

Financial Statements of



# Decisive Dividend

— Corporation —

For the six months ended June 30, 2023

**Consolidated Statements of Financial Position**

(Unaudited - Expressed in thousands of Canadian dollars)

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Cash	\$ 3,589	\$ 4,734
Accounts receivable	20,430	16,380
Inventory	23,363	14,940
Prepaid expenses and deposits	1,676	2,433
<b>Total current assets</b>	<b>49,058</b>	<b>38,487</b>
Property and equipment	16,851	12,299
Intangible assets	26,780	21,174
Goodwill	32,936	26,474
<b>Total assets</b>	<b>\$ 125,625</b>	<b>\$ 98,434</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 21,742	\$ 17,909
Dividends payable (note 8)	611	447
Warranty provision	593	579
Customer deposits	1,900	344
Current portion of lease obligations (note 5)	1,542	1,279
Current portion of long-term debt (note 6)	222	-
<b>Total current liabilities</b>	<b>26,610</b>	<b>20,558</b>
Lease obligations (note 5)	5,205	5,059
Long-term debt (note 6)	37,143	32,669
Deferred income taxes	8,322	6,018
<b>Total liabilities</b>	<b>77,280</b>	<b>64,304</b>
<b>Equity</b>		
Share capital (note 7)	57,830	44,094
Contributed surplus	1,543	1,028
Cumulative profit	10,036	6,869
Cumulative dividends (note 8)	(22,941)	(19,686)
	<b>46,468</b>	<b>32,305</b>
Accumulated other comprehensive income	1,877	1,825
<b>Total equity</b>	<b>48,345</b>	<b>34,130</b>
<b>Total liabilities and equity</b>	<b>\$ 125,625</b>	<b>\$ 98,434</b>

Approved on behalf of the Board of Directors:

"James Paterson" Director

"Michael Conway" Director

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

**Consolidated Statements of Profit and Comprehensive Income**

(Unaudited - Expressed in thousands of Canadian dollars, except per share amounts)

June 30,	For the Three Months Ended		For the Six Months Ended	
	2023	2022	2023	2022
<b>Sales</b> (note 9)	\$ 30,706	\$ 23,189	\$ 61,559	\$ 41,878
<b>Manufacturing costs</b> (note 10)	19,207	15,433	38,939	27,924
<b>Gross profit</b>	11,499	7,756	22,620	13,954
<b>Expenses</b>				
Amortization and depreciation	1,170	795	2,102	1,335
Financing costs (note 11)	881	657	1,636	1,112
Occupancy costs	523	330	999	644
Professional fees	907	460	1,303	667
Salaries, wages and benefits	4,197	3,180	8,368	5,773
Selling, general and administration	1,900	1,393	3,736	2,577
	9,578	6,815	18,144	12,108
<b>Operating profit</b>	1,921	941	4,476	1,846
<b>Other items</b>				
Interest income	8	4	26	8
Foreign exchange gains (losses)	(18)	291	24	197
Gain on sale of equipment	-	9	69	9
	(10)	304	119	214
<b>Profit before income taxes</b>	1,911	1,245	4,595	2,060
<b>Income taxes</b>				
Current expense	929	439	1,836	763
Deferred recovery	(219)	(78)	(408)	(99)
	710	361	1,428	664
<b>Profit</b>	\$ 1,201	\$ 884	\$ 3,167	\$ 1,396
<b>Other comprehensive income (loss)</b>				
Foreign operation currency translation differences	(210)	36	52	9
<b>Total comprehensive income</b>	\$ 991	\$ 920	\$ 3,219	\$ 1,405
<b>Profit per share</b>				
Basic	0.07	0.07	0.20	0.11
Diluted	0.06	0.07	0.18	0.11
<b>Weighted average number of shares outstanding (000s):</b>				
Basic	17,100	12,509	16,050	12,331
Diluted	18,576	13,144	17,490	12,935

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

**Consolidated Statements of Changes in Equity**

(Unaudited - Expressed in thousands of Canadian dollars)

	Share Capital		Contributed	Deficit		Accumulated Other Comprehensive Income	Total Equity
	Number (000s)	Amount		Cumulative Dividends	Cumulative Profit		
<b>For the Six Months Ended June 30, 2023 and 2022</b>							
Balance, January 1, 2022	12,093	\$ 32,818	\$ 1,282	\$ (15,117)	\$ 2,785	\$ 454	\$ 22,222
Shares issued under ESPP	50	204	33	-	-	-	237
Shares issued under DRIP	72	296	-	-	-	-	296
Exercise of stock options	152	742	(284)	-	-	-	458
Share-based payment awards	-	-	65	-	-	-	65
Shares purchased and cancelled under NCIB	(4)	(17)	-	-	-	-	(17)
Shares issued to vendors on business acquisitions	235	1,000	-	-	-	-	1,000
Total comprehensive income for the period	-	-	-	-	1,396	9	1,405
Dividends declared	-	-	-	(2,044)	-	-	(2,044)
<b>Balance, June 30, 2022</b>	<b>12,598</b>	<b>\$ 35,043</b>	<b>\$ 1,096</b>	<b>\$ (17,161)</b>	<b>\$ 4,181</b>	<b>\$ 463</b>	<b>\$ 23,622</b>
<b>Balance, January 1, 2023</b>	<b>14,888</b>	<b>44,094</b>	<b>1,028</b>	<b>(19,686)</b>	<b>6,869</b>	<b>1,825</b>	<b>34,130</b>
Shares issued under ESPP (note 7)	76	430	58	-	-	-	488
Shares issued under DRIP (note 7)	152	863	-	-	-	-	863
Exercise of stock options (note 7)	107	354	(151)	-	-	-	203
Exercise of warrants (note 7)	13	76	312	-	-	-	388
Share-based payment awards (note 7)	-	-	296	-	-	-	296
Shares issued to vendors on business acquisitions (note 7)	269	1,837	-	-	-	-	1,837
Shares issued for cash proceeds (note 7)	1,964	11,294	-	-	-	-	11,294
Share issuance costs (note 7)	-	(1,118)	-	-	-	-	(1,118)
Total comprehensive income for the period	-	-	-	-	3,167	52	3,219
Dividends declared (note 8)	-	-	-	(3,255)	-	-	(3,255)
<b>Balance, June 30, 2023</b>	<b>17,469</b>	<b>\$ 57,830</b>	<b>\$ 1,543</b>	<b>\$ (22,941)</b>	<b>\$ 10,036</b>	<b>\$ 1,877</b>	<b>\$ 48,345</b>

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

**Consolidated Statements of Cash Flows**

(Unaudited - Expressed in thousands of Canadian dollars)

June 30,	For the Three Months Ended		For the Six Months Ended	
	2023	2022	2023	2022
<b>Operating activities</b>				
Profit	\$ 1,201	\$ 884	\$ 3,167	\$ 1,396
Adjusted by:				
Amortization and depreciation	1,771	1,140	3,091	2,016
Financing costs	881	657	1,636	1,112
Share-based compensation	115	28	354	98
Foreign exchange (gains) losses	18	(291)	(24)	(197)
Gain on sale of equipment	-	(9)	(69)	(9)
Income tax expense	709	361	1,428	664
	4,695	2,770	9,583	5,080
Changes in non-cash working capital (note 12)	2,311	(1,327)	(1,286)	(2,799)
	7,006	1,443	8,297	2,281
Income taxes refunded (paid)	(11)	51	(1,333)	(991)
Cash provided by operating activities	6,995	1,494	6,964	1,290
<b>Financing activities</b>				
Proceeds from issuance of shares	10,685	356	11,205	651
Dividends paid (note 8)	(1,257)	(889)	(2,236)	(1,678)
Proceeds from long-term debt	5,981	9,996	5,981	10,296
Repayment of long-term debt	(1,337)	-	(1,944)	-
Debt issuance costs	-	(26)	-	(26)
Lease payments	(373)	(305)	(689)	(592)
Interest paid	(836)	(614)	(1,547)	(1,028)
Cash provided by financing activities	12,863	8,518	10,770	7,623
<b>Investing activities</b>				
Acquisitions (note 4)	(17,389)	(8,646)	(17,389)	(8,646)
Purchase of property and equipment	(932)	(385)	(1,653)	(612)
Proceeds from sale of property and equipment	-	17	81	17
Cash used in investing activities	(18,321)	(9,014)	(18,961)	(9,241)
<b>Increase (decrease) in cash during the period</b>	<b>1,537</b>	<b>998</b>	<b>(1,227)</b>	<b>(328)</b>
<b>Cash, beginning of period</b>	<b>2,041</b>	<b>817</b>	<b>4,734</b>	<b>2,143</b>
<b>Effect of movements in exchange rates</b>	<b>11</b>	<b>(5)</b>	<b>82</b>	<b>(5)</b>
<b>Cash, end of period</b>	<b>\$ 3,589</b>	<b>\$ 1,810</b>	<b>\$ 3,589</b>	<b>\$ 1,810</b>

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

## Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2023 and 2022

(Unaudited -Expressed in thousands of Canadian dollars, except per share amounts)

---

### 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, trading under the symbol “DE”. The address of the Company’s head office is #260 – 1855 Kirschner Road, Kelowna, B.C. V1Y 4N7.

Decisive Dividend Corporation is an acquisition-oriented company, focused on opportunities in manufacturing. The Company’s purpose is to be the sought-out choice for exiting legacy-minded business owners, while supporting the long-term success of the businesses acquired, and through that, creating sustainable and growing shareholder returns. The Company uses a disciplined acquisition strategy to identify already profitable, well-established, high quality manufacturing companies that have a sustainable competitive advantage, a focus on non-discretionary products, steady cash flows, growth potential and established, strong leadership.

The principal wholly-owned operating subsidiaries of the Company, as at June 30, 2023, are managed through two reportable segments and were acquired as follows:

#### *Finished Product Segment*

- Valley Comfort Systems Inc. and its wholly-owned subsidiary Blaze King Industries Inc. (“Blaze King USA”), collectively referred to herein as “Blaze King”; acquired in February 2015.
- Slimline Manufacturing Ltd. (“Slimline”); acquired in May 2018.
- Marketing Impact Limited (“Marketing Impact”); acquired in April 2022.
- ACR Heat Products Limited (“ACR”); acquired in October 2022.
- Capital I Industries Inc. and its sister company, Irving Machine Inc. (together, “Capital I”); acquired in April 2023.

#### *Component Manufacturing Segment*

- Unicast Inc. (“Unicast”); acquired in June 2016.
- Hawk Machine Works Ltd. (“Hawk”); acquired in June 2018.
- Northside Industries Inc. (“Northside”); acquired in August 2019.
- Micon Industries Ltd. (“Micon”); acquired in April 2023.
- Procore International Radiators Ltd. (“Procore”); acquired in April 2023.

These consolidated financial statements comprise the Company and its subsidiaries, collectively referred to as the “Group”. The consolidated financial statements include the results of acquired subsidiaries from their dates of acquisition.

Subsequent to June 30, 2023, and before these financial statements were authorized, the Company acquired Innovative Heating Technologies Inc. (“IHT”). These financial statements do not include any assets, liabilities, revenue, expenses or cash flows related to IHT or its acquisition. Further details of these acquisitions are included in note 4.

The Group's interim results are impacted by seasonality factors primarily driven by weather patterns, including the impact thereof on heating, planting and harvesting seasons, as well as the timing of ground freeze and thaw in Western Canada and the effect thereof on the oil and gas industry. Blaze King and ACR's businesses historically experiences lower demand in the first and second quarters of the calendar year, Slimline's business historically experiences lower demand in the third and fourth quarters and Hawk's business historically experiences lower demand in the second quarter. Seasonality does not have a significant impact on the businesses of Decisive's other subsidiaries. In each subsidiary, there are substantial fixed costs that do not meaningfully fluctuate with product demand in the short-term.

## 2. Basis of Preparation and Statement of Compliance

### a) Statement of compliance

These interim condensed consolidated financial statements (the "interim financial statements") for the period ended June 30, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim financial statements were approved by the Audit Committee of the Company for issue on August 10, 2023.

### b) Judgments, accounting estimates and assumptions

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.

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

Actual results could differ from those estimates.

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

## 3. Significant Accounting Policies

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those disclosed in Note 3 to the Company's 2022 audited consolidated financial statements.

## 4. Acquisitions

In the first six months of 2023, the Company acquired three businesses as described in a), b), and c) below. The consideration paid on these acquisitions is as follows:

For the six months ended June 30, 2023	(a)	(b)	(c)	Total
Cash (net of cash acquired)	\$ 10,084	\$ 2,967	\$ 4,338	\$ 17,389
Common shares	848	379	610	1,837
Long term debt assumed	588	-	-	588
Contingent consideration	2,260	-	-	2,260
	\$ 13,780	\$ 3,346	\$ 4,948	\$ 22,074

The preliminary allocation of the purchase prices, to the fair value of the assets acquired and liabilities assumed on these acquisitions is as follows:

For the six months ended June 30, 2023	(a)	(b)	(c)	Total
Accounts receivable	\$ 3,376	\$ 262	\$ 582	\$ 4,220
Prepaid expenses and deposits	70	12	11	93
Inventory	4,730	256	867	5,853
Property and equipment	3,743	225	603	4,571
Goodwill and intangible assets	5,674	3,371	4,229	13,274
Accounts payable and accrued liabilities	(1,587)	(146)	(475)	(2,208)
Lease obligation	(890)	(47)	(121)	(1,058)
Deferred income taxes	(1,336)	(587)	(748)	(2,671)
	\$ 13,780	\$ 3,346	\$ 4,948	\$ 22,074

The Company is still determining the final allocations of the purchase prices and expects to complete the allocations in the fourth quarter of 2023. Subsequent adjustments to the purchase price allocation can be recognized if they occur within twelve months of the acquisition date. After twelve months, adjustments are recognized through profit or loss. The adjustments made as a result of finalizing the provisional accounting are retrospectively recognized from the acquisition date. Post-close of these acquisitions, there was \$2,833 payable (included in the cash consideration identified in the table above) with respect to post-closing working capital adjustments. A significant portion of this amount payable is expected to be paid with cash collected in the acquired businesses subsequent to the acquisition date. The Company incurred acquisition-related costs of \$571 relating to legal fees, accounting fees, and due diligence costs. These costs are included in professional fees in the consolidated statement of profit and comprehensive income.

a) Capital I

On April 5, 2023, the Company acquired all of the shares of Capital I. Capital I, which is located in Tisdale, Saskatchewan, designs, manufactures and distributes road maintenance and construction equipment. Capital I's products include dozer blades, snow blades and wings, slopers, gravel reclaimers, gravel groomers, lifts, mulchers and mowers, that are used in the construction and maintenance of gravel roads.

The Capital I purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which is subject to customary post-closing adjustments) and the issuance of common shares to the vendors, plus up to an additional \$4,500 contingent on Capital I meeting certain earnings targets over the next three years. The contingent consideration recorded by the Company reflects the estimated fair value of the earnings target being met, as at the acquisition date. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 6) which was subsequently partially repaid through the net proceeds of an equity offering that closed on April 13, 2023 (Note 7). The share portion of the consideration was funded through the issuance of 123,962 common shares to the vendors of Capital I.

b) Micon

On April 5, 2023, the Company acquired all of the shares of Micon. Micon, which is located in Merritt, British Columbia, designs, manufactures and distributes high-quality radiator seals and grommets for heavy duty equipment.

The Micon purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which is subject to customary post-closing adjustments) and the issuance of common shares to the vendors. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 6) which was subsequently partially repaid through the net proceeds of an equity offering that closed on April 13, 2023



(Note 7). The share portion of the consideration was funded through the issuance of 55,434 common shares to the vendors of Micon.

c) Procure

On April 5, 2023, the Company acquired all of the shares of Procure. Procure, which is located in Merritt, British Columbia, designs, manufactures and distributes radiators for heavy duty equipment used in the mining, oil and gas and road construction industries.

The Procure purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which is subject to customary post-closing adjustments) and the issuance of common shares to the vendors. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 6) which was subsequently partially repaid through the net proceeds of an equity offering that closed on April 13, 2023 (Note 7). The share portion of the consideration was funded through the issuance of 89,181 common shares to the vendors of Procure.

d) IHT

Subsequent to June 30, 2023, and before these financial statements were authorized, on July 19, 2023, the Company acquired IHT. IHT, which is located outside of Winnipeg, Manitoba, is a well-established manufacturer and developer of high efficiency heating mats and lighting solutions for hog production.

The IHT purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a \$13,175 payment of cash, \$2,325 in common share consideration, plus up to an additional \$10,000 contingent on IHT meeting certain earnings targets over the next three years. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 6) which was subsequently partially repaid through the proceeds of a warrant exercise (Note 7). The share portion of the consideration was funded through the issuance of 314,614 common shares to the vendors of IHT.

The initial accounting for the acquisition of IHT is not complete and is pending final assessment of working capital and the determination of the fair value of identifiable assets acquired and liabilities assumed as of the acquisition date.

The consolidated statement of profit includes revenue, gross profit, and profit of Capital I, Micon, and Procure from their acquisition dates to June 30, 2023 as outlined in the table below. Had the acquisitions of Capital I, Micon, Procure, and IHT been effective from January 1, 2023, the Group would have recognized revenue, gross profit, and profit for the six months ended June 30, 2023 as outlined in the table below.

	Consolidated	Reported for	Results for	Consolidated
	Reported	Acquisitions	Acquisitions	Pro forma
For the six months ended June 30, 2023		from	from	
		Acquisition	January 1,	
		Date	2023	
Sales	\$ 61,559	\$ 4,610	\$ 22,839	\$ 79,788
Gross profit	22,620	2,028	11,434	32,026
Profit	3,167	732	5,948	8,383

## 5. Lease Obligations

The Group's right of use assets and associated lease obligations are related to lease commitments for office and shop premises. The maturity dates of the lease obligations are between October 2024 and September 2032. As at June 30, 2023, minimum lease payments required over the next five years were as follows:

For the twelve month periods ending June 30,

2024	\$	1,830
2025		1,547
2026		1,212
2027		1,074
2028		1,099
thereafter		878
		<b>7,640</b>
Less: interest portion		<b>(893)</b>
Less: current portion		<b>(1,542)</b>
	\$	<b>5,205</b>

## 6. Long-term Debt

	Interest Rate	Maturity Date	Authorized	June 30, 2023 Outstanding	December 31, 2022 Outstanding
Revolving term operating facility	P+1.0%	Jun-26	\$ 15,000	\$ 6,081	\$ 4,988
Revolving term acquisition facility	P+2.5%	Jun-26	25,000	3,000	-
Non-amortizing term loan	6.9%	Jun-26	28,000	28,000	28,000
Equipment loans	2.2%	Dec-25	536	536	-
			68,536	37,617	32,988
Less: current portion				(222)	-
Long-term portion				37,395	32,988
Less: debt issuance costs				(252)	(319)
Total long-term debt				\$ 37,143	\$ 32,669

"P" in the table above denotes prime rate

The Company has a credit agreement in place with its senior lenders, Canadian Western Bank and CWB Maxium Financial Inc., a wholly-owned division of Canadian Western Bank. The credit agreement with its senior lenders provides for the revolving term operating facility, revolving term acquisition facility and non-amortizing term loan outlined in the table above. There are no required principal payments on these three facilities for the committed three-year term of this credit agreement, which also provides for annual extension provisions.

Subsequent to June 30, 2023, and before these financial statements were authorized, the Company renewed the credit agreement in place with its senior lenders, increased the amount available, extended the term of the agreement by one year, and lowered its borrowing costs on its increased revolving term acquisition facility by 0.5%. On renewal, the total amount available under the credit agreement was increased to \$68,000 (as outlined in the table above) from \$53,000 previously.

Also subsequent to June 30, 2023, the Company used a drawdown on its revolving term acquisition facility to partially fund the acquisition of IHT described in note 4.

The Company's ability to access the revolving term operating facility is dependent on a borrowing base which is measured against the Group's accounts receivable and inventory. The revolving term acquisition facility is available to the Company for acquisition purposes. Standby fees of 0.25% per annum are paid quarterly on the unused portion of the revolving term facilities.

The credit facilities with the Company's senior lenders are collectively secured by a general security agreement, assignment of insurance, and unlimited corporate cross guarantees. Additionally, the Group has agreed to maintain the following ratios (as defined in the credit agreement) on a consolidated trailing twelve-month basis, otherwise outstanding facilities are due on demand:

- Maximum total funded debt to adjusted EBITDA of 4.00:1
- Maximum total senior funded debt to adjusted EBITDA of 3.25:1
- Minimum fixed charge coverage ratio of 1.10:1

As at June 30, 2023, the Company was in compliance with these ratios.

As at June 30, 2023, principal payments required over the next three years on the Company's long-term debt were estimated as follows:

For the twelve month periods ending June 30,		
2024	\$	222
2025		227
2026		37,168
	\$	37,617

## 7. Share Capital

### a) Shares issued and outstanding

	Shares (000s)		Amount
Balance as at, January 1, 2023	14,888	\$	44,094
Shares issued under ESPP	76		430
Shares issued under DRIP	152		863
Exercise of stock options	107		354
Exercise of warrants	13		76
Shares issued to vendors on business acquisitions	269		1,837
Shares issued for cash proceeds	1,964		11,294
Share issuance costs	-		(1,118)
<b>Balance as at, June 30, 2023</b>	<b>17,469</b>	<b>\$</b>	<b>57,830</b>

The Company had the following share capital transactions for the six months ended June 30, 2023:

- (i) The Company issued 76,323 common shares pursuant to the employee share purchase plan (the "ESPP").
- (ii) The Company issued 151,504 common shares pursuant to the dividend reinvestment and cash purchase plan (the "DRIP")
- (iii) The Company issued 106,754 common shares on the exercise of stock options.
- (iv) The Company issued 12,600 common shares on the exercise of warrants.
- (v) As part of the consideration paid for the acquisitions of Capital I, Micon, and Procore described in Note 4, on April 5, 2023, the Company issued an aggregate 268,577 common shares to the vendors of Capital I, Micon, and Procore at a price of \$6.84 per share.

- (vi) On April 13, 2023, the Company closed a bought deal equity offering, with a syndicate of underwriters, of 1,964,488 common shares at a price of \$5.91 per share. In addition, for each common share subscribed for under the bought deal equity offering, the subscriber also received a one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to purchase one common share at a price of \$7.09 for a period of 24 months following the closing of the bought deal equity offering. The aggregate \$316 fair value of the warrants issued was netted against the proceeds of the offering.
- (vii) Subsequent to June 30, 2023, and before these financial statements were authorized, as part of the consideration paid for the acquisition of IHT described in Note 4, on July 19, 2023, the Company issued 314,614 common shares to the vendors of IHT at a price of \$7.39 per share. The common shares issued to the vendors of IHT are held in escrow and are scheduled to be released at one-third per year in July 2024, 2025, and 2026 respectively.
- (viii) Subsequent to June 30, 2023, and before these financial statements were authorized, 819,175 warrants were exercised at a price of \$4.94 per warrant, for gross proceeds of \$4,047.

Common shares that remained in escrow as at June 30, 2023 are as follows:

In (000s)	June 30, 2023	December 31, 2022
In relation to the acquisition of:		
Marketing Impact	157	235
ACR	167	167
Capital I	124	-
Micon	55	-
Procore	89	-
	<b>592</b>	<b>402</b>

*b) Warrants*

The Company had the following warrants outstanding and exercisable:

Warrants	Number of warrants (000s)	Weighted average exercise price (\$)	Weighted average grant date fair value (\$)	Weighted average years remaining
Outstanding and exercisable, January 1, 2023	924	\$ 4.94	\$ 0.29	1.75
Warrants issued	982	7.09	0.32	-
Warrants exercised	(13)	5.71	0.30	-
<b>Outstanding and exercisable, June 30, 2023</b>	<b>1,893</b>	<b>\$ 6.05</b>	<b>\$ 0.31</b>	<b>1.51</b>

*c) Equity Incentives*

The Company has an equity incentive plan for the purpose of developing the interest of directors, officers and employees in the growth and development of the Company and its subsidiaries, by providing them with the opportunity, through equity awards, to obtain an increased effective interest in the Company.

The equity incentive plan enables the Company to grant deferred share units (“DSUs”), restricted share units (“RSUs”) and stock options to the directors, officers, and employees of the Company or any of its affiliates. Under the plan, the aggregate of all stock option, DSU, and RSU grants cannot exceed 10% of the issued and outstanding common shares of the Company.

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

<b>Stock Options</b>	<b>Number of options (000s)</b>	<b>Weighted average exercise price (\$)</b>	<b>Weighted average grant date fair value (\$)</b>	<b>Weighted average years remaining</b>
Outstanding and exercisable, January 1, 2023	660	\$ 3.81	\$ 0.84	6.49
Options issued	7	6.54	1.43	-
Options exercised	(199)	3.54	0.76	-
Options expired	(11)	3.49	0.62	-
<b>Outstanding and exercisable, June 30, 2023</b>	<b>457</b>	<b>\$ 3.98</b>	<b>\$ 0.89</b>	<b>5.72</b>

In the six months ended June 30, 2023, the Company recorded \$12 of share-based compensation expense related to stock options. This share-based compensation expense represents the estimated fair value of stock options granted, amortized over the options' vesting periods.

The Company had granted DSUs to directors of the Company as follows:

<b>Deferred Share Units</b>	<b>Number of DSUs (000s)</b>	<b>Number of DSUs exercisable (000s)</b>	<b>Weighted average grant date fair value (\$)</b>	<b>Weighted average years remaining</b>
Outstanding, January 1, 2023	-	-	\$ -	-
DSUs issued	42	-	5.01	-
DSUs from reinvested dividends	1	-	5.01	-
<b>Outstanding, June 30, 2023</b>	<b>43</b>	<b>-</b>	<b>\$ 5.01</b>	<b>-</b>

In the six months ended June 30, 2023, the Company recorded \$216 of share-based compensation expense related to DSUs. This share-based compensation expense represents the estimated fair value of DSUs granted, amortized over the DSUs vesting periods.

The Company had granted RSUs to officers and employees of the Group as follows:

<b>Restricted Share Units</b>	<b>Number of RSUs (000s)</b>	<b>Number of RSUs exercisable (000s)</b>	<b>Weighted average grant date fair value (\$)</b>	<b>Weighted average years remaining</b>
Outstanding, January 1, 2023	-	-	\$ -	-
RSUs issued	67	-	6.62	-
RSUs from reinvested dividends	1	-	6.62	-
<b>Outstanding, June 30, 2023</b>	<b>68</b>	<b>-</b>	<b>\$ 6.62</b>	<b>2.75</b>

In the six months ended June 30, 2023, the Company recorded \$68 of share-based compensation expense related to RSUs. This share-based compensation expense represents the estimated fair value of RSUs granted, amortized over the RSUs vesting periods.

## 8. Dividends

The Company's Board of Directors regularly examines the dividends paid to shareholders. The following dividends were declared during the periods ended June 30, 2023 and December 31, 2022:

Month	2023		2022	
	Per share (\$)	Dividend Amount (\$)	Per share (\$)	Dividend Amount (\$)
January	\$ 0.030	\$ 448	\$ 0.025	\$ 303
February	0.030	450	0.025	304
March	0.035	528	0.025	305
April	0.035	608	0.030	377
May	0.035	610	0.030	377
June	0.035	611	0.030	378
July	-	-	0.030	379
August	-	-	0.030	379
September	-	-	0.030	436
October	-	-	0.030	441
November	-	-	0.030	443
December	-	-	0.030	447
<b>Total</b>	<b>\$ 0.200</b>	<b>\$ 3,255</b>	<b>\$ 0.345</b>	<b>\$ 4,569</b>

The above dividends were paid on or about the 15th of the month following their declaration. Of the dividends paid during the six months ended June 30, 2023, \$2,236 (2022 - \$1,678) were settled in cash and \$855 (2022 - \$291) were reinvested in additional common shares of the Company, pursuant to the DRIP.

Subsequent to June 30, 2023, and before these financial statements were authorized, the Company undertook the following dividend actions:

- A dividend of \$0.04 per share was declared on July 15, 2023, for shareholders of record on July 31, 2023, which is payable on August 15, 2023. The increase in the monthly dividend to \$0.04 per share was announced in June 2023, effective for the August 2023 dividend payment.

## 9. Sales

The following is a breakdown of sales by type of product:

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Agricultural products	\$ 1,337	\$ 2,022	\$ 3,417	\$ 4,706
Hearth products	9,355	7,699	20,688	14,064
Industrial products	9,756	4,609	14,697	8,930
Machined products	2,597	2,525	7,157	5,727
Merchandising products	3,317	3,225	7,218	3,225
Wear-part products	4,344	3,109	8,382	5,226
	<b>\$ 30,706</b>	<b>\$ 23,189</b>	<b>\$ 61,559</b>	<b>\$ 41,878</b>

The following is the geographic breakdown of revenue based on the location of the customer:

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Canada	\$ 13,872	\$ 10,081	\$ 26,776	\$ 17,972
United States	13,520	11,984	26,148	21,787
Other	3,314	1,124	8,635	2,119
	<b>\$ 30,706</b>	<b>\$ 23,189</b>	<b>\$ 61,559</b>	<b>\$ 41,878</b>

## 10. Manufacturing Costs

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

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Labour and materials	\$ 17,257	\$ 13,588	\$ 34,827	\$ 24,739
Freight and shipping	1,305	1,446	3,038	2,396
Depreciation	600	345	989	681
Warranty charges	45	54	85	108
	<b>\$ 19,207</b>	<b>\$ 15,433</b>	<b>\$ 38,939</b>	<b>\$ 27,924</b>

## 11. Financing Costs

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

	For the three months ended		For the six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Interest and bank charges	\$ 110	\$ 111	\$ 214	\$ 204
Interest on lease obligations	66	43	117	73
Interest on long-term debt	705	503	1,305	835
	<b>\$ 881</b>	<b>\$ 657</b>	<b>\$ 1,636</b>	<b>\$ 1,112</b>

## 12. Supplemental Cash Flow Information

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

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Accounts receivable	\$ 1,202	(882)	\$ 34	(563)
Inventory	(1,418)	(788)	(2,848)	(2,410)
Prepaid expenses and deposits	320	66	874	(27)
Accounts payable and accrued liabilities	1,488	429	(968)	84
Customer deposits	715	(175)	1,608	84
Warranty provision	4	23	14	33
	<b>\$ 2,311</b>	<b>\$ (1,327)</b>	<b>\$ (1,286)</b>	<b>\$ (2,799)</b>

### 13. Financial Instruments and Risk Management

The Group's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, and long-term debt. There were no changes in the classification or in the fair value measurement basis of the Group's financial instruments since December 31, 2022.

At June 30, 2023, the carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, and dividends payable, approximate their fair value due to their short-term nature.

Management determined that the fair value of the Group's long-term debt (note 6) was not materially different than their carrying amounts as they are based on market interest rates.

There were no changes in the Company's assessment of risks from the use of financial instruments or in the financial risk management policies of the Company since December 31, 2022.

The contractual maturities of financial instruments are as follows:

June 30, 2023	Carrying value	Total contractual cash flows	Within one year	Two to five years	More than five years
Accounts payable	\$ 21,742	\$ 21,742	\$ 16,024	\$ 5,718	\$ -
Dividends payable	611	611	611	-	-
Long-term debt	37,365	45,520	2,931	42,589	-
Lease obligations	6,747	7,640	1,830	4,932	878
	\$ 66,465	\$ 75,513	\$ 21,396	\$ 53,239	\$ 878

Liquidity risk management involves maintaining sufficient cash or cash equivalents and availability of funding through an adequate amount of committed credit facilities. The Group's cash is held in business accounts which are available on demand for the Group's programs. The Company also attempts to maintain flexibility in funding by securing committed and available credit facilities. The Company's credit agreement with its senior lenders provides the Group access to a revolving term operating facility and a revolving term acquisition facility (note 6). The Group's ability to access the revolving term operating facility is dependent on a borrowing base which is measured against the Group's accounts receivable and inventory. The Group continues to manage its financial position in accordance with its capital management objectives and in light of its current operating environment.

The following details the aging of the Company's trade accounts receivable and expected credit losses:

	June 30, 2023	
Not yet due	\$ 11,913	62%
31-60 days overdue	4,683	24%
61-90 days overdue	1,561	8%
>90 days overdue	1,069	6%
Trade accounts receivable	19,226	100%
Less: expected credit losses	(159)	
Net trade accounts receivable	\$ 19,067	

Of the amounts over 90 days due, \$659 were collected subsequent to the end of the quarter.

The functional currency for Blaze King USA and Unicast is the United States dollar ("USD"), the functional currency for ACR is the British pound sterling ("GBP"), while all other entities in the Group have a Canadian dollar ("CAD") functional currency. The Company's reporting currency is the Canadian dollar; therefore, the Group's profit or loss and total comprehensive income are in part impacted by fluctuations in the value of each foreign currency ("FC") in which it transacts in relation to the CAD.



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

As at June 30, 2023	Entities with a CAD functional currency		Entities with a USD functional currency		Entities with a GBP functional currency		Total
	CAD	USD	CAD	USD	CAD	GBP	
Cash	\$ (897)	\$ 1,007	\$ 1,919	\$ 253	\$ -	\$ 1,307	\$ 3,589
Accounts receivable	13,444	3,869	492	1,703	-	922	20,430
Accounts payable	(19,364)	(862)	(112)	(484)	-	(920)	(21,742)
Dividend payable	(611)	-	-	-	-	-	(611)
Inter-company amounts	6,853	-	(8,431)	1,582	(4)	-	-
Long-term debt	(36,829)	(536)	-	-	-	-	(37,365)
Net exposure	(37,404)	3,478	(6,132)	3,054	(4)	1,309	(35,699)
Effect of 5% strengthening of FC versus CAD:							
Profit (loss)	-	174	307	-	-	-	481
OCI	\$ -	\$ -	\$ -	\$ (153)	\$ -	\$ (65)	\$ (218)

The Group is at times exposed to interest rate risk on its long-term debt (note 6) due to the interest rate on certain of its credit facilities being variable. Of the Group's interest-bearing debt outstanding at June 30, 2023, 24% was variable rate. 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	June 30, 2023
Floating instruments	\$ 9,081
Average balance	7,249
Impact on profit (loss) of a change in interest rates:	
-1%	73
+1%	\$ (73)

#### 14. Related Party Transactions

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

Salaries and benefits, directors fees and share-based compensation are included in salaries, wages and benefits expense. Key management compensation for the six month period ended June 30, 2023 included \$847 of salaries, benefits and directors fees (2022 - \$652) and \$261 of share-based compensation expense (2022 - \$56).

## 15. Segmented Information

The Group's reporting is prepared on a consolidated basis as determined by the requirements of the Chief Executive Officer as the chief operating decision maker for the Group. The Company's reportable segments, as determined by management, sell similar product types to similar types of customers and share similar processes and distribution methods. The reportable segments are as follows:

- The finished product segment, which manufactures and sells products that are purchased and used by end customers as designed. Within the finished product segment are five separate businesses: ACR, Blaze King, Capital I, Marketing Impact and Slimline.
- The component manufacturing segment, which manufactures and sells products based on specifications determined by its customers for use in its customers' processes. Within the component manufacturing segment are five separate businesses: Hawk, Micon, Northside, Procore and Unicast.
- In addition, the Canadian public company parent ("Head Office") is considered a third and separate segment, as its function is as an investment holding and management company.

The Group's reporting of segment performance for the three and six month periods ended June 30, 2023 and 2022 is as follows:

<b>For the three months ended June 30, 2023</b>	<b>Finished Product</b>	<b>Component Manufacturing</b>	<b>Head Office</b>	<b>Total</b>
Sales	\$ 17,960	\$ 12,746	\$ -	\$ 30,706
Manufacturing costs	10,897	8,310	-	19,207
Gross profit	7,063	4,436	-	11,499
Profit (loss) before taxes	2,312	1,966	(2,367)	1,911
Income tax expense	311	363	36	710
Profit (loss)	2,001	1,603	(2,403)	1,201
Total comprehensive income (loss)	\$ 1,978	\$ 1,416	\$ (2,403)	\$ 991

<b>For the three months ended June 30, 2022</b>	<b>Finished Product</b>	<b>Component Manufacturing</b>	<b>Head Office</b>	<b>Total</b>
Sales	\$ 13,107	\$ 10,082	\$ -	\$ 23,189
Manufacturing costs	7,880	7,553	-	15,433
Gross profit	5,227	2,529	-	7,756
Profit (loss) before taxes	2,232	469	(1,456)	1,245
Income tax expense (recovery)	331	39	(9)	361
Profit (loss)	1,901	430	(1,447)	884
Total comprehensive income (loss)	\$ 1,954	\$ 413	\$ (1,447)	\$ 920

<b>For the six months ended June 30, 2023</b>	<b>Finished Product</b>	<b>Component Manufacturing</b>	<b>Head Office</b>	<b>Total</b>
Sales	\$ 35,354	\$ 26,205	\$ -	\$ 61,559
Manufacturing costs	21,596	17,343	-	38,939
Gross profit	13,758	8,862	-	22,620
Profit (loss) before taxes	4,773	4,091	(4,269)	4,595
Income tax expense	619	794	15	1,428
Profit (loss)	4,154	3,297	(4,284)	3,167
Total comprehensive income (loss)	\$ 4,439	\$ 3,064	\$ (4,284)	\$ 3,219

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2022	Finished Product	Component Manufacturing	Head Office	Total
Sales	\$ 22,342	\$ 19,536	\$ -	\$ 41,878
Manufacturing costs	13,322	14,602	-	27,924
Gross profit	9,020	4,934	-	13,954
Profit (loss) before taxes	3,720	1,017	(2,677)	2,060
Income tax expense	508	67	89	664
Profit (loss)	3,212	950	(2,766)	1,396
Total comprehensive income (loss)	\$ 3,227	\$ 944	\$ (2,766)	\$ 1,405

The Group's reporting of segment financial condition as at June 30, 2023 and December 31, 2022 is as follows:

<b>June 30, 2023</b>	<b>Finished Product</b>	<b>Component Manufacturing</b>	<b>Head Office</b>	<b>Total</b>
Total current assets	\$ 33,056	\$ 15,832	\$ 170	\$ <b>49,058</b>
Total current liabilities	10,180	6,636	9,794	<b>26,610</b>
Total assets	74,732	50,440	453	<b>125,625</b>
Total liabilities	\$ 19,698	\$ 10,786	\$ 46,796	\$ <b>77,280</b>

December 31, 2022	Finished Product	Component Manufacturing	Head Office	Total
Total current assets	\$ 25,183	\$ 11,996	\$ 1,308	\$ 38,487
Total current liabilities	10,036	5,846	4,676	20,558
Total assets	47,349	38,516	12,569	98,434
Total liabilities	\$ 17,732	\$ 9,061	\$ 37,511	\$ 64,304

For the six months ended June 30, 2023, the Group's largest customer accounted for 12% of sales. For the six months ended June 30, 2022, the Group's largest two customers accounted for 23% of sales. Sales from these customers are included in the component manufacturing segment. Other than these two customers, the Group was not dependent on any other customer for more than 10% of its sales in 2022.