Financial Statements of

Decisive Dividend Corporation

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

March 29, 2018

Independent Auditor's Report

To the Shareholders of
Decisive Dividend Corporation

We have audited the accompanying consolidated financial statements of Decisive Dividend Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of income (loss) and comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Decisive Dividend Corporation and its subsidiaries as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter
The consolidated financial statements of Decisive Dividend Corporation for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 18, 2017.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

DECISIVE DIVIDEND CORPORATION
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		December 31, 2017		December 31, 2016
Assets				
Cash and cash equivalents	**$**	**1,183,610**	$	1,447,451
Accounts receivable (note 6)		**4,134,775**		3,448,317
Inventory (note 7)		**4,514,302**		4,452,969
Prepaid expenses and deposits		**307,576**		352,687
Total current assets		**10,140,263**		9,701,424
Property and equipment (note 8)		**1,626,785**		1,699,000
Intangible assets (note 9)		**5,107,069**		6,093,807
Goodwill (note 10)		**4,445,421**		4,719,987
Total assets	**$**	**21,319,538**	$	22,214,218
Liabilities				
Accounts payable and accrued liabilities (note 11)	**$**	**3,610,375**	$	2,352,555
Dividends payable		**185,230**		151,412
Warranty provision (note 12)		**339,466**		201,203
Customer deposits		**63,159**		93,120
Current portion of long-term debt (note 13)		**928,000**		1,002,200
Total current liabilities		**5,126,230**		3,800,490
Long-term debt (note 13)		**7,472,853**		7,626,360
Deferred income taxes (note 14)		**1,359,000**		1,967,787
Total liabilities		**13,958,083**		13,394,637
Equity				
Share capital (note 15)		**10,574,867**		9,853,828
Contributed surplus		**1,504,972**		1,505,956
Cumulative loss		**(70,173)**		(579,010)
Cumulative dividends (note 16)		**(4,347,698)**		(2,200,522)
		7,661,968		8,580,252
Accumulated other comprehensive income (loss)		**(300,513)**		239,329
Total equity		**7,361,455**		8,819,581
Total liabilities and equity	**$**	**21,319,538**	$	22,214,218

Commitments and contingencies (note 23)
Subsequent events (note 25)

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 Income (Loss) and Comprehensive Loss

(Expressed in Canadian dollars)

		For the year ended December 31, 2017		For the year ended December 31, 2016
				(Revised - Note 2(a))
Sales	**$**	**23,450,824**	$	17,764,065
Manufacturing costs (note 17)		**13,286,555**		9,855,411
Gross profit		**10,164,269**		7,908,654
Expenses				
Amortization and depreciation		**743,830**		597,524
Financing costs (note 18)		**1,042,956**		657,705
Occupancy costs		**417,524**		322,475
Professional fees		**218,454**		687,870
Salaries, wages and benefits		**5,450,449**		3,778,109
Selling, general and administration		**1,732,866**		2,335,748
		9,606,079		8,379,431
Operating profit (loss)		**558,190**		(470,777)
Other items				
Interest income		**13,506**		4,563
Gain on sale of equipment		**2,141**		-
		15,647		4,563
Profit (loss) before taxes		**573,837**		(466,214)
Income tax expense (recovery)				
Current		**674,000**		229,000
Deferred		**(609,000)**		(232,000)
		65,000		(3,000)
Profit (loss) for the period		**508,837**		(463,214)
Other comprehensive income:				
Foreign operation currency translation differences		**(539,842)**		(187,511)
Total comprehensive loss for the period	**$**	**(31,005)**	$	(650,725)
Earnings (loss) per share (note 15):				
Basic		**0.09**		(0.10)
Diluted		**0.08**		(0.10)
Weighted average shares outstanding (note 15):				
Basic		**5,874,169**		4,800,625
Diluted		**6,654,031**		5,335,187

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)

	Share Capital				Deficit								
	Number		Amount		Contributed Surplus		Cumulative Dividends		Cumulative Loss		Accumulated Other Comprehensive Income (loss)		Total Equity
Balance, January 1, 2016	3,750,570	$	4,378,009	$	310,780	$	(673,454)	$	(115,796)	$	426,840	$	4,326,379
Shares issued under ESPP (note 15)	10,830		35,197		-		-		-		-		35,197
Shares issued for cash (note 15)	1,659,114		4,977,342		-		-		-		-		4,977,342
Less: issuance costs paid in cash (note 15)	-		(442,237)		-		-		-		-		(442,237)
Less: agent warrants issued (note 15)	-		(221,769)		221,769		-		-		-		-
Shares issued to acquisition vendors (note 15)	516,996		1,654,387		-		-		-		-		1,654,387
Less: escrowed shares issued but not outstanding (note 15)	(293,332)		(938,662)		-		-		-		-		(938,662)
Share-based payment awards (note 15)	-		-		254,221		-		-		-		254,221
Exercise of stock options (note 15)	76,000		287,520		(135,521)		-		-		-		151,999
Exercise of agent warrants (note 15)	42,985		124,041		(38,039)		-		-		-		86,002
Issuance of options (note 15)	-		-		892,746		-		-		-		892,746
Total comprehensive loss for the period	-		-		-		-		(463,214)		(187,511)		(650,725)
Dividends declared (note 16)	-		-		-		(1,527,068)		-		-		(1,527,068)
Balance, December 31, 2016	**5,763,163**	**$**	**9,853,828**	**$**	**1,505,956**	**$**	**(2,200,522)**	**$**	**(579,010)**	**$**	**239,329**	**$**	**8,819,581**
Shares issued under ESPP (note 15)	25,793		86,979		9,203		-		-		-		96,182
Exercise of stock options (note 15)	24,500		92,688		(43,688)		-		-		-		49,000
Exercise of agent warrants (note 15)	67,588		306,706		(122,942)		-		-		-		183,764
Acquisition vendor shares released from escrow (note 15)	73,333		234,666		(234,666)		-		-		-		-
Share-based payment awards (note 15)	-		-		391,109		-		-		-		391,109
Total comprehensive income (loss) for the period	-		-		-		-		508,837		(539,842)		(31,005)
Dividends declared (note 16)	-		-		-		(2,147,176)		-		-		(2,147,176)
Balance, December 31, 2017	**5,954,377**	**$**	**10,574,867**	**$**	**1,504,972**	**$**	**(4,347,698)**	**$**	**(70,173)**	**$**	**(300,513)**	**$**	**7,361,455**

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, 2017		For the year ended December 31, 2016
				(Revised - Note 2(a))
Operating activities				
Profit (loss)	**$**	**508,837**	$	(463,214)
Adjusted by:				
Amortization and depreciation		**975,700**		790,596
Interest and bank charges		**501,606**		406,349
Share-based compensation		**412,334**		1,146,967
Gain on sale of assets		**(2,141)**		-
Income tax expense		**674,000**		229,000
		3,070,336		2,109,698
Changes in non-cash operating working capital items (note 19)		**(69,093)**		1,476,724
		3,001,243		3,586,422
Income taxes paid		**(246,953)**		(670,567)
Cash provided by operating activities		**2,754,290**		2,915,855
Financing activities				
Proceeds from issuance of shares		**307,721**		4,789,628
Dividends paid		**(2,113,358)**		(1,469,420)
Proceeds from long-term debt		**8,500,000**		5,912,484
Repayment of long-term debt		**(8,682,672)**		(619,357)
Debt issuance costs		**(45,035)**		-
Interest paid		**(501,606)**		(406,349)
Cash provided by (used in) financing activities		**(2,534,950)**		8,206,986
Investing activities				
Purchase of Unicast (net of acquisition costs)		**-**		(8,863,791)
Settlement of Blaze King hold-back		**-**		(39,058)
Purchase of property and equipment		**(405,482)**		(732,123)
Proceeds from sale of property and equipment		**4,100**		-
Cash used in investing activities		**(401,382)**		(9,634,972)
Increase (decrease) in cash and cash equivalents during the period		**(182,042)**		1,487,869
Cash and cash equivalents, beginning of period		**1,447,451**		291,068
Effect of movements in exchange rates on cash and cash equivalents		**(81,799)**		(331,486)
Cash and cash equivalents, end of period	**$**	**1,183,610**	$	1,447,451

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

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

As at December 31, 2017, the principal wholly-owned operating subsidiaries of the Company are Valley Comfort Systems Inc. ("VCSI"), Blaze King Industries ("Blaze King USA") and Unicast Inc. ("Unicast"). VCSI and Blaze King USA are referred to herein collectively as "Blaze King".

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

2. Basis of Preparation and Statement of Compliance

a) *Statement of compliance*

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

During the year, the Company reclassified certain of the December 31, 2016 comparative figures to correspond with current period reporting classification: the reclassifications include $1,146,967 from share-based compensation to salaries, wages and benefits and $251,356 in foreign exchange losses from revenue to financing costs. Additionally, in the Consolidated Statement of Cash Flows, reclassified interest paid from operating activities to financing activities resulting in an increase in cash provided by operating activities and decrease of cash provided by financing activities of $406,349, respectively.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on March 28, 2018.

b) *Basis of measurement*

The 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.

d) Accounting estimates and assumptions

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

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. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets. Significant assumptions include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates.

The Company's acquisitions have been accounted for using the acquisition method when control is transferred to the Group (note 3(a)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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 asset or 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.

iv. Inventories

Management estimates the net realizable values 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 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 Group 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 statement of financial position 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.

c) *Foreign currency translation*

i. *Functional and presentation currency*

Items included in the financial statements of each consolidated entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). For the years ended December 31, 2017 and 2016, the Group 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 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 the currency translation differences adjustment.

If the Group 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. No such transactions occurred in the years ended December 31, 2017 or December 31, 2016.

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 profit or loss.

d) *Operating expenses*

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred. Changes in expenditure for warranties is recognized when the Group 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 10 for a description of impairment testing procedures.

f) *Other intangible assets*

Intangible assets are recorded at cost. The Group has some 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 other identifiable intangible assets are reviewed at least each financial year end and if necessary amortization is adjusted on a prospective basis.

g) *Property and equipment*

Property 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:

Automotive	30% declining-balance basis
Manufacturing equipment	20% declining-balance basis
Office equipment	20% declining-balance basis
Computer equipment	30% to 100% declining-balance basis
Portable structures	10% declining-balance basis
Leasehold improvements	5-year straight line basis

h) *Impairment – non-financial and indefinite life assets*

The carrying amount of the Group's non-financial assets (which include property 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 cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The carrying amount of the Group'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 to sell 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.

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 Group 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 (“FVTPL”), 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 expires.

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) 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 least 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 a provision for impairment. Discounting is omitted when the effect is immaterial. The Group has classified its cash and cash equivalents and accounts receivable as loans and receivables.

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

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 Group 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 Group 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 Group does not have any available-for-sale financial assets.

vii. Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include debt and 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.

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 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 period, 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 Group 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 Group 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.

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; 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 Group 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 Group records proceeds from share issuances, net of issue costs and any tax effects, in equity. Common shares held by the Group 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 Group 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 profit and loss, with an offsetting credit to contributed surplus, over the vesting period. If and when the share options are exercised, the applicable original amounts of contributed surplus are transferred to share 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 contributed surplus and credited to profit or loss. For those share options that expire unexercised after vesting, the recorded value remains in contributed surplus.

q) *Earnings (loss) per share*

Basic earnings (loss) per share ("EPS") is computed by dividing the profit or loss applicable to equity owners of the Group by the weighted average number of common shares issued and outstanding for the relevant period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. Stock options and warrants are included in the calculation of diluted EPS 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. Recent Accounting Pronouncements

a) *Accounting standards issued but not yet effective*

IFRS 9: *Financial Instruments* will replace International Accounting Standards ("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 is effective for annual periods beginning on or after January 1, 2018.

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. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption of this standard permitted.

Neither IFRS 9 nor IFRS 15 will have a significant impact on the Group's financial results.

(Expressed in Canadian dollars)

IFRS 16: *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, operating leases become an on-balance sheet liability that attracts interest, together with a corresponding right-of-use asset, which will be depreciated. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

The Group will continue to assess the impact of adopting this standard on its financial statements.

b) *Change in accounting policy*

The Company has adopted the disclosure requirements in Disclosure Initiative (Amendments to IAS 7), which came into effect on January 1, 2017. Consequently, the Company has provided additional disclosure in relation to the changes in borrowings arising from financing activities for the year ended December 31, 2017.

5. Acquisitions

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 were included in the 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 fair value of the net identifiable assets 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)

The Company acquired the following property 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 profit and loss as professional fees. This amount 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 the acquisition date were $4,626,788 and $898,269 respectively.

Data prior to the acquisition, pro forma profit and 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**

6. Accounts Receivable

		December 31, 2017		December 31, 2016
Trade receivables	**$**	**3,872,591**	$	3,409,367
Sales tax and other receivable		**262,184**		38,950
	$	**4,134,775**	$	3,448,317

Trade receivables include an allowance of doubtful amounts of $14,440 as at December 31, 2017 (2016 - $15,340).

7. Inventory

		December 31, 2017		December 31, 2016
Raw materials and parts	**$**	**1,894,552**	$	923,028
Work in progress		**427,090**		444,765
Finished goods		**2,192,660**		3,253,515
Allowance for obsolescence		**-**		(168,339)
	$	**4,514,302**	$	4,452,969

During the year ended December 31, 2017, an allowance of $nil (December 31, 2016 - $168,339) was recorded in profit or loss. Amortization and depreciation of $25,800 is included in inventory for the year ended December 31, 2017 (December 31, 2016 - $14,864).

(Expressed in Canadian dollars)

8. Property and Equipment

	Automotive	Manufacturing Equipment	Office Equipment	Computer Equipment	Portable Structures	Leasehold Improvements	Total
Cost							
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
Effect of movements in exchange rates	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**
Additions	-	147,890	10,842	226,127	-	20,623	405,482
Disposals	(6,996)	-	-	-	-	-	(6,996)
Effect of movements in exchange rates	(6,973)	(23,662)	(1,321)	(6,213)	-	(6,098)	(44,267)
Balance, December 31, 2017	**$ 81,839**	**$ 1,651,914**	**$ 36,339**	**$ 543,597**	**$ 9,196**	**$ 205,626**	**$ 2,528,511**
Accumulated Depreciation							
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
Disposals	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	-
Balance, December 31, 2016	**$ 16,442**	**$ 236,990**	**$ 6,013**	**$ 119,498**	**$ 1,609**	**$ 94,740**	**$ 475,292**
Depreciation	22,800	269,200	5,100	94,400	2,300	42,700	436,500
Disposals	-						-
Effect of movements in exchange rates	(1,035)	(5,848)	(100)	(2,481)	-	(602)	(10,066)
Balance, December 31, 2017	**$ 38,207**	**$ 500,342**	**$ 11,013**	**$ 211,417**	**$ 3,909**	**$ 136,838**	**$ 901,726**
Net Book Value							
Balance, December 31, 2016	$ 79,366	$ 1,290,696	$ 20,805	$ 204,185	$ 7,587	$ 96,361	$ 1,699,000
Balance, December 31, 2017	$ 43,632	$ 1,151,572	$ 25,326	$ 332,180	$ 5,287	$ 68,788	$ 1,626,785

(Expressed in Canadian dollars)

9. Intangible Assets

		Manufacturing Technology		Customer Relationships		Brand		Total
Cost								
Balance, December 31, 2015	$	1,189,113	$	442,116	$	1,039,679	$	2,670,908
Additions		-		-		-		-
Acquired through business combination		430,000		3,350,000		130,000		3,910,000
Disposals		-		-		-		-
Effect of movements in exchange rates		17,510		118,314		(58,692)		77,132
Balance, December 31, 2016	**$**	**1,636,623**	**$**	**3,910,430**	**$**	**1,110,987**	**$**	**6,658,040**
Additions		-		-		-		-
Disposals		-		-		-		-
Effect of movements in exchange rates		(39,808)		(334,674)		(98,827)		(473,309)
Balance, December 31, 2017	**$**	**1,596,815**	**$**	**3,575,756**	**$**	**1,012,160**	**$**	**6,184,731**
								-
Accumulated Depreciation								-
Balance, December 31, 2015	$	101,668	$	70,239	$	-	$	171,907
Depreciation for the period		140,130		252,196		-		392,326
Effect of movements in exchange rates		-		-		-		-
Balance, December 31, 2016	**$**	**241,798**	**$**	**322,435**	**$**	**-**	**$**	**564,233**
Depreciation for the period		161,900		377,300		-		539,200
Effect of movements in exchange rates		(1,913)		(23,858)		-		(25,771)
Balance, December 31, 2017	**$**	**401,785**	**$**	**675,877**	**$**	**-**	**$**	**1,077,662**
Carrying amount								-
Balance, December 31, 2016	$	1,394,825	$	3,587,995	$	1,110,987	$	6,093,807
Balance, December 31, 2017	$	1,195,030	$	2,899,879	$	1,012,160	$	5,107,069

10. Goodwill

		Goodwill
Balance, December 31, 2015	**$**	**1,662,373**
Additions		-
Acquired through business combination		1,596,828
Increase in prior year combination		39,058
Deferred income tax liability attributed through business combination		1,369,000
Disposals		-
Effect of movements in exchange rates		52,728
Balance, December 31, 2016	**$**	**4,719,987**
Additions		-
Disposals		-
Effect of movements in exchange rates		(274,566)
Balance, December 31, 2017	**$**	**4,445,421**

For the purpose of impairment testing for 2017, goodwill and intangible assets with indefinite lives acquired through business combinations are allocated to the Blaze King and Unicast CGU’s.

(Expressed in Canadian dollars)

The Company performed the annual impairment tests of goodwill and indefinite life intangible assets for Blaze King and Unicast as at December 31, 2017 and 2016. 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 3.8% (2016 – 6.0%) for Blaze King and 4.8% (2016 – 5.0%) for Unicast, and pre-tax discount rates of 16.6% (2016 – 13.8%) for Blaze King, and 17.4% (2016 – 15.8%) 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, 2017 and 2016.

11. Accounts Payable and Accrued Liabilities

		December 31, 2017		December 31, 2016
Trade payables	**$**	**2,597,325**	$	1,649,203
Wages payable		**505,609**		445,423
Due to (from) former shareholders of Unicast Inc.		**(6,099)**		62,577
Income taxes payable		**513,540**		195,352
	$	**3,610,375**	$	2,352,555

12. Warranty Provision

		December 31, 2017		December 31, 2016
Warranty provision - opening	**$**	**201,203**	$	117,696
Warranty provision on acquisition		**-**		144,144
Warranty charges incurred		**(99,127)**		(82,633)
Warranty provision included in cost of goods sold		**237,390**		21,996
	$	**339,466**	$	201,203

(Expressed in Canadian dollars)

13. Long-term Debt

		December 31, 2017		December 31, 2016
Loan 1 [(1)]	**$**	**8,145,833**	$	-
Loan 2 [(2)]		**-**		5,270,833
Loan 3 [(3)]		**-**		2,887,500
Loan 4 [(4)]		**-**		77,217
Loan 5 [(5)]		**292,454**		393,010
		8,438,287		8,628,560
Less: current portion		**(928,000)**		(1,002,200)
Long-term portion	**$**	**7,510,287**	$	7,626,360
Less: debt issuance costs		**(37,434)**		-
Total long-term debt	**$**	**7,472,853**	$	7,626,360

On June 21, 2017, the Group refinanced their debt facilities with a Canadian financial institution, as follows:

- The Company has an unused operating loan facility authorized up to $4,000,000 (December 31, 2016 - $3,100,000, expandable to $3,600,000 for the months of June, July and August), bearing interest at the lender's prime rate plus 0.75%.

- The Company has an unused equipment financing revolving line facility authorized up to $1,000,000 (December 31, 2016 - $nil), bearing interest at the lender's base leasing rate, plus a spread to be determined at the time of the transaction.

- The operating loan facility and the debt are secured by a general security agreement, assignment of insurance, and unlimited corporate cross guarantees. Additionally, the Group has agreed to maintain the following ratios (defined in the lending agreement) on a consolidated trailing 12-month basis, otherwise outstanding facilities are due on demand:

  - Maximum total funded debt to EBITDA of 3.5:1
  - Minimum Fixed Charge Coverage ratio of 1.1:1 (amended to 1.0:1 for the period ending December 31, 2017)

As at December 31, 2017, the Group was in compliance with these ratios.

Prior to December 31, 2017, management obtained an agreement from the lender to amend the minimum fixed charge coverage ratio to 1.0:1 for the fourth quarter, reverting back to 1.1:1 at March 31, 2018.

Three term loans amounting to $7,774,250 (Loans 2, 3 and 4) were replaced with one term loan of $8,500,000 (Loan 1), as follows:

- [(1)]Loan 1: Entered into in June 2017 to refinance the loans 2, 3 and 4. The principal amount of $8,500,000 is amortized over ten years and repayable in monthly instalments of $70,833 plus interest at the lender's prime rate plus 1.25%. The loan is due June 2020.

- [(2)]Loan 2: Term loan entered into in February 2016 to finance the acquisition of Blaze King, repayable in monthly instalments of $29,167 plus interest at the lender's prime rate plus 1.5%.

(Expressed in Canadian dollars)

- (3)Loan 3: Term loan entered into in April 2016 repayable in monthly instalments of $1,883 plus interest at the lender's prime rate plus 1.5%.

- (4)Loan 4: Term loan entered into in June 2016 to finance the acquisition of Unicast, repayable in monthly instalments of $45,833 plus interest at the lender's prime rate plus 1.5%.

- (5)Loan 5: Term loan entered into in July 2016 to finance the acquisition of property and equipment repayable in monthly instalments of USD$5,865 including interest at the rate of 4.15%, maturing in July 2021.

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

2018	$	928,000
2019		931,000
2020		6,530,000
2021		49,287
		8,438,287
Less: current portion		(928,000)
Long-term portion	$	7,510,287

14. Income Tax

For the year ended December 31, 2017, the Company recognized $609,000 of deferred tax recoveries (2016 - $232,000). The deferred tax recovery in fiscal 2017 relates primarily 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, 2017, the Company incurred $674,000 of current tax expense (2016 - $229,000). The increase in current tax expense in fiscal 2017 primarily relates to the increase in taxable income from the operations of VCSI and Blaze King USA.

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, 2017 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.

(Expressed in Canadian dollars)

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

		December 31, 2017		December 31, 2016
Profit (loss) before income taxes	**$**	**573,837**	$	(466,214)
Combined Canadian federal and provincial income tax rates		**26%**		26%
Expected income tax expense (recovery)		**149,200**		(121,200)
Items that cause an increase (decrease):				
Permanent differences		**456,600**		327,000
Differing tax rates in foreign jurisdiction		**(55,800)**		3,000
Change in unrecognized temporary differences		**(113,600)**		(275,000)
Adjustment to prior year's provision and other		**(371,400)**		63,200
Income tax expense (recovery)	**$**	**65,000**	$	(3,000)

		December 31, 2017		December 31, 2016
Current income tax expense	**$**	**674,000**	$	229,000
Deferred income tax recovery		**(609,000)**		(232,000)
Income tax expense (recovery)	**$**	**65,000**	$	(3,000)

b) Deferred tax assets and liabilities

The composition of the Company's net deferred income tax liabilities at December 31, 2017 and 2016 are as follows:

		December 31, 2017		December 31, 2016
Deferred income tax assets (liabilities):				
Property and equipment	**$**	**(165,000)**	$	(147,000)
Tax reserves deductible in the future		**91,000**		35,000
Intangible assets and other		**(1,285,000)**		(1,855,787)
Deferred income tax liability	**$**	**(1,359,000)**	**$**	(1,967,787)

The significant components of the Company's unrecognized deductible temporary differences at December 31, 2017 and 2016 are as follows:

		December 31, 2017		December 31, 2016
Deductible temporary differences:				
Share issuance costs	**$**	**115,000**	$	146,000
Non-capital losses		**-**		7,000
Deductible temporary differences	**$**	**115,000**	$	153,000

(Expressed in Canadian dollars)

c) Non-capital losses and unused tax credits

At December 31, 2017, the Company has losses for income tax purposes in Canada of $nil (2016 - $28,000) which can be used to reduce annual taxable income. At December 31, 2017, the Company has deductible share issuance costs carried forward of $389,000 (2016 - $561,000) which may be used to reduce future taxable income. The deductions have no expiry period.

15. Share Capital

a) Shares issued and outstanding

	Shares		Amount
Balance as at December 31, 2015	3,750,570	$	4,378,009
Shares issued under ESPP	10,830		35,197
Shares issued for cash	1,659,114		4,977,342
Shares issued to acquisition vendors	516,996		1,654,387
Less: share issuance costs	-		(664,006)
Exercise of stock options	76,000		287,520
Exercise of agent warrants	42,985		124,041
Common shares issued, December 31, 2016	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**
Shares issued under ESPP	25,793		86,979
Exercise of stock options	24,500		92,688
Exercise of agent warrants	67,588		306,706
Acquisition vendor shares released from escrow	73,333		234,666
Balance as at December 31, 2017	**5,954,377**	**$**	**10,574,867**

The Company had the following capital stock transactions for the period ended December 31, 2017:

(i) During the year ended December 31, 2017, the Company issued 21,704 common shares from treasury which are held in escrow (the “Escrow ESPP Shares”) for a period of twelve months pursuant to the Employee Share Purchase Plans (the “ESPP”), for a value of $74,957. The Escrow ESPP Shares were valued based on an average closing price of $3.45 per share. Pursuant to the ESPP, employees may request to purchase a select number of shares from the Group by paying upfront or the Group will provide a loan to the employee repayable over twelve months. Subject to certain restrictions, employees will receive one additional common share eighteen months from the date of initial purchase for every three common shares acquired. As at December 31, 2017, $17,882 (December 31, 2016 - $7,321) was owed to the Group by employees relating to the ESPP.

During the year ended December 31, 2017, the Company issued 4,089 common shares from treasury pursuant to the ESPP on March 1, 2016. The additional shares were valued at $2.94 per share, for a total value of $12,022.

(ii) During the year ended December 31, 2017, the Company issued 24,500 common shares on the exercise of stock options for a value of $92,688.

(iii) During the year ended December 31, 2017, the Company issued 67,588 common shares on the exercise of agent warrants for a value of $306,706.

(iv) During the year ended December 31, 2017, the Company released from escrow 73,333 common shares related to the Unicast acquisition that had been issued as contingent compensation related to the Unicast acquisition, and so prior to release, were considered issued but not outstanding.

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

(i) On March 1, 2016, the Company issued 10,830 common shares from treasury which are held in escrow for a period of twelve months pursuant to the Blaze King 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/vest over twelve months, the employees may pay upfront or over twelve months, and the employees will receive an additional common share on maturity for every common shares purchased. As at December 31, 2016, $17,248 (December 31, 2015 - $nil) of amounts are owed to the Company by Blaze King employees relating to the ESPP.

(ii) 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.

(iii) 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 were 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 were 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 share-based payment award expense of $254,221 related to the Contingent Shares.

(iv) 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.

(v) During the year ended December 31, 2016, the Company issued 42,985 common shares on the exercise of agent warrants for a value of $124,041.

(Expressed in Canadian dollars)

Common shares that remain in escrow are as follows:

	December 31, 2017	December 31, 2016
In relation to:		
The Company's qualifying transaction	**142,125**	426,375
Acquisition of Blaze King	**49,500**	148,500
Acquisition of Unicast	**274,998**	366,664
	466,623	941,539

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. As of February 25, 2017, all remaining outstanding warrants that were not exercised expired.

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.

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, 2015	63,078	2.00	0.88	-
Warrants issued in the period	102,483	3.00	2.16	1.50
Warrants exercised in the period	(42,985)	2.00	0.88	-
Outstanding and exercisable, December 31, 2016	**122,576**	**$ 2.84**	**$ 1.95**	**0.79**
Warrants issued in the period	-	-	-	-
Warrants exercised in the period	(67,588)	2.67	1.79	-
Warrants expired during the period	(1,125)	2.00	0.88	-
Outstanding and exercisable, December 31, 2017	**53,863**	**$ 3.00**	**$ 2.16**	**0.46**

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% 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.

(Expressed in Canadian dollars)

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, 2015	143,000		2.00		1.78	3.50
Options issued during the period	463,500		3.00		1.93	9.50
Options exercised during the period	(76,000)		2.00		1.78	-
Outstanding and exercisable, December 31, 2016	**530,500**	**$**	**2.87**	**$**	**1.91**	**8.71**
Options issued during the period	-		-		-	-
Options exercised during the period	(24,500)		2.00		1.78	-
Outstanding and exercisable, December 31, 2017	**506,000**	**$**	**2.92**	**$**	**1.91**	**7.89**

16. Dividends

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

The following dividends were declared and paid during the year ended December 31, 2017 and December 31, 2016, other than the December 31, dividends which are paid subsequent to year end:

	2017				**2016**			
Month		**Per share ($)**		**Dividend Amount ($)**		**Per share ($)**		**Dividend Amount ($)**
January	$	0.025	$	151,668	$	0.025	$	93,764
February		0.025		152,531		0.025		93,765
March		0.03		184,082		0.025		94,335
April		0.03		184,082		0.025		94,335
May		0.03		184,082		0.025		94,335
June		0.03		184,082		0.025		150,138
July		0.03		184,113		0.025		150,138
August		0.03		184,113		0.025		151,212
September		0.03		184,265		0.025		151,211
October		0.03		184,265		0.025		151,211
November		0.03		184,663		0.025		151,212
December		0.03		185,230		0.025		151,412
Total	**$**	**0.350**	**$**	**2,147,176**	**$**	**0.300**	**$**	**1,527,068**

(Expressed in Canadian dollars)

17. Manufacturing Costs

		December 31, 2017		December 31, 2016
Labour and materials	**$**	**10,727,637**	$	8,055,703
Freight and shipping		**1,254,172**		956,220
Depreciation		**231,870**		193,071
Fair value adjustment of Unicast inventory on acquisition		**835,486**		460,082
Inventory obsolescence allowance		**-**		168,339
Warranty charges		**237,390**		21,996
	$	**13,286,555**	$	9,855,411

18. Financing Costs

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

		December 31, 2017		December 31, 2016
Interest and bank charges	**$**	**133,647**	$	95,964
Interest on long-term debt		**367,959**		310,385
Foreign exchange losses		**541,350**		251,356
	$	**1,042,956**	$	657,705

19. Working Capital

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

		December 31, 2017		December 31, 2016
Accounts receivable	**$**	**(481,725)**	$	(274,790)
Inventory		**(61,333)**		832,415
Prepaid expenses and deposits		**(63,748)**		55,441
Accounts payable and accrued liabilities		**429,411**		831,175
Customer deposits		**(29,961)**		93,120
Warranty provision		**138,263**		(60,637)
	$	**(69,093)**	$	1,476,724

20. Financial Instruments and Risk Management

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

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

The Group's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current period.

b) *Fair value disclosures*

At December 31, 2017 and 2016, long-term debt is measured and recognized in the consolidated statement of financial position at fair value as a level 2 financial instrument. Management determined that the fair value of the debt approximates fair value due to its floating interest rate and financial covenants.

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.

c) *Financial risk management*

The Group's activities expose it to a variety of financial risks. The Group 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 Group's financial performance, where financially feasible to do so.

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

(Expressed in Canadian dollars)

i. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. To mitigate this risk, the Group has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Group's cash and cash equivalents are held in business accounts which are available on demand for the Group's programs.

The contractual maturities of financial instruments are as follows:

2017	**Carrying value**	**Total contractual cash flows**	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Accounts payable	$ 3,610,375	$ 3,610,375	$ 3,610,375	$ -	$ -
Dividends payable	185,230	185,230	185,230	-	-
Long-term debt	8,400,853	9,280,743	1,286,344	7,994,399	-
Leases	849,743	849,743	320,870	513,033	15,840
	$ 13,046,201	$ 13,926,091	$ 5,402,819	$ 8,507,432	$ 15,840

2016	**Carrying value**	**Total contractual cash flows**	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Accounts payable	$ 2,352,555	$ 2,352,555	$ 2,352,555	$ -	$ -
Dividends payable	151,412	151,412	151,412	-	-
Long-term debt	8,628,560	9,453,477	1,346,489	5,249,950	2,857,038
Leases	977,840	977,840	273,842	703,998	-
	$ 12,110,367	$ 12,935,284	$ 4,124,298	$ 5,953,948	$ 2,857,038

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 Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-off exists and also includes the fair values contracts with individual counterparties which are recorded in the financial statements.

The Group's credit risk is predominantly limited to cash and cash equivalent balances held in financial institutions, and the recovery of the Group's accounts receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At December 31,2017, the Group expects to recover the full amount of such assets, less any allowance for doubtful accounts in accounts receivable (note 6).

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

	December 31, 2017		December 31, 2016	
Current	**$ 1,859,951**	***48.0%***	$ 2,022,261	*59.3%*
31-60 days	**1,315,851**	***34.0%***	813,701	*23.9%*
61-90 days	**133,720**	***3.5%***	192,595	*5.6%*
>90 days	**563,069**	***14.5%***	380,810	*11.2%*
	$ 3,872,591	***100.0%***	$ 3,409,367	*100.0%*

(Expressed in Canadian dollars)

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

Cash and cash equivalents are only deposited with or held by major financial institutions where the Group conducts its business. In order to manage credit and liquidity risk, the Group 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 Group believes to be of sound creditworthiness.

iii. Currency risk

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

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

	Entities with a CAD functional currency		Entities with a USD functional currency		
2017	**CAD**	**USD**	**CAD**	**USD**	**Total**
Cash	$ 86,245	$ 933,783	$ (262,923)	$ 426,505	**$ 1,183,610**
Accounts receivable	758,746	-	717,803	2,658,226	**4,134,775**
Accounts payable	(1,378,994)	-	(390,321)	(1,841,060)	**(3,610,375)**
Dividend payable	(185,230)	-	-	-	**(185,230)**
Long-term debt	(456,243)	(292,454)	(7,652,156)	-	**(8,400,853)**
Net exposure	(1,175,476)	641,329	(7,587,597)	1,243,671	**(6,878,073)**
5% strengthening USD vs. CAD:					
Impact on profit (loss)		$ 32,066	$ 379,380		**$ 411,446**

	Entities with a CAD functional currency		Entities with a USD functional currency		
2016	**CAD**	**USD**	**CAD**	**USD**	**Total**
Cash	$ 816,303	$ 162,110	$ 126,612	$ 342,426	**$ 1,447,451**
Accounts receivable	651,395	-	396,418	2,400,504	**3,448,317**
Accounts payable	(858,459)	-	(454,547)	(1,039,549)	**(2,352,555)**
Dividend payable	(151,412)	-	-	-	**(151,412)**
Long-term debt	(245,836)	(393,010)	(7,989,714)	-	**(8,628,560)**
Net exposure	211,991	(230,900)	(7,921,231)	1,703,381	**(6,236,759)**
5% strengthening USD vs. CAD:					
Impact on profit (loss)		$ (11,545)	$ 396,062		**$ 384,517**

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

(Expressed in Canadian dollars)

iv. Interest rate risk

The Group is exposed to interest rate risk on its credit facility and long-term debt due to the interest rate on these facilities being variable. The Group does not enter into derivative contracts to manage this risk.

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

Interest rate risk		**December 31, 2017**		December 31, 2016
Floating instruments	**$**	**8,400,853**	$	8,628,560
Average balance		**8,646,707**		5,933,030
+1%		**86,500**		59,300
-1%	**$**	**(86,500)**	$	(59,300)

21. Management of Capital

The Company's objectives when managing capital are to safeguard the Group'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 Group 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.

As noted in note 13, the Group is subject to certain external minimum capital requirements including, but not limited to, maximum debt to earnings ratios and minimum fixed charge coverage ratios. Additionally, the Group's operating line limit is subject to specific working capital criteria.

For the years ended December 31, 2017, and 2016, there were no changes in the Company's capital management policy.

The capital of the Group is calculated by management, as follows:

		December 31, 2017		December 31, 2016
Equity	**$**	**7,361,455**	$	8,819,581
Long-term debt		**8,400,853**		8,628,560
		15,762,308		17,448,141
Less: cash and cash equivalents		**(1,183,610)**		(1,447,451)
	$	**14,578,698**	$	16,000,690

(Expressed in Canadian dollars)

22. Related Party Transactions

The Group's related parties consist of directors, officers and key management or companies associated with them.

The Company incurred legal fees of $6,045 (2016 - $32,072) with a law firm in which two directors of the Company were either a partner or employee during the year. The amount outstanding at year-end was $nil (2016 - $700).

As disclosed in note 15, 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.

Pursuant to the Unicast acquisition (note 5), the Group received $62,577 during the year ended December 31, 2016 which, as per required working capital adjustments, was paid to the vendors.

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 salaries, wages and benefits expense.

Key management compensation includes:

		December 31, 2017		December 31, 2016
Salaries and benefits	**$**	**167,515**	$	150,672
Share-based payments		**-**		892,746
	$	**167,515**	$	1,043,418

23. Commitments and Contingencies

On January 3, 2017, the Company announced that it had been made aware of a notice of motion filed with the Ontario Superior Court by Constance Weller, Gerald Weller, 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 Company's subsidiaries, Valley Comfort Systems Inc. and Blaze King Industries Canada Ltd. as defendants to the Claim.

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

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

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

(Expressed in Canadian dollars)

A summary of the undiscounted liabilities and future operating commitments at December 31, 2017 are as follows:

	Total	Within One Year	Two to Five Years
Operating leases	$ 849,743	$ 320,870	$ 528,873

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.

24. Segmented Information

The Group's reporting is prepared on a geographic and consolidated basis as determined by the requirements of the Chief Executive Officer as the chief operating decision maker for the Group. The Company identifies and tracks the operations of its subsidiaries, Valley Comfort, Blaze King USA and Unicast, separately. Due to the direct and integrated relationship of Blaze King, whereby Valley Comfort is the manufacturer and Canadian wholesaler, and Blaze King USA is the United States wholesaler, the Group has determined that for segmentation purposes, they are considered one segment. In addition to Blaze King 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 Group's segment reporting for the years ended December 31, 2017 and 2016 is as follows:

December 31, 2017	Blaze King	Unicast	Head Office	Total
Sales	$ 14,945,189	$ 8,505,635	$ -	$ 23,450,824
Manufacturing costs	8,784,773	4,501,782	-	13,286,555
Gross margin	6,160,416	4,003,853	-	10,164,269
Profit (loss) before taxes	1,567,321	396,331	(1,389,815)	573,837
Income tax expense (recovery)	146,200	(93,000)	11,800	65,000
Profit (loss) for the period	1,421,121	489,331	(1,401,615)	508,837
Total comprehensive profit (loss) for the period	$ 1,110,753	$ 259,857	$ (1,401,615)	$ (31,005)

December 31, 2016	Blaze King	Unicast	Head Office	Total
Sales	$ 12,885,922	$ 4,878,143	$ -	$ 17,764,065
Manufacturing costs	7,672,114	2,183,297	-	9,855,411
Gross margin	5,213,808	2,694,846	-	7,908,654
Profit (loss) before taxes	815,373	927,269	(2,208,856)	(466,214)
Income tax expense (recovery)	(32,000)	29,000	-	(3,000)
Profit (loss) for the period	847,373	898,269	(2,208,856)	(463,214)
Total comprehensive profit (loss) for the period	$ 640,196	$ 917,935	$ (2,208,856)	$ (650,725)

(Expressed in Canadian dollars)

The following is the geographic breakdown of revenues for the year ended December 31, 2017 and 2016 based on the location of the customer:

	December 31, 2017	December 31, 2016
Canada	$ **6,587,828**	$ 6,403,297
United States	**14,864,511**	10,589,383
Other	**1,998,485**	771,385
	$ **23,450,824**	$ 17,764,065

The Group's segment reporting as at December 31, 2017 and December 31, 2016 is as follows:

December 31, 2017	**Blaze King**	**Unicast**	**Head Office**	**Total**
Total current assets	$ 5,512,794	$ 4,591,728	$ 35,741	$ 10,140,263
Total current liabilities	1,406,413	3,291,685	428,132	5,126,230
Total assets	10,332,616	10,951,181	35,741	21,319,538
Total liabilities	$ 2,449,617	$ 3,170,684	$ 8,337,782	$ 13,958,083

December 31, 2016	**Blaze King**	**Unicast**	**Head Office**	**Total**
Total current assets	$ 4,453,847	$ 4,776,891	$ 470,686	$ 9,701,424
Total current liabilities	1,003,633	2,081,467	715,390	3,800,490
Total assets	9,582,519	12,161,013	470,686	22,214,218
Total liabilities	$ 1,777,225	$ 8,364,518	$ 3,252,894	$ 13,394,637

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

25. Events after the Reporting Period

Subsequent to December 31, 2017 and before these financial statements were authorized, the Group announced the following dividends:

- a dividend of $0.03 per share was declared on January 15, 2018 for shareholders of record on January 31, 2018, and was paid on February 15, 2018;

- a dividend of $0.03 per share was declared on February 15, 2018 for shareholders of record on February 28, 2018, and was paid on March 15, 2018; and

- a dividend of $0.03 per share was declared on March 15, 2018 for shareholders of record on March 31, 2018 and will be paid on April 15, 2018.