

Financial Statements of



# Decisive Dividend

— Corporation —

For the three and nine months ended September 30, 2018

(Expressed in Canadian Dollars)

### **NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Decisive Dividend Corporation (“the Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

**DECISIVE DIVIDEND CORPORATION**Interim Condensed Consolidated Statements of Financial Position  
(Unaudited -Expressed in Canadian dollars)

|   | September 30,<br>2018 | December 31,<br>2017 |
|---|-----------------------|----------------------|
| <b>Assets</b>                                     |                       |                      |
| Cash and cash equivalents                         | \$ -                  | \$ 1,183,610         |
| Accounts receivable                               | 10,699,589            | 4,134,775            |
| Inventory (note 5)                                | 8,461,422             | 4,514,302            |
| Prepaid expenses and deposits                     | 656,615               | 307,576              |
| Total current assets                              | 19,817,626            | 10,140,263           |
| Property and equipment                            | 5,414,409             | 1,626,785            |
| Intangible assets                                 | 7,865,924             | 5,107,069            |
| Goodwill  | 14,456,820            | 4,445,421            |
| <b>Total assets</b>                               | <b>\$ 47,554,779</b>  | <b>\$ 21,319,538</b> |
| <b>Liabilities</b>                                |                       |                      |
| Bank indebtedness                                 | \$ 55,591             | \$ -                 |
| Accounts payable and accrued liabilities (note 6) | 6,361,543             | 3,610,375            |
| Dividends payable                                 | 329,361               | 185,230              |
| Warranty provision                                | 364,852               | 339,466              |
| Customer deposits                                 | 168,735               | 63,159               |
| Current portion of long-term debt (note 7)        | 1,666,918             | 928,000              |
| Total current liabilities                         | 8,947,000             | 5,126,230            |
| Long-term debt (note 7)                           | 12,004,783            | 7,472,853            |
| Deferred income taxes                             | 2,542,702             | 1,359,000            |
| Total liabilities                                 | 23,494,485            | 13,958,083           |
| <b>Equity</b>                                     |                       |                      |
| Share capital (note 8)                            | 28,652,316            | 10,574,867           |
| Contributed surplus                               | 1,546,770             | 1,504,972            |
| Cumulative profit (loss)                          | 612,783               | (70,173)             |
| Cumulative dividends (note 9)                     | (6,587,497)           | (4,347,698)          |
|   | 24,224,372            | 7,661,968            |
| Accumulated other comprehensive loss              | (164,078)             | (300,513)            |
| Total equity                                      | 24,060,294            | 7,361,455            |
| <b>Total liabilities and equity</b>               | <b>\$ 47,554,779</b>  | <b>\$ 21,319,538</b> |

Commitments and contingencies (note 15)

Subsequent events (note 17)

Approved on behalf of the Board of Directors:

"James Paterson" Director"Michael Conway" Director

The accompanying notes are an integral part of these condensed interim financial statements

**DECISIVE DIVIDEND CORPORATION**

Interim Condensed Consolidated Statements of Profit (Loss) and Comprehensive Income (Loss)  
(Expressed in Canadian dollars)

|  | Three Months Ended    |   | Nine Months Ended     |   |
|--|-----------------------|---|-----------------------|---|
|  | September 30,<br>2018 | September 30,<br>2017<br><i>(Note 2(a))</i> | September 30,<br>2018 | September 30,<br>2017<br><i>(Note 2(a))</i> |
| <b>Sales</b>   | \$ 13,615,855         | \$ 5,946,142                                | \$ 24,379,272         | \$ 15,906,853                               |
| <b>Manufacturing costs</b> (note 10)                               | <b>8,730,457</b>      | 3,405,336                                   | <b>14,936,557</b>     | 9,093,864                                   |
| <b>Gross profit</b>  | <b>4,885,398</b>      | 2,540,806                                   | <b>9,442,715</b>      | 6,812,989                                   |
| <b>Expenses</b>  |                       |   |                       |   |
| Amortization and depreciation                                      | 294,618               | 170,483                                     | 582,926               | 508,972                                     |
| Financing costs (income) (note 11)                                 | 315,339               | (73,647)                                    | 3,200                 | 364,860                                     |
| Occupancy costs  | 263,147               | 107,040                                     | 537,694               | 348,974                                     |
| Professional fees  | 162,139               | 56,062                                      | 684,663               | 120,791                                     |
| Salaries, wages and benefits                                       | 1,829,975             | 679,817                                     | 4,345,258             | 2,925,433                                   |
| Selling, general and administration                                | 892,347               | 1,239,159                                   | 2,227,226             | 2,405,788                                   |
|  | <b>3,757,565</b>      | 2,178,914                                   | <b>8,380,967</b>      | 6,674,818                                   |
| <b>Operating income</b>  | <b>1,127,833</b>      | 361,892                                     | <b>1,061,748</b>      | 138,171                                     |
| <b>Other items</b>   |                       |   |                       |   |
| Interest income (expense)  | 2,609                 | (3,636)                                     | 4,308                 | 5,660                                       |
| Gain on sale of equipment  | -                     | -   | -                     | 2,141                                       |
|  | <b>2,609</b>          | (3,636)                                     | <b>4,308</b>          | 7,801                                       |
| <b>Profit before taxes</b>   | <b>1,130,442</b>      | 358,256                                     | <b>1,066,056</b>      | 145,972                                     |
| <b>Income tax expense (recovery)</b>                               |                       |   |                       |   |
| Current  | 555,200               | 171,119                                     | 568,800               | 248,085                                     |
| Deferred   | (96,700)              | (20,000)                                    | (185,700)             | (60,000)                                    |
|  | <b>458,500</b>        | 151,119                                     | <b>383,100</b>        | 188,085                                     |
| <b>Profit (loss) for the period</b>                                | <b>\$ 671,942</b>     | \$ 207,137                                  | <b>\$ 682,956</b>     | \$ (42,113)                                 |
| <b>Other comprehensive income (loss):</b>                          |                       |   |                       |   |
| Foreign operation currency translation differences                 | 175,148               | (151,601)                                   | 136,435               | (110,281)                                   |
| <b>Total comprehensive income (loss) for the period</b>            | <b>\$ 847,090</b>     | \$ 55,536                                   | <b>\$ 819,391</b>     | \$ (152,394)                                |
| <b>Profit (loss) per share</b> (note 8):                           |                       |   |                       |   |
| Basic  | 0.06                  | 0.04  | 0.09                  | (0.01)                                      |
| Diluted  | 0.06                  | 0.03  | 0.08                  | n/a   |
| <b>Weighted average number of shares outstanding:</b><br>(note 8): |                       |   |                       |   |
| Basic  | 10,707,979            | 5,853,832                                   | 7,646,543             | 5,829,020                                   |
| Diluted  | 11,705,876            | 6,665,905                                   | 8,380,016             | 6,641,093                                   |

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

## DECISIVE DIVIDEND CORPORATION

Interim Condensed Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2018 and 2017

(Unaudited -Expressed in Canadian dollars)

|  | Share Capital     |                      | Contributed<br>Surplus | Deficit                 |                             | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Equity      |
|--|-------------------|----------------------|------------------------|-------------------------|-----------------------------|---|----------------------|
|  | Number            | Amount               |                        | Cumulative<br>Dividends | Cumulative<br>Profit (Loss) |   |                      |
| <b>Balance, January 1, 2017</b>                            | 5,763,163         | \$ 9,853,828         | \$ 1,505,956           | \$ (2,200,522)          | \$ (579,010)                | \$ 239,329                                    | \$ 8,819,581         |
| Shares issued under ESPP (note 8)                          | 25,793            | 86,979               | 9,203                  | -                       | -                           | -   | 96,182               |
| Exercise of stock options (note 8)                         | 24,500            | 92,688               | (43,688)               | -                       | -                           | -   | 49,000               |
| Exercise of agent warrants (note 8)                        | 35,377            | 140,369              | (53,239)               | -                       | -                           | -   | 87,130               |
| Acquisition vendor shares released from escrow (note 8)    | 73,333            | 234,666              | (234,666)              | -                       | -                           | -   | -                    |
| Share-based payment awards (note 8)                        | -                 | -                    | 322,665                | -                       | -                           | -   | 322,665              |
| Total comprehensive loss for the period                    | -                 | -                    | -                      | -                       | (42,113)                    | (110,281)                                     | (152,394)            |
| Dividends declared   | -                 | -                    | -                      | (1,593,017)             | -                           | -   | (1,593,017)          |
| <b>Balance, September 30, 2017</b>                         | <b>5,922,166</b>  | <b>\$ 10,408,530</b> | <b>\$ 1,506,231</b>    | <b>\$ (3,793,539)</b>   | <b>\$ (621,123)</b>         | <b>\$ 129,048</b>                             | <b>\$ 7,629,147</b>  |
| <b>Balance, January 1, 2018</b>                            | 5,954,377         | \$ 10,574,867        | \$ 1,504,972           | \$ (4,347,698)          | \$ (70,173)                 | \$ (300,513)                                  | \$ 7,361,455         |
| Shares issued under ESPP (note 8)                          | 23,627            | 92,714               | (560)                  | -                       | -                           | -   | 92,154               |
| Exercise of stock options (note 8)                         | 57,000            | 253,358              | (106,358)              | -                       | -                           | -   | 147,000              |
| Exercise of agent warrants (note 8)                        | 50,104            | 257,656              | (106,218)              | -                       | -                           | -   | 151,438              |
| Acquisition vendor shares released from escrow (note 8)    | 73,333            | 234,665              | (234,665)              | -                       | -                           | -   | -                    |
| Share-based payment awards (note 8)                        | -                 | -                    | 435,499                | -                       | -                           | -   | 435,499              |
| Shares issued to vendors on business acquisitions (note 4) | 936,125           | 3,700,000            | -                      | -                       | -                           | -   | 3,700,000            |
| Shares issued for cash proceeds (note 8)                   | 3,737,500         | 14,950,000           | -                      | -                       | -                           | -   | 14,950,000           |
| Share issuance costs (note 8)                              | -                 | (1,356,844)          | -                      | -                       | -                           | -   | (1,356,844)          |
| Agent warrants issued as commission (note 8)               | -                 | (54,100)             | 54,100                 | -                       | -                           | -   | -                    |
| Total comprehensive loss for the period                    | -                 | -                    | -                      | -                       | 682,956                     | 136,435                                       | 819,391              |
| Dividends declared   | -                 | -                    | -                      | (2,239,799)             | -                           | -   | (2,239,799)          |
| <b>Balance, September 30, 2018</b>                         | <b>10,832,066</b> | <b>\$ 28,652,316</b> | <b>\$ 1,546,770</b>    | <b>\$ (6,587,497)</b>   | <b>\$ 612,783</b>           | <b>\$ (164,078)</b>                           | <b>\$ 24,060,294</b> |

The accompanying notes are an integral part of these condensed interim financial statements

**DECISIVE DIVIDEND CORPORATION**Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited - Expressed in Canadian dollars)

| <b>For the nine months ended</b>  | <b>September 30,<br/>2018</b> | September 30,<br>2017 |
|---|-------------------------------|-----------------------|
| <b>Operating activities</b>   |                               |                       |
| Profit (loss)   | \$ 682,956                    | \$ (42,113)           |
| Adjusted by:  |                               |                       |
| Amortization and depreciation   | 1,033,534                     | 796,212               |
| Interest and bank charges   | 487,643                       | 364,860               |
| Share-based compensation  | 458,810                       | 343,890               |
| Foreign exchange (gain) loss  | (484,443)                     | 24,092                |
| Gain on sale of property and equipment                                    | -                             | (2,141)               |
| Income tax expense  | 383,100                       | 248,085               |
|   | <b>2,561,600</b>              | 1,732,885             |
| Changes in non-cash operating working capital items (note 12)             | <b>(5,010,548)</b>            | (1,106,795)           |
|   | <b>(2,448,948)</b>            | 626,090               |
| Income taxes paid   | <b>(519,876)</b>              | (241,904)             |
| Cash provided by (used in) operating activities                           | <b>(2,968,824)</b>            | 384,186               |
| <b>Financing activities</b>   |                               |                       |
| Proceeds from issuance of shares  | 13,960,437                    | 211,087               |
| Dividends paid  | (2,095,668)                   | (1,560,164)           |
| Proceeds from long-term debt  | 13,918,503                    | 8,500,000             |
| Repayment of long-term debt   | (8,800,780)                   | (8,458,944)           |
| Debt issuance costs   | (54,875)                      | (41,235)              |
| Interest paid   | (487,643)                     | (364,860)             |
| Cash provided by (used in) financing activities                           | <b>16,439,974</b>             | (1,714,116)           |
| <b>Investing activities</b>   |                               |                       |
| Purchase of Slimline Manufacturing Ltd.(note 4)                           | (5,299,846)                   | -                     |
| Purchase of Hawk Machine Works Ltd.(note 4)                               | (9,556,465)                   | -                     |
| Purchase of property and equipment  | (322,184)                     | (308,411)             |
| Proceeds from sale of property and equipment                              | -                             | 4,100                 |
| Cash used in investing activities   | <b>(15,178,495)</b>           | (304,311)             |
| <b>Decrease in cash and cash equivalents during the period</b>            | <b>(1,707,345)</b>            | (1,634,241)           |
| <b>Cash and cash equivalents, beginning of period</b>                     | <b>1,183,610</b>              | 1,447,451             |
| <b>Effect of movements in exchange rates on cash and cash equivalents</b> | <b>17,453</b>                 | (2,490)               |
| <b>Cash acquired</b>  | <b>450,691</b>                | -                     |
| <b>Bank indebtedness, end of period</b>                                   | <b>\$ (55,591)</b>            | \$ (189,280)          |

The accompanying notes are an integral part of these condensed interim financial statements

# DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2018 and 2017  
(Expressed in Canadian dollars)

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## 1. Nature and Operations

Decisive Dividend Corporation (the "Company") was incorporated under the British Columbia Business Corporations Act on October 2, 2012 and is listed on the TSX Venture Exchange Inc. ("the Exchange"), trading under the symbol "DE". The address of the Company's head office is #201, 1674 Bertram Street, Kelowna, B.C. V1Y 9G4.

The Company is an acquisition-oriented corporation focused on opportunities in the manufacturing sector. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows.

As at September 30, 2018, the principal wholly-owned operating subsidiaries of the Company are Valley Comfort Systems Inc. ("VCSI"), Blaze King Industries ("Blaze King USA"), Unicast Inc. ("Unicast"), Slimline Manufacturing Ltd. ("Slimline") and Hawk Machine Works Ltd. ("Hawk"). VCSI and Blaze King USA are referred to herein collectively as "Blaze King".

Slimline was acquired on May 30, 2018 and Hawk was acquired on June 28, 2018 (note 4).

The Company's interim results are impacted by seasonality factors primarily driven by weather patterns in North America, including the impact on heating and planting and harvesting seasons, as well as the timing of ground freeze and thaw in Western Canada and the effect thereof on the oil and gas industry. Blaze King's business historically experiences lower demand in the first and second quarters of the calendar year, Slimline's business historically experiences lower demand in the third quarter and Hawk's business historically experiences lower demand in the second quarter. In each subsidiary, there are substantial fixed costs that do not meaningfully fluctuate with product demand in the short-term. The Company strives to acquire subsidiaries that diversify the seasonality of the portfolio in order to mitigate the effect of seasonality of the interim results.

These consolidated financial statements comprise of the Company and its subsidiaries, collectively referred to as the "Group".

## 2. Basis of Preparation and Statement of Compliance

### a) *Statement of compliance*

These interim condensed consolidated financial statements (the "interim financial statements") for the period ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Certain comparative amounts for the prior period have been reclassified to conform to the current period's presentation.

These interim financial statements were approved by the Audit Committee of the Company for issue on November 13, 2018.

# DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
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(Expressed in Canadian dollars)

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## b) *Judgments*

The preparation of financial statements requires management to make judgments that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

There were no changes to the Group's critical accounting estimates and judgments from those described in the most recent annual financial statements.

## c) *Accounting estimates and assumptions*

The preparation of financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

There were no changes to the Group's critical accounting estimates and judgments from those described in the most recent annual financial statements.

## 3. **Significant Accounting Policies**

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those disclosed in Note 3 to the Group's 2017 audited financial statements, except as described below under IFRS 9 and IFRS 15.

### (i) *IFRS 9: Financial Instruments*

Effective January 1, 2018, the Group adopted IFRS 9: Financial Instruments. IFRS 9 superseded IAS 39: Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition, measurement, impairment and derecognition of financial assets and liabilities, as well as general hedge accounting. The Group adopted IFRS 9 on a retrospective basis without restatement of comparative financial information. The adoption of IFRS 9 has had no impact on the Group's interim financial statements or opening retained earnings.

Under IFRS 9 the Group measures financial assets at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under IFRS 9 the Group measures financial liabilities initially at fair value and subsequently at amortized cost.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ELCs, which are the ELCs expected to result from all possible default events over the life of a financial instrument. There was no material effect on the carrying value of the Group's financial assets under IFRS 9 related to this new requirement.



# DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2018 and 2017  
(Expressed in Canadian dollars)

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## (ii) IFRS 15: *Revenue from Contracts with Customers*

Effective January 1, 2018, the Group adopted IFRS 15: *Revenue from Contracts with Customers*. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The standard establishes a framework based on transfer of control for determining how much and when revenue is recognized and includes expanded disclosure requirements for annual financial statements. Adoption of IFRS 15 has had no impact on the Group's interim financial statements or on opening retained earnings and did not result in a restatement of comparative figures. The Group did not use practical expedients in its adoption of IFRS 15.

## 4. Acquisitions

### (a) *Slimline Manufacturing Ltd.*

On May 30, 2018, the Company acquired all of the shares of Slimline, a privately-held agricultural and industrial machinery manufacturing company based in Penticton, British Columbia. Slimline is strategically complimentary to the Group's overall portfolio. The components of the consideration paid to acquire Slimline are as follows:

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The following table summarizes the acquisition date fair value of each major class of consideration transferred:

|                          |    |           |
|--------------------------|----|-----------|
| Cash                     | \$ | 5,299,846 |
| Shares                   | -  | 1,000,000 |
| Contingent consideration |    | 1,110,000 |
|                          | \$ | 7,409,846 |

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The purchase price includes an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments, plus an earn out if certain performance targets for the 12-month period ended July 31, 2018, up to a maximum of \$1,500,000 to be settled in cash and the issuance of common shares. The contingent consideration recorded by the Company reflects the estimated fair value of the performance target being met, at the purchase date. Final settlement of the contingent consideration is expected to occur in the fourth quarter of 2018, at which time the allocation of the purchase price will be finalized.

Subsequent to the end of the period, the closing adjustments for working capital were finalized. As a result of those adjustments, the vendor returned \$700,154 in cash to the Company, which was included in accounts receivable as at September 30, 2018. The cash consideration paid has been reduced to reflect this adjustment.

## DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2018 and 2017  
(Expressed in Canadian dollars)

The preliminary allocation of the purchase price, to the fair value of the assets acquired and liabilities assumed is, as follows:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

|  |    |           |
|--|----|-----------|
| Cash and cash equivalents                | \$ | 28,721    |
| Accounts receivable                      |    | 792,935   |
| Prepays                                  |    | 92,052    |
| Inventory                                |    | 1,599,554 |
| Property and equipment                   |    | 1,619,385 |
| Intangible assets                        |    | 3,080,000 |
| Goodwill                                 |    | 1,822,615 |
| Accounts payable and accrued liabilities |    | (649,416) |
| Deferred income tax liability            |    | (976,000) |
|  | \$ | 7,409,846 |

Goodwill is not deductible for income tax purposes.

The Group incurred acquisition-related costs of \$248,456 relating to legal fees, accounting fees, commissions, finder's fees, and due diligence costs. These costs have been included in professional fees in profit or loss.

The statement of profit (loss) includes revenue of \$1,648,867 and a loss of (\$382,339) for the period from acquisition to September 30, 2018. Had the business combination been effective from January 1, 2018, the Group would have recognized revenue of \$6,301,759 and profit of \$197,169 for the nine-month period ended September 30, 2018.

### (b) Hawk Machine Works Ltd.

On May 30, 2018, the Company acquired all of the shares of Hawk, a privately-held machining and tooling company based in Linden, Alberta. Hawk is strategically complimentary to the Group's overall portfolio. The components of the consideration paid to acquire Hawk are as follows:

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

|        |    |            |
|--------|----|------------|
| Cash   | \$ | 9,556,465  |
| Shares |    | 2,700,000  |
|        | \$ | 12,256,465 |

The purchase price includes an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. Subsequent to the end of the period, the closing adjustments for working capital were finalized. As a result of those adjustments, the vendor returned \$1,244,535 in cash to the Company, which was included in accounts receivable as at September 30, 2018. The cash consideration paid has been reduced to reflect this adjustment.

The Company is still determining the final allocation of the purchase price and expects to complete the allocation in the fourth quarter of 2018. The valuation of separately identifiable intangible assets was not

# DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
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complete at the time of this report and the table shows the combination of goodwill and intangible assets together.

The preliminary allocation of the purchase price, to the fair value of the assets acquired and liabilities assumed is, as follows:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

|  |    |             |
|--|----|-------------|
| Cash and cash equivalents                | \$ | 421,970     |
| Accounts receivable                      |    | 1,751,257   |
| Working capital shortfall (estimate)     |    | -           |
| Prepays                                  |    | 52,768      |
| Inventory                                |    | 1,591,980   |
| Property and equipment                   |    | 2,167,319   |
| Goodwill and intangible assets           |    | 8,078,681   |
| Accounts payable and accrued liabilities |    | (1,455,510) |
| Deferred income tax liability            |    | (352,000)   |
|  | \$ | 12,256,465  |

Goodwill is not deductible for income tax purposes.

The Group incurred acquisition-related costs of \$222,410 relating to legal fees, accounting fees and due diligence costs. These costs have been included in professional fees in profit or loss.

The statement of profit (loss) includes revenue of \$6,130,405 and profit of \$1,144,402 for the period from acquisition to September 30, 2018. Had the business combination been effective from January 1, 2018, the Group would have recognized revenue of \$16,615,049 and profit of \$2,474,634 for the nine-month period ended September 30, 2018.

## 5. Inventory

|                         | September 30,<br>2018 | December 31,<br>2017 |
|-------------------------|-----------------------|----------------------|
| Raw materials and parts | \$ 3,655,926          | \$ 1,894,552         |
| Work in progress        | 850,421               | 427,090              |
| Finished goods          | 3,955,075             | 2,192,660            |
|                         | \$ 8,461,422          | \$ 4,514,302         |

## 6. Accounts Payable and Accrued Liabilities

|  | September 30,<br>2018 | December 31,<br>2017 |
|--|-----------------------|----------------------|
| Trade payables                             | \$ 5,586,370          | \$ 2,597,325         |
| Wages payable                              | 222,761               | 505,609              |
| Due to former shareholders of Unicast Inc. | (6,099)               | (6,099)              |
| Income taxes payable                       | 558,511               | 513,540              |
|  | \$ 6,361,543          | \$ 3,610,375         |

## DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2018 and 2017  
(Expressed in Canadian dollars)

### 7. Long-term Debt

|   | September 30,<br>2018 | December 31,<br>2017 |
|---|-----------------------|----------------------|
| Bank of Nova Scotia demand loan repaid during the period  | \$ -                  | \$ 8,145,833         |
| Bank of Nova Scotia demand loan paid through monthly instalments of \$124,887 monthly plus interest at the bank's prime rate plus 1.25% interest. The loan matures in May 2021, at which point the residual \$9,224,901 is repayable in full net of financing costs | 13,221,284            | -                    |
| Bank of Nova Scotia term equipment finance loan repayable at US\$815 monthly including interest at 5.78% maturing in January 2021   | 21,712                | -                    |
| Bank of Nova Scotia term equipment finance loan repayable at \$18,813 quarterly including interest at 5.11% maturing in August 2021   | 208,000               | -                    |
| Trumpf Finance term loan paid through monthly instalments of US\$662 monthly including interest at 2.15% interest. The loan matures in April 2021 and is secured by property and equipment  | 25,685                | -                    |
| Trumpf Finance term loan paid through monthly instalments of US\$5,865 monthly including interest at 4.15% interest. The loan matures in July 2021 and is secured by property and equipment   | 242,297               | 292,454              |
|   | <b>13,718,978</b>     | 8,438,287            |
| Less: current portion   | <b>(1,666,918)</b>    | (928,000)            |
| Long-term portion   | <b>12,052,060</b>     | 7,510,287            |
| Less: debt issuance costs   | <b>(47,277)</b>       | (37,434)             |
| Total long-term debt  | <b>\$ 12,004,783</b>  | \$ 7,472,853         |

- The Group has an operating loan facility authorized up to \$5,000,000, bearing interest at the lender's prime rate plus 0.75%.
- The Group has an equipment financing revolving line facility authorized up to \$1,000,000, bearing interest at the lender's base leasing rate, plus a spread to be determined at the time of the transaction. The Group has \$770,000 available on this facility.
- The operating loan facility and the debt are secured by a general security agreement, assignment of insurance, and unlimited corporate cross guarantees. Additionally, the Group has agreed to maintain the following ratios (defined in the lending agreement) on a consolidated trailing 12-month basis, otherwise outstanding facilities are due on demand:

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- Maximum total funded debt to EBITDA of 3.5:1
- Minimum Fixed Charge Coverage ratio of 1.1:1

As at September 30, 2018, the Group was in compliance with these ratios.

Principal payments required over the next four years are estimated as follows:

|                       |    |             |
|-----------------------|----|-------------|
| 2018 (remainder)      | \$ | 415,842     |
| 2019                  |    | 1,668,101   |
| 2020                  |    | 1,675,941   |
| 2021                  |    | 9,959,094   |
|                       |    | 13,718,978  |
| Less: current portion |    | (1,666,918) |
| Long-term portion     | \$ | 12,052,060  |

### 8. Share Capital

The Company has the following shares issued and outstanding:

|   | Shares            | Amount               |
|---|-------------------|----------------------|
| Balance as at December 31, 2016                   | 5,763,163         | \$ 9,853,828         |
| Shares issued under ESPP                          | 25,793            | 86,979               |
| Exercise of stock options                         | 24,500            | 92,688               |
| Exercise of agent warrants                        | 67,588            | 306,706              |
| Acquisition vendor shares released from escrow    | -                 | 234,666              |
| <b>Balance as at, December 31, 2017</b>           | <b>5,954,377</b>  | <b>10,574,867</b>    |
| Shares issued under ESPP                          | 23,627            | 92,714               |
| Exercise of stock options                         | 57,000            | 253,358              |
| Exercise of agent warrants                        | 50,104            | 257,656              |
| Acquisition vendor shares released from escrow    | 73,333            | 234,665              |
| Shares issued to vendors on business acquisitions | 936,125           | 3,700,000            |
| Shares issued for cash proceeds                   | 3,737,500         | 14,950,000           |
| Share issuance costs                              | -                 | (1,356,844)          |
| Agent warrants issued as commission               | -                 | (54,100)             |
| <b>Balance as at September 30, 2018</b>           | <b>10,832,066</b> | <b>\$ 28,652,316</b> |

The number of common shares that remain in escrow are as follows:

|                                      | September 30,<br>2018 | December 31,<br>2017 |
|--------------------------------------|-----------------------|----------------------|
| In relation to:                      |                       |                      |
| The Company's qualifying transaction | -                     | 142,125              |
| Acquisition of Blaze King            | -                     | 49,500               |
| Acquisition of Unicast               | 183,332               | 274,998              |
| Acquisition of Slimline              | 257,733               | -                    |
| Acquisition of Hawk                  | 678,392               | -                    |
|                                      | <b>1,119,457</b>      | 466,623              |

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The Company has the following warrants outstanding and exercisable:

| Warrants   | Number of warrants | Weighted average exercise price (\$) | Weighted average grant date fair value (\$) | Weighted average years remaining |
|--|--------------------|--------------------------------------|---|----------------------------------|
| Outstanding and exercisable, December 31, 2016         | 122,576            | \$ 2.84                              | \$ 1.95                                     | 0.79                             |
| Warrants issued in the period                          | -                  | -                                    | -   | -                                |
| Warrants exercised in the period                       | (67,588)           | 2.67                                 | 1.79  | -                                |
| Warrants expired in the period                         | (1,125)            | 2.00                                 | 0.88  | -                                |
| <b>Outstanding and exercisable, December 31, 2017</b>  | <b>53,863</b>      | <b>\$ 3.00</b>                       | <b>\$ 2.16</b>                              | <b>0.46</b>                      |
| Warrants issued in the period                          | 243,477            | 4.00                                 | 0.19  | -                                |
| Warrants exercised in the period                       | (50,104)           | 3.02                                 | 2.12  | -                                |
| Warrants expired during the period                     | (4,885)            | 3.00                                 | 2.12  | -                                |
| <b>Outstanding and exercisable, September 30, 2018</b> | <b>242,351</b>     | <b>\$ 4.00</b>                       | <b>\$ 0.23</b>                              | <b>1.27</b>                      |

The Company has granted stock options to various officers, directors, and employees of the Company as follows:

| Stock Options  | Number of options | Weighted average exercise price (\$) | Weighted average grant date fair value (\$) | Weighted average years remaining |
|--|-------------------|--------------------------------------|---|----------------------------------|
| Outstanding and exercisable, December 31, 2016         | 530,500           | \$ 2.87                              | \$ 1.91                                     | 8.71                             |
| Options issued during the period                       | -                 | -                                    | -   | -                                |
| Options exercised during the period                    | (24,500)          | 2.00                                 | 1.78  | -                                |
| <b>Outstanding and exercisable, December 31, 2017</b>  | <b>506,000</b>    | <b>\$ 2.92</b>                       | <b>\$ 1.91</b>                              | <b>7.89</b>                      |
| Options issued during the period                       | 375,000           | 4.35                                 | 0.69  | -                                |
| Options exercised during the period                    | (57,000)          | 2.58                                 | 1.87  | -                                |
| <b>Outstanding and exercisable, September 30, 2018</b> | <b>824,000</b>    | <b>\$ 3.59</b>                       | <b>\$ 1.36</b>                              | <b>8.55</b>                      |

During the period ended September 30, 2018, the Company recorded \$259,500 of share-based compensation expense. This share-based compensation expense represents the estimated fair value of the stock options granted on August 21, 2018, using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 8.7%; expected volatility of 40%; risk-free interest rate of 2.25%; forfeiture rate of 0%; market price of \$4.35, and weighted average life of 5 years. The options vested immediately on grant.

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### 9. Dividends

The Company's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's Board of Directors regularly examines the dividends paid to shareholders.

The following dividends were declared and paid during the nine-month period ended September 30, 2018 and the year ended December 31, 2017, other than the September 30, and December 31, dividends, which are paid subsequent to period end:

| Month        | 2018              |                            | 2017              |                            |
|--------------|-------------------|----------------------------|-------------------|----------------------------|
|              | Per share<br>(\$) | Dividend<br>Amount<br>(\$) | Per share<br>(\$) | Dividend<br>Amount<br>(\$) |
| January      | \$ 0.03           | 185,951                    | \$ 0.025          | \$ 151,668                 |
| February     | 0.03              | 185,951                    | 0.025             | 152,531                    |
| March        | 0.03              | 186,506                    | 0.030             | 184,082                    |
| April        | 0.03              | 186,530                    | 0.030             | 184,082                    |
| May          | 0.03              | 195,274                    | 0.030             | 184,082                    |
| June         | 0.03              | 312,461                    | 0.030             | 184,082                    |
| July         | 0.03              | 328,642                    | 0.030             | 184,113                    |
| August       | 0.03              | 329,122                    | 0.030             | 184,113                    |
| September    | 0.03              | 329,362                    | 0.030             | 184,265                    |
| October      | -                 | -                          | 0.030             | 184,265                    |
| November     | -                 | -                          | 0.030             | 184,663                    |
| December     | -                 | -                          | 0.030             | 185,230                    |
| <b>Total</b> | <b>\$ 0.27</b>    | <b>\$ 2,239,799</b>        | <b>\$ 0.350</b>   | <b>\$ 2,147,176</b>        |

### 10. Manufacturing Costs

|                                      | For the three months ended |                       | For the nine months ended |                       |
|--------------------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
|                                      | September 30,<br>2018      | September 30,<br>2017 | September 30,<br>2018     | September 30,<br>2017 |
| Labour and materials                 | \$ 7,547,796               | \$ 2,861,006          | \$ 12,648,362             | \$ 7,180,619          |
| Freight and shipping                 | 630,860                    | 340,805               | 1,375,118                 | 1,150,904             |
| Depreciation                         | 219,874                    | (25,622)              | 450,608                   | 166,019               |
| Fair value adjustment on acquisition | 275,333                    | 170,504               | 336,000                   | 357,142               |
| Warranty charges                     | 56,594                     | 58,643                | 126,469                   | 239,180               |
|                                      | <b>\$ 8,730,457</b>        | <b>\$ 3,405,336</b>   | <b>\$ 14,936,557</b>      | <b>\$ 9,093,864</b>   |

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### 11. Financing Costs (Income)

Details of the items included in financing costs are as follows:

|                                 | For the three months ended |                      | For the nine months ended |                      |
|---------------------------------|----------------------------|----------------------|---------------------------|----------------------|
|                                 | September 30<br>2018       | September 30<br>2017 | September 30<br>2018      | September 30<br>2017 |
| Interest and bank charges       | \$ 88,924                  | \$ 15,775            | \$ 140,543                | \$ 69,308            |
| Interest on long-term debt      | 143,262                    | 91,863               | 347,101                   | 271,460              |
|                                 | 232,186                    | 107,638              | 487,644                   | 340,768              |
| Foreign exchange (gains) losses | 83,153                     | (181,285)            | (484,444)                 | 24,092               |
|                                 | \$ 315,339                 | \$ (73,647)          | \$ 3,200                  | \$ 364,860           |

### 12. Working Capital

The changes in non-cash operating working capital items are as follows:

|  | For the nine months ended |                    |
|--|---------------------------|--------------------|
|  | September 30, 2018        | September 30, 2017 |
| Accounts receivable                      | \$ (4,020,622)            | \$ (1,248,341)     |
| Inventory                                | (755,586)                 | (445,188)          |
| Prepaid expenses and deposits            | (204,219)                 | (109,298)          |
| Accounts payable and accrued liabilities | (161,083)                 | 653,633            |
| Customer deposits                        | 105,576                   | 47,172             |
| Warranty provision                       | 25,386                    | (4,773)            |
|  | \$ (5,010,548)            | \$ (1,106,795)     |

### 13. Financial Instruments and Risk Management

The contractual maturities of financial instruments are as follows:

| 2018              | Carrying value | Total contractual cash flows | Less than 1 year |               |             | More than 5 years |
|-------------------|----------------|------------------------------|------------------|---------------|-------------|-------------------|
|                   |                |                              | 1 - 5 years      | 1 - 5 years   | 1 - 5 years |                   |
| Accounts payable  | \$ 6,361,543   | \$ 6,361,543                 | \$ 6,361,543     | \$ -          | \$ -        | \$ -              |
| Dividends payable | 329,361        | 329,361                      | 329,361          | -             | -           | -                 |
| Long-term debt    | 13,671,701     | 15,222,447                   | 2,281,163        | 12,941,284    | -           | -                 |
| Leases            | 2,182,485      | 2,182,485                    | 591,502          | 1,270,983     | 320,000     | -                 |
|                   | \$ 22,545,090  | \$ 24,095,836                | \$ 9,563,569     | \$ 14,212,267 | \$ 320,000  | \$ -              |

| 2017              | Carrying value | Total contractual cash flows | Less than 1 year |              |             | More than 5 years |
|-------------------|----------------|------------------------------|------------------|--------------|-------------|-------------------|
|                   |                |                              | 1 - 5 years      | 1 - 5 years  | 1 - 5 years |                   |
| Accounts payable  | \$ 3,610,375   | \$ 3,610,375                 | \$ 3,610,375     | \$ -         | \$ -        | \$ -              |
| Dividends payable | 185,230        | 185,230                      | 185,230          | -            | -           | -                 |
| Long-term debt    | 8,400,853      | 9,280,743                    | 1,286,344        | 7,994,399    | -           | -                 |
| Leases            | 767,606        | 767,606                      | 270,700          | 496,906      | -           | -                 |
|                   | \$ 12,964,064  | \$ 13,843,954                | \$ 5,352,649     | \$ 8,491,305 | \$ -        | \$ -              |



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The following details the aging of the Company's trade accounts receivable:

|            | September 30, 2018 |           |        | December 31, 2017 |           |        |
|------------|--------------------|-----------|--------|-------------------|-----------|--------|
| Current    | \$                 | 5,230,329 | 61.2%  | \$                | 3,143,563 | 68.2%  |
| 31-60 days |                    | 803,806   | 9.4%   |                   | 647,554   | 14.1%  |
| 61-90 days |                    | 1,187,588 | 13.9%  |                   | 232,651   | 5.1%   |
| >90 days   |                    | 1,317,659 | 15.4%  |                   | 582,748   | 12.7%  |
|            | \$                 | 8,539,382 | 100.0% | \$                | 4,606,516 | 100.0% |

The Group's functional currency for Blaze King USA and Unicast is the US dollar ("USD"), while all other entities in the Group have a Canadian dollar functional currency ("CAD"), and the reporting currency is the Canadian dollar; therefore, the Group's earnings and total comprehensive income are in part impacted by fluctuations in the value of USD in relation to CAD.

The table below summarizes the quantitative data about the Group's exposure to currency risk:

| 2018                | Entities with a CAD functional currency |             | Entities with a USD functional currency |            | Total        |
|---------------------|---|-------------|---|------------|--------------|
|                     | CAD                                     | USD         | CAD                                     | USD        |              |
| Cash                | \$ (659,256)                            | \$ 685,618  | \$ (365,622)                            | \$ 283,669 | \$ (55,591)  |
| Accounts receivable | 6,507,446                               | 1,511,334   | 463,910                                 | 2,216,899  | 10,699,589   |
| Accounts payable    | (6,760,727)                             | (1,291,771) | 644,595                                 | 1,046,360  | (6,361,543)  |
| Dividend payable    | (329,361)                               | -           | -                                       | -          | (329,361)    |
| Long-term debt      | (13,382,007)                            | (289,694)   | -                                       | -          | (13,671,701) |
| Net exposure        | (14,623,905)                            | 615,487     | 742,883                                 | 3,546,928  | (9,718,607)  |

5% strengthening USD vs. CAD:

|                         |    |        |    |          |    |         |
|-------------------------|----|--------|----|----------|----|---------|
| Impact on profit (loss) | \$ | 30,774 | \$ | (37,144) | \$ | (6,370) |
|-------------------------|----|--------|----|----------|----|---------|

| 2017                | Entities with a CAD functional currency |            | Entities with a USD functional currency |             | Total        |
|---------------------|---|------------|---|-------------|--------------|
|                     | CAD                                     | USD        | CAD                                     | USD         |              |
| Cash                | \$ 614,994                              | \$ 296,177 | \$ 83,603                               | \$ 188,836  | \$ 1,183,610 |
| Accounts receivable | 860,639                                 | 875,538    | 486,251                                 | 1,912,347   | 4,134,775    |
| Accounts payable    | (1,453,788)                             | (352,758)  | (456,537)                               | (1,347,292) | (3,610,375)  |
| Dividend payable    | (185,230)                               | -          | -                                       | -           | (185,230)    |
| Long-term debt      | (8,108,399)                             | (292,454)  | -                                       | -           | (8,400,853)  |
| Net exposure        | (8,271,784)                             | 526,503    | 113,317                                 | 753,891     | (6,878,073)  |

5% strengthening USD vs. CAD:

|                         |    |        |    |         |    |        |
|-------------------------|----|--------|----|---------|----|--------|
| Impact on profit (loss) | \$ | 26,325 | \$ | (5,666) | \$ | 20,659 |
|-------------------------|----|--------|----|---------|----|--------|

The calculations above are based on the Group's consolidated statement of financial position exposure at September 30, 2018 and December 31, 2017 respectively.

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The Group is exposed to interest rate risk on its operating loan and demand loan credit facilities (note 7) due to the interest rate on these facilities being variable. Of the Group's interest-bearing debt at September 30, 2018, 96% was variable rate (December 31, 2017 - 97%). The Group does not enter into derivative contracts to manage this risk. The table below summarizes the quantitative data about the Group's exposure to interest rate risk:

| <b>Interest rate risk</b>                                 | <b>September 30,<br/>2018</b> | December 31,<br>2017 |
|---|-------------------------------|----------------------|
| Floating instruments                                      | \$ 13,221,284                 | \$ 8,145,833         |
| Average balance   | 10,683,558                    | 8,190,692            |
| Impact on profit (loss) of a change<br>in interest rates: |                               |                      |
| -1%   | 106,800                       | 81,900               |
| +1%   | \$ (106,800)                  | \$ (81,900)          |

### 14. Related Party Transactions

The Group's related parties consist of directors, officers and key management or companies associated with them. Key management, including directors and officers of the Group, are those personnel having the authority and responsibility for planning, directing, and controlling the Group.

Salaries and benefits, bonuses and share-based payments are included in compensation expenses. Key management compensation for the nine-month period ended September 30, 2018 included \$157,953 of salary and benefits and \$211,060 in share-based compensation expense (September 30, 2017 - \$131,625 of salary and benefits).

During the nine-month period ended September 30, 2018, the Group incurred legal fees of \$23,861 (2017 - \$12,318) with a law firm in which a director of the Group was a partner.

### 15. Commitments and Contingencies

On January 3, 2017, the Company announced that it had been made aware of a notice of motion filed with the Ontario Superior Court by Constance Weller, Gerald Weller, Adrienne Latimour and Tara Pengally, the plaintiffs in a civil claim (the "Claim") requesting an order granting the plaintiffs leave to amend their statement of claim to, among other things, add two of the Company's subsidiaries, Valley Comfort Systems Inc. and Blaze King Industries Canada Ltd. as defendants to the Claim.

Under the Claim, the four individual plaintiffs seek aggregate damages against the defendants of \$11,000,000, plus aggregate punitive, aggravated or exemplary damages of \$10,000,000, \$200,000 in damages pursuant to the Family Law Act (Ontario) and prejudgment interest, costs and such other relief as the court deems just.

Management of the Company believes that the Claim against the named subsidiaries is without merit and, in the event that court grants the motion allowing the statement of claim to be amended, each of the named subsidiaries will vigorously defend themselves against the Claim.

In the event that the requested motion is granted and damages are ultimately awarded against the named subsidiaries, management of the Company believes damages of up to \$10,000,000 would be insured, which is the limit on the insurance policy. The named subsidiaries have notified their insurance company of the notice of motion.

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As part of normal ongoing operations, it is possible that the Company and its subsidiaries could become involved in litigation and claims from time-to-time. Other than the Claim noted above, Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or financial performance of the Company. Additionally, the Company, may provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or sales and service contracts. The terms of these indemnifications will vary based upon the contract and the nature of which prevents the Company from making a reasonable estimate of the maximum potential amounts that may be required to be paid. In the event that managements' estimate of the future resolution of these and other matters, including tax matters, changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur.

A summary of the undiscounted liabilities and future operating commitments at September 30, 2018 are as follows:

|                  |    | <b>Total</b> | <b>Within One Year</b> | <b>Two to Five<br/>Years</b> |
|------------------|----|--------------|------------------------|------------------------------|
| Operating leases | \$ | 2,182,485    | \$ 591,502             | \$ 1,590,983                 |

Contractual commitments are defined as agreements that are enforceable and legally binding. Certain of the contractual commitments may contain cancellation clauses; the Company discloses the contractual operating commitments based on management's intent to fulfill the contracts.

### 16. Segmented Information

The Group's reporting is prepared on a geographic and consolidated basis as determined by the requirements of the Chief Executive Officer as the chief operating decision maker for the Group. The Company identifies and tracks the operations of its subsidiaries, VCSI, Blaze King USA, Unicast, Slimline and Hawk separately. Due to the direct and integrated relationship of Blaze King, whereby Valley Comfort is the manufacturer and Canadian wholesaler, and Blaze King USA is the United States wholesaler, the Group has determined that for segmentation purposes, they are considered one segment. In addition to Blaze King, Unicast, Slimline and Hawk the Canadian public company parent ("Head Office") is considered a fifth and separate segment, as its function is an investment holding and management company.

The Group's segment reporting for the three-month periods ended September 30, 2018 and 2017 is as follows:

| <b>Three months ended<br/>September 30, 2018</b>    | <b>Blaze King</b> | <b>Unicast</b> | <b>Slimline</b> | <b>Hawk</b>  | <b>Head Office</b> | <b>Total</b>  |
|---|-------------------|----------------|-----------------|--------------|--------------------|---------------|
| Sales   | \$ 4,243,265      | \$ 2,178,365   | \$ 1,138,445    | \$ 6,055,780 | \$ -               | \$ 13,615,855 |
| Manufacturing costs                                 | 2,472,897         | 1,224,793      | 979,273         | 4,053,494    | -                  | 8,730,457     |
| Gross margin  | 1,770,368         | 953,572        | 159,172         | 2,002,286    | -                  | 4,885,398     |
| Profit before taxes                                 | 647,035           | 58,452         | (425,132)       | 1,554,500    | (704,413)          | 1,130,442     |
| Income tax expense<br>(recovery)                    | 129,660           | (38,000)       | (51,936)        | 410,740      | 8,036              | 458,500       |
| Profit (loss) for the period                        | 517,375           | 96,452         | (373,196)       | 1,143,760    | (712,449)          | 671,942       |
| Total comprehensive income<br>(loss) for the period | \$ 477,154        | \$ 311,822     | \$ (373,196)    | \$ 1,143,760 | \$ (712,450)       | \$ 847,090    |

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| <b>Three months ended</b>                        |                   |                |                 |             |                    |              |
|--|-------------------|----------------|-----------------|-------------|--------------------|--------------|
| <b>September 30, 2017</b>                        | <b>Blaze King</b> | <b>Unicast</b> | <b>Slimline</b> | <b>Hawk</b> | <b>Head Office</b> | <b>Total</b> |
| Sales  | \$ 4,015,272      | \$ 1,930,870   | \$ -            | \$ -        | \$ -               | 5,946,142    |
| Manufacturing costs                              | 2,450,270         | 955,066        | -               | -           | -                  | 3,405,336    |
| Gross margin                                     | 1,565,002         | 975,804        | -               | -           | -                  | 2,540,806    |
| Profit before taxes                              | 501,308           | 193,789        | -               | -           | (336,841)          | 358,256      |
| Income tax expense (recovery)                    | 115,732           | 61,186         | -               | -           | (25,799)           | 151,119      |
| Profit (loss) for the period                     | 385,576           | 132,603        | -               | -           | (311,042)          | 207,137      |
| Total comprehensive income (loss) for the period | \$ 309,818        | \$ 56,760      | \$ -            | \$ -        | \$ (311,042)       | \$ 55,536    |

The Group's segment reporting for the nine-month periods ended September 30, 2018 and 2017 is as follows:

| <b>Nine months ended</b>                         |                   |                |                 |              |                    |               |
|--|-------------------|----------------|-----------------|--------------|--------------------|---------------|
| <b>September 30, 2018</b>                        | <b>Blaze King</b> | <b>Unicast</b> | <b>Slimline</b> | <b>Hawk</b>  | <b>Head Office</b> | <b>Total</b>  |
| Sales  | \$ 10,423,393     | \$ 6,176,607   | \$ 1,648,867    | \$ 6,130,405 | \$ -               | \$ 24,379,272 |
| Manufacturing costs                              | 6,271,310         | 3,172,458      | 1,387,057       | 4,105,732    | -                  | 14,936,557    |
| Gross margin                                     | 4,152,083         | 3,004,149      | 261,810         | 2,024,673    | -                  | 9,442,715     |
| Profit before taxes                              | 710,687           | 1,175,512      | (425,709)       | 1,555,302    | (1,949,736)        | 1,066,056     |
| Income tax expense (recovery)                    | 111,765           | (85,000)       | (51,936)        | 410,900      | (2,629)            | 383,100       |
| Profit (loss) for the period                     | 598,922           | 1,260,512      | (373,773)       | 1,144,402    | (1,947,107)        | 682,956       |
| Total comprehensive income (loss) for the period | \$ 662,477        | \$ 1,333,393   | \$ (373,773)    | \$ 1,144,402 | \$ (1,947,108)     | \$ 819,391    |

| <b>Nine months ended</b>                         |                   |                |                 |             |                    |               |
|--|-------------------|----------------|-----------------|-------------|--------------------|---------------|
| <b>September 30, 2017</b>                        | <b>Blaze King</b> | <b>Unicast</b> | <b>Slimline</b> | <b>Hawk</b> | <b>Head Office</b> | <b>Total</b>  |
| Sales  | \$ 9,661,267      | \$ 6,245,586   | \$ -            | \$ -        | \$ -               | \$ 15,906,853 |
| Manufacturing costs                              | 5,913,482         | 3,180,382      | -               | -           | -                  | 9,093,864     |
| Gross margin                                     | 3,747,785         | 3,065,204      | -               | -           | -                  | 6,812,989     |
| Profit before taxes                              | 596,087           | 534,734        | -               | -           | (984,849)          | 145,972       |
| Income tax expense (recovery)                    | 86,096            | 133,506        | -               | -           | (31,517)           | 188,085       |
| Profit (loss) for the period                     | 509,991           | 401,228        | -               | -           | (953,332)          | (42,113)      |
| Total comprehensive income (loss) for the period | \$ 505,241        | \$ 295,697     | \$ -            | \$ -        | \$ (953,332)       | \$ (152,394)  |

The following is the geographic breakdown of revenues for the three and nine-month periods ended September 30, 2018 and 2017 based on the location of the customer:

|               | <b>Three months ended</b> |              | <b>Nine months ended</b>  |               |
|---------------|---------------------------|--------------|---------------------------|---------------|
|               | <b>September 30, 2018</b> | <b>2017</b>  | <b>September 30, 2018</b> | <b>2017</b>   |
| Canada        | \$ 9,150,354              | \$ 1,587,621 | \$ 12,243,729             | \$ 4,286,441  |
| United States | 3,843,865                 | 3,990,444    | 10,557,723                | 10,480,950    |
| Other         | 621,636                   | 368,077      | 1,577,820                 | 1,139,462     |
|               | \$ 13,615,855             | \$ 5,946,142 | \$ 24,379,272             | \$ 15,906,853 |

## DECISIVE DIVIDEND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2018 and 2017  
(Expressed in Canadian dollars)

The Group's segment reporting as at September 30, 2018 and December 31, 2017 is as follows:

| <b>September 30, 2018</b> | <b>Blaze King</b> | <b>Unicast</b> | <b>Slimline</b> | <b>Hawk</b>  | <b>Head Office</b> | <b>Total</b>  |
|---------------------------|-------------------|----------------|-----------------|--------------|--------------------|---------------|
| Total current assets      | \$ 4,879,411      | \$ 3,999,344   | \$ 3,182,835    | \$ 6,408,088 | 1,347,948          | \$ 19,817,626 |
| Total current liabilities | 1,244,277         | 1,535,169      | 2,123,424       | 1,663,719    | 2,380,411          | 8,947,000     |
| Total assets              | 9,422,440         | 10,494,200     | 9,523,495       | 16,766,695   | 1,347,949          | 47,554,779    |
| Total liabilities         | \$ 2,036,874      | \$ 2,298,665   | \$ 3,047,724    | \$ 2,223,719 | 13,887,503         | \$ 23,494,485 |

| <b>December 31, 2017</b>  | <b>Blaze King</b> | <b>Unicast</b> | <b>Slimline</b> | <b>Hawk</b> | <b>Head Office</b> | <b>Total</b>  |
|---------------------------|-------------------|----------------|-----------------|-------------|--------------------|---------------|
| Total current assets      | \$ 5,512,794      | \$ 4,591,728   | -               | -           | 35,741             | \$ 10,140,263 |
| Total current liabilities | 1,406,413         | 2,373,049      | -               | -           | 1,346,768          | 5,126,230     |
| Total assets              | 10,332,616        | 10,951,181     | -               | -           | 35,741             | 21,319,538    |
| Total liabilities         | \$ 2,449,617      | \$ 2,558,531   | -               | -           | 8,949,935          | \$ 13,958,083 |

During the period ended September 30, 2018, 91% of Hawk's revenue, since the date of acquisition, was derived from a single customer. Other than this customer, the Group is not dependent on any other single customer for a significant portion of their sales.

### 17. Events after the Reporting Period

Except as disclosed elsewhere in these financial statements, the following events occurred subsequent to September 30, 2018 and before these financial statements were authorized.

(i) Dividends declared:

- a dividend of \$0.03 per share was declared on October 15, 2018 for shareholders of record on September 30, 2018 and will be paid on November 15, 2018.