Decisive Dividend Corporation

Management Discussion and Analysis of the Financial Condition and Results of Operations for the year ended December 31, 2016

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward- looking statements. In addition, these forward-looking statements relate to the date on which they were made. See notes to the financial statements regarding going concern, commitments, contingencies, legal matters, and other matters, which could materially affect the Company's future business, results of operations, financial position and liquidity.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements for the year ended December 31, 2016 and the notes contained therein, of Decisive Dividend Corporation (the "Company").

The audited year-end financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

The accompanying Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated on consolidation.

This MD&A was prepared effective April 18, 2017.

Corporate Overview

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 Company is an acquisition-oriented corporation focused on opportunities in manufacturing. The business plan of the Company is to acquire or invest in profitable, well-established manufacturing companies with strong cash flows. To date, the Company has completed the acquisition of two manufacturing companies, as described below.

The objectives of the Company are:

(i) To provide shareholders with stable and growing dividends;
(ii) To maximize share value through on-going active monitoring of its operating subsidiaries; and
(iii) To continue to acquire additional companies or businesses or interests therein, in order to expand and diversify the Company's investments.

The address of the Company's registered head office is #104, 1420 St. Paul Street, Kelowna, B.C. V1Y 2E6.

Business Overview

The Company currently has two separate operating divisions, Blaze King (as defined below) and Unicast (as defined below). It is the intention of the Company to acquire additional businesses in the manufacturing sector as opportunities present themselves. An overview of the businesses of the two operating divisions of the Company is set forth below.

Blaze King

On February 27, 2015, the Company acquired PGR Ventures Inc. which carries on business through its wholly-owned subsidiary, Valley Comfort Systems Inc. and its wholly-owned subsidiary, Blaze King Industries Inc. This transaction served as the Company's "qualifying transaction" for the purposes of the Exchange. PGR Ventures Inc., Valley Comfort Systems Inc. and Blaze King Industries Inc. are herein collectively referred to as "Blaze King".

The business of Blaze King is producing and selling high-quality, high-efficiency wood burning stoves, all manufactured in its premises in Penticton, British Columbia and Walla Walla, Washington. Blaze King has been operating since 1977, and its hearth products are sold all across North America. Blaze King's stoves are recognized as some of the longest-burning, most high efficiency stoves in the hearth market. Management believes that Blaze King's stoves have developed a strong reputation for quality. These factors have helped build the Blaze King brand and reputation, which drives sales through dealer and customer loyalty. Blaze King has a growing distribution base that includes distributors across Canada and the United States.

Unicast

On June 23, 2016, the Company completed its second business acquisition when it acquired Unicast Inc. ("Unicast").

The business of Unicast is producing and distributing wear parts and valves for the mining, aggregate and cement industries. Wear parts are consumable parts for machinery that wear out when crushing rock, which is done extensively in the mining, aggregate and cement industries. Unicast has been in operation since 1994.

Unicast is focused on providing wear parts that are more durable and last much longer than the products of its competitors. Unicast's products are also designed to have fewer issues regarding installation and maintenance. Management believes that these are Unicast's primary competitive advantages over its competitors.

Unicast offers its customers volume discount options, as well as a corporate discount program. Unicast has developed a "Make and Hold Program", which guarantees on-site part supply as well as bulk shipping, which results in cost savings for the customer. Unicast has a growing distribution base that includes distributors across Canada and the United States, with planned growth in Latin America and Asia.

Non-IFRS Measures

In this MD&A, reference is made to the measure "Adjusted EBITDA", which is believed to be meaningful in the assessment of the Company's performance. This metric is a non-standard measure under IFRS, and may not be identical to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-IFRS financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations. Readers are cautioned that the disclosure of these items is meant to add to, and not replace, the discussion of financial results as determined in accordance with IFRS. The primary purpose of these non-IFRS measures is to provide supplemental information that may prove useful to investors who wish to consider the impact of certain non-cash or uncontrollable items on the Company's operating performance and who wish to separate costs associated with business acquisitions that do not relate to the ongoing performance of the Company's existing business.

In calculating Adjusted EBITDA, certain items are excluded from net income or loss including interest, taxes, amortization and non-cash share-based compensation. Set forth below are descriptions of the financial items that have been excluded from net income or loss to calculate Adjusted EBITDA and the material limitations associated with using this non-IFRS financial measure as compared to net income or loss:

- Amortization expense may be useful for investors to consider because they generally represent the wear and tear on property and equipment used in operations. However, management does not believe these charges necessarily reflect the current and ongoing cash charges related to operating costs.
- The amount of interest expense incurred or interest income generated may be useful for investors to consider and may result in current cash inflows or outflows. However, management does not consider the amount of interest expense or interest income to be a representative component of the day-to-day operating performance of the Company.
- Income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes may reduce the amount of funds otherwise available for use. However, management does not consider the amount of income tax expense to be a representative component of the day-to-day operating performance of the Company.
- Implementation costs including one-time user fees and overtime costs are a non-recurring item that affected costs in the first quarter of 2016 relating to the installation of a new Enterprise Resource Planning ("ERP") system that was installed in Blaze King on January 1, 2016. While a necessary expense, these costs will not be recurring in every quarter, and as such, are not considered to be a representative component of the day-to-day operating performance of the Company.
- Acquisition costs are non-operating items that have affected costs in the first, second and third quarter of 2015 with respect of the Blaze King acquisition, and have affected costs in each quarter of fiscal 2016 with respect of the Unicast acquisition. While a necessary expense as part of closing acquisitions, the magnitude and timing of these items may vary significantly depending upon the acquisition. As such, management does not consider the amount of acquisition costs incurred to be a representative component of the day-to-day operating performance of the Company.
- Included in Cost of Goods for the third and fourth quarters of 2016 is an expense relating to the write-off of the fair value to cost difference on inventory sold in those quarters, that was acquired as part of the Unicast purchase on June 23, 2016. This acquisition adjustment is a non-cash expense and will be incurred each quarter until the entire amount of inventory purchased on June 23, 2016 has been sold by Unicast.
- Share-based compensation may be useful for investors to consider because it is an estimate of the non-cash component of compensation received by the Company's directors, officers, employees and consultants. However, share-based compensation is being excluded from the Company's operating expenses because the decisions which gave rise to these expenses were not made to increase revenue in a particular period, but were made for the Company's long-term benefit over multiple periods. Strategic decisions, such as the issuance of share-based awards to further the Company's long-term strategic objectives, impact the Company's earnings under IFRS. However, these items affect multiple periods and management is not able to change or affect these items within any particular period.

Overall Performance

Financial Highlights

The financial results of the Company for the periods indicated below are as follows:

FINANCIAL PERFORMANCE	2016	per share basic	per share fully diluted	2015	per share basic and fully diluted	2014	per share basic and fully diluted
For the three months ended December 31							
Total revenue [1]	**$ 7,546,559**			$ 4,353,006		$ -	
Gross margin	**3,578,863**			1,755,188		-	
Operating expenditures [2]	**(1,477,939)**			(924,083)		(67,202)	
Adjusted EBITDA [3]	**2,100,924**			831,105		(67,202)	
Amortization	**(266,501)**			29,811		-	
Interest expense	**(163,173)**			(71,610)		-	
Acquisition costs	**(44,752)**			-		(150,728)	
Cost of goods sold fair value adjustment	**(324,698)**			-		-	
Share-based compensation expense	**(127,111)**			-		-	
Interest revenue	**2,457**			-		4,884	
Gain on sale of equipment	**-**			21,848		-	
Net income (loss) before tax	**1,177,146**	**0.20**	**0.18**	811,154	0.21	(213,046)	0.10
Net income (loss) after tax	**1,007,251**	**0.18**	**0.18**	362,167	0.10	(213,046)	0.10
Dividends declared	**452,561**			281,176		-	
For the twelve months ended December 31							
Total revenue [1]	**$ 17,512,709**			$ 13,301,335		$ -	
Gross margin	**7,657,298**			5,571,375		-	
Operating expenditures [2]	**(4,942,784)**			(3,730,072)		(169,830)	
Adjusted EBITDA [3]	**2,714,514**			1,841,303		(169,830)	
Amortization	**(790,595)**			(245,723)		-	
Interest expense	**(406,349)**			(197,592)		-	
Acquisition costs	**(347,396)**			(176,527)		(150,728)	
ERP implementation costs	**(33,900)**			-		-	
Cost of goods sold fair value adjustment	**(460,082)**			-		-	
Share-based compensation expense	**(1,146,967)**			(265,694)		-	
Interest revenue	**4,563**			-		17,946	
Gain on sale of equipment	**-**			21,848		-	
Net income (loss) before tax	**(466,213)**	**(0.10)**	**-**	977,615	0.28	(302,612)	0.14
Net income (loss) after tax	**(463,213)**	**(0.10)**	**-**	388,615	0.11	(302,612)	0.14
Dividends declared	**1,527,068**			673,454		-	

FINANCIAL POSITION	December 31, 2016	December 31, 2015	December 31, 2014
Working capital	5,900,931	2,939,451	1,241,199
Capital assets	1,699,000	963,387	-
Total assets	22,214,218	9,842,087	1,368,194
Bank debt	8,628,560	3,335,433	-
Equity	8,819,581	4,326,379	1,241,199
SHARE INFORMATION	**December 31, 2016**	December 31, 2015	December 31, 2014
Common shares issued [4]	6,056,495	3,750,570	2,090,000
Common shares issued and outstanding [4]	5,763,163	3,750,570	2,090,000

(1) Operating results for the year ended December 31, 2016 include Unicast operations for six months and seven days from its acquisition on June 23, 2016. Results for the three months ended December 31, 2016 include three months of operations of Unicast. Operating results for the year ended December 31, 2015 include Blaze King operations for the ten months from its acquisition on February 27, 2015.

(2) Operating expenditures include all expenses other than amortization, interest, acquisition, ERP implementation costs, stock compensation expense and cost of goods sold fair value adjustment.

(3) "Adjusted EBITDA" is used as a profitability measure in this document. Please refer to the "Non-IFRS Measures" section of this MD&A for further discussion on these measures.

(4) Due to the Unicast acquisition, there are 293,332 shares that are issued, but not outstanding. Please refer to discussion on page 6 regarding the Unicast acquisition for a further explanation.

Discussion of Overall Performance

Revenue from all sources for the three month period ended December 31, 2016 for the Company was $7,546,559, up 73% year over year from the three month period ended December 31, 2015. This increase was due to the inclusion of three months of operations of Unicast, and a stronger fourth quarter for Blaze King in 2016 vs 2015. For the year ended December 31, 2016, revenues were $17,512,709 up 32% over the year ended December 31, 2015. Year over year for the twelve month period, gross margins increased from 41.9% to 43.7%, as lower margins in Blaze King for 2016 were off-set by higher margins from Unicast.

As the purchase of Blaze King closed at the end of February 2015, the consolidated results for the year ended December 31 2015 include ten months of operations of Blaze King, while the results for the year ended December 31, 2016 include a full twelve months of operations. The financial statements for the year ended December 31, 2016 also include six months and seven days of operations of Unicast, as that purchase closed on June 23, 2016. With the full year of operations for Blaze King and the six months and seven days of operations of Unicast included in 2016 versus only ten months of operations of Blaze King in the year ended December 31, 2015, both revenues and expenses year over year were higher in 2016.

Contributing to the increased compensation expenses year over year was share-based compensation expense of $1,146,967 for the year ended December 31, 2016, compared to $265,694 in the same period of 2015. Share-based compensation was higher in this period as compared to 2015 due to an issuance of stock options to directors in the second quarter of 2016 ($892,746) and share-based compensation expense being recognized in the third and fourth quarters of 2016 ($254,221) from contingent share remuneration in relation to the purchase of Unicast. No cash remuneration was distributed to directors during the year ended December 31, 2016.

Detailed reporting of the Company’s segmented results are disclosed in Note 26 of the December 31, 2016 Consolidated Audited Financial Statements.

Industry Trends

North American Hearth Industry

A significant industry trend in the North American hearth industry (in which Blaze King operates) is that some consumers are now considering the wood or gas stove as a piece of furniture, and are wanting stoves that match current design trends. This demand extends not only to wood stoves but to fireplace inserts as well. Blaze King has launched a number of new products over the last five years to address this; these new products include freestanding and fireplace insert models which are offered in both cast iron and traditional steel options.

Blaze King began production of its new fireplace insert product in the second quarter of 2016. Overall market share in the wood fireplace market for Blaze King remained stable in 2016, and with the introduction of the Sirocco 25, is expected to stay stable going forward in 2017. The new cast iron fireplace-insert, the Ashford 25, was introduced to distributors in Q1 2017, and has been well received by consumers. These two units represent a significant expansion of Blaze King’s product offering and an important step forward for Blaze King in terms of customer desirability and design.

Mining, Aggregate, and Cement Wear Parts Industry

Current industry trends in the mining, aggregate and cement plant wear parts industry (in which Unicast operates) include a shift towards different alloys and metals and away from traditional manganese and steel fabrication. Demand for titanium carbide wear parts and ceramic sleeves for valves are continuing to grow due to the increases in wear life attributed to these new innovations. Unicast is continuing to build market share in both of these areas by adding more titanium carbide products to its current product line and introducing new ceramic products as they are designed and tested.

Regulatory Trends

On May 15, 2015, new United States Environmental Protection Agency ("EPA") standards for wood stoves came into effect. The new standards have two phases of implementation. The first phase lowered the maximum emissions permitted by wood stoves to the current Washington State standard of 4.5 grams per hour and will cover the 5 year period to the year 2020. The majority of wood stoves on the market today already meet that standard. The new rule will have one standard for the entire market and will include products such as pellet stoves that were previously exempt. The second phase, which will start in 2020, will further lower emissions to 2.0 grams per hour.

All of Blaze King's products already meet phase 1 requirements, and almost all meet or exceed the 2 gram emission limit requirements for 2020. The King, Chinook 20, Sirocco 20, Ashford 20, Chinook 30, Sirocco 30, Ashford 30, Sirocco 25 and Ashford 25 all meet the 2 gram emission limit requirements for 2020. As the Princess free-stand model and fireplace insert meets phase 1 but not phase 2 standards, replacements for these stoves have been designed and are currently being beta tested to ensure that they will exceed phase 2 requirements for 2020. All new wood stove models being developed by Blaze King will also meet the EPA's phase 2 requirements.

Blaze King's Sirocco 25 fireplace insert received final EPA certification in April 2016, with an emissions level of 0.9 grams per hour, well below the phase 2 requirements. The Sirocco model was introduced to our customers in June 2016, and has exceeded sales expectations. The new Ashford 25 cast iron model was introduced in the first quarter of 2017 and it is expected to be a popular product based on customer feedback received to date.

Risks and Uncertainties

For a discussion of the risks and uncertainties that management of the Company believe may impact the future results of the Company, see "Risk Factors" below.

Unicast Acquisition

On April 29, 2016, the Company and the former shareholders of Unicast entered into a share and loan purchase agreement pursuant to which the Company and its wholly-owned subsidiary agreed to purchase all of the issued and outstanding shares of Unicast (and certain shareholder loans of its shareholders) for a purchase price of $10,061,338 plus working capital adjustments.

The Company completed the acquisition of Unicast on June 23, 2016. The Purchase Price was satisfied through the issuance of the purchase-related shares of 223,664 common shares of the Company with a fair value of $3.20 per share, with the balance of $8,945,624 paid in cash. The cash portion of the purchase price was paid from the net proceeds of a $5,500,000 loan from the Company's senior lender and from the proceeds of a private placement of 1,659,114 common shares at a price of $3.00 per share for aggregate gross proceeds of $4,977,342.

In addition to the purchase-related common shares mentioned above, an additional 293,332 shares (the "Contingent Shares") with a total fair value of $938,662 were issued to certain shareholders. The Contingent Shares are issued, but not outstanding as at December 31, 2016. The release of the Contingent Shares from escrow is contingent upon the continued employment of two shareholders for a period of three years through June 2019 (the "Employment Period"). 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 share-based compensation expense over the Employment Period. During the year ended December 31, 2016, the Company recognized share-based compensation expense of $254,221 related to the Contingent Shares.

Discussion of Operations

Three months ended December 31, 2016

Blaze King

During the three month period ended December 31, 2016, Blaze King recorded sales revenues of $4,540,453 in 2016 ($4,353,005 in 2015). The influence of a late and mild winter, coupled with lower energy prices, dampened the wood stove market for the first half of 2016, but consistent with management expectations, this trend started to reverse in the latter portion of the third quarter of 2016 as retailers started to re-fill their stock levels in preparation for this year's heating product season. Sales in the third and fourth quarter responded positively to a much colder winter season in the final two quarters of 2016, and sales recovered as expected and exceeded sales levels experienced in the fourth quarter of 2015, even though the Canadian dollar was stronger in the fourth quarter of 2016 versus 2015.

During the three month period ended December 31, 2016, Blaze King realized gross margins of $1,878,248, or 41% ($1,755,188 or 40% in 2015). Sales levels and gross margins in the fourth quarter were slightly higher in 2016 as compared to 2015. The small increase in gross margin percentage was related to lower warranty claims in 2016 versus 2015.

Blaze King's business is seasonal, with the first and second quarters being the slowest of the year. Traditionally, Blaze King has experienced between 30% – 35% of its sales in the first two quarters of the year, and 65% to 70% of its sales in the final two quarters of the year. As anticipated, Blaze King followed historical trends in the third quarter and fourth quarters and expect this seasonal trend to continue to occur in 2017.

Sales of the Sirocco 25, a new wood-burning fireplace insert model which launched in 2016, have exceeded management's expectations. The second wood-burning fireplace insert model, the Ashford 25, which was introduced in the first quarter of 2017, was well received at the recent international Hearth, Patio and Barbecue Association (HPBA) trade show in Atlanta, Georgia.

Unicast

In this period, Unicast recorded $2,699,539 of sales revenue and cost of sales of $1,305,492, which included a non-cash charge of $324,698 related to the adjustment of fair value of inventory acquired on June 23, 2016. This resulted in a gross margin of $1,394,047, or 52%.

Decisive Dividend Corporation ("Head Office")

During the three month period ended December 31, 2016, Head Office expended $452,974 on corporate activities ($170,045 in 2015). The most significant expenses during this period were share-based compensation expense of $127,111 ($nil in 2015), salaries and benefits of $58,944 ($28,477 in 2015), accounting and valuation fees related to the Unicast acquisition and the accrual of the year-end audit fee of $153,687 ($48,935 in 2015), interest on long term debt of $41,143 ($34,505 in 2015), legal fees of $21,471 ($26,969 in 2015), and transfer agent fees of $11,434 ($5,650 in 2015).

Year ended December 31, 2016

Blaze King

During the year ended December 31, 2016, Blaze King recorded $12,885,922 of sales revenues ($13,301,335 in ten months of operations in 2015), and gross margin of $5,213,808, or 40.5% ($5,571,375 or 41.9% in 2015). In 2015, Blaze King experienced record sales levels and therefore produced at high rates to meet demand. In 2016, due to lower demand, production levels declined, leading to higher labour costs per unit and a reduction in overall gross margin on sales. Overhead costs are allocated to cost of goods sold based on normalized, annual production levels.

Blaze King's business is seasonal in nature, with the first two quarters traditionally being the slowest two quarters. Consistent with management expectations, customer demand picked up in Q3 and continued to strengthen in Q4, as retailers continued to fill their depleted stock levels as North America experienced a much colder winter than in 2015-2016. Given the strong and continuing demand and continuing low dealer stock levels, management anticipates sales strength to proceed through into the 2017 winter heating season.

Unicast

For the year ended December 31, 2016, the Company included Unicast's operations of six months and seven days, being the period of operations from its initial first day of June 24th operating as a Decisive subsidiary to December 31, 2016. In this period, Unicast recorded $4,626,788 of sales revenue and a gross margin of $2,443,491 or 53%. Cost of sales included a non-cash charge of $460,082, related to the adjustment of fair value of inventory acquired on June 23, 2016.

Decisive Dividend Corporation ("Head Office")

During the year ended December 31, 2016, the Head Office expended $2,210,206 on corporate activities ($936,144 in 2015). The most significant expenses during the period were stock option compensation expenses of $1,146,967 ($265,694 in 2015), legal fees relating mostly to the acquisition of Unicast of $169,331 ($156,055 in 2015 mostly related to the acquisition of Blaze King), salaries and benefits of $189,044 ($106,014 in 2015), accounting and audit fees of $238,653 ($148,833 in 2015), transaction advisory fees of $103,880 ($30,812 in 2015), interest on long-term debt of $139,888 ($110,238 in 2015), and transfer agent fees of $69,283 ($40,041 in 2015).

Summary of Quarterly Results

	For the three months ended December 31, 2016 ($)	For the three months ended September 30, 2016 ($)	For the three months ended June 30, 2016 (1) ($)	For the three months ended March 31, 2016 ($)
Revenue	7,546,559	5,124,150	2,254,369	2,587,631
Net income (loss) before taxes	1,177,144	13,360	(1,518,380)	(138,338)
Income taxes	(169,895)	105,610	62,285	5,000
Net income (loss)	1,007,251	118,970	(1,456,095)	(133,338)
Total comprehensive income (loss)	1,140,963	138,916	(1,672,440)	(258,162)
Total assets	22,214,218	21,468,364	21,131,119	9,122,024
Common shares issued and outstanding	5,763,163	5,755,131	6,005,510	3,773,400
Weighted average shares outstanding	5,755,396	5,734,593	3,957,013	3,757,305
Net income (loss) per share - basic	0.18	0.02	(0.37)	(0.04)

	For the three months ended December 31, 2015 ($)	For the three months ended September 30, 2015 (2) ($)	For the three months ended June 30, 2015 (2) ($)	For the three months ended March 31, 2015 (2) ($)
Revenue	4,353,005	4,839,969	2,864,418	1,243,943
Net income (loss) before taxes	811,154	553,727	(307,416)	(99,262)
Income taxes	(448,987)	(186,056)	(39,810)	(26,167)
Net income (loss)	362,167	367,671	(347,226)	(125,431)
Total comprehensive income (loss)	560,103	497,076	(295,914)	(77,244)
Total assets	9,842,087	8,348,281	8,348,281	8,344,057
Common shares issued	3,750,570	3,743,350	3,743,350.00	3,450,282
Weighted average shares outstanding	3,479,965	3,607,151	3,607,151	2,566,135
Net income (loss) per share - basic	0.10	0.13	(0.10)	(0.04)

Notes:

(1) Results for the three months ended June 30, 2016 include Unicast operations for the seven day period from its acquisition on June 23, 2016. Results for the three months ended March 31, 2015 include Blaze King operations for the one month period from its acquisition on February 27, 2015.

(2) Results for the 1st, 2nd and 3rd quarters of 2015 have been recast to conform to year end presentation.

For a discussion of the factors that have caused variations in results over the eight most recently completed financial quarters of the Company, see "Discussion of Operations" above.

Liquidity and Capital Resources

As at December 31, 2016, the Company had a net cash position of $1,447,451 (2015 - $291,068) and a net working capital of $5,900,931 (2015 - $2,939,451).

		December 31 2016		December 31 2015		Change
Cash and cash equivalents	$	1,447,451	$	291,068	$	1,156,383
Accounts receivable		3,448,317		1,360,131		2,088,186
Inventory		4,452,969		2,700,359		1,752,610
Prepaid expenses		352,687		365,768		(13,081)
Accounts payable		(2,352,555)		(1,193,815)		(1,158,740)
Dividends payable		(151,412)		(93,764)		(57,648)
Warranty provision		(201,203)		(117,696)		(83,507)
Prepaid deposits		(93,120)		-		(93,120)
Current portion of long-term debt		(1,002,203)		(372,600)		(629,603)
Net working capital	**$**	**5,900,931**	**$**	**2,939,451**	**$**	**2,961,480**

Dividends declared and paid

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

The Company declared its first dividend on May 15, 2015, which was paid on June 15, 2015.

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**

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.

Short-term debt facilities

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.

The operating loan facility and the debt 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.

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.

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

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.

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

a) 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

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

b) Non-capital losses and unused tax credits

At December 31, 2016, the Company has losses for income tax purposes in Canada of $28,000 (December 31, 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

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

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.

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.

No cash remuneration was distributed to directors during the year ended December 31, 2016.

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, 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

Changes in 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.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the annual financial report and this MD&A (the "Annual Filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the Annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the Annual Filings; and (b) the annual financial report together with the other financial information included in the Annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company of the date of and for the periods presented in the Annual Filings.

Investors should be aware that there are inherent limitations on the ability of the certifying officers to cost effectively design and implement Disclosure Controls and Procedures and Internal Controls over Financial Reporting (as those terms are used in NI 52-109). This may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

The Company and its subsidiaries are subject to a number of risks. These risks relate to the structure of the Company and to the operations of its subsidiaries. The risks and uncertainties described below are the most significant risks that management of the Company is aware of and believe to be material to the business and results of operations of the Company.

General Economic Conditions

Although the North American economy is showing signs of continuing strength, there are many factors that could cause the North American economy to weaken. Should the economic environment deteriorate, demand for the Company's products would be reduced and have a negative impact on revenues and earnings. This would result in the Company having to implement cost control measures in order to manage through an economic downturn. In the first two quarters of the year, management of Blaze King implemented cost cutting measures due to the warm winter that caused a reduction in sales. Even though sales have now been improving as anticipated, management is continuing to review other areas for possible cost savings and is implementing long-term strategies regarding workflows and production scheduling to further enhance productivity and efficiencies.

Government Regulation

The wood burning stove market in which Blaze King operates is significantly affected by government regulations and standards in North America and these regulations are constantly changing. There can be no assurance that Blaze King's prospects would not be adversely affected in the event of additional regulation in the wood burning stove market. Unicast's products are also subject to government regulations and standards, but to a much lesser degree.

Environmental Regulation

The past and present operation by the Company of manufacturing facilities and real property are subject to extensive and changing federal, provincial, state and local environmental laws and regulations, including those relating to discharges in air, water and land, the handling and disposal of solid and hazardous waste and the remediation of contamination associated with releases of hazardous substances. Compliance with environmental regulations has not had a material effect on the capital expenditures, earnings or competitive position of Blaze King or Unicast to date; however, compliance with current laws or more stringent laws or regulations which may be imposed on the Company in the future, stricter interpretation of existing laws or discoveries of contamination at the leased business locations of the Company which occurred prior to Blaze King or Unicast's lease of such sites or the advent of environmental regulation may require the Company to incur additional expenditures in the future, some of which may be material.

Dependence on Distributors and Strategic Relationships

The future revenue growth of the Company will depend in large part upon its ability to successfully establish and maintain a network of suppliers and distributors for its subsidiaries as well as its ability to enter into strategic alliances. The Company may not be able to successfully manage such relationships. If the Company is unable to attract such distributors and strategic partners, it may not be able to generate sufficient revenues to maintain profitability.

Ability to Develop New Products

The Company's market position is dependent on its ability to effectively anticipate consumer habits and expectations and develop new or modified products in a timely fashion to satisfy these expectations. If the Company is unable to develop new products that are attractive to its customers, the Company risks losing those customers to competitors.

Supply and Cost of Raw Materials and Purchased Parts

The Company will rely on a stable and consistent supply of materials and finished goods in carrying out its operations. Blaze King and Unicast secure supplies of raw materials and finished goods from various suppliers on an ongoing basis at negotiated prices, with Unicast sourcing the majority of their products from Chinese suppliers. An interruption in the availability of these raw materials or finished goods, trade barriers inflicted on the countries where these suppliers are located, geopolitical factors in certain parts of the world, other factors not within the control of the Company or otherwise, or significant increases in the prices paid by the Company for them, could have a material effect on the Company's business.

The pricing of certain commodities used to produce Blaze King and Unicast's products, such as steel, titanium carbine and manganese, are still largely driven by overall market conditions and increases in the cost of these components could increase the Company's manufacturing costs.

Foreign Exchange Exposure

Most of the Company's products will be sold in markets outside of Canada, while most of its operating expenses and capital expenditures are denominated in Canadian dollars. Additionally, a significant amount of the raw materials and finished goods used by the Company in its business are denominated in foreign currency since they are mainly sourced from outside of Canada. As a result, the Company will be exposed to fluctuations in the foreign exchange rates between the Canadian dollar and the currency in which a particular purchase or sale is transacted, which may result in foreign exchange losses that could affect earnings.

Implementation of the Growth Strategy

As part of its business strategy, the Company intends to expand the operations of its subsidiaries and complete new acquisitions. The Company may not effectively select acquisition candidates or successfully negotiate or finance such acquisitions. There can be no assurance the acquisitions will be completed on acceptable terms or that the newly acquired companies will be successfully integrated into the Company's operations. The Company may be subject to increased production costs or problems, difficulty in obtaining financing and increased cost of borrowing as a result of such acquisitions.

Competition

The wood burning stove industry and the mining and cement wear parts industry are competitive and the Company competes with a substantial number of companies which have greater technical and financial resources. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Company or that new or existing competitors will not enter the various markets in which the Company is active or that the Company wishes to enter. In certain aspects of its business, the Company also competes with a number of small and medium-sized companies, which, like the Company, have certain competitive advantages such as low overhead costs and specialized regional strengths.

There can be no assurance that competitors will not develop new and unknown technologies with which the Company may have difficulty competing. As well, without remaining cost competitive, there is also a risk that the Company may lose business to its competitors.

Reliance on Management and Key Personnel

The Company's success and future operations will be dependent upon the ability, expertise, experience, judgment and effort of senior management and key personnel of the Company and its subsidiaries. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects and ultimately the shareholders' investments could be negatively affected.

Financial Risk

In order to execute its business plan, the Company may require a combination of additional debt and equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms acceptable to the Company. The Company's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon the Company.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business. Please refer to the "Subsequent Event" section below.

Product Liability and Warranty Claims

The Company may be subject to potential product liabilities connected with its operations, including liabilities and expenses associated with product defects. The Company's operations will be covered by liability and other insurance coverage that management of the Company believes is generally in accordance with the market practice in its industry, but there can be no assurance that the Company will always be adequately insured against all such potential liabilities.

A malfunction or the inadequate design of the Company's products could result in product liability or other tort claims. Accidents involving the Company's products could lead to personal injury or physical damage. Any liability for damages resulting from malfunctions could be substantial and could materially adversely affect the Company's business and results of operations. In addition, a well-publicized actual or perceived problem could adversely affect the market's perception of the Company's products. This could result in a decline in demand for the Company's products, which would materially adversely affect the Company's financial condition and results of operations.

The sale and use of products developed by the Company may entail potential liability and possible warranty claims. The Company may be subject to personal injury claims for injuries resulting from use of its products. Although the Company will maintain product liability insurance, there can be no assurance that such insurance will continue to be available on commercially reasonable terms and that it will be sufficient to cover all claims.

Reliance on Technology

The Company will depend upon improvements in technology to meet customer demands in respect of performance and cost, and to explore additional business opportunities. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this demand. The commercial advantage of the Company will depend to an extent on the intellectual property and proprietary technology of the Company.

The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trade secrets, confidential procedures, contractual provisions, licenses and patents, to protect its proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This type of litigation can be expensive and time consuming, regardless of whether or not the Company is successful. The Company may seek patents or other similar protections in respect of particular technology; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop technologies that are similar or superior to the technology of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more of its businesses.

Trading Volatility of Common Shares

Management of the Company cannot predict at what price its common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The market price of the common shares could be subject to significant fluctuations in response to variations in financial results, general trends in the industry and other factors, including extreme price and volume fluctuations which have been experienced by the securities markets from time to time.

Proposed Transactions

The Company does not have any asset or business acquisitions or dispositions that management believes are probable to proceed at this time.

Financial Instruments and Other Instruments

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 cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and approximate their fair value due to their short term nature.

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.

Fair value disclosures

At December 31, 2016 and December 31, 2015, long-term debt is classified as a level 2 financial instrument. 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.

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 Company's board of directors or one of its committees.

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.

	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.

	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

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 of the Company.

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.

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	$ 3,543,551	$ 2,092,491	$ 813,701	$ 192,595	$ 444,764

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.

Currency risk

The Company's functional currency for Blaze King US and Unicast is the US dollar, while all other subsidiaries of the Company have a Canadian dollar functional currency, and the reporting currency is the Canadian dollar, therefore the Company's earnings and total comprehensive income are in part impacted by fluctuations in the value of the US dollar in relation to the Canadian dollar.

The table below summarizes the net monetary assets and liabilities held in foreign currencies:

	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

The effect on net income before income tax at December 31, 2016 of a 10.0% 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 (December 31, 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.

Interest rate risk

The Company is exposed to interest rate risk on its 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.

Disclosure of Outstanding Share Data

The following table sets forth the Company's share capital data as at April 18, 2017, December 31, 2016 and December 31, 2015. Each stock option and each agent's warrant entitle the holder thereof to purchase one common share of the Company.

	April 18, 2017	**December 31, 2016**	**December 31, 2015**
Common shares, basic	5,842,727	5,763,163	3,750,570
Contingent common shares[1]	293,332	293,332	-
Common shares issued	6,136,059	6,056,495	3,750,570
Stock options outstanding	506,000	530,500	143,000
Agents' warrants outstanding	88,059	122,576	63,078
Common shares, fully diluted	6,730,118	6,709,571	3,956,648

Notes:
[1] Further detailed in the Unicast Acquisition section above

Please refer to the audited financial statements of the Company for a detailed listing of all share issuances for the year ended December 31, 2016.

Escrowed Shares

As at December 31, 2016, there were 426,375 (2015 – 710,625) shares in escrow and as at April 18, 2017, there were 284,250 shares in escrow relating to shares held by directors and insiders issued before the completion of the Company's Qualifying Transaction. The release dates for the remaining escrowed stock are as follows:

- 142,125 to be released on September 19, 2017
- 142,125 to be released on March 19, 2018

As at December 31, 2016, there were 148,500 shares in escrow (2015 – 247,500) and as at April 18, 2017, there were 99,000 shares in escrow relating to the Company's acquisition of Blaze King. The release dates for the remaining escrowed stock are as follows:

- 49,500 to be released on August 27, 2017
- 49,500 to be released on February 27, 2018

As at December 31, 2016, there were 366,664 shares in escrow (2015 – nil) relating to the Company's acquisition of Unicast, of which 293,332 shares are Contingent Shares. The release dates for the remaining escrowed stock are as follows:

- 91,666 to be released on June 23, 2017
- 91,666 to be released on June 23, 2018
- 183,332 to be released on June 23, 2019

In total, as at December 31, 2016, there were 941,539 shares in escrow (2015 – 958,125).

Subsequent Event

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.

Outlook

Market Conditions – Blaze King

In the third and fourth quarter of 2016, the downward trend caused by the late arrival of winter in North America in 2015-16 reversed as expected. Starting in August 2016, demand returned to the wood stove market. Retailers who were left with stock from the prior season let inventories fall to low levels and accordingly have been trying to keep up with demand, ensuring a strong order book for Blaze King for the third and fourth quarters of 2016. Blaze King is seeing continued demand in the first quarter of 2017. In addition to a much colder heating season in 2016-2017, Blaze King sales were positively affected by the new model of our fireplace insert line which was introduced in the second quarter of 2016 and has exceeded expectations. With the introduction of the Ashford 25 in the first quarter of 2017, Blaze King will now have three models in the wood-burning fireplace insert market in 2017, which will complement our existing line of EPA approved wood-burning stoves. Further product development is taking place in-house at Blaze King and these products will be announced and launched in the 2017 fiscal year.

Market Conditions – Unicast

The market for Unicast's wear parts continues to be buoyant as the economy continues to grow in both the United States and Canada, and increased infrastructure spending has caused continued upward demand on the cement industry. As well, mining continues to be in recovery as commodity prices have strengthened and new mines open across North America and Central America. Unicast continues to introduce new products and grow their product line in response to customer demands. Unicast is also seeing increasing demand from non-traditional markets such as Latin America and the Philippines, as its sales team grows and increases exposure of Unicast's products in these new markets. Unicast continues to strengthen their sales team and add more customer support as 2017 is seen as a year of significant growth.

Conclusion

Management is maintaining a positive outlook for the Company and its two subsidiaries, Blaze King and Unicast. Management believes that the Company is better positioned for future growth now that a second company has been added to the corporate family, as this diversity adds strength and resilience to operations. Management believes that continuing to follow a balanced and disciplined acquisition approach is the best path to generating shareholder value.

Management remains confident in its strategic and operational plans and in its seasoned leadership. The Company is committed to enhancing customer service in both subsidiaries and growing the sales teams to accommodate a plan of steady growth. The Company continues to develop and expand its network of referral sources that regularly present it with potential acquisitions. The Company also independently assesses certain markets and regions to identify potential targets and believes that its disciplined approach to acquisitions is largely responsible for the success to date. While the deal flow brought to the Company is considered strong, there can be no assurance target companies meeting management's standards will be identified.

Further Information

Additional information about the Company is available at the Canadian disclosure website www.sedar.com, or on the company's website at www.decisivedividend.com.