter. The improvement over the first quarter of 2019 is primarily driven by a combination of a higher net interest margin driven by portfolio growth at stable net interest margins and a greater fee income contribution from origination growth.

Call centre gross margin was $922 for the current quarter as compared to $1,002 for the prior quarter and $716 for the first quarter ended 2019. The gross margin percentage was 37.4% for the current quarter which is in line with the higher gross margins for the comparative periods.

Operating expenses for the current quarter were $3,077, a decline of 7.9% from the $3,340 recorded in the prior quarter and 4.5% lower than the corresponding quarter in 2019 of $3,221. The decline from the prior quarter and same quarter in 2019 is mainly due to lower salaries, wages and benefits including share-based compensation.

Consumer finance interest income for the current quarter was $4,645, an increase of 3.2% over the $4,501 recognized in the prior quarter, and an increase of 12.7% over the $4,120 recognized in the corresponding quarter in 2019. The increase is due to a larger overall portfolio. The average yield on earning assets remained strong at 9.0% compared to prior quarter and improved from 8.94% in the corresponding quarter of 2019.

Consumer finance interest expense for the current quarter was $2,392, 1.2% higher than the $2,363 recorded in the prior quarter, and 7.3% higher than the interest expense of $2,230 for the corresponding quarter in 2019. Weighted average interest expense as a percentage of earning finance assets held at 4.7% from the prior quarter and decreased from the 4.8% in the corresponding quarter of 2019. The interest expense is flat with respect to prior quarter. The decrease from prior year is primarily due to changes in the mix of secured borrowings associated with the repayment of historical tranches.

One Contact business revenues for the current quarter were $2,465, a decrease of 8.2% from the $2,686 recorded in the prior quarter, and 19.7% above the corresponding quarter of 2019. The decrease from the prior quarter is driven by One Contact's seasonal customer volumes.

One Contact cost of sales for the current quarter were $1,543, a decrease of 8.4% from the $1,684 recorded in the prior quarter, and 14.9% higher than the corresponding quarter of 2019. The decrease from the prior quarter is in line with the decrease in revenue in the commensurate period as the business managed it margins.

Salaries, wages and benefits were $1,728 for the current quarter, a decrease of 3.4% over the $1,789 for the prior quarter, and 8.7% lower than the $1,893 recorded for the corresponding quarter in 2019. The improvement from the prior quarter and prior year is mainly driven by reduction in management compensation and other personnel costs.

General and administrative expenses were $975 for the current quarter, a decrease of 4.1% from the $1,017 in the prior quarter, and an increase of 10.3% from the $884 for the corresponding quarter in 2019. The current quarter expenses are consistent with the prior quarter. The increase compared to the corresponding quarter in prior year is mainly due to higher levels of professional fees and technology costs.

Finance costs, net, represents interest and accretion expenses related to lease obligations per IFRS 16, corporate debt and foreign exchange gains and losses. The current quarter expense of $(11), is a decrease of 120.4% over the $54 recorded in the prior quarter and 132.4% lower than the corresponding quarter of 2019. The decrease is mainly due to the foreign exchange gain from the weakening of the Canadian Dollar with respect to US Dollar denominated trade receivables.

Depreciation and amortization expense decreased 5.7% over the prior quarter and increased 12.0% from the corresponding quarter in 2019. The decrease over the prior quarter is due to the implementation of IFRS 16. The rise from the prior quarter is due to the lease extension signed for the Company's Reno, Nevada location.

Share-based compensation expense was $40 for the current quarter, a decrease of 64.9% over the $114 recorded in the prior quarter and 60.8% lower than the $102 recorded in the corresponding quarter of 2019. The decrease from the prior quarter is due to the immediate vesting of stock options issued in December 2019, and the decrease from the same quarter in prior year is due to overall reduction in the number of outstanding stock options through exercise and expiration.

Income (loss) per share from continuing operations was $0.00 for the current quarter and $(0.00) for the prior quarter, and $(0.00) for the corresponding quarter of 2019.

Consolidated Financial Position

The following table sets forth a summary of the Company's consolidated financial position as of the dates presented:

in $'000s	March 31, 2020	December 31, 2019	March 31, 2019	Change over December 31, 2019	Change over March 31, 2019
	$	$	$	%	%
Cash and cash equivalents	**4,693**	5,798	8,460	(19.1)	(44.5)
Restricted cash	**20,666**	15,936	18,755	29.7	10.2
Trade receivables	**1,253**	1,280	954	(2.1)	31.3
Finance receivables, net	**206,508**	201,740	185,947	2.4	11.1
Other assets	**5,019**	5,135	3,662	(2.3)	37.1
Property and equipment, net	**1,310**	1,355	1,391	(3.3)	(5.8)
Intangible assets, net	**1,427**	1,312	1,127	8.8	26.6
Assets	**240,876**	232,556	220,296	3.6	9.3
Accounts payable and other liabilities	**3,660**	2,968	3,141	23.3	16.5
Debentures, notes payable and other financial debt	**22,367**	22,970	24,210	(2.6)	(7.6)
Secured borrowings	**180,013**	171,977	157,439	4.7	14.3
Total liabilities	**206,040**	197,915	184,790	4.1	11.5
Share capital	**71,163**	71,123	71,123	0.1	0.1
Contributed surplus	**7,213**	7,189	6,855	0.3	5.2
Accumulated other comprehensive loss	**(66)**	(83)	(53)	(20.5)	24.5
Deficit	**(43,474)**	(43,588)	(42,419)	(0.3)	2.5
Shareholders' equity	**34,836**	34,641	35,506	0.6	(1.9)
Total liabilities and shareholders' equity	**240,876**	232,556	220,296	3.6	9.3

Total Assets

Total assets were $240,876 as at March 31, 2020, an increase of $8,320 or 3.6% from December 31, 2019 and an increase of $20,580 or 9.3% from March 31, 2019. The increase in total assets from 2019 is primarily related to the growth in the finance receivables portfolio.

Trade receivables

Trade receivables are non-interest bearing and are generally on 30-day to 90-day terms. The decrease of trade receivables from December 31, 2019 and increase compared to March 31, 2019 is primarily due to the timing of billings and collections.

Management maintains an allowance for credit losses, which it establishes to provide for impairment of individual or groups of assets. Individual impairment is assessed by examining contractual delinquency and the individual borrower's financial condition. As at March 31, 2020 the Company has no allowance for credit losses for trade receivables.

Finance receivables, net

The following table sets forth a breakdown of the Company's finance receivables:

in $'000s	March 31, 2020	December 31, 2019	March 31, 2019	Change over December 31, 2019	Change over March 31, 2019
	$	$	$	%	%
Consumer finance leases*	**86,932**	89,741	101,523	(3.1)	(14.4)
Consumer finance loans**	**121,860**	114,146	86,307	6.8	41.2
Allowance for credit losses	**(2,284)**	(2,147)	(1,883)	6.4	21.3
	206,508	201,740	185,947	2.4	11.1

* Includes fair value of leases acquired and unamortized intial direct cost

** Includes accrued interest, fair value of loans acquired, vendor buy-down subsidies and unamortized initial direct cost

Consumer finance leases and loans before allowance for ECL of $208,792 reported as at March 31, 2020 represents a 2.4% increase from December 31, 2019 and 11.2% increase from March 31, 2019. The net growth in the current year represents total organic originations of $62.1 million for the 12-month period ended March 31, 2020 and $47.6 million of originations for the same period ended March 31, 2019. These originations are offset by collections and terminations in the periods.

Of the aggregate 39,791 finance contracts as at March 31, 2020 (December 31, 2019 – 38,721), 21,286 were lease contracts (December 31, 2019 – 21,292) representing 53% of the net investment in financial contracts (December 31, 2019 – 55%), and 18,505 were loan contracts (December 31, 2019 – 17,429), representing 47% of the net investment in finance contracts (December 31, 2019 – 45%). The portfolio is with customers who are homeowners. The portfolio risk is diversified across a large number of small transactions with an average outstanding balance of loans of $6.6 (December 31, 2019 – $6.5), and of leases of $5.7 (December 31, 2019 – $5.9).

The following table presents the aging of the Company's consumer finance leases:

LEASES in $'000s	March 31, 2020		December 31, 2019		March 31, 2019	
	$	%	$	%	$	%
1-30 days past due	**848**	**1.0**	412	0.5	711	0.7
31-60 days past due	**641**	**0.7**	352	0.4	319	0.3
61-90 days past due	**209**	**0.2**	361	0.4	250	0.3
Greater than 90 days past due	**5,105**	**6.0**	4,846	5.5	5,545	5.6
Total past due	**6,803**	**8.0**	5,971	6.8	6,825	6.9
Current	**78,768**	**92.0**	82,197	93.2	92,285	93.1
Total consumer finance leases	**85,571**	**100.0**	88,168	100.0	99,110	100.0

Total past due finance lease receivables increased by $832 to $6,803 (8.0% of total leases) from $5,971 (6.8% of total leases) as at December 31, 2019 and decreased by $22 from $6,825 (6.9% of total leases) as at March 31, 2019. Greater than 90 days past due lease receivables has increased from $4,846 (5.5% of total leases) as at December 31, 2019 to $5,105 (6.0% of total leases) as at March 31, 2020.

Mid-way through March 2020, the COVID-19 pandemic forced an abrupt change in the way our business is conducted. The entire workforce had to quickly adapt to working from home. This resulted in a temporary disruption of the billing/collection process, which contributed to a spike in delinquencies. In addition, there has been increase in stop payments and NSFs. It must be noted that payment deferral requests related to COVID-19 have been nominal. Additional collection efforts are underway to cure the delinquent accounts, but the closure of the Courts has temporarily stopped our legal enforcement actions. Subsequent to March 31, 2020, delinquency performance has held, and the aging profile of our portfolio actually improved in April 2020.

As at March 31, 2020, the Company has an allowance for ECL for leases of $1,091 under IFRS 9 (December 31, 2019 – $1,203).

An analysis of the consumer finance lease receivables and allowance for ECL for leases is as follows:

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	89,741
Allowance for expected credit losses	(441)	(103)	(547)	(1,091)
Consumer finance leases, net	$ 74,140	$ 6,491	$ 5,210	$ 85,841

The following table presents the aging of the Company's consumer finance loans:

	March 31, 2020		December 31, 2019		March 31, 2019	
LOANS in $'000s	$	%	$	%	$	%
1-30 days past due	**1,598**	**1.3**	507	0.4	537	0.6
31-60 days past due	**466**	**0.4**	354	0.3	317	0.4
61-90 days past due	**289**	**0.2**	221	0.2	184	0.2
Greater than 90 days past due	**2,117**	**1.7**	1,659	1.5	950	1.1
Total past due	**4,470**	**3.7**	2,741	2.4	1,988	2.3
Current	**116,915**	**96.3**	111,041	97.6	84,384	97.7
Total consumer finance leases	**121,385**	**100.0**	113,782	100.0	86,372	100.0

As at March 31, 2020, total past due finance loan receivables of $4,470 (3.7% of total loans) represents an increase of $1,091 from the December 31, 2019 balance of $2,741 (2.4% of total loans) and a $1,061 increase from the March 31, 2019 balance of $1,988 (2.3% of total loans).

Mid-way through March 2020, the COVID-19 pandemic forced an abrupt change in the way our business is conducted. The entire workforce had to quickly adapt to working from home. This resulted in a temporary disruption of the billing/collection process, which contributed to a spike in delinquencies. In addition, there has been increase in stop payments and NSFs with a greater magnitude of the impact being felt by the loan portfolio. It must be noted that payment deferral requests related to COVID-19 have been nominal. Additional collection efforts are underway to cure the delinquent accounts, but the closure of the Courts has temporarily stopped our legal enforcement actions. Subsequent to March 31, 2020, delinquency performance has held, and the aging profile of our portfolio actually improved in April 2020.

As at March 31, 2020, the Company has an allowance for ECL for loans of $1,192 under IFRS 9 (December 31, 2019 – $944).

An analysis of the changes in the consumer finance loan receivables and allowance for ECL for loans is as follows:

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

In the past, many of the Company's reported delinquencies were the result of disputes at the conclusion of a home improvement project when the homeowner was unsatisfied with the dealer. The Company has worked closely with both customers and dealers to achieve a satisfactory resolution and bring accounts current. If unresolved, the account continues to age as do accounts in arrears due to credit problems. In either case, the Company intends to enforce its collateral rights against the homeowner or the dealer. Enforcement against assets affixed to the home can take months, or years, to fully realize, typically dependent on the future timing of a sale, or mortgage refinancing, of the home.

As part of its credit risk management practices, the Company maintains various forms of collateral. Credit risk within the Company's lease receivables portfolio is partially mitigated by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance of such reserves and is entitled to seek additional cash reserves from the dealers if and when such reserves fall below required levels. As at March 31, 2020, the Company held $826 (March 31, 2019 – $817) in dealer reserves within accounts payable and other liabilities. As at March 31, 2020, the Company had $2,993 (March 31, 2019 – $2,497) due from specific dealers reported under other assets. These receivables arose from the termination by the Company of delinquent and defaulted finance lease contracts that had amounts owing in excess of available cash reserves from the applicable dealers. The Company intends to recover the outstanding balances through garnishment of future escalation payments that would otherwise be payable to the originating dealers.

As further credit support, the Company maintains other forms of collateral on its leases and loans. Other than in Quebec, the Company is entitled to provincially register a NOSI at any time during the life of the contract. The Company's practice is to register a NOSI upon any of the following occurrences:

a) At the inception of the term for larger contracts or those from certain dealers;
b) At each period where our semi-annual Beacon refresh (performed in January and July of each year) indicates a material deterioration in the credit profile of the underlying customer; or
c) Immediately upon delinquency in the case of all others.

Other

The following table sets forth a summary of other assets by category for the periods presented:

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
	$	$	$
Restricted cash	**20,666**	15,936	18,755
Other assets	**5,019**	5,135	3,662
Property and equipment, net	**1,310**	1,355	1,391
Intangible assets, net	**1,427**	1,312	1,127
	28,422	23,738	24,935

Restricted cash

Restricted cash represents funds raised from third parties which may only be used for the purpose of funding eligible HVAC and home improvement contracts. These funds are secured against consumer finance contracts.

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
	$	$	$
Cash designated for originations	**4,341**	615	4,950
Cash reserves - fixed facilities	**2,000**	2,000	2,000
Cash reserves - secured borrowing	**14,325**	13,321	11,805
	20,666	15,936	18,755

Cash designated for originations represents excess warehouse capacity that can be used for the origination of finance receivable contracts or to pay down the underlying credit facility. The balance represents cash reserves held as credit support for secured borrowings. These cash reserves have increased commensurately with the increase in secured borrowings to support portfolio growth.

Other Assets

Other assets consist of the following:

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
	$	$	$
Due from purchaser	**-**	138	138
Due from dealers	**2,983**	3,059	2,497
Due from Gemma liquidation	**66**	161	149
Prepaid expenses and other receivables	**843**	595	489
Security deposits	**369**	267	262
Canada Emergency Wage Subsidy	**82**	-	-
HST receivable	**676**	915	127
	5,019	5,135	3,662

Pursuant to dealer agreements, the amounts due from dealers are recoverable by future escalation payments otherwise due to the originating dealers.

The Company's application for the Canada Emergency Wage Subsidy program has been processed by the Canada Revenue Agency. The portion of the subsidy relating to the three months ended March 31, 2020, totalling $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.

Property and equipment
Property and equipment consist of the following:

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**	**Change over December 31, 2019**	**Change over March 31, 2019**
	$	$	$	%	%
Computer hardware	**209**	176	204	18.8	2.5
Office equipment	**61**	55	88	10.9	(30.7)
Leasehold improvements	**50**	48	203	4.2	(75.4)
Right-of-use assets -property	**990**	1,076	896	(8.0)	10.5
	1,310	1,355	1,391	(3.3)	(5.8)

As a lessee, the Company recognizes right-of-use ("ROU") assets and liabilities. ROU assets identified by the Company are included in Property and equipment in the same line item as it represents underlying assets of the same nature that it owns. In August 2019, the Company entered into a three-year property lease for its Reno premises. Under IFRS 16, the Company recognized ROU and lease liability of $645.

Intangibles
Intangibles consist of the following:

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**	**Change over December 31, 2019**	**Change over March 31, 2019**
	$	$	$	%	%
Computer software and other	**1,427**	1,312	1,127	8.8	26.6
	1,427	1,312	1,127	8.8	26.6

Intangible assets are assets acquired that lack physical substance and meet the specified criteria for recognition apart from goodwill. The Company's intangible assets consist primarily of computer software and are measured at amortized cost.

Accounts payable and other liabilities

Accounts payable and other liabilities consist of the following:

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**	**Change over December 31, 2019**	**Change over March 31, 2019**
	$	$	$	%	%
Accounts payable and accruals	**1,968**	1,327	1,105	48.3	78.1
Dealer reserves	**826**	830	817	(0.5)	1.1
Payroll liabilities	**836**	771	900	8.4	(7.1)
Other taxes payable	**23**	34	303	(32.4)	(92.4)
Contract liabilites	**7**	6	16	16.7	(56.3)
	3,660	2,968	3,141	23.3	16.5

The increase in accounts payable and accruals is due to working capital management and timing of payments to vendors.

Debentures, Notes Payable, other financial debt and Secured Borrowings

The table below represents the carrying value of the Company's borrowings:

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**	**Change over December 31, 2019**	**Change over March 31, 2019**
	$	$	$	%	%
Secured debentures	**19,103**	19,063	18,948	0.2	0.8
Secured promissory note	**2,120**	2,679	4,355	(20.9)	(51.3)
Lease liabilities	**1,144**	1,228	907	(6.8)	26.1
Secured borrowings	**180,013**	171,977	157,439	4.7	14.3
	202,380	194,947	181,649	3.8	11.4

Secured debentures

On January 12, 2016, the Company issued a $10 million secured debenture, with capacity to issue up to $100 million, at a term of 10 years, at 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, with each warrant being able to purchase one common share of the Company at an exercise price of $0.67 per share, expiring on January 12, 2019. No warrants were exercised.

On May 5, 2016, the Company issued a $3 million secured debenture under this existing facility at a fixed interest rate of 5.85%, maturing on June 30, 2017. The debenture was extended to mature on January 11, 2018 at the rate of 9.0%. This debenture was repaid in full upon maturity.

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.

In April 2017, the Company, through a wholly owned subsidiary, issued $20 million of debentures to mature on October 13, 2017, bearing interest at 9.0%. This was extended to mature on January 11, 2018 under the same terms. The outstanding balance as at December 31, 2017 of $13 million was repaid in full upon its maturity in January 2018.

Included in restricted cash was $4,341 as at March 31, 2020 (December 31, 2019 – $615) of funds received under the secured debentures. These funds represent excess warehouse capacity that can be used for the origination of finance receivable contracts or to pay down the underlying credit facilities.

Also included in restricted cash are total cash reserves of $2,000 as at March 31, 2020 (March 31, 2019 – $2,000) to support the credit risk associated with the two 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).

Secured promissory note
As part of the February 18, 2016 acquisition of EcoHome, the Company issued an $8 million promissory note to Chesswood bearing interest at 4.0% per annum, maturing 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 repayments of $186 plus interest, and a final principal repayment of $1 million due on the maturity date of October 16, 2020. The note is secured against a pool of consumer finance contracts valued at $4,298 as at March 31, 2020 (December 31, 2019 – $4,301).

The note was subsequently repaid on May 11, 2020.

Term loan
On May 20, 2020, the Company executed a binding commitment letter for 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. The resignation or termination of the Company's CEO or CFO are termination events under these facilities.

Lease liabilities
As a lessee, the Company recognizes right-of-use ("ROU") assets and liabilities. The lease liability is initially measured at the present value of the lease payments, discounted using the Company's incremental borrowing rate of 6.0%. The Company has $1,144 of lease liabilities as at March 31, 2020 (March 31, 2019 – $907). The lease liabilities relate to three office premises leased in the jurisdictions from which it operates, and they mature in 2020, 2022 and 2025.

With the office lease at 4 King Street West expiring at the end of June 2020, a new sub-lease at 130 King Street West was signed for the period from May 1, 2020 to September 30, 2023, with free rent for the first four months. The Company has moved its systems and records into its new office space.

Secured borrowings
Dealnet finances its consumer finance lease and loan receivables by pledging such receivables as security for amounts borrowed from funders under bulk facilities. The Company retains servicing responsibilities of the pledged finance lease and loan receivables. In addition, the lenders have the right to enforce their security interest in the pledged receivables and the cash reserves that provide additional credit enhancement (see "*Other*"

above), if the Company defaults under these facilities.

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

in $'000s	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
	$	$	$
Carrying value of finance receivables transferred	180,855	173,082	158,251
Cash reserves	14,325	13,321	11,805
Available collateral	195,180	186,403	170,056
Carrying value of associated liabilities	180,023	171,977	157,439

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

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 that form part of the collateral security for these facilities totalling $14,325 as at March 31, 2020 (December 31, 2019 – $13,321).

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% (three months ended March 31, 2019 – 4.97%).

As part of this 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 and the warehouse facility of $5 million with a Schedule 1 bank and 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% (three months ended March 31, 2019 – nil) using the facility. The facility has a term of 90 days from the funding date, bearing interest at the prime rate plus 3% 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 repaid and terminated this revolving credit facility.

The resignation or termination of the Company’s CEO or CFO are termination events under these facilities.

Equity

Share and warrant transactions are as follows:

(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 for cash proceeds of $24 and book value of $16.
(b) On January 12, 2019 the 2,000,000 common share purchase warrants issued in conjunction with January 12, 2016 issuance of the $10 million secured debenture, at an exercise price of $0.67 per share, expired without being exercised.
(c) In April 2018, the Company issued 2,777,777 common shares to settle transaction costs of $300 incurred on the issuance of the $12 million senior secured debentures.
(d) On January 13, 2017, the Company issued 12,523,364 common shares valued at $5,511 as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million and incurred share issuance costs of $36. The common shares issued were subject to a hold period of four months expiring on May 14, 2017. Of the 6,630,014 common shares held in escrow to be released over a three-year period ending December 31, 2020, 1,473,336 common shares were cancelled as part of the settlement reached on August 20, 2018 with the vendor to settle the outstanding receivable on acquisition of the portfolio of consumer finance lease contracts. In addition, the remaining 5,156,678 common shares were released from escrow as part of the settlement agreement.
(e) On December 22, 2017, the Company issued a total of 48 million warrants as part of the issuance of 12,000 non-convertible senior secured debentures. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months. If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days. On the completion of the sale of Impact Mobile on July 9, 2018, the expiry date of the warrants issued were accelerated to December 22, 2018 to comply with the requirements of the TSX-V. The warrants all expired unexercised.

Share-based compensation

The Company awards DSUs and 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:

Common share stock options/DSUs	**Number of stock options (in '000s)**	**Weighted average exercise price for stock options $**	**Number of DSUs (in '000s)**
As at December 31, 2018	18,573	0.27	539
Issued	8,450	0.06	-
Expired/forfeited	(5,546)	0.39	-
As at December 31, 2019	**21,477**	**0.16**	**539**
Issued	-	-	**378**
Exercised	**(350)**	**0.07**	-
Expired/forfeited	**(767)**	**0.53**	-
As at March 31, 2020	**20,360**	**0.15**	**917**

On March 31, 2020, the Company granted 378,347 DSUs to the directors which represents one quarter of 25% of their annual retainer at volume weighted average trading price ("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).

On December 6, 2019, the Company granted a total of 1,850,000 stock options to key members of management in lieu of 2019 cash bonuses. These options vested immediately. The fair value of these options was estimated to be $72 on the date of grant using the Black-Scholes option pricing model.

On March 27, 2019, the Company granted a total of 6,600,000 stock options to directors, officers, employees and consultants. The stock options vest over a period of 18 months, exercisable for a period of 5 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 (in '000s)	**Weighted average exercise price $**	**Remaining contractual life (in years)**	**Options vested (in '000s)**	**Options unvested (in '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**

Summary of Selected Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, as originally reported, the latest of which ended March 31, 2020. This information has been prepared on the same basis as the Company's condensed interim consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the condensed interim consolidated financial statements of the Company and the related notes to those statements.

in $'000s except for per share amounts	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue								
Consumer Finance*	4,645	4,501	4,346	4,244	4,120	3,936	3,889	3,773
Call Centre	2,465	2,686	2,368	2,415	2,059	2,283	2,076	2,318
	7,110	7,187	6,714	6,659	6,179	6,219	5,965	6,091
Gross profit	3,191	3,150	3,121	3,056	2,607	2,611	2,380	2,996
Net loss from continuing operations before income taxes	114	(190)	(386)	(593)	(614)	(404)	(3,381)	(1,392)
Total assets	240,876	232,556	224,408	223,208	220,296	211,986	207,288	204,459
Debentues, notes payable and other financial debt	22,367	22,970	23,626	23,612	24,210	23,825	24,347	35,490
Secured Borrowings	180,013	171,977	162,391	161,804	157,439	148,263	142,098	145,129
Income (loss) per common share - basic and diluted	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.07	0.00
Loss per share on continuing operations- basic and diluted	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.00
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Consumer Finance represents interest income only and excludes fee and ancillary revenue

The above table reflects only the financial results of the continuing operations. The financial contribution of Impact Mobile has been segregated and disclosed as discontinued operations on the Results of Operations.

Key factors that account for the fluctuation in the Company's quarterly revenues and net loss are primarily the result of:

1. During the third quarter of 2018, operating expenses included the following one-time items: $1,415 of finance charges related to repayment of senior secured debentures; $565 of severance; and $408 on loss of loss of control.
2. Improvements in quarterly results from the fourth quarter of 2018 and forward are due to the liquidation of Gemma, the repayment of the senior secured debentures and cost reductions.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at March 31, 2020.

Summary of Significant Accounting Policies and Judgments

The Company's unaudited condensed interim consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period ended March 31, 2020 and March 31, 2019, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to notes 2, 3 and 4 of the Company's unaudited condensed interim consolidated financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements, the application of critical estimates and judgements in the preparation of the financial statements and recent accounting pronouncements.

Critical Accounting Estimates and Use of Judgments

In the preparation of the unaudited condensed interim consolidated financial statements, the Company made the following estimates and exercised the following judgments in addition to those disclosed in note 4 of the consolidated financial statements for the year ended March 31, 2020.

Models and Assumptions Used

The Company has applied judgment to determine the lease term from some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

Financial Instruments

All financial instruments measured at fair value and for which 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 Company holds various forms of financial instruments as follows:

March 31, 2020	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	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)

There were no transfers between any levels between March 31, 2020 and December 31, 2019.

Inputs and valuation techniques used for the financial instruments are:

[i] Carrying amounts are expected to be reasonable approximations of fair value for cash and for financial instruments with short maturities, including trade receivables and accounts payable.
[ii] Fair value of finance receivables, 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 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 issuer date and current date.
[iv] Fair value of notes and debentures are calculated using a valuation model that considers the future stream of cash flow discounted at the market swap yield adjusted for risk premium.

Risk Management

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. The following analysis provides a measurement of major financial reporting and other risks as at March 31, 2020. This is not a comprehensive list.

COVID-19

We are actively assessing and responding, where possible, to the effects of the COVID-19 pandemic on the Company’s employees, customers, suppliers and other stakeholders. The Company has taken a number of measures to mitigate the negative effects of the COVID-19 pandemic as outlined above under pages 4 and 5 of this MD&A. However, the pandemic has had a negative impact on our originations and delinquencies, and continues to represent a material risk to our business. The actual extent to which COVID-19 and its effect on the economy will impact our business remains highly uncertain and may lead to adverse changes in our cash flows, working capital levels, debt balances, operating results and financial position in the future.

Liquidity Risk

Please see pages 6 through 7 of this MD&A for discussion on sufficient liquidity to fund on-going operations.

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, growth in origination volume requires the investment 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 (a) match utilization levels and excess available restricted cash to maturing obligations, (b) extend current debt facilities and / or (c) raise additional funds through secured private debt placements or equity.

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 December 31, 2019.

	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	3,553	–	13	51	–	52	3,669
Total financial assets	$ 48,268	$ 45,957	$ 49,792	$ 53,362	$ 48,474	$ 68,114	$ 313,967
Finance liabilities							
Accounts payable and other liabilities	$ (3,660)	$ –	$ –	$ –	$ –	$ –	$ (3,660)
Secured debentures (b)	–	(10,000)	–	–	–	(10,000)	(20,000)
Secured promissory note (b)	(2,114)	–	–	–	–	–	(2,114)
Secured borrowings (c)	(25,496)	(37,541)	(31,942)	(33,853)	(33,730)	(17,370)	(179,932)
Lease liabilities - property	(296)	(337)	(253)	(111)	(117)	(30)	(1,144)
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)	$ (35,514)	$ (36,055)	$ (28,639)	$ (233,735)

(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) It is expected that the realization on the collateral will be sufficient to repay the remaining balance on maturity.

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

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.

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 related to trade receivables (March 31, 2019 – nil).

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 (other than those originated in the province of Quebec) which are greater than $15, have experienced material credit deterioration and/or have become delinquent are registered with a NOSI. As at March 31, 2020, the Company recorded an allowance for ECL for loans of $1,192 (December 31, 2019 – $944).

Credit risk within the Company's lease receivables portfolio is mitigated by ensuring all lease contracts greater than $15 or ones that have experienced 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 $826 (March 31, 2019 – $817) in dealer reserves within accounts payable and accrued liabilities. In addition, the Company has recorded an allowance for ECL for leases of $1,091 (December 31, 2019 – $1,203).

As at March 31, 2020, the Company has $2,993 (March 31, 2019 – $2,497) due from dealers reported under other assets. 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.

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 vast 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.

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.

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 financial results for the year. As at March 31, 2020, the Company did not hedge any currency exposures.

Financial Reporting

The accounting policies and estimates used by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition. The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of Intangible Assets could be diminished in the future.

Internal Control Over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Reportable Segment Information

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 administrations expenses. All numbers are expressed in thousands of dollars.

For the quarter ended March 31, 2020	Call Centre (One Contact)	Consumer Finance (EcoHome)	Corporate	Continuing operations
Revenue:				
Canada	$ 638	$ 5,181	$ –	$ 5,819
United States	1,827	–	–	1,827
	2,465	5,181	–	7,646
Cost of sales	1,543	2,902	–	4,455
Gross profit	922	2,279	–	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 (loss) before income taxes				$ 114

For the quarter ended March 31, 2019	Call Centre (One Contact)	Consumer Finance (EcoHome)	Corporate	Continuing operations
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	108	447	351	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)
Income (loss) before income taxes				$ (614)

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

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

Consolidated Statements of Financial Position

As at					
in $'000s	**March 31, 2019**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
	$	$	$	$	$
Cash and cash equivalents	4,693	**5,798**	7,337	6,809	8,460
Restricted cash	20,666	**15,936**	15,146	19,995	18,755
Trade receivables	1,253	**1,280**	690	977	954
Finance receivables, net	206,508	**201,740**	193,927	188,665	185,947
Other assets	5,019	**5,135**	4,455	4,401	3,662
Property and equipment, net	1,310	**1,355**	1,620	1,200	1,391
Intangible assets, net	1,427	**1,312**	1,233	1,161	1,127
Assets	240,876	**232,556**	224,408	223,208	220,296
Accounts payable and other liabilities	3,660	**2,968**	3,672	2,790	3,141
Debentures, notes payable and other financial debt	22,367	**22,970**	23,626	23,612	24,210
Secured borrowings	180,013	**171,977**	162,391	161,804	157,439
Total Liabilities	206,040	**197,915**	189,689	188,206	184,790
Share capital	71,162	**71,123**	71,123	71,123	71,123
Contributed surplus	7,213	**7,189**	7,077	6,977	6,855
Accumulated other comprehensive loss	(66)	**(83)**	(83)	(86)	(53)
Deficit	(43,473)	**(43,588)**	(43,398)	(43,012)	(42,419)
Shareholders' equity	34,836	**34,641**	34,719	35,002	35,506
Total liabilities and shareholders' equity	240,876	**232,556**	224,408	223,208	220,296

Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss)

	For the three months ended				
in $'000s except for per share amounts	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
	$	$	$	$	$
Consumer finance:					
Interest income	4,645	4,501	4,346	4,244	4,120
Interest expense	2,392	2,363	2,349	2,424	2,230
	2,253	2,138	1,997	1,820	1,890
Fee and ancillary revenue	536	1,107	842	623	482
Direct expense	(351)	(262)	(298)	(186)	(342)
Provision for credit losses	(169)	(835)	(236)	(62)	(139)
	16	10	308	375	1
Finance income	2,269	2,148	2,305	2,195	1,891
Call centre:					
Revenue	2,465	2,686	2,368	2,415	2,059
Cost of sales	1,543	1,684	1,552	1,554	1,343
	922	1,002	816	861	716
Gross profit	3,191	3,150	3,121	3,056	2,607
Operating expenses:					
Salaries, wages and benefits	1,728	1,789	2,037	2,016	1,893
General and administrative	975	1,017	1,013	1,181	884
Finance costs, net	(11)	54	17	14	34
Depreciation and amortization	345	366	346	304	308
Share-based compensation	40	114	94	134	102
	3,077	3,340	3,507	3,649	3,221
Income (loss) from continuing operations before income taxes	114	(190)	(386)	(593)	(614)
Income taxes:					
Income tax expense (recovery)	-	-	-	-	-
Deferred tax recovery	-	-	-	-	-
	-	-	-	-	-
Income (loss) from continuing operations	114	(190)	(386)	(593)	(614)
Net income (loss) for the period	114	(190)	(386)	(593)	(614)
Other comprehensive income (loss):					
Foreign currency translation	17	-	3	(33)	-
Net income (loss) and comprehensive income (loss)	131	(190)	(383)	(626)	(614)
Income (loss) per common share, basic and diluted	0.00	(0.00)	(0.00)	(0.00)	(0.00)
Continuing operations	0.00	(0.00)	(0.00)	(0.00)	(0.00)
Discontinued operations	-	-	-	-	-
Weighted average number of shares outstanding (000s)	282,878	282,528	282,528	282,528	282,528

Updated Share Information

The Company is currently authorized to issue: (i) an unlimited number of common shares without nominal or par value; and, (ii) an unlimited number of preferred shares, issuable in series. There are no outstanding preferred shares.

	Outstanding Share Data As at		
	May 19, 2020	**December 31, 2019**	**December 31, 2018**
Common Shares - Basic	282,878,055	282,528,054	282,528,054
Common share purchase warrants	-	-	2,000,000
Stock options	20,660,000	21,476,668	18,573,333
Deferred share units	917,235	538,888	538,888
Common shares - fully diluted	304,455,290	304,543,610	303,640,275

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or net income as a result of these reclassifications.