Financial Statements of

Decisive Dividend Corporation

For the years ended December 31, 2016 and December 31, 2015

(Expressed in Canadian Dollars)

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Independent Auditor's Report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569

To the Shareholders of
Decisive Dividend Corporation

We have audited the accompanying consolidated financial statements of Decisive Dividend Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Decisive Dividend Corporation as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Vancouver, Canada
April 18, 2017

Chartered Professional Accountants

DECISIVE DIVIDEND CORPORATION

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		December 31, 2016		December 31, 2015
Assets				
Cash and cash equivalents	**$**	**1,447,451**	$	291,068
Accounts receivable (note 8)		**3,448,317**		1,360,131
Inventories (note 9)		**4,452,969**		2,700,359
Prepaid expenses and deposits		**352,687**		365,768
Total current assets		**9,701,424**		4,717,326
Property, plant and equipment (note 10)		**1,699,000**		963,387
Intangible assets (note 11)		**6,093,807**		2,499,001
Goodwill (note 12)		**4,719,987**		1,662,373
Total assets	**$**	**22,214,218**	$	9,842,087
Liabilities				
Accounts payable and accrued liabilities (note 13)	**$**	**2,352,555**	$	1,193,815
Dividend payable		**151,412**		93,764
Warranty provision (note 14)		**201,203**		117,696
Prepaid deposits		**93,120**		-
Current portion of long-term debt (note 16)		**1,002,203**		372,600
Total current liabilities		**3,800,493**		1,777,875
Deferred taxes (note 18)		**1,967,787**		775,000
Long-term debt (note 16)		**7,626,357**		2,962,833
Total liabilities		**13,394,637**		5,515,708
Equity				
Share capital (note 17)				
Capital stock		**9,853,828**		4,378,009
Share options reserves		**1,505,956**		310,780
Accumulated other comprehensive income		**239,329**		426,840
Cumulative deficit		**(2,779,532)**		(789,250)
Total equity		**8,819,581**		4,326,379
Total liabilities and equity	**$**	**22,214,218**	$	9,842,087

Commitments and contingencies (note 25)
Events after the reporting period (note 27)

Approved on behalf of the Board of Directors:

"James Paterson" Director   *"Michael Conway"* Director

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

DECISIVE DIVIDEND CORPORATION

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

		For the year ended December 31, 2016		For the year ended December 31, 2015
Sales	$	**17,512,709**	$	13,301,335
Cost of goods sold (note 7)		**9,855,411**		7,729,960
Gross profit		**7,657,298**		5,571,375
Expenses				
Amortization and depreciation		**597,524**		245,723
Interest and bank charges		**406,349**		197,592
Rent and occupancy		**393,120**		243,587
Professional fees		**687,870**		353,915
Compensation		**2,560,497**		1,533,395
Share-based compensation		**1,146,967**		265,694
Selling, general and administration		**2,335,748**		1,775,702
Total expenses		**8,128,075**		4,615,608
(Loss) income before other items and income taxes		**(470,777)**		955,767
Other items				
Interest income		**4,563**		-
Gain on sale of equipment		**-**		21,848
Total other items		**4,563**		21,848
(Loss) income before income tax		**(466,214)**		977,615
Income tax expense (note 18)				
Current tax expense		**229,000**		549,000
Deferred tax (recovery) expense		**(232,000)**		40,000
Total income tax (recovery) expense		**(3,000)**		589,000
Net (loss) income	$	**(463,214)**	$	388,615
Other comprehensive income				
Foreign currency translation adjustment (loss) income		**(187,511)**		426,840
Total comprehensive (loss) income	$	**(650,725)**	$	815,455
Net (loss) income per common share (note 22):				
Basic and diluted		**$(0.10)**		$0.11
Weighted average shares outstanding (note 22):				
Basic		**4,800,625**		3,421,535

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

DECISIVE DIVIDEND CORPORATION

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Capital Stock					
	Number	Amount	Share Reserves	Accumulated Other Comprehensive Income	Cumulative Deficit	Total Equity
Balance, January 1, 2015	2,090,000	$ 1,560,558	$ 185,052	$ -	$ (504,411)	$ 1,241,199
Shares issued on private placement less issuance costs of $308,814 (note 17)	1,004,250	1,699,686	-	-	-	1,699,686
Shares issued on acquisition (note 17)	330,000	576,090	-	-	-	576,090
Exercise of stock options (note 17)	319,100	520,850	(195,750)	-	-	325,100
Exercise of warrants (note 17)	7,220	20,825	(6,385)	-	-	14,440
Issuance of stock options (note 17)	-	-	265,694	-	-	265,694
Issuance of warrants on private placement (note 17)	-	-	62,169	-	-	62,169
Comprehensive income for the year	-	-	-	426,840	388,615	815,455
Dividends declared (note 23)	-	-	-	-	(673,454)	(673,454)
Balance, December 31, 2015	**3,750,570**	**$ 4,378,009**	**$ 310,780**	**$ 426,840**	**$ (789,250)**	**$ 4,326,379**
Shares issued on employee stock purchase plan (note 18)	10,830	35,197	-	-	-	35,197
Shares issued on private placement less issuance costs of $664,006 (note 17)	1,659,114	4,313,336	-	-	-	4,313,336
Shares issued on acquisition (note 17)	516,996	1,654,387	-	-	-	1,654,387
Exercise of stock options (note 17)	76,000	287,521	(135,521)	-	-	152,000
Exercise of agent warrants (note 17)	42,985	124,040	(38,039)	-	-	86,001
Issuance of stock options (note 17)	-	-	892,746	-	-	892,746
Issuance of warrants on private placement (note 17)	-	-	221,769	-	-	221,769
Comprehensive loss for the period	-	-	-	(187,511)	(463,214)	(650,725)
Dividends declared (note 23)	-	-	-	-	(1,527,068)	(1,527,068)
Less: Common shares issued but not outstanding (note 17)	(293,332)	(938,662)	254,221	-	-	(684,441)
Balance as at December 31, 2016	**5,763,163**	**$9,853,828**	**$1,505,956**	**$239,329**	**$(2,779,532)**	**$8,819,581**

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

DECISIVE DIVIDEND CORPORATION
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		For the year ended December 31, 2016		For the year ended December 31, 2015
Operating activities				
Net income (loss)	**$**	**(463,214)**	$	388,615
Items not affecting cash:				
Amortization and depreciation		**790,595**		379,608
Interest and bank charges		**406,349**		197,592
Stock based compensation		**1,146,967**		265,694
Gain on sale of equipment		**-**		(21,848)
Income taxes		**229,000**		589,000
		2,109,697		1,798,661
Change in non-cash operating working capital:				
Accounts receivable		**(274,790)**		(371,684)
Inventory		**832,415**		(726,600)
Prepaids		**55,441**		(91,410)
Accounts payable and accrued liabilities		**565,822**		(177,708)
Prepaid deposits		**93,120**		-
Warranty liabilities		**(60,637)**		12,438
		3,321,068		443,697
Deferred taxes		**(176,213)**		-
Interest paid		**(406,349)**		(197,592)
Income taxes paid		**(229,000)**		(31,858)
Cash provided by operating activities		**2,509,506**		214,247
Financing activities				
Proceeds from issuance of shares (net of issuance costs)		**4,789,628**		2,101,395
Proceeds from long-term debt		**5,912,484**		3,613,000
Repayment of long-term debt		**(619,357)**		(277,567)
Cash dividends		**(1,469,420)**		(579,690)
Cash provided by financing activities		**8,613,335**		4,857,138
Investing activities				
Purchase of Unicast Inc. (net of cash acquired)		**(8,863,791)**		-
Capital assets purchase		**(732,123)**		(233,860)
Purchase of PGR Ventures Inc.		**(39,058)**		(5,940,000)
Sale of capital assets		**-**		22,876
Cash used in investing activities		**(9,634,972)**		(6,150,984)
Impact of foreign exchange on cash		**(331,486)**		16,088
Increase (decrease) in cash and cash equivalents during the year		**1,156,383**		(1,063,511)
Cash and cash equivalents, beginning of the year		**291,068**		1,354,579
Cash and cash equivalents, end of the year	**$**	**1,447,451**	$	291,068

Supplemental disclosure with respect to cash flows (note 24)

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

1. Nature and Operations

Decisive Dividend Corporation ("the Company") was incorporated under the *Business Corporations Act* (British Columbia) on October 2, 2012 and is listed on the TSX Venture Exchange (the "Exchange"), trading under the symbol "DE". The address of the Company's registered office is #104, 1420 St. Paul Street, Kelowna, B.C. V1Y 2E6.

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

On February 27, 2015, the Company announced that it had acquired all of the issued and outstanding shares of PGR Ventures Inc. ("PGR") (the "PGR Shares"). PGR owned all of the issued and outstanding shares of Valley Comfort Systems Inc. ("VCSI"), which owns all of the issued and outstanding shares of Blaze King Industries, Inc. ("Blaze King USA"). On January 1, 2016, PGR was amalgamated with VCSI. VCSI and Blaze King USA are referred to herein collectively as "Blaze King". Blaze King specializes in producing and selling high-quality, high-efficiency wood burning stoves.

On June 23, 2016, the Company announced that it had acquired all of the issued and outstanding shares of Unicast Inc. ("Unicast"). Unicast specializes in producing and selling high-quality, long-lasting wear parts to the mining, aggregate and cement industries.

As at December 31, 2016, the principal wholly-owned operating subsidiaries of the Corporation are Valley Comfort Systems Inc. ("VCSI"), Blaze King Industries ("Blaze King USA") and Unicast Inc. ("Unicast").

2. Basis of Preparation and Statement of Compliance

a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IAS").

The consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on April 18, 2017.

b) *Basis of measurement*

The consolidated financial statements have been prepared using the historical cost basis specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below, except for certain financial assets and liabilities which are measured at fair value.

c) *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.

In making judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these financial statements.

2. Basis of Preparation and Statement of Compliance (Continued)

The critical judgments that the Company's management has made in the application of the accounting policies are described in note 3.

d) Accounting estimates and assumptions

The preparation of the Company's consolidated financial statements in accordance 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.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

i. Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

The Company's acquisitions of have been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

ii. Depreciation and amortization of long-lived assets

The Company makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets. Changes to these estimates, which can be significant, could be caused by changes in the utilization of major manufacturing equipment and buildings and uncertainties relating to technological obsolescence. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Generally, these adjustments are accounted for on a prospective basis, through depreciation and amortization expense.

iii. Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each cash-generating unit ("CGU") based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

2. Basis of Preparation and Statement of Compliance (Continued)

iv. Inventories

Management estimates the net realizable value of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

v. Warranty liabilities

The Company provides for warranty expenses by analyzing historical failure rates, warranty claims, current sales levels and current information available about returns based on warranty periods. Uncertainty relates to the timing and amount of actual warranty claims which can vary from the Company's estimation.

3. Significant Accounting Policies

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries disclosed in note 1. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

Control exists where the parent entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

b) Revenue recognition

The Company recognizes product revenue when the title has been passed to the customer, at the time the effective control of the product and the risks and rewards of ownership have been passed to the buyer.

Revenue arises from the sale of goods. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

On long-term custom price contracts, revenues are recognized on the percentage-of-completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the balance sheet date by the sum of incurred and anticipated costs for completing a contract.

The cumulative effect of changes to anticipated revenues and anticipated costs for completing a contract are recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

3. Significant Accounting Policies (Continued)

c) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Decisive group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). For the year ended December 31, 2016, the Company has determined that Blaze King USA and Unicast have a United States dollar functional currency, while all the other entities have a Canadian dollar functional currency. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the appropriate average rate of the period (where this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

If the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

d) Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred. Changes in expenditure for warranties are recognized when the Company incurs an obligation, which is typically when the related goods are sold.

e) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to note 12 for a description of impairment testing procedures.

3. Significant Accounting Policies (Continued)

f) Other intangible assets

Intangible assets are recorded at cost. The Company has certain intangible assets with indefinite lives (which include Brand) which are not amortized, and other intangible assets with finite lives that are amortized as follows:

Customer relationships	5-10 year straight line basis
Manufacturing technology	10 year straight line basis

The depreciation method and estimates of useful lives ascribed to these other identifiable intangible assets are reviewed at least each financial year end and if necessary, adjusted on a prospective basis.

g) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The expected useful lives used to compute depreciation is as follows:

Building and facilities	10 year straight line basis
Leasehold improvements	5 year declining-balance basis
Portable structures	10% declining-balance basis
Equipment	20% declining-balance basis
Computers and software	30% to 100% declining-balance basis
Automobiles	30% declining-balance basis

h) Impairment – non-financial and indefinite life assets

The carrying amount of the Company's non-financial assets (which include property, plant and equipment, and intangibles with a definite life) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The carrying amount of the Company's indefinite life assets (which include Brand and Goodwill) is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If deemed unsupportable, the change in the useful life from indefinite to finite life is made and amortization recognized on a prospective basis. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The recoverable amount of assets is the greater of an asset's fair value less cost of disposal and value in use. In assessing value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset-specific risk factors.

3. Significant Accounting Policies (Continued)

Impairment losses for each CGU reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

i) Financial instruments

i. Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expired.

ii. Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement of financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition (1) loans and receivables, (2) financial assets at fair value through profit or loss ("FVTPL"), (3) held to maturity assets, or (4) available for sale assets.

All financial assets except for those at FVTPL are reviewed for impairment, at a minimum, at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of the discounting is immaterial. The Company's cash and cash equivalents, and accounts receivables fall into this category of financial instruments.

3. Significant Accounting Policies (Continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

iv. Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company does not have any financial instruments classified as fair value through profit or loss.

v. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to maturity if the company has the intention and ability to hold them until maturity.

Held-to-maturity investments are initially measured at fair value, including transaction costs and subsequently at amortized cost using the effective interest method. Any changes in the carrying amount of the investment are recognized in profit or loss. The Company does not have any held to maturity investments.

vi. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories and are initially measured at fair value. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income or loss. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss. The Company does not have any available-for-sale financial assets.

vii. Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include debt, accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method except for financial liabilities designated as FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3. Significant Accounting Policies (Continued)

j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

k) Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized either in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

m) Short-term employee benefits

Short-term employee benefits, including holiday pay, are current liabilities included in employee obligations, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

n) Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes and onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

3. Significant Accounting Policies (Continued)

Restructuring provisions are recognized only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

o) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in equity. Common shares held by the Company are classified as treasury stock and recorded as a reduction to equity.

p) Share-based payments and share options reserves

Certain employees and directors of the Company receive a portion of their remuneration in the form of share options. The fair value of the share options, determined at the date of the grant, is charged to earnings or loss, with an offsetting credit to share-based payment reserve, over the vesting period. If and when the share options are exercised, the applicable original amounts of share-based payment reserve are transferred to issued capital.

The fair value of a share-based payment is determined at the date of the grant. The estimated fair value of share options is measured using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and share price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

These estimates involve inherent uncertainties and the application of management's judgement. The costs of share-based payments are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management's best estimate of the share options that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in earnings or loss with a corresponding entry to share-based payment reserve.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

No expense is recognized for share options that do not ultimately vest. Charges for share options that are forfeited before vesting are reversed from share-based payment reserve and credited to earnings or loss.

3. Significant Accounting Policies (Continued)

For those share options that expire unexercised after vesting, the recorded value remains in share-based payment reserve.

q) Income (loss) per share

Basic income or loss per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares issued and outstanding for the reporting period. Diluted loss or earnings per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share options and warrants are included in the calculation of diluted income per share only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such conversion would be anti-dilutive.

4. New Accounting Policies

Effective January 1, 2016, the Company adopted the IASB issued amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets* addressing depreciation and amortization methods which are based on revenue. The amendment to IAS 16 prohibits the use of a revenue-based depreciation method as this reflects a pattern other than the consumption of economic benefits consumed through the use of the asset. The amendment to IAS 38 introduced a rebuttable presumption that a revenue based amortization method for intangible assets is inappropriate. This presumption can be overcome only if the intangible asset is expressed as a measure of revenue or it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The adoption of this update was applied retrospectively and did not have a material impact on the Company's consolidated financial statements.

5. Recent Accounting Pronouncements

The Company considers the applicability and impact of all new standards and amendments issued by the IASB. The following updates have been issued by IASB, but have not yet been adopted by the Company. Any standards not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the consolidated financial statements.

a) Accounting standards issued and effective January 1, 2017

The IASB issued amendments to IAS 12 *Income Taxes* to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are intended to remove existing divergence in practice in recognizing deferred tax assets for unrealized losses. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The adoption of this amendment is not expected to materially impact the Company's consolidated financial statements.

5. Recent Accounting Pronouncements (Continued)

IAS 7 *Disclosure Initiative – Amendments to IAS 7*. The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments apply prospectively to annual periods beginning on or after 1 January 2017 with earlier application permitted. The adoption of this amendment is not expected to materially impact the Company's consolidated financial statements.

b) Accounting standards issued but not yet effective

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption of this standard permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue and IAS 11 Construction Contracts. The new standard provides guidance on whether revenue is to be recognized over time or at a point in time, and expands and improves disclosures about revenue. The standard does not apply to certain contracts such as lease, insurance, financing arrangements, and guarantees other than product warranties. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption of this standard permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 16 *Leases* will replace IAS 17 *Leases*. The new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 2 *Classification and Measurement of Share-based Payment Transactions* was amended in June 2016. The amendment clarifies how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

5. Recent Accounting Pronouncements (Continued)

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. IFRIC Interpretation 22 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

6. Acquisitions

Blaze King

Decisive is in the business of acquiring cash flowing private companies. Upon completion of due diligence, Decisive determined that Blaze King met its investment criteria.

On February 27, 2015, the Company acquired all of the issued and outstanding common shares of PGR, a privately-held hearth products manufacturing company for an aggregate purchase price of $6,600,000 plus working capital and capital expenditure adjustments. The fair value of the total consideration paid was $6,954,154. The Company accounted for the acquisition using the acquisition method and the results of PGR's operations have been included in the consolidated financial statements from the date of the acquisition.

Goodwill acquired with PGR primarily comprises the expertise and reputation of the assembled workforce. In addition to the consideration paid at closing, the final purchase price was subject to adjustment based on working capital. Goodwill of $1,630,058 and intangible assets of $2,584,815 acquired are non-deductible for income tax purposes.

(Expressed in Canadian dollars)

6. Acquisitions (continued)

The allocation of the purchase price of the net identifiable assets based on their estimated fair values at the date of acquisition is as follows:

ASSETS		
Cash	$	195,006
Accounts receivable and prepaids		1,243,290
Inventory		1,973,759
Property, plant and equipment		927,284
Refundable deposits		5,900
Manufacturing technology		1,189,113
Customer relationships		423,136
Brand		972,566
	$	6,930,054
LIABILITIES		
Bank indebtedness		101,025
Accounts payable and accrued liabilities		664,675
Warranty provision		105,258
Deferred income tax liability on acquisition		735,000
		1,605,958
Total identifiable net assets	$	5,324,096
Goodwill on acquisition		1,630,058
Purchase consideration	**$**	**6,954,154**

The accounts receivable and prepaid expense fair value was equal to its contractual value, and all amounts were expected to be collected, as applicable.

The Company acquired the following in property, plant and equipment:

Automotive equipment	$	10,128
Manufacturing equipment		820,571
Office equipment		13,693
Computer equipment		36,718
Portable buildings		9,196
Leasehold improvements		36,978
	$	**927,284**

The Company incurred acquisition costs of $176,527 in 2015 and $150,728 in 2014 for a total of $327,255, which were expensed through the statement of income under professional fees expense. This amount was comprised of due diligence, filing, legal and accounting costs. PGR's revenues and pre-tax net income for the ten month period in 2015 since acquisition date were $13,301,335 and $1,912,420, respectively.

Due to the lack of IFRS specific data prior to the acquisition, pro forma profit or loss of the combined entity for any periods prior to the acquisition cannot be readily determined.

(Expressed in Canadian dollars)

6. Acquisitions (continued)

The fair value of the purchase consideration is comprised of the following:

Cash	$	5,940,000
Common shares – 330,000 with a deemed value of $2.00 per share		660,000
Working capital adjustment		398,337
Capital expenditure adjustment		39,727
Common shares – fair value adjustment		(83,910)
Total consideration paid	**$**	**6,954,154**

Unicast

On June 23, 2016, the Company acquired all of the issued and outstanding common shares of Unicast, a privately-held wear-parts products manufacturing company for an aggregate purchase price of $10,061,338 plus working capital adjustments. The fair value of the total consideration paid was $8,440,349. The Company accounted for the acquisition using the acquisition method and six months and seven days of results of Unicast's operations have been included in the consolidated financial statements from the date of the acquisition.

Goodwill acquired with Unicast primarily comprises the expertise and reputation of the assembled workforce. Goodwill of $2,965,828 and intangible assets of $3,910,000 acquired are non-deductible for income tax purposes.

The allocation of the purchase price of the net identifiable assets based on their estimated fair values at the date of acquisition is as follows:

ASSETS		
Cash	$	585,209
Accounts receivable, prepaid expenses		1,352,380
Inventory		2,585,025
Property, plant and equipment		387,644
Developed technology		430,000
Customer relationships		3,350,000
Brand		130,000
	$	8,820,258
LIABILITIES		
Accounts payable and accrued liabilities		611,593
Shareholder loans		1,210,000
Warranty provision		144,144
Deferred income taxes		11,000
Deferred income tax liability on acquisition		1,369,000
	$	3,345,737
Total identifiable net assets		5,474,521
Goodwill on acquisition		2,965,828
Purchase consideration	$	8,440,349

The accounts receivable and prepaid expense fair value was equal to its contractual value, and all amounts were expected to be collected, as applicable.

(Expressed in Canadian dollars)

6. Acquisitions (continued)

The Company acquired the following in property, plant and equipment:

Automotive equipment	$	78,392
Manufacturing equipment		180,471
Office equipment		11,500
Computer equipment		68,560
Leasehold improvements		48,721
	$	**387,644**

The Company incurred acquisition costs of $347,947 which were expensed through the statement of income under professional fees expense. This amount was comprised of due diligence, filing, legal and accounting costs. Unicast's revenues and pre-tax net income for the six month and seven day period in 2016 since acquisition date were $4,626,788 and $898,269 respectively.

Due to the lack of IFRS specific data prior to the acquisition, pro forma profit or loss of the combined entity for any periods prior to the acquisition cannot be readily determined.

The fair value of the purchase consideration is comprised of the following:

Cash	$	9,449,000
Common shares – 223,664 with a value of $3.20 per share		715,725
Working capital adjustment		(503,376)
Assumed liabilities		(1,221,000)
Total consideration paid	**$**	**8,440,349**

7. Cost of Goods Sold

		December 31, 2016		December 31, 2015
Labour and materials	**$**	**8,055,703**	$	6,845,730
Freight and shipping		**956,220**		636,101
Depreciation		**193,071**		93,542
Fair value adjustment of Blaze King inventory on acquisition		**-**		119,789
Fair value adjustment of Unicast inventory on acquisition		**460,082**		-
Inventory obsolescence allowance		**168,339**		-
Warranty charges		**21,996**		34,798
	$	**9,855,411**	$	7,729,960

8. Accounts Receivable

		December 31, 2016		December 31, 2015
Trade receivables	**$**	**3,409,367**	$	1,357,503
Sales tax and other receivable		**38,950**		2,628
	$	**3,448,317**	$	1,360,131

Trade receivables include an allowance of doubtful amounts of $15,340 as at December 31, 2016 (2015 - $15,740).

(Expressed in Canadian dollars)

9. Inventory

		December 31, 2016		December 31, 2015
Raw materials and parts	**$**	**923,028**	$	1,240,055
Work in progress		**444,765**		219,976
Finished goods		**3,253,515**		1,240,328
Allowance for obsolescence		**(168,339)**		-
	$	**4,452,969**	$	2,700,359

The costs of inventories recognized as an expense for the year ended December 31, 2016 were $9,855,411 (2015 - $7,729,960). During the year ended December 31, 2016, an allowance of $168,339 (2015 - $nil) was recorded for inventory obsolescence. Amortization and depreciation of $14,864 is included in inventory for the year ended December 31, 2016 (2015 - $40,343).

During the year, the Company entered into a specialized contract with a customer that involved recognizing revenue in accordance with the percentage of completion method. Utilizing estimated project costs, 98% of the total contract value revenue was recognized, with a balance of $149,183 in work in progress as at December 31, 2016.

(Expressed in Canadian dollars)

10. Property, Plant and Equipment

	Automotive	Manufacturing Equipment	Office Equipment	Computer Equipment	Portable Buildings	Leasehold Improvements	Total
Cost							
Balance, December 31, 2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	-	53,393	1,169	179,298	-	-	233,860
Acquired through business combination	10,128	820,571	13,693	47,286	9,196	36,978	927,284
Foreign exchange impact	-	10,975	-	-	-	-	10,975
Disposals	-	(131,710)	-	-	-	-	(131,710)
Balance, December 31, 2015	**$ 10,128**	**753,229**	**$ 14,862**	**$ 216,016**	**$ 9,196**	**$ 36,978**	**$ 1,040,409**
Additions	4,179	588,087	-	36,388	-	103,469	732,123
Acquired through business combination	78,392	180,471	11,500	68,560	-	48,721	387,644
Foreign exchange impact	3,109	5,899	456	2,719		1,933	14,116
Balance, December 31, 2016	**$ 95,808**	**$ 1,527,686**	**$ 26,818**	**$ 323,683**	**$ 9,196**	**$ 191,101**	**$ 2,174,292**
Accumulated Depreciation							
Balance, December 31, 2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	2,532	133,886	2,399	36,074	766	32,043	207,700
Disposals	-	(130,678)	-	-	-	-	(130,678)
Balance, December 31, 2015	**$ 2,532**	**$ 3,208**	**$ 2,399**	**$ 36,074**	**$ 766**	**$ 32,043**	**$ 77,022**
Depreciation	13,910	233,782	3,614	83,424	843	62,697	398,270
Balance, December 31, 2016	**$ 16,442**	**$ 236,990**	**$ 6,013**	**$ 119,498**	**$ 1,609**	**$ 94,740**	**$ 475,292**
Net Book Value							
Balance, December 31, 2015	**$ 7,596**	**$ 750,021**	**$ 12,463**	**$ 179,942**	**$ 8,430**	**$ 4,935**	**$ 963,387**
Balance, December 31, 2016	**$ 79,366**	**$ 1,290,696**	**$ 20,805**	**$ 204,185**	**$ 7,587**	**$ 96,361**	**$ 1,699,000**

(Expressed in Canadian dollars)

11. Intangible Assets

	Manufacturing Technology	Customer Relationships	Brand	Total
Cost				
Balance, December 31, 2014	$ -	$ -	$ -	$ -
Acquired through business combination	1,189,113	423,136	972,566	2,584,815
Foreign exchange impact	-	18,980	67,113	86,093
Balance, December 31, 2015	**$ 1,189,113**	**$ 442,116**	**$ 1,039,679**	**$ 2,670,908**
Acquired through business combination	430,000	3,350,000	130,000	3,910,000
Foreign exchange impact	17,510	(118,314)	(58,692)	77,132
Balance, December 31, 2016	**$ 1,636,623**	**$ 3,910,430**	**$ 1,110,987**	**$ 6,658,040**
Accumulated Depreciation				
Balance, December 31, 2014	$ -	$ -	$ -	$ -
Depreciation	101,668	70,239	-	171,907
Balance, December 31, 2015	**$ 101,668**	**$ 70,239**	**$ -**	**$ 171,907**
Depreciation	140,130	252,196	-	392,326
Balance, December 31, 2016	**$ 241,798**	**$ 322,435**	**$ -**	**$ 564,233**
Carrying amount at				
December 31, 2015	**$ 1,087,445**	**$ 371,877**	**$ 1,039,679**	**$ 2,499,001**
December 31, 2016	**$ 1,394,825**	**$ 3,587,995**	**$ 1,110,987**	**$ 6,093,807**

Brand has an indefinite life, which requires an impairment assessment annually usually in the fourth quarter of each year, or whenever events or changes in circumstances indicate that the carrying amount of Brand may not be recoverable.

For the purpose of the annual impairment testing, Brand is allocated to either Blaze King or Unicast, the CGU in which Brand belongs. The Company assesses Brand and Goodwill together as part of the annual impairment test for Blaze King and Unicast. The impairment test on Blaze King and Unicast is further described in note 12. The impairment test performed resulted in no impairment of Brand as at December 31, 2016.

12. Goodwill

	Goodwill
Balance, December 31, 2014	$ -
Acquired through business combination	856,009
Deferred income tax liability attributed through business combination	735,000
Foreign exchange impact	71,364
Balance, December 31, 2015	**$ 1,662,373**
Acquired through business combination	1,596,828
Deferred income tax liability attributed through business combination	1,369,000
Increase to prior year business combination	39,058
Foreign exchange impact	52,728
Balance, December 31, 2016	**$ 4,719,987**

(Expressed in Canadian dollars)

12. Goodwill (continued)

For the purpose of impairment testing for 2016, goodwill and intangible assets with indefinite lives acquired through business combinations are allocated to the Blaze King and Unicast CGU's.

The Company performed the annual impairment tests of goodwill and indefinite life intangible assets for Blaze King and Unicast as at December 31, 2016 and 2015. The recoverable amounts are derived from five-year pre-tax cash flow financial projections based on management's best estimates.

The projections utilize growth rates of 6.0% (2015 – 6.0%) for Blaze King and 5.0% (2015 – nil%) for Unicast, and pre-tax discount rates of 13.8% (2015 – 9.0%) for Blaze King, and 15.8% (2015 – nil%) for Unicast.

The Company performed a sensitivity analysis on the growth rates and pre-tax discount rates by +/- 1.0% and noted no material impact on either CGU's recoverable amount.

The impairment test performed resulted in no impairment of goodwill, or indefinite life intangible assets, as at December 31, 2016 and 2015.

13. Accounts Payable and Accrued Liabilities

		December 31, 2016		December 31, 2015
Trade payables	**$**	**1,630,796**	$	522,684
Wages payable		**445,423**		143,071
Taxes payable		**213,759**		528,060
Due to former shareholders of Unicast		**62,577**		-
	$	**2,352,555**	$	1,193,815

14. Warranty Provision

		December 31, 2016		December 31, 2015
Warranty provision - opening	**$**	**117,696**	$	-
Warranty provision on acquisition		**144,144**		105,258
Warranty charges incurred		**(82,633)**		(22,360)
Warranty provision included in cost of goods sold		**21,996**		34,798
	$	**201,203**	$	117,696

15. Credit Facility

The Company has an operating loan facility authorized up to $3,100,000 (2015 - $2,000,000), expandable to $3,600,000 (2015 - $2,500,000) for the months of June, July and August, bearing interest at the prime rate plus 0.75%, of which $3,100,000 (2015 - $2,000,000) was unused.

(Expressed in Canadian dollars)

15. Credit Facility (continued)

The operating loan facility and the debt described in note 16 are secured by a general security agreement, assignment of insurance, and guarantees. In addition, the Company and its subsidiaries have agreed to maintain the following ratios as a group:

- Debt service coverage of not less than 120%, based on a rolling four quarter test.
- Maintain a funded debt to earnings before interest, income tax, depreciation and amortization (EBITDA) ratio not exceeding 3.0x at date of funding and stepping down to 2.75x in 2016, 2.50x in 2017, and 2.25x in 2018, to be tested on a rolling four quarter average.

As at December 31, 2016, the Company was in compliance with these ratios.

16. Long-term Debt

		December 31, 2016		December 31, 2015
Loan 1 (1)	**$**	**2,887,500**	$	3,237,500
Loan 2 (2)		**77,217**		97,933
Loan 3 (3)		**5,270,833**		-
Loan 4 (4)		**393,010**		-
		8,628,560		3,335,433
Less: current portion		**(1,002,203)**		(372,600)
Long-term portion	**$**	**7,626,357**	$	2,962,833

(1) Loan 1 is a term loan taken out by the Company in February 2015 in regards to the acquisition of Blaze King, for an original principal amount of $3,500,000 paid through monthly instalments of $29,167 plus interest at the prime rate plus 1.5%. The loan matures in February 2020, at which point the residual amount of $1,750,000 is repayable in full.

(2) Loan 2 is a term loan taken out by the Company in April 2015 for an original principal amount of $113,000 paid through monthly instalments of $1,883 plus interest at the prime rate plus 1.5%. The loan matures in February 2020.

(3) Loan 3 is a term loan taken out by the Company in June 2016 in regards to the acquisition of Unicast, for an original principal amount of $5,500,000 paid through monthly instalments of $45,833 plus interest at the prime rate plus 1.5%. The loan matures in July 2021, at which point the residual amount of $2,750,000 is repayable in full.

(4) Loan 4 is a term loan taken out by the Company in July 2016 in regards to the acquisition of property, plant and equipment for an original principal amount of $317,295 USD ($412,473 CDN) paid through monthly instalments of $5,865 USD including interest at the rate of 4.15%. The loan matures in July 2021.

(Expressed in Canadian dollars)

16. Long-term Debt (continued)

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

2017	$ 1,002,203
2018	1,003,600
2019	1,007,030
2020	2,483,033
2021	3,132,694
	8,628,560
Less: current portion	(1,002,203)
Long-term portion	$ 7,626,357

17. Share Capital

a) Shares issued and outstanding

	Shares		Amount
Share capital as at January 1, 2015	**2,090,000**	$	1,560,558
Common shares issued for cash pursuant to offering	**1,004,250**		2,008,500
Common shares issued to acquisition vendors	**330,000**		576,090
Common shares issued for exercise of agents' warrants	**7,220**		20,825
Common shares issued for exercise of director options	**319,100**		520,850
Share issuance costs (including agent warrants)	**-**		(308,814)
Balance as at December 31, 2015	**3,750,570**		4,378,009
Share capital as at January 1, 2016	**3,750,570**		4,378,009
Common shares issued for cash pursuant to offering	**1,659,114**		4,977,342
Common shares issued to acquisition vendors	**516,996**		1,654,387
Common shares issued for exercise of agents' warrants	**42,985**		124,040
Common shares issued for exercise of director options	**76,000**		287,521
Share issuance costs (including agent warrants)	**-**		(664,006)
Common shares issued for ESPP	**10,830**		35,197
	6,056,495		10,792,490
Less: Common shares issued but not outstanding	**(293,332)**		(938,662)
Balance as at December 31, 2016	**5,763,163**	**$**	9,853,828

The Company had the following capital stock transactions for the year ended December 31, 2016:

(i) On March 1, 2016, the Company issued 10,830 common shares from treasury which are held in escrow (the "Escrow ESPP Shares") for a period of eighteen months pursuant to the Blaze King Employee Share Purchase Plan (the "ESPP"). The Escrow ESPP Shares were valued based on an average closing price of $3.25 per share. Pursuant to the ESPP, certain employees of Blaze King may request to purchase a select number of shares from the Company, which will be held in trust and vest over eighteen months. The employees may pay upfront or over twelve months, and the employees will receive an additional common share on maturity for every three common shares purchased. As at December 31, 2016, $2,952 (2015 - $nil) of amounts are owed to the Company by Blaze King employees relating to the ESPP.

17. Share Capital (continued)

(ii) During the year ended December 31, 2016, the Company issued 76,000 common shares on the exercise of stock options for a value of $287,520.

(iii) During the year ended December 31, 2016, the Company issued 42,985 common shares on the exercise of agent warrants for a value of $124,040.

(iv) On June 23, 2016, the Company completed its acquisition of Unicast. In conjunction with this transaction, on June 22, 2016, the Company issued 1,659,114 common shares at a price of $3.00 per common share for gross proceeds of $4,977,342. The agents to the offering received a commission of 7% on proceeds of $2,796,348, and 4% on the remainder, resulting in a total commission of $308,841. In addition, the agents were reimbursed for their legal fees and costs in the amount of $33,248. Legal costs and transfer agent fees associated with the financing incurred were $100,148. As a result, the total cash costs related to the offering were $442,237. An amount of $221,769 was recorded as share issuance costs resulting from the issuance of warrants, which brings the total share issuance cost of the offering to $664,006.

(v) On June 23, 2016, the Company issued 516,996 common shares with a fair value of $3.20 per share to the vendors of Unicast. Of these shares, 293,332 shares (the "Contingent Shares") with a total fair value of $938,662 were considered issued, but not outstanding as at December 31, 2016. The release of the Contingent Shares, of which 293,332 are currently held in escrow, is contingent upon the continued employment of two shareholders for a period of three years through June 2019 (the "Employment Period"), noting that 73,333 shares can be contingently released in June 2017, 73,333 shares contingently released in June 2018, and 146,666 shares contingently released in June 2019. For accounting purposes, the Contingent Shares are considered to be post-acquisition remuneration and are not included as part of the related acquisition consideration, resulting in the recognition of stock compensation expense over the Employment Period. During the year ended December 31, 2016, the Company recognized stock compensation expense of $254,221 related to the Contingent Shares.

The Company had the following capital stock transactions for the year ended December 31, 2015:

(vi) On February 27, 2015, the Company completed its Qualifying Transaction (QT). In conjunction with this transaction, on February 25, 2015, the Company issued 1,004,250 common shares at a price of $2.00 per common share for gross proceeds of $2,008,500. The agents to the offering received a commission of 7% of total proceeds resulting in a total commission of $140,595. In addition, the agents were reimbursed for their legal fees and costs in the amount of $36,146. Legal costs and transfer agent fees associated with the financing incurred were $69,904. As a result, the total cash costs related to the offering were $246,645. An amount of $62,169 was recorded as share issuance costs resulting from the issuance of warrants, which bring the total share issuance cost of the offering to $308,814. The total shares that remain in escrow as at December 31, 2015 are 710,625 (December 31, 2014 – 947,500).

(vii) On February 27, 2015, the Company issued 330,000 common shares for gross proceeds of $576,090.

(viii) During the year ended December 31, 2015, the Company issued 7,220 common shares on the exercise of warrants for a value of $20,825.

(ix) During the year ended December 31, 2015, the Company issued 319,100 common shares on the exercise of stock options for a value of $520,850.

(Expressed in Canadian dollars)

17. Share Capital (continued):

Common shares that remain in escrow are as follows:

	December 31, 2016	December 31, 2015
In relation to:		
The Company's Qualifying Transaction	**426,375**	710,625
Acquisition of Blaze King	**148,500**	247,500
Acquisition of Unicast	**366,664**	-
	941,539	958,125

b) Warrants

In conjunction with the Company's February 25, 2015 offering, the Company issued warrants to purchase 70,298 common shares at an exercise price of $2.00 per common share, exercisable for a period of 24 months from February 25, 2015.

An amount of $62,169 was recorded as share issuance costs during the year ended December 31, 2015 for the estimated fair value of the warrants granted, using the Black-Scholes option–pricing model with the following assumptions: Dividend yield of nil%; expected volatility of 245.00%; risk-free interest rate of 0.46%; forfeiture rate of 0.00%; market price of $1.80 and weighted average life of 2 years. The warrants vested immediately on grant.

In conjunction with the Company's June 22, 2016 offering, the Company issued warrants to purchase common shares at an exercise price of $3.00 per common share, exercisable for a period of 24 months from June 22, 2016.

An amount of $221,769 was recorded as share issuance costs during the year ended December 31, 2016 for the estimated fair value of the warrants granted, using the Black-Scholes option–pricing model with the following assumptions: Dividend yield of 9.38%; expected volatility of 192.00%; risk-free interest rate of 0.59%; forfeiture rate of 0.00%; market price of $3.20 and weighted average life of 2 years. The warrants vested immediately on grant.

The Company has the following warrants outstanding and exercisable:

Warrants	**Number of options**	**Weighted average exercise price ($)**	**Weighted average grant date fair value ($)**	**Weighted average years remaining**
Outstanding and exercisable, December 31, 2014	-	-	-	-
Granted in 2015	70,298	2.00	0.88	0.08
Exercised in 2015	(7,220)	2.00	0.88	-
Outstanding and exercisable, December 31, 2015	63,078	2.00	0.88	0.08
Issued on June 22, 2016	102,483	3.00	2.16	1.50
Exercised in 2016	(42,985)	2.00	0.88	
Outstanding and exercisable, December 31, 2016	**122,576**	**2.84**	**1.95**	**0.79**

(Expressed in Canadian dollars)

17. Share Capital (continued):

c) Stock options

The Company has a stock option plan, which allows the Company to issue options to the directors, officers, employees and consultants of the Company to purchase common shares of the Company at a stipulated price. The option grants will not exceed 10.00% of the issued and outstanding common shares of the Company. The Company measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period.

During the period ended December 31, 2015, the Company recorded an amount of $265,694 as share-based compensation expense for the estimated fair value of the stock options granted on April 1, 2015, using the Black-Scholes option–pricing model with the following assumptions: Dividend yield of nil%; expected volatility of 234.00%; risk-free interest rate of 0.73%; forfeiture rate of 0.00%; market price of $1.80, and weighted average life of 5 years. The options vested immediately on grant.

During the year ended December 31, 2016, the Company recorded an amount of $892,746 as share-based compensation expense for the estimated fair value of the stock options granted on June 22, 2016, using the Black-Scholes option–pricing model with the following assumptions: Dividend yield of 9.38%; expected volatility of 192.00%; risk-free interest rate of 0.59%; forfeiture rate of 0%; market price of $3.20, and weighted average life of 5 years. The options vested immediately on grant. 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, 2014	313,100	1.00	0.59	-
Granted in 2015	149,000	2.00	1.78	3.50
Exercised in 2015	(319,100)	1.00	0.61	-
Outstanding and exercisable, December 31, 2015	143,000	2.00	1.78	3.50
Exercised in 2016	(76,000)	2.00	1.78	-
Issued in 2016	463,500	3.00	1.93	4.50
Outstanding and exercisable, December 31, 2016	**530,500**	**2.87**	**1.91**	**3.75**

18. Income Tax

For the year ended December 31, 2016, the Company recognized $232,000 of deferred tax expense (2015 - $40,000). The deferred tax expense in fiscal 2016 relates to the temporary differences arising from differences in the accounting and tax basis of Blaze King and Unicast's assets and liabilities.

For the year ended December 31, 2016, the Company incurred $229,000 of current tax expense (2015 - $549,000). The decrease in current tax expense in fiscal 2016 primarily relates to the decrease year over year in taxable net income arising from the operations of Valley Comfort and Blaze King USA, with taxable operations in Canada and the United States, respectively.

(Expressed in Canadian dollars)

18. Income Tax (continued)

a) Rate reconciliation

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rate of 26% to earnings before income taxes. The Company's taxable income for the year ended December 31, 2016 is generated in the United States, which is subject to approximately a 34% tax rate, and Canada which is subject to a 26% tax rate.

The impact of being subject to certain higher tax rates, as well as other differences, is included in the following reconciliation:

		December 31, 2016		December 31, 2015
Earnings (loss) before income taxes	**$**	**(466,214)**	$	977,615
Combined Canadian federal and provincial income tax rates		**26%**		26%
Expected income tax expense (recovery)		**(121,000)**		254,000
Items that cause an increase (decrease):				
Effect of different tax rates in foreign jurisdiction		**3,000**		54,000
Non-deductible amounts		**327,000**		204,000
Share issuance costs		**(115,000)**		(64,000)
Adjustment to prior years provision and other		**(52,000)**		60,000
Change in unrecognized temporary differences		**(45,000)**		81,000
Income tax expense	**$**	**(3,000)**	$	589,000

		December 31, 2016		December 31, 2015
Current income tax expense	**$**	**229,000**	$	549,000
Deferred income tax expense		**(232,000)**		40,000
Income tax expense	**$**	**(3,000)**	$	589,000

b) Deferred tax assets and liabilities

The composition of the Company's net deferred income tax liabilities at December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015
Deferred income tax liabilities:				
Property, plant and equipment	**$**	**(147,000)**	$	100,000
Warranty liability		**35,000**		(39,000)
Intangible assets		**(1,855,787)**		714,000
Deferred income tax liability	**$**	**(1,967,787)**	**$**	775,000

(Expressed in Canadian dollars)

18. Income Tax (continued)

The significant components of the Company's unrecognized deductible temporary differences at December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015
Deductible temporary differences:				
Share issuance costs	**$**	**146,000**	$	76,000
Intangible assets		**-**		2,000
Non-capital losses		**7,000**		120,000
Deductible temporary differences	**$**	**153,000**	$	198,000

c) Non-capital losses and unused tax credits

At December 31, 2016, the Company has losses for income tax purposes in Canada of $28,000 (2015 - $463,000) which may be used to reduce future taxable income. The losses, if not utilized, will expire beginning 2033 through to 2036. At December 31, 2016, the Company has deductible share issuance costs carried forward of $561,000 (2015 - $291,000) which may be used to reduce future taxable income. The deductions have no expiry period.

19. Financial Instruments and Risk Management

a) Fair value measurement of financial assets and liabilities and disclosure

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company’s financial assets and financial liabilities including long-term debt are measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

b) Fair value disclosures

At December 31, 2016 and 2015, long-term debt is classified in the consolidated statement of financial position at fair value as a level 2 financial instrument, and as such is recognized at amortized cost. Management determined that the fair value of the debt due to its interest rate at approximately market lending rates, approximates the fair value.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.

(Expressed in Canadian dollars)

19. Financial Instruments and Risk Management (continued)

c) Financial risk management

The Company's primary business activities consist of the acquisition of corporations in the manufacturing sector. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows to create a portfolio of diversified and strong returns. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include liquidity risk, credit risk, currency risk, and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance, where financially feasible to do so.

When deemed material, these risks may be monitored by the Company's corporate finance group and they are regularly discussed with the Board of Directors or one of its committees.

i. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company's cash and cash equivalents are held in business accounts which are available on demand for the Company's programs. For 2016, the accounts payable are due within 12 months of the dates on the statements of financial position. The debt matures in 2021 (note 16).

	Total	Within One Year	Two to Five Years
Long-term debt	$ 8,628,560	$ 1,002,203	$ 7,626,357
Operating leases	977,840	273,842	703,998

For 2015, the accounts payable are due within 12 months of the dates on the statements of financial position. The debt matures in 2020 (note 16).

	Total	Within One Year	Two to Five Years
Long-term debt	$ 3,335,433	$ 372,600	$ 2,962,833
Operating leases	670,500	173,095	497,405

ii. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes
the fair values contracts with individual counterparties which are recorded in the consolidated financial statements.

The Company's credit risk is predominantly limited to cash and cash equivalent balances held in financial institutions, and the recovery of the Company's accounts receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At December 31, 2016, the Company expects to recover the full amount of such assets, less any allowance for doubtful accounts in accounts receivable (note 8).

(Expressed in Canadian dollars)

19. Financial Instruments and Risk Management (continued)

As at December 31, 2016, the Company had the following accounts receivable ageing:

	Total	Current	31 - 60 days	61 - 90 days	90 days plus
Accounts Receivable	$ 3,409,367	$ 2,022,261	$ 813,701	$ 192,595	$ 380,810

As at December 31, 2015, the Company had the following accounts receivable ageing:

	Total	Current	31 - 60 days	61 - 90 days	90 days plus
Accounts Receivable	$ 1,360,131	$ 884,297	$ 332,199	$ 130,635	$ 13,000

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors.

Cash and cash equivalents are only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

Sales are made to customers the Company believes to be of sound credit worthiness.

iii. Currency risk

The functional currency for Blaze King USA and Unicast is the US dollar, while all other entities in the group have a Canadian dollar functional currency. Since the reporting currency of the Company is the Canadian dollar, earnings and total comprehensive income are in part impacted by fluctuations in the value of foreign currencies.

The table below summarizes the net monetary assets and liabilities held in foreign currencies in entities whose functional currency is the US dollar:

	December 31, 2016	December 31, 2015
Net monetary assets	**$ 523,031**	$ -
Net monetary liabilities	**(454,547)**	-
	$ 68,484	$ -

The table below summarizes the net monetary assets and liabilities held in foreign currencies in entities whose functional currency is the Canadian dollar:

	December 31, 2016	December 31, 2015
Net monetary assets	**$ 104,175**	$ 150,182
Net monetary liabilities	**(393,010)**	-
	$ (288,835)	$ 150,182

(Expressed in Canadian dollars)

19. Financial Instruments and Risk Management (continued)

The effect on net income before income tax at December 31, 2016 of a 10% change in the foreign currencies against the US dollar on the above mentioned net monetary assets and liabilities of the Company is estimated to be an increase/decrease of $15,640 (2015 - $15,018) assuming that all other variables remained constant.

The calculations above are based on the Company's statement of financial position exposure at December 31, 2016.

iv. Interest rate risk

The Company is exposed to interest rate risk on the credit facility and long term debt. The Company's exposure to interest rate risk is due to the credit facility and long term debt's interest rate being variable. The Company does not enter into derivative contracts to manage this risk.

As the Company's interest rate exposure is variable with the prime rate, the carrying value of the credit facility and long term debt approximates their fair values, assuming no change in credit risk. At December 31, 2016, a 1% increase of the prime rate on the long term debt would increase interest expense by $86,000 (2015 - $35,000) on an annual basis. Additionally, a 1% decrease of the prime rate on the long term debt would decrease interest expense by $86,000 (2015 - $35,000) on an annual basis.

The Company has elected not to enter into interest rate swaps or other instruments to actively manage such risks.

20. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Company currently consists of equity and debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

For the years ended December 31, 2016, and 2015, there were no changes in the Company's capital management policy.

The capital of the Company consists of the consolidated equity and debt, net of cash:

		December 31, 2016		December 31, 2015
Equity	**$**	**8,819,581**	$	4,326,379
Long-term debt		**8,628,560**		3,335,433
		17,448,141		7,661,812
Less: cash and cash equivalents		**(1,447,451)**		(291,068)
	$	**16,000,690**	$	7,370,744

(Expressed in Canadian dollars)

21. Related Party Transactions

The Company's related parties consist of directors and officers or companies associated with them.

As disclosed in note 17, on April 1, 2015, the Company granted stock options to directors and officers of the Company to purchase 149,000 common shares at $2.00 per share. Compensation expense of $265,694 was recorded in the income statement regarding this transaction.

As disclosed in note 17, on June 22, 2016, the Company granted stock options to directors and officers of the Company to purchase 463,500 common shares at $3.00 per share. Compensation expense of $892,746 was recorded in the income statement regarding this transaction.

The Company incurred legal fees of $32,072 (2015 - $48,856) with a law firm in which two directors of the Company were either a partner or employee. The amount outstanding at year-end was $700 (2015 - $1,321).

Pursuant to the Unicast acquisition (note 6), the Company received $62,577 during the year ended December 31, 2016 which, as per required working capital adjustments, shall be paid to the vendors. As at December 31, 2016, $62,577 is included in accounts payable.

Key management, including directors and officers of the Company, are those personnel having the authority and responsibility for planning, directing, and controlling the Company. Salaries and benefits, bonuses and share-based payments are included in compensation expenses.

Key management compensation includes:

	December 31, 2016	December 31, 2015
Salaries and benefits	**$ 150,672**	$ 110,093
Share-based payments	**892,746**	265,694
	$ 1,043,418	$ 375,787

22. Income (Loss) Per Share

	December 31, 2016			December 31, 2015		
	Loss for the year	**Weighted average shares outstanding**	**Loss per share**	Income for the year	Weighted average shares outstanding	Income per share
Basic EPS	**$ (463,214)**	**4,800,625**	**$ (0.10)**	$ 388,615	3,421,535	$ 0.11
Effect of dilutive securities:	**-**	**-**	**-**	-	56,496	-
Diluted EPS	**$ (463,214)**	**4,800,625**	**$ (0.10)**	$ 388,615	3,478,031	$ 0.11

At December 31, 2016, 530,500 share options and 122,576 warrants were outstanding, all of which were antidilutive, as the Company was in a loss position for the year ended December 31, 2016.

At December 31, 2015, 143,000 share options and 63,078 warrants were outstanding, all of which were dilutive because the underlying exercise price was below the average market price for the year ended December 31, 2015.

23. 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.

Cumulative dividends for the year ended December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015
Cumulative dividends, beginning of period	**$**	**673,454**	$	-
Dividends during the period		**1,527,068**		673,454
Cumulative dividends, end of period	**$**	**2,200,522**	$	673,454

The following dividends were declared and paid during the year ended December 31, 2016 and December 31, 2015, other than the December 31, 2016 dividend which was paid subsequent to year end:

Month	Record Date 2016	Per Share ($)	2016 Dividend Amount ($)	Record Date 2015	Per Share ($)	2015 Dividend Amount ($)
January	January 29, 2016	0.025	93,764	-	-	-
February	February 29, 2016	0.025	93,765	-	-	-
March	March 31, 2016	0.025	94,335	-	-	-
April	April 29, 2016	0.025	94,335	-	-	-
May	May 31, 2016	0.025	94,335	May 29, 2015	0.020	73,914
June	June 30, 2016	0.025	150,138	June 30, 2015	0.020	74,867
July	July 29, 2016	0.025	150,138	July 31, 2016	0.020	74,867
August	August 31, 2016	0.025	151,212	August 31, 2016	0.020	74,867
September	September 30, 2016	0.025	151,211	September 30, 2015	0.025	93,647
October	October 31, 2016	0.025	151,211	October 31, 2015	0.025	93,764
November	November 30, 2016	0.025	151,212	November 30, 2016	0.025	93,764
December	December 30, 2016	0.025	151,412	December 31, 2015	0.025	93,764
Total		**0.300**	**1,527,068**		**0.180**	**673,454**

24. Supplemental Disclosure with Respect to Cash Flows

During the year ended December 31, 2016, the Company issued 516,996 common shares with a value of $1,654,387 relating to the Acquisition of Unicast (note 6), and 102,483 warrants with a value of $221,769 relating to the private placement of shares (note 17).

During the year ended December 31, 2015, the Company issued 330,000 common shares with a value of $576,090 relating to the Acquisition of Blaze King (note 6), and 70,298 warrants with a value of $62,169 relating to the private placement of shares (note 17).

As at December 31, 2016, the Company had approximately $650,000 (USD $500,000) (2015 - $250,000 (USD $181,000)) in cash held in United States Dollars.

(Expressed in Canadian dollars)

25. Commitments and Contingencies

Subsequent to December 31, 2016 and before these consolidated financial statements were authorized, the Company undertook the following dividend actions:

- a dividend of $0.025 to shareholders of record on December 30, 2016 was paid on January 13, 2017.
- a dividend of $0.025 per share was declared for shareholders of record on January 31, 2017, and paid on February 15, 2017.
- a dividend of $0.025 per share was declared on February 28, 2017, and paid on March 15, 2017.
- a dividend of $0.030 per share was declared on March 31, 2017, and paid on April 13, 2017.

A summary of the undiscounted liabilities and future operating commitments at December 31, 2016 are as follows:

	Total	Within One Year	Two to Five Years
Operating leases	977,840	273,842	703,998
Interest on long-term debt	1,094,895	325,303	769,592

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.

Various tax and legal matters are outstanding from time to time. In the event that managements' estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur.

26. Segmented Information

The Company'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 Company. The Company identifies and tracks the operations of its subsidiaries, Valley Comfort, Blaze King USA and Unicast, separately. Due to the direct and integrated relationship of Valley Comfort and Blaze King USA operations (the "Blaze Group"), whereby Valley Comfort is the manufacturer and Canadian wholesaler, and Blaze King USA is the United States wholesaler, the Company has determined that for segmentation purposes, they are considered one segment. In addition to Blaze Group and Unicast, the Canadian public company parent ("Head Office") is considered a third and separate segment, as its function is an investment holding and management company.

The Company's segment reporting for the year ended December 31, 2016 is as follows:

December 31, 2016	Head Office	Blaze Group	Unicast	Total
Sales revenues	$ -	$ 12,885,922	$ 4,626,788	$ 17,512,709
Cost of goods sold	-	7,672,114	2,183,297	9,855,411
Gross margin	-	5,213,808	2,443,489	7,657,298
Net (loss) income before tax	(2,208,856)	815,373	927,269	(466,214)
Income tax expense	-	32,000	(29,000)	3,000
Net income (loss)	(2,208,856)	847,373	898,269	(463,214)
Comprehensive income (loss)	$ (2,208,856)	$ 640,197	$ 917,935	$ (650,725)

(Expressed in Canadian dollars)

26. Segmented Information (continued)

December 31, 2016	Head Office	Blaze Group	Unicast	Total
Total current assets	$ 470,688	$ 4,453,847	$ 4,776,891	$ 9,701,424
Total current liabilities	715,394	1,003,633	2,081,467	3,800,493
Total assets	470,688	9,582,519	12,161,011	22,214,218
Total liabilities	$ 3,252,894	$ 1,777,225	$ 8,364,518	$ 13,394,637

The Company's segment reporting for the year ended December 31, 2015 is as follows:

December 31, 2015	Head Office	Blaze Group	Unicast	Total
Sales revenues	$ -	$ 13,301,335	$ -	$ 13,301,335
Cost of goods sold	-	7,729,960	-	7,729,960
Gross margin	-	5,571,375	-	5,571,375
Net income (loss) before income tax	(934,805)	1,912,420	-	977,615
Income tax expense	-	589,000	-	589,000
Net income (loss)	(934,805)	1,323,420	-	388,615
Comprehensive income (loss)	$ 934,805)	$ 1,750,260	$ -	$ 815,455

December 31, 2015	Head Office	Blaze Group	Unicast	Total
Total current assets	$ 77,489	$ 4,639,837	$ -	$ 4,717,326
Total current liabilities	435,842	1,342,033	-	1,777,875
Total assets	77,489	9,764,598	-	9,842,087
Total liabilities	$ 3,323,342	$ 2,192,366	$ -	$ 5,515,708

Due to the nature of the markets that the Company and its subsidiaries operate in, the Company is not dependent on any single customer for a significant portion of their sales revenues.

27. Events after the Reporting Period

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, Adrianne 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 Corporation'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 Corporation 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 itself against the Claim.

In the event that the requested motion is granted and damages are ultimately awarded against the named subsidiaries, management of the Corporation 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.