



Decisive Dividend

— Corporation —

ANNUAL INFORMATION FORM

for the year ended December 31, 2016

December 22, 2017

TABLE OF CONTENTS

GLOSSARY	1
FORWARD-LOOKING STATEMENTS	2
STRUCTURE OF THE CORPORATION	4
GENERAL DEVELOPMENT OF THE BUSINESS	4
NARRATIVE DESCRIPTION OF THE BUSINESS	6
RISK FACTORS.....	21
DIVIDEND POLICY AND HISTORY	28
DESCRIPTION OF CAPITAL STRUCTURE	29
MARKET FOR SECURITIES	33
PRIOR SALES	33
ESCROWED SECURITIES AND SECURITIES SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER.....	33
DIRECTORS AND OFFICERS	34
PROMOTERS	36
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	37
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	37
AUDITORS, TRANSFER AGENT AND REGISTRAR	37
MATERIAL CONTRACTS	38
INTERESTS OF EXPERTS	38
ADDITIONAL INFORMATION	38

GLOSSARY

Capitalized terms used in this annual information form have the meanings ascribed to them below. Unless otherwise stated, all references to “\$” or “dollars” are to the lawful currency of Canada.

“**Audit Committee**” means the audit committee of the Board;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**Blaze King**” means, collectively, Valley Comfort, Blaze King USA and Blaze King Canada;

“**Blaze King Canada**” means Blaze King Industries Canada Ltd., a corporation incorporated under the laws of Canada and an indirectly wholly-owned Subsidiary of the Corporation;

“**Blaze King USA**” means Blaze King Industries Inc., a corporation incorporated under the laws of the State of Washington and an indirectly wholly-owned Subsidiary of the Corporation;

“**Board**” means the board of Directors of the Corporation;

“**Common Shares**” means the common shares of the Corporation, and includes a fraction thereof;

“**Corporation**” means Decisive Dividend Corporation;

“**Credit Facility**” means the credit facility available to the Corporation from time to time and includes: (i) up until June 15, 2017, the credit facility provided by TD Bank; and (ii) after June 15, 2017 the credit facility provided by Scotiabank pursuant to an agreement dated June 15, 2017;

“**CSA**” means the Canadian Standards Association;

“**Director**” mean a director of the Corporation;

“**EPA**” means the United States Environmental Protection Agency;

“**ESPP**” means the employee share purchase plan of the Corporation dated February 1, 2016;

“**Exchange**” means the TSX Venture Exchange;

“**Governance and Compensation Committee**” means the Governance and Compensation Committee of the Board;

“**HPBA**” means the Hearth, Pool and Barbecue Association;

“**IFRS**” means International Financial Reporting Standards;

“**Independent Directors**” has the meaning set forth in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“**OEM**” means original equipment manufacturer;

“**R&D**” means research and development;

“**Seed Share Escrow Agreement**” has the meaning set forth in “Escrowed Securities and Securities Subject to a Contractual Restriction on Transfer”;

“**Shareholder**” means a holder of Common Shares;

“**Stock Option Plan**” means the stock option plan of the Corporation dated December 18, 2012;

“**Subsidiary**” means any entity: (i) of which more than 50% of the outstanding securities ordinarily entitled to elect a majority of the board of directors thereof (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by the Corporation; or (ii) which is otherwise controlled, directly or indirectly, by the Corporation;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time;

“**TC**” means titanium carbide;

“**Unicast**” means Unicast Inc., a corporation amalgamated under the BCBCA and a directly and wholly-owned Subsidiary of the Corporation;

“**US DOE**” means the United States Department of Energy; and

“**Valley Comfort**” means Valley Comfort Systems Inc., a corporation incorporated under the laws of British Columbia and a directly wholly-owned Subsidiary of the Corporation.

FORWARD-LOOKING STATEMENTS

This annual information form contains forward-looking statements. All statements other than statements of historical fact contained in this annual information form are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, prospects, potential acquisitions and financings and the potential impact of such completed and/or potential acquisitions and financings on the operations, results of operations, financial performance, financial condition, capital resources and business of the Corporation and/or its Subsidiaries, the Corporation’s policy with respect to the amount and/or frequency of dividends, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or its Subsidiaries or any businesses to potentially be acquired by the Corporation. Readers can identify many of these statements by looking for words such as “believes”, “expects”, “will”, “may”, “intends”, “projects”, “anticipates”, “plans”, “estimates”, “continues” and similar words or the negative thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, industry, economic and market risks, uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward-looking statements, which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable as at the date they are made, there can be no assurance that such expectations or assumptions will prove to be correct or continue to be reasonable in the opinion of management. A number of factors could cause actual future results, performance, achievements and developments of the Corporation and/or its Subsidiaries to differ materially from anticipated results, performance, achievements and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic conditions; government regulation; environmental regulation; operational performance and growth; acquisition risk; dependence on distributors and strategic relationships; ability to develop new products; weather and climate; supply and cost of raw materials and purchased parts; foreign exchange exposure; implementation of growth strategy; competition; reliance on management and key personnel; financing risk; litigation; product liability and warrant claims; Credit Facility; income tax matters; dividends; reliance on technology; market trends and innovation; employee and labour relations; conflicts of interest; trading volatility of Common Shares; and information technology, all as more particularly described herein under “Risk Factors”.

Additional factors that could affect the operating results and performance of the Corporation and its Subsidiaries include assumptions regarding the performance of the businesses of the Corporation and its Subsidiaries that are considered in setting the business plan for the Corporation and its Subsidiaries and in setting financial targets. Key assumptions include that there will continue to be a demand for products and services of the businesses of the Corporation and its Subsidiaries. **Should one or more of the risks**

materialize or the assumptions prove incorrect, actual results, performance or achievements of the Corporation and its Subsidiaries may vary materially from those described in forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included or incorporated by reference in this annual information form are made as of the date of this annual information form or such other date specified in such statement. Except as required by law, the Corporation disclaims any obligation to update any forward-looking information, estimates or opinions, future events or results or otherwise.

STRUCTURE OF THE CORPORATION

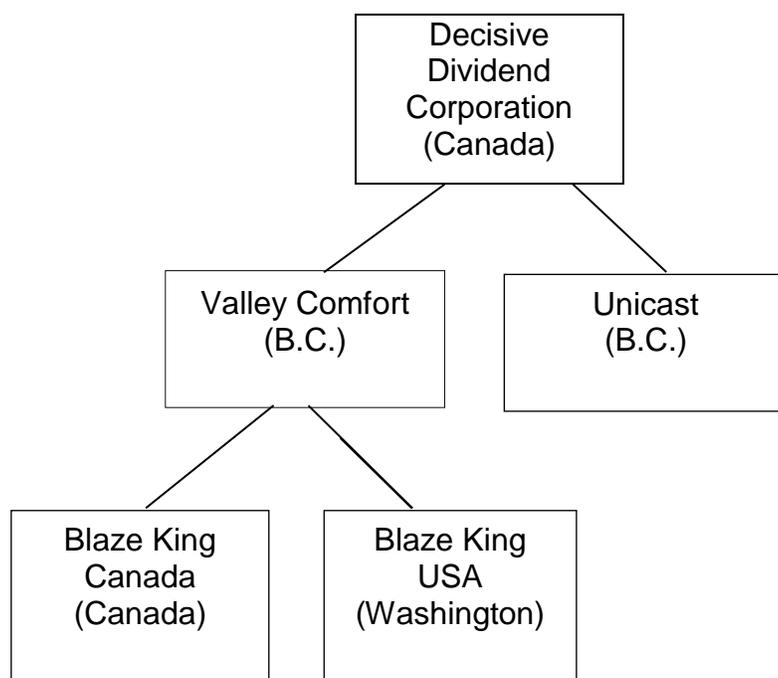
Name, Address and Formation

The Corporation was incorporated under the BCBCA on October 2, 2012 under the name “Decisive Dividend Corporation”. The head office of the Corporation is located at #201, 1674 Bertram Street Kelowna, British Columbia V1Y 9G4. The registered office of the Corporation is located at 301 – 1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3.

The Corporation completed its initial public offering of Common Shares on September 19, 2013 and the Common Shares were listed on the Exchange commencing on September 23, 2013. The Corporation is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Inter-corporate Relationships

As at December 31, 2016, the Corporation held the securities of its Subsidiaries as set forth in the diagram below. Each of the Subsidiaries is wholly-owned by the Corporation.



GENERAL DEVELOPMENT OF THE BUSINESS

General

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

The objectives of the Corporation are:

- (a) to provide Shareholders with stable and growing dividends;

- (b) to maximize Common Share value through on-going active monitoring of its operating Subsidiaries; and
- (c) to acquire additional companies or businesses or interests therein in order to expand and diversify the Corporation's investments.

Management of the Corporation continuously monitors its Subsidiaries. The Subsidiaries of the Corporation, however, operate autonomously and maintain their individual business identities.

The acquisition strategy of the Corporation is to acquire profitable, well-established manufacturing companies with strong cash flows. The Corporation generally tries to retain senior management following acquisitions and have such persons own an equity interest in the Corporation wherever possible. Management believes that there are numerous companies that meet the Corporation's acquisition criteria and that the Corporation will be able to implement its acquisition strategy in order to increase its cash flow and create long-term Shareholder value.

Three Year History

The Corporation was incorporated on October 2, 2012. On September 19, 2013, the Corporation completed its initial public offering on the Exchange and was classified as a "Capital Pool Company" until the completion of its qualifying transaction, which was the acquisition of Blaze King as described below.

Set forth below is a summary of how the business of the Corporation has developed over the three most recently completed financial years of the Corporation.

Acquisition of Blaze King and Related Financings

On February 27, 2015, the Corporation acquired all the issued and outstanding shares of Blaze King. The purchase price paid by the Corporation for Blaze King was \$6,600,000, subject to customary post-closing adjustments for working capital. This transaction served as the Corporation's "qualifying transaction" under the Exchange Policy 2.4 – *Capital Pool Companies*.

The purchase price paid by the Corporation for Blaze King was satisfied by the issuance of 330,000 Common Shares at a deemed price of \$2.00 per Common Share (\$660,000) with the balance of \$5,940,000 paid in cash.

The cash portion of the purchase price, as well as certain transactional costs, was paid by the Corporation from the following sources:

- (a) a \$3,500,000 term loan from the Corporation's senior lender at such time;
- (b) the net proceeds of a private placement of 1,004,250 subscription receipts at a price of \$2.00 per subscription receipts for aggregate gross proceeds of \$2,008,500. The subscription receipts were converted into Common Shares immediately prior to the closing of the acquisition of Blaze King on a one to one basis; and
- (c) cash on hand.

For further details regarding the business of Blaze King, see "Narrative Description of the Business – Description of the Business of Blaze King".

Acquisition of Unicast and Related Financings

On June 23, 2016, the Corporation acquired all the issued and outstanding shares of Unicast. The purchase price paid by the Corporation for Unicast was \$11,000,000, subject to customary post-closing adjustments for working capital.

For further details regarding the business of Unicast, see “Narrative Description of the Business – Description of the Business of Unicast”.

The purchase price paid by the Corporation for Unicast was satisfied through the issuance of 516,996 Common Shares at a deemed price of \$3.00 per Common Share (\$1,550,988) with the balance of \$9,449,012 paid in cash.

The cash portion of the purchase price, as well as certain transactional costs, was paid by the Corporation from the following sources:

- (a) a \$5,500,000 loan from the Corporation’s senior lender at such time; and
- (b) the net proceeds of a private placement of 1,659,114 Common Shares at a price of \$3.00 per Common Share for aggregate gross proceeds of \$4,977,342.

Developments Since December 31, 2016

Increase to Monthly Dividend

On February 22, 2017, the Corporation announced that it approved an increase of \$0.005 per Common Share to its monthly dividend from \$0.025 per month (\$0.30 per Common Share on an annualized basis) to \$0.030 per month (\$0.36 per Common Share on an annualized basis). The increased dividend took effect with the dividend paid to Shareholders on April 14, 2017 to Shareholders of record as at March 31, 2017.

Change to Credit Facility

On June 15, 2017, the Corporation terminated its Credit Facility with TD Bank and entered into the Credit Facility with Scotiabank. For a summary of the terms of the Credit Facility with Scotiabank, see “Description of Capital Structure – Credit Facility”.

NARRATIVE DESCRIPTION OF THE BUSINESS

The Corporation currently has two separate operating Subsidiaries, Blaze King and Unicast. It is the intention of the Corporation to acquire additional businesses in the manufacturing sector if, as and when appropriate opportunities present themselves. An overview of the businesses of the two operating divisions of the Corporation is set forth below.

Description of the Business of Blaze King

Summary

Blaze King designs and produces high-quality, high-efficiency wood burning stoves, all manufactured in its premises in Penticton, British Columbia and Walla Walla, Washington. Blaze King has been operating since 1977, and its hearth products are sold all across North America.

Blaze King does not sell any of its products to joint ventures in which it is a participant, entities in which it has an equity interest or to controlling shareholders. All of Blaze King’s products are sold to third party customers.

Blaze King is a recognized leader in the fabrication of high quality and high efficiency wood stoves and other hearth products. Blaze King’s recognized leadership position is due to the fact that Blaze King’s hearth products have generally had the highest efficiency ratings in the market place over the last 20 years. Most wood stoves produced by Blaze King’s competitors are designed to meet the EPA default heating value efficiency percentage of 63%. Blaze King’s wood stoves generally achieve heating value efficiency percentages in the high 70s to the low 80s, depending on the model. Most non-Blaze King stoves have EPA emission levels of 3.5 grams to 7.5 grams per hour of particulate emissions while the emission levels

of all Blaze King stoves are below 2.5 grams per hour of particulate emissions with a significant number of its stoves being below 1 gram per hour.

Wood stove efficiency generally means that the stove generates minimal pollutants and conforms to EPA standards. For a wood stove to be efficient, it must also burn less fuel and provide heat for a longer period of time. Blaze King's wood stoves generally provide longer burn times than those of its competitors and excellent heat production. Overall, Blaze King's wood stoves are more efficient and consume less wood for a given amount of heat delivered into the consumer's home. These advantages are the result of the catalytic technology used by Blaze King that reduces the flue temperature of its stoves and delivers heat more efficiently than a non-catalytic stove. The reason for this is that the heating energy of Blaze King's stoves is not wasted up the flue but instead is delivered into the home.

Blaze King's classic wood stove models feature a bimetal coil thermostat. This simple thermostat evens out the uneven nature of burning wood. Many wood stoves produced by competitors of Blaze King have a damper to regulate air-flow and require frequent adjusting.

Blaze King's Princess and King models have six and nine inches of depth below the door, respectively, which requires less frequent cleaning of ashes and the ability to hold up to ninety pounds of wood per load. Most importantly, they are safer to load since hot coals and embers are kept well below the door opening.

Set forth below is a list of the most efficient wood stove brands and fireplace inserts produced by Blaze King and how they are rated by the EPA.

Model	Model #	Lower Heating Value Tested Efficiency	Higher Heating Value Tested Efficiency
King	KE 1107	88%	82%
Princess	PE 1006	88%	81%
Chinook 30	SC 30.1	86%	80%
Sirocco 30	CK 30.1	86%	80%
Ashford 30	AF30.1	86%	80%
Chinook 20	CK20.1	83%	77%
Sirocco 20	SC 20.1	83%	77%
Ashford 20	AF20.1	83%	77%
Princess Insert	PI 1010a	86%	80%
Sirocco 25 Insert	SC25	83%	77%
Ashford 25 Insert	AF25	83%	77%

All of Blaze King's products are produced in its manufacturing plants in Penticton, British Columbia and Walla Walla, Washington. All Canadian orders are shipping directly to Canadian distributors from the Penticton manufacturing plant. All United States orders are shipped directly to United States distributors from the Walla Walla plant.

As at the date hereof, almost all sales of Blaze King's products are in North America. Blaze King is in the process of investigating potential new markets for its products outside of the United States and Canada.

Traditionally, Blaze King's main markets in North America have been Western Canada, Alaska and the Western United States. In 2012 a sales initiative was launched to expand outside of these markets to Eastern Canada and the Central and Eastern United States. This initiative included introducing new cast-iron stove designs and a targeted sales plan focused on establishing a sales network to attract dealers in the Eastern United States and Canada. As a result of this initiative, Blaze King has significantly increased its sales in Eastern Canada.

According to the HPBA, the hearth products market in North America in 2016 had a factory shipment value of approximately US\$752 million. The hearth products market peaked in 2005 at US\$1.1 billion and bottomed in 2012 at US\$621 million. The decline in sales between 2008 and 2012 was mainly due to the financial crisis in the United States, which caused a dramatic drop in new home building and consumer

spending on home renovations. Since 2012, the increase in the hearth products market has been primarily due to the recovery in the housing market in the United States.

The main hearth products produced by Blaze King are wood stoves, fireplaces and fireplace inserts. As per the HPBA, the North American wood stove market represented US\$172.5 million in revenues in 2016, up from a low in 2013 of US\$108 million. Blaze King has increased its overall North American market share in the wood stove market from 2.95% in 2008 to 5.6% in 2016.

The wood stove sector of the hearth products industry has seen declines in sales volume over the last three years from 2014 to 2016. Management believes that this decline is largely due to warm weather and increased competition from propane and natural gas heating products. The cost of these fuels remains relatively low due to the current low cost of oil.

Management of Blaze King expects further industry consolidation as smaller manufacturers will need significant investment to meet future environmental regulations. With five of the lowest emission stove models in the North America hearth product market, Blaze King is well positioned to take advantage of these trends.

Management of Blaze King believes that the Blaze King brand has significant opportunities for growth in both the wood and gas stove sectors of the hearth products industry. Blaze King's distribution network in Eastern Canada and the North-Eastern United States is now established and it is anticipated by management that this will lead to Blaze King increasing its share of the wood stove market in these areas. There are also market opportunities for Blaze King's products in Europe, New Zealand and Australia. Consumers in these markets have inquired in the past as to the availability of Blaze King's products in their respective markets. The major driver of these inquiries is Blaze King's long and efficient burn times created by its catalytic technology. Management of Blaze King believes that there is no manufacturer in these markets that utilizes such catalytic technology.

Blaze King also has the opportunity to leverage its brand and improve the utilization of its sales force and dealer network by developing a full line of gas products for the North American market. The first of these gas products was launched in June of 2017 and, to date, market reception has been favourable.

Blaze King, as well as the entire wood-heating product market, is regulated by the CSA in Canada and the EPA in the United States, and for gas appliances, the US DOE in the United States and the CSA in Canada. On May 15, 2015, new EPA standards for wood stoves came into effect. The new standards have two phases of implementation. The first phase lowered the maximum emissions permitted by wood stoves to 4.5 grams per hour and will cover the 5-year period through to the year 2020 (the "Phase 1 Requirements"). The majority of wood stoves on the market today already meet the Phase 1 Requirements. The new rule will have one standard for the entire wood stove market and will include new products, such as pellet stoves, that were previously exempt. The second phase, effective 2020, will further reduce emissions to 2.0 grams per hour of particulate emissions (the "Phase 2 Requirements").

All of Blaze King's products already meet Phase 1 Requirements, and almost all have lower emission levels than the Phase 2 Requirements. The King, Chinook 20, Sirocco 20, Ashford 20, Chinook 30, Sirocco 30, and Ashford 30, and the Sirocco 25 and Ashford 25 all have lower emissions than the Phase 2 Requirements. As the Princess free-stand model and fireplace insert meet Phase 1 Requirements but not Phase 2 Requirements, replacements for these stoves have been designed and are currently being beta tested and perform at levels acceptable under the Phase 2 Requirements. All new wood stove models currently being developed by Blaze King are being developed to meet the Phase 2 Requirements.

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

Marketing Strategies

Blaze King is focused on producing very efficient, well-built, eco-friendly hearth products. Management of Blaze King believes that its stoves are some of the longest-burning, highest efficiency stoves in the hearth market and that its stoves have a reputation for quality. These traits have helped build the Blaze King brand and reputation, which drives sales through dealer and customer loyalty.

There are two main channels of distribution in the hearth industry, new construction and the independent retailer channel. The new construction channel is now dominated by the two largest entities in the North American hearth market and is the most price competitive segment. Management believes that opportunities exist for Blaze King at the higher end of the new construction market where price is a less significant consideration, however, many manufacturers compete in this segment. Blaze King is more active in the independent retailer channel where there are fewer manufacturers. Blaze King largely competes in the higher end of the independent retailer channel where price is generally not the most significant consideration for purchasers.

Management of Blaze King believes that the most important factors to customers are the features of each model, company reputation and product quality. Blaze King's stoves have a unique advantage because its catalytic stoves are more efficient than those of its competitors and, accordingly, occupy a market niche. This allows for premium pricing of Blaze King's products.

Blaze King focuses on prompt delivery of its products to retailers, which is important as many retailers no longer carry a large amount of stock and expect manufacturers to have adequate inventory available to be delivered to them. Management of Blaze King believes that competitors who focus on lower price point products also attempt to market products to big box retailers, and do not achieve the same degree of loyalty as Blaze King stoves do from the true independent retailer.

Management of Blaze King believes that the hearth business is very much dependent on personal relationships. In order to build these relationships, Blaze King has created and maintains an effective outside sales force that has had a positive effect on building personal relationships with dealers and distributors in all markets. This approach has been extremely important in expanding Blaze King's dealer network. Blaze King's brand reputation for efficiency, quality and customer service has also been important in building customer relationships.

Management of Blaze King believes that increasing the size of its dealer network has generally led to increasing market share for Blaze King. The following table sets forth the changes in Blaze King's share of the wood stove market in Canada and the United States from 2013 to 2016.

Wood Stove Sales – North America

	2016			2015			2014			2013		
	US	Canada	Total	US	Canada	Total	US	Canada	Total	US	Canada	Total
Market Size – Unit Sales												
Cast Iron	19,750	3,068	22,818	24,196	3,723	27,919	29,075	4,054	33,129	27,071	3,447	30,518
Steel	48,816	22,059	70,875	63,472	25,304	88,776	62,687	25,964	88,651	50,608	27,391	77,999
Total	68,566	25,127	93,693	87,668	29,027	116,695	91,762	30,018	121,780	77,679	30,838	108,517
Blaze King – Unit Sales												
Cast Iron	378	311	689	503	254	757	400	246	646	96	63	159
Steel	2,222	1,739	3,961	3,230	1,881	5,111	3,074	1,996	5,070	2,603	1,623	4,226
Total	2,600	2,050	4,650	3,733	2,135	5,868	3,474	2,242	5,716	2,699	1,686	4,385
Blaze King – Market Share												
Cast Iron	1.91%	10.14%	3.02%	2.08%	6.82%	2.71%	1.38%	6.07%	1.95%	0.35%	1.83%	0.52%
Steel	4.55%	7.88%	5.59%	5.09%	7.43%	5.76%	4.90%	7.69%	5.72%	5.14%	5.93%	5.42%
Total	3.79%	8.16%	4.96%	4.26%	7.36%	5.03%	3.79%	7.47%	4.69%	3.47%	5.47%	4.04%

New product development is an additional strategy that Blaze King has prioritized. This allows Blaze King to address product categories where it is currently under-represented. Blaze King introduced a new line of wood stoves and cast-iron models in 2013 that are still gaining traction and acceptance in the marketplace. Blaze King has recently introduced new fireplace insert lines featuring more modern styling.

In 2015, Blaze King re-designed its website and launched a full social media platform that incorporates Twitter, Facebook and YouTube in order to provide more product information to the public in a timely manner.

Research and Development

Blaze King undertakes R&D to develop new products and improve upon its existing products on a continuous basis. Blaze King's R&D projects vary from designing a wood stove for small rooms or homes to research to reduce emissions from its hearth products. Blaze King has invested in improving its lab and testing facilities and improving its testing equipment.

Blaze King's R&D is conducted through a combination of its in-house expertise and the use of research facilities within its current manufacturing facilities in Walla Walla, Washington and Penticton, British Columbia. Blaze King's employees design new models and conduct testing in-house for all products. Blaze King currently employs three full-time R&D employees in Penticton, British Columbia and two full-time R&D employees in Walla Walla, Washington.

Production and Services

Blaze King does its own manufacturing, for production of samples for R&D purposes and for fulfillment of commercial scale orders, in two leased facilities located at Penticton, British Columbia and Walla Walla, Washington.

All wood and gas stoves and accessories are processed in similar fashion:

- (a) sheet stock is laser cut or punched;
- (b) bar stock is sawed to length or run through an ironworker;
- (c) parts are then welded into assemblies, and then into completed units;
- (d) the units are then sanded, prepped and painted;
- (e) final assembly includes addition of combustors, thermostats, control systems, glass, doors and labels; and
- (f) the units are then packaged individually in either wooden open side crates or cardboard cartons.

Blaze King has an ongoing purchasing goal for each of its hearth unit components to have two supplier relationships with an 80/20% split between them. The objective is to have a back-up supplier with an established relationship sufficient to ensure the shortest time to fill-in for a primary vendor failure. In most cases one or both of the primary and secondary vendors are long term suppliers but the relationships (and percentage split) are subject to change in relation to price, quality, delivery, vendor failures, etc. There are always some items for which the search for "back-up" is ongoing.

No major failures with any supplier were experienced in the past year. Secondary vendors have been able to fill demand within sufficient time to prevent a major production delay.

Blaze King does get periodic quality or delivery issues, but with most of its vendor relationships being long term, it has been able to resolve such issues fairly quickly.

Both of Blaze King's manufacturing sites are leased from arm's length parties. The Penticton, British Columbia site has a lease in place until April 30, 2018, and the Walla Walla, Washington location has a lease in place until October 31, 2020. Both leases are in good standing and the relationships with the landlords are good.

Specialized Skill and Knowledge

Management of Blaze King confirms that its quality assurance process meets the strict requirements of numerous agencies including, among others, the EPA, CSA, American National Standards Institute and Underwriters Laboratories. Quality assurance procedures are documented in Blaze King's internal quality assurance manual and procedures stipulated by certification agencies such as Omni Test, Intertek Testing and CSA which audit Blaze King's facilities every 3 months.

Blaze King has a low product return percentage and warranty expense of less than 1% annually (\$35,470 in the year ended December 31, 2016) and no additional significant issues in relation to product returns have been reported to Blaze King as at the date hereof.

Welders are the largest group of skilled employees of Blaze King, with 12 currently on staff. Most are "C" level welders with several in apprenticeship programs. Blaze King does not require its welders to obtain additional certification since their products are specialized and the tasks are fairly repetitive. Blaze King trains its welders in-house.

The ongoing R&D performed by Blaze King's R&D team is a specialized skill of Blaze King. One of Blaze King's R&D employees in Walla Walla, Washington has been with Blaze King for over 27 years and has developed a knowledge base and understanding regarding the function and operation of catalytic stoves that is very valuable to Blaze King. Blaze King's R&D team is highly specialized, and is integral to Blaze King's success.

Competitive Conditions

Management of Blaze King believes that the total hearth market has approximately 100 manufacturers in North America. In the wood stove market, in which Blaze King's main sales are derived, there are approximately 25 manufacturers in North America. The industry has seen some consolidation over the last 10 years reducing the number of independent companies. Blaze King's main competitors include:

- (a) Hearth and Home Technologies (a division of HON Industries), the only publicly traded competitor of Blaze King. They are the largest hearth manufacturer in the North American market. Brands include Quadra Fire, Heat N Glow, Harman stoves, Heatilator, Vermont Castings, Monessen and Majestic.
- (b) Innovative Hearth Products - This is a company formed by a New York investment firm in the last two years from the hearth division of Lennox Industries and FMI Corporation. They are the other major entity in the new construction market channel.
- (c) Travis Industries - This is a privately held corporation based in Washington State. Their major wood brands are Lopi and Avalon. This company is a strong innovator in the industry and over the years has created many new segments for the industry, especially in relation to the gas segment of the industry. This company produces innovative products such as in the wall units, outdoor torches and fire pits.
- (d) Napoleon (a division of Wolf Steel Ltd.) - This is a privately held corporation based in Barrie, Ontario. They are a diversified company that continues to expand into many areas and markets, including patio furniture, HVAC furnaces and barbecues.
- (e) Fireplace Products International Ltd. - This is a company based on Delta, British Columbia that has recently been acquired by a Swedish company, NIBE. Their main brand is Regency, and their focus is on gas, wood and pellet products.

- (f) Stove Builder International – This is a privately-owned corporation based in Quebec. They have a highly automated factory and are a builder of lower price point products. Brand names include Drolet, Nordica, Osburn, Enerzone, and PSG.

New Products

Blaze King has a number of projects currently being developed in its R&D facilities in both Walla Walla, Washington and Penticton, British Columbia. Projects nearing completion include a new wood freestanding stove named “BX24 Boxer” and a new zero clearance gas fireplace named Clarity 26ZC. Both projects have passed all certification testing and will enter the market in the fourth quarter of 2017.

Blaze King is currently working on its first gas fireplace insert, the Clarity 30 Insert. Blaze King expects to have this gas insert ready for production in early 2018.

Components

Blaze King has never had any difficulty in sourcing the raw materials, component parts or finished products necessary to produce its products. See “Production and Services” above.

Intangible Properties

Blaze King has secured trademarks to protect its brand names in Canada and the United States. The following is a list of all current trademarks and registrations in the United States and Canada:

Canadian Trademark Registrations

<u>Registration Number</u>	<u>Application Number</u>	<u>Registration Date</u>	<u>Current Owner</u>	<u>Trade-mark</u>	<u>Renewal Date</u>
ETMA828,167	1515365	July 16, 2012	Valley Comfort Systems Inc.	BLAZE KING & Design	July 16, 2027
TMA277,070	0438774	February 25, 1983	Valley Comfort Systems Inc.	BLAZE KING STOVE	February 25, 2028
TMA737,617	1265739	April 7, 2009	Valley Comfort Systems Inc.	LES ROI DES FLAMMES	April 7, 2024
TMA801,120	1433645	June 29, 2011	Valley Comfort Systems Inc.	EL REY DE LLAMAS Translation: The King of Flames	June 29, 2026
TMA828,166	1515363	July 16, 2012	Valley Comfort Systems Inc.	BLAZE KING	July 16, 2027

TMA880,228	1617905	June 16, 2014	Valley Comfort Systems Inc.	BLAZE KING & Design	June 16, 2029
TMA427,947	0725346	May 27, 1994	Valley Comfort Systems Inc.	PEGASUS	May 27, 2024
TMA543,831	1029072	April 17, 2001	Valley Comfort Systems Inc.	VALLEY COMFORT & Design	April 17, 2031

United States Trademark Registrations

<u>Registration Number</u>	<u>Registration Date</u>	<u>Current Owner</u>	<u>Trade-mark</u>	<u>Renewal Date</u>
4,079,316	January 3, 2012	Valley Comfort Systems Inc.	BLAZE KING	January 3, 2022
2,587,692	July 2, 2002	Valley Comfort Systems Inc.	BLAZE KING	July 2, 2022
1,142,055	December 2, 1980	Valley Comfort Systems Inc.	BLAZE KING	December 2020
4,627,081	October 28, 2014	Valley Comfort Systems Inc.	BLAZE KING	October 2024

Cycles

Blaze King's business is cyclical in that its sales trend upwards and downwards is based on the strengths and weaknesses of the Canadian and American housing markets. The business is also seasonal, as historically, the months of February through June are the weakest sales months as spring and summer lead to fewer sales of heating appliances. This trend is not unique to Blaze King in the hearth industry.

Historically, the months of July through January are the strongest sales months particularly in the Western United States and Western Canada. Historically, as the year moves into September and October, orders become more prevalent from north-western and north-eastern United States. The final orders of the season from dealers and distributors begin coming in late October and November from California and other parts of south-western United States, as winter conditions are being experienced in those parts of North America. It is a continual challenge for Blaze King to ensure inventory levels are monitored to match the demand patterns of a seasonal business that services many different climates.

Economic Dependence

The business of Blaze King is not dependent on any one particular contract.

Changes to Contracts

No aspect of Blaze King's business is anticipated to be affected in the current financial year by renegotiation or termination of any contract.

Environmental Protection

Blaze King is committed to developing pollution-reducing hearth products. In order for Blaze King to maintain production of its products, it is required to continually develop and modify its designs to meet the specific requirements of its customers and prospective customers. Blaze King is also subject to separate regulatory approval processes related to commercialization of its hearth products in the United States and Canada.

In the United States, the EPA regulates wood heater particulate emissions. All wood burning stoves and fireplace inserts offered for sale in the United States must be certified by the EPA in accordance with Title 40 of the Code of Federal Regulations under the United States Clean Air Act.

In British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia and Quebec, it is a requirement for all wood burning stoves and fireplace inserts offered for sale to be certified under the following regulations:

- (a) the EPA's Standards of Performance for New Residential Wood Heaters, under the United States Clean Air Act; or
- (b) the CSA's Performance Testing of Solid Fuel Burning Heating Appliances.

Alberta, Saskatchewan, Manitoba, Ontario, Prince Edward Island, North West Territories, Yukon and Nunavut do not currently require any environmental certification.

Blaze King currently has all certifications and approvals necessary to sell its products in the jurisdictions in which they are currently sold. In terms of marketing, Blaze King expects that any developments in environmental protection requirements and new emissions standards would favour its low emission catalytic stove products.

Employees

Blaze King has 63 employees based in Penticton, British Columbia and 17 employees in Walla Walla, Washington, for a total of 80 employees.

Foreign Operations

Blaze King does not currently rely to any significant extent upon sales of its products in jurisdictions outside of North America.

Lending

Blaze King does not undertake any lending operations.

Description of the Business of Unicast

Summary

The Corporation acquired Unicast on June 23, 2016. The business of Unicast is producing and distributing wear parts and valves for the mining, aggregate and cement industries. Wear parts are parts for machinery that tend to wear out quickly when crushing rock, which is done extensively in the mining, aggregate and cement industries.

In general, the wear parts that Unicast produces are used by customers to replace parts produced by OEMs. Management of Unicast believes that its replacement wear parts and valves generally last longer than parts produced by OEMs, which is one of the main reasons why customers choose Unicast's parts rather than parts from OEMs.

One of Unicast's most important products is a TC insert in a manganese alloy that allows the manganese to harden before extensive wear occurs. This significantly improves wear parts that may be affected by extensive impacting and extensive sliding. These TC inserts have been shown by one of Unicast's biggest clients to increase the wear life of OEM parts by up to 8.5 times. Unicast's offers a TC insert product line in a number of wear parts, including impactors/blow bars, jaw crusher plates, hammers, breaker blocks and bowl and mantles.

The table below sets forth a listing of Unicast's main products and the percentage of the total sales of Unicast that each product represents for the years ended December 31, 2015 and 2016.

2015		2016	
Product	% of total sales	Product	% of total sales
Mill Grinding	16%	Mill Grinding	15%
TC Hammers	11%	TC Hammers	12%
Valve	9%	TC Blow Bars	12%
Cone Crusher	7%	Valve	11%
TC Jaws	6%	Apron Feeder Pans	7%
Drag Chain	5%	TC Jaws	3%
Apron Feeder Pans	4%	Hammer Mill	3%
Impactor	3%	Kiln Parts	3%
Hammers	3%	Impactor	3%
TC Blow Bars	3%	Liner	3%
Hammer Mill	3%	Roller Mill	2%
Jaw Crusher	2%	Fasteners	2%
Gear & Pinion	2%	Hammers	2%
Liner	2%	Forestry Products	2%
Cooler Grates	2%	Drag Chain	2%
Roller Mill	2%	Cooler Parts	2%
Fasteners	2%	Cooler Grates	2%
Kiln Parts	2%	Gas Analyzers	1%
Conveyor Parts	2%	Precision Castings	1%
Wabi	2%	TC Hammermill	1%
TC Hammermill	2%	Mill Grinding - Rubber	1%

All of Unicast's products are shipped from its facility in Kelowna, British Columbia to dealers or direct customers globally.

For the years ended December 31, 2015 and 2016, the geographic distribution of Unicast's sales were as follows:

	2015	2016
Western Canada	11%	10%
Eastern Canada	1%	6%
Ontario	13%	1%
North West US	3%	22%
South West US	22%	15%
Mid West US	11%	11%
North East US	9%	4%
South East US	8%	8%
Northern Canada	0%	0%
Alaska	0%	0%
South America	13%	15%
Africa	4%	1%
Philippines	4%	6%

The following table sets forth the various business sectors to which Unicast sold its products in the years ended December 31, 2015 and December 31, 2016.

Year	Aggregate	Cement	Mining	Dealer	Other
2015	2%	51%	32%	14%	1%
2016	6%	58%	16%	18%	2%

Management of Unicast aims to increase its market share throughout North America and South America by concentrating on increasing its sales to the mining industry. Unicast will continue to support and service the cement and aggregates industries but will focus on attracting and targeting the mining industry for sustained growth. In particular, Unicast will target sales to the mining industry in Central and South America. Unicast has recently increased its sales force in an attempt to increase its sales by both retailers and individual Unicast representatives.

All of Unicast's products are tested and quality inspected by its internal engineering department, which includes three engineers, one metallurgist, one mechanical engineer and one metallurgical technologist. Unicast's products are tested and inspected for quality at its own facility in Kelowna, British Columbia and at the University of British Columbia's labs in Kelowna, British Columbia.

Unicast is focused on producing products for the cement, aggregates and mining industries with the longest possible wear life. Management of Unicast believes that its wear parts are some of the longest-lasting and cost-efficient in the market. Unicast also focuses on prompt delivery of its products and competitive pricing. Management believes that these attributes have helped build the Unicast brand and reputation, which drives sales through dealer and customer loyalty.

Production and Services

Unicast designs and produces high quality wear parts for the cement, mining and aggregate industries. Unicast's account managers work with its engineers in Kelowna, British Columbia to specify and design various wear parts which are then manufactured by third party foundries in China.

All of Unicast's wear parts are designed and manufactured in a similar fashion, as follows:

- (a) account managers meet with customers at their facilities to discuss the parts that need to be replaced;

- (b) drawings and or scans of the required parts are collected from the customer on location in consultation with the account manager;
- (c) the drawings are then sent to Unicast's inside sales group for processing and quoting;
- (d) Unicast's inside sales group works with Unicast's engineering group to ensure the measurements and specifications match the customer's requirements;
- (e) Unicast's inside sales group then produces a quote for the customer which is presented to the customer;
- (f) once a purchase order is received, Unicast's engineering and procurement department fills the order with a specific foundry that can satisfy the specific requirements of that purchase order;
- (g) the wear parts are produced and inspected at our supplier foundries for quality control prior to shipping;
- (h) the wear parts are shipped by the foundry to Unicast's facilities in Kelowna, British Columbia;
- (i) a second quality inspection is done in Kelowna, British Columbia by Unicast's local engineers. Once approved the product is shipped to the customer for final delivery with the invoice;
- (j) Unicast's account managers follow up with the customer to ensure that the fit of the wear part was precise and the wear part is performing to their expectations.

Unicast utilizes over 25 supplier foundries to meet the specific needs of its customers. Unicast chooses the foundry to produce a particular product based on a number of factors, including: (i) the alloy required to be produced for such product; (ii) the expertise of that foundry in producing that particular product; and (iii) the ability of such foundry to meet the design requirements of the product. Unicast has a list of preferred suppliers that are used to produce specific products.

No major failures with any supplier were experienced in the last year. In the event that there are minor issues with suppliers, secondary vendors have been able to fill demand with sufficient time to prevent any major production delays.

Unicast does have periodic quality and delivery issues with its suppliers. However, due to the long-term relationship that Unicast has with most of its suppliers, most issues are able to be resolved quickly.

Specialized Skill and Knowledge

Unicast's relationships with its supplier foundries are a special skill and knowledge that is of great benefit to Unicast. Unicast has relationships with over 25 foundries that enables Unicast to choose the optimal foundry to produce the wear products required by its customers.

Unicast has an experienced sales team of four persons that travels extensively to meet with customers regarding their wear part requirements and to ensure that customers are up to date regarding Unicast's product offerings. Unicast's sales team also meets with customers to inspect and measure wear parts to ensure that they are performing as required by the customer.

Unicast as an engineering team comprised of three persons. Unicast's engineering team is constantly looking for better wear life properties and compositions to provide Unicast with better and more effective products to sell to its customers.

Competitive Conditions

Markets

Although Unicast has shipped its products all over the world, the majority of Unicast's sales are in North America, with roughly eighty percent of total sales to the USA and ten percent to Canada. Unicast competes in two major areas of the wear parts industry: (i) mining and aggregate wear parts; and (ii) wear parts and valves for the cement industry.

Unicast currently supplies wear parts and valves to all four of the multi-national cement companies operating in the United States, as well as smaller regional customers.

Unicast supplies several mining operations in the western hemisphere with wear parts for their crushing and operational needs. The Teck Happy Valley copper mine, the New Gold New Afton gold mine, and the Jerritt Canyon Gold gold mine are three examples of North American mines that Unicast services with its wear parts. Unicast also supplies wear parts to three gold mining operations in Nicaragua, operated by a Canadian gold mining and exploration company.

The market for wear parts in North and Latin America is extremely large. According to Sandvik, a Swedish multi-national corporation that specializes in building and maintaining entire mining solutions for mining companies (and one of Unicast's competitors), the annual wear parts industry, including the mining and cement industries, is worth approximately US\$20 billion per annum on a global basis. As at the date hereof, in Canada there are over 200 active mining operations and in the US there are over 330 active mining operations. As all of these mining operations use wear parts, the market for Unicast's products is extremely large and, accordingly, there is a lot of room for Unicast to increase its market share.

Unicast's competitors generally fall into two categories: (a) OEMs of wear parts; and (b) "aftermarket" manufacturers of wear parts. Unicast's main competitors in each of the foregoing categories are described below:

OEMs

Magotteaux

Magotteaux is a producer of wear parts for a variety of industries. Magotteaux has one of the widest ranges of products, services and systems for the aggregates, mining, cement, coal power station, quarry and recycling industries. Magotteaux is headquartered in Vaux-Sous-Chevremont, Belgium.

FLSmidth & Co.

FLSmidth & Co. is a supplier of equipment and services to the cement and mining industries. FLSmidth & Co. supplies everything from single machinery to complete cement plants and mineral processing facilities including services before, during and after the construction. FLSmidth is headquartered in Copenhagen, Denmark.

Terex Minerals Processing Systems

Terex Minerals Processing Systems produces modular plants, portable plants, crushers, screens, apron belt feeders and pan feeders. Terex is headquartered in Cedar Rapids, Iowa.

Metso

Metso is an international minerals processing and flow control technology and services supplier for the mining, aggregates and oil and gas industries. Metso is headquartered in Helsinki, Finland.

Sandvik

Sandvik is a high-technology company specializing in tools and tooling systems for metal cutting, mining, construction equipment and products in stainless steel and alloys. Sandvik is headquartered in Sandviken, Sweden.

Aftermarket

Columbia Steel

Columbia Steel produces wear parts for the mining, aggregate and cement industries. Columbia is headquartered in Portland, Oregon.

Boundary Equipment

Boundary Equipment is a manufacturer of products for mining, material handling and smelting. They specialize in aftermarket mining replacement parts. Boundary is headquartered in Edmonton, Alberta.

Cast Steel Products LP

Cast Steel Products LP is a worldwide supplier of cast, forged and fabricated wear, abrasion and heat resistant products for mining and mineral processing, oil sands, oil and gas, steel, aluminum, cement, power and railway industries as well as the ground engaging and heavy equipment, smelting and crushing application sectors. Cast Steel Products LP is headquartered in Edmonton, Alberta.

Spokane Industries

Spokane Industries is a precision casting company which serves the medical, industrial and manufacturing industries. Spokane Industries is headquartered in Spokane Valley, Washington.

Unicast remains a very small player in both the cement and mining wear parts industries, especially when compared to large multi-national OEMs like Sandvik, Magotteaux, Metso and Sandvik. Both of the cement and the mining wear parts industries are extremely competitive. However, management of Unicast believes that it possesses a number of competitive advantages over its competitors, including:

- (a) enhanced wear life for certain of its wear parts, including blow bars, TC hammers and diverter valves;
- (b) innovative proprietary designs for its wear parts and valves;
- (c) quick turnaround and quick response times to customer needs;
- (d) well motivated management team and employees;
- (e) innovative financing and ordering programs; and
- (f) extensive distribution network with very good access to products.

New Products

Unicast currently has no new products in development. However, Unicast is constantly making adjustments to the metallurgical properties in its various products, including its TC blow bars, hammers, high chrome blow bars and crusher parts that use TC.

Components

Unicast sources all of its wear products from China, where its supplier foundries are located, and has been doing so for approximately eighteen years. These suppliers arrange for all components required for the

production of Unicast's products themselves. See "Production and Services" above. There are no additional components required by Unicast for its business.

Unicast has never had any significant issues sourcing its wear parts from China. In the event that Unicast encounters an issue with a particular supplier, Unicast is generally able to replace such supplier with another supplier without any material disruption to its business.

Intangible Properties

There are no intangible properties that are significant to the business of Unicast, and no current patents in place.

Cycles

Unicast has a diverse and global market for its products. For this reason, Unicast's business is not seasonal or cyclical to any extent.

Economic Dependence

Unicast has over 1,400 customers globally and is not dependent on any one customer. Unicast also has approximately 25 supplier foundries for its wear parts and is not dependent on any one supplier.

Changes to Contracts

No aspect of Unicast's business is anticipated to be significantly affected in the current financial year by renegotiation or termination of any contract.

Environmental Protection

The production of Unicast's products is undertaken by third-party supplier foundries in China, which are responsible for complying with their own applicable environmental laws and requirements. Environmental protection requirements do not impact Unicast's own operations in any significant manner.

Employees

Unicast currently employs 20 people at its facility in Kelowna, British Columbia. Unicast also has six sales representatives in the USA and six more sales representatives in Latin America and Asia.

Foreign Operations

Unicast sells a small percentage of its products to customers in South America, Africa and Asia. Unicast is not dependent upon these foreign operations to any significant extent. Unicast is dependent upon its supplier foundries in China, but has never experienced any significant issues with its overseas suppliers. See "Components" above.

Lending

Unicast does not undertake any lending operations.

Bankruptcy and Similar Proceedings

Neither the Corporation nor any of its Subsidiaries have been subject to any bankruptcy, receivership or similar proceeding within the three most recently completed financial years of the Corporation or during or proposed for the current financial year of the Corporation.

Reorganizations

There have been no material reorganizations of the Corporation or any of its Subsidiaries during the three most recently completed financial years of the Corporation or completed during or proposed for the current financial year of the Corporation.

Social or Environmental Policies

Neither the Corporation nor any of its Subsidiaries has implemented any social or environmental policies that are fundamental to their operations.

RISK FACTORS

The Corporation and its Subsidiaries are subject to a number of risks. These risks relate to the structure of the Corporation and to the operations of the Subsidiaries. The risks and uncertainties described below are all of the significant risks that management of the Corporation is aware of and believe to be material to the business and results of operations of the Corporation. When reviewing forward-looking statements and other information contained in this annual information form, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect future results of the Corporation. The Corporation operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management of the Corporation to predict all risk factors or the impact of such factors on the business of the Corporation. The Corporation assumes no obligation to update or revise these risk factors or other information contained in this annual information form to reflect new events or circumstances, except as may be required by law.

General Economic Conditions

External economic factors over which the Corporation exercises no influence could affect customer demand and disposable income. Economic and geopolitical conditions may impact demand for products and services provided by the Subsidiaries and in general may also impact the Corporation's operating costs and availability of capital. A weaker economy will impact the Corporation's ability to sustain its operating results and create growth.

Virtually all of the business of the Subsidiaries is carried out in North America. Although the North American economy is showing signs of continuing strength, there are many factors that could cause the North American economy to weaken. Should the economic environment deteriorate, demand for the products of the Corporation's Subsidiaries would be reduced and have a negative impact on revenues and earnings. This would result in the Corporation having to implement cost control measures in order to manage through an economic downturn. In the first two quarters of 2016, management of Blaze King implemented cost cutting measures due to the warm winter that caused a reduction in sales. Even though sales have recovered as anticipated, management is continuing to review other areas for possible cost savings and is implementing long-term strategies regarding workflows and production scheduling to further enhance productivity and efficiencies.

Government Regulation

The Corporation and its Subsidiaries are subject to a variety of federal, provincial, state and local laws, regulations, and guidelines including but not limited to income, health and safety, competition, employment standards, securities laws (disclosure and insider trading) and privacy laws. New, or changes in, accounting standards and pronouncements may also impact the Corporation's financial results. Failure by the Corporation to comply with applicable laws, regulations and standards could result in financial penalties, assessments or legal action that could have an adverse effect on the reputation and financial results of the Corporation and its Subsidiaries. Furthermore, the financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have an adverse effect on the Corporation's business, results from operations and financial condition.

The wood burning stove market in which Blaze King operates is significantly affected by government regulations and standards in North America and these regulations are constantly changing. There can be

no assurance that Blaze King's prospects would not be adversely affected in the event of additional regulation in the wood burning stove market. Unicast's products are also subject to government regulations and standards but to a much lesser degree.

Unicast's principal customers are companies in the mining, cement and aggregates industries. The operations of Unicast's mining and cement customers are geographically diverse and are subject to or affected by a wide array of regulations in the jurisdictions where they operate, such as applicable environmental laws and regulations governing their operations. As a result of changes in regulations and laws relating to such industries, customers operations could be disrupted or curtailed by government authorities, the high cost of compliance within these industries and environmental regulations may also induce customers to discontinue or limit their operations, and may discourage companies from developing new opportunities. As a result of these factors, demand for mining and cement related products could be substantially affected by regulations adversely impacting the mining and cement industries or altering the consumption patterns of companies.

Environmental Regulation

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

Operational Performance and Growth

The Corporation's principal source of funds is cash generated from its Subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. In the event that additional capital and operating expenditures dependent on increased cash flow or additional financing arise in the future, lack of those funds could limit or delay the future growth of the Subsidiaries and their cash flow. Furthermore, underperformance of a material Subsidiary could have an adverse effect by also limiting or delaying future growth of the Subsidiaries and their cash flow, while also potentially impacting the amount of cash available for dividends to the Shareholders.

Acquisition Risk

The Corporation regularly reviews potential acquisition opportunities to support its strategic objective to expand and diversify the Corporation's investments. The Corporation's ability to successfully grow or diversify through additional acquisitions will be dependent on a number of factors, including: the identification of suitable acquisition targets in both new and existing markets; the negotiation of purchase agreements on satisfactory terms and prices; securing attractive financing arrangements; and, where applicable, the integration of newly acquired operations into the existing business.

In pursuing a strategy of acquiring other businesses or entities, the Corporation will face risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring higher capital expenditures and operating expenses than expected, failing to integrate the operations and personnel of the acquired businesses, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting ongoing business, diverting management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, suppliers and customers as a result of changes in management, causing increased expenses for accounting and computer systems and incorrectly valuing acquired entities.

The Corporation may not adequately anticipate all the demands that its growth will impose on its personnel, procedures and structures, including its financial and reporting control systems, data processing systems and management structure. Moreover, the Corporation's failure to retain qualified management personnel at any acquired businesses may increase the risk associated with integrating the businesses. If the Corporation cannot adequately anticipate and respond to these demands, it may fail to realize the expected operating performance and its resources will be focused on incorporating new operations into its structure rather than on areas that may be more profitable. In addition, although the Corporation conducts what it believes to be a prudent level of investigation regarding the operating condition of the businesses it purchases, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses.

The Corporation conducts business, legal and financial due diligence investigations in connection with its acquisitions and the purchase and sale agreements pursuant to which the Corporation directly or indirectly acquires a business or entity will generally contain customary representations and warranties with respect to the applicable business and related indemnities from the vendors regarding corporate matters, taxes, litigation, environmental, operations, employee matters and financial statements, among other things. However, there can be no assurance that the Corporation will uncover all risks associated with the investment in its due diligence investigations, that the representations and warranties given by such vendors will adequately protect against such risks or of recovery by the Corporation in the event of a breach of a representation or warranty.

Dependence on Distributors and Strategic Relationships

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

Ability to Develop New Products

The Corporation's market position is dependent on its ability to effectively anticipate consumer habits and expectations and develop new or modified products in a timely fashion to satisfy these expectations. If the Corporation is not able to develop new, attractive products to its customers, the Corporation risks losing those customers to its competitors.

Weather and Climate

The Corporation's business, results from operations and financing could be impacted by fluctuations from weather and natural disasters. Severe weather conditions and natural disaster conditions can significantly disrupt service by impeding the movement of goods, which could have an adverse effect on the Corporation's business, results of operations and financial condition.

In Blaze King's wood burning stove market, moderate fall or early winter temperatures may result in reduced demand for Blaze King's products. Weather may also extend or delay consumer purchases of certain products.

Supply and Cost of Raw Materials and Purchased Parts

The Corporation will rely on a stable and consistent supply of materials and finished goods in carrying out its operations. Blaze King and Unicast secure supplies of raw materials and finished goods from various suppliers on an ongoing basis at negotiated prices, with Unicast sourcing a large percentage of their products from outside North America. An interruption in the availability of these raw materials or finished goods, trade barriers inflicted on the countries where these suppliers are located, geopolitical factors in certain parts of the world, other factors not within the control of the Corporation or otherwise, or significant

increases in the prices paid by the Corporation for them, could have an adverse effect on the Corporation's business.

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

Foreign Exchange Exposure

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

Implementation of the Growth Strategy

As part of its business strategy, the Corporation intends to expand the operations of its Subsidiaries and complete new acquisitions. The Corporation may not effectively select acquisition candidates or successfully negotiate or finance such acquisitions. There can be no assurance that the acquisitions will be completed on acceptable terms or that the newly acquired companies will be successfully integrated into the Corporation's operations. The Corporation may be subject to increased production costs or problems, difficulty in obtaining financing and increased cost of borrowing as a result of such acquisitions. With the Corporation's intention to expand the sales focus of Blaze King and Unicast into new geographic areas, there may be exposure to political and economic risks not currently experienced by the Corporation.

Competition

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

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

Reliance on Management and Key Personnel

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

Financing Risk

In order to execute its business plan, the Corporation may require a combination of additional debt and equity financing to support ongoing operations, to undertake capital expenditures or to undertake

acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect upon the Corporation.

Litigation

Due to the nature of their businesses, the Corporation and its Subsidiaries may become party to litigation from time to time, which could adversely affect the business and financial results of the Corporation. Blaze King is currently subject to an \$11,000,000 product liability claim. For a summary of this claim see "Legal Proceedings and Regulatory Actions".

Product Liability and Warranty Claims

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

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

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

Credit Facility

The Corporation has debt service obligations pursuant to the Credit Facility. The degree to which the Corporation and its Subsidiaries are leveraged could have important consequences to Shareholders, including:

- (a) the ability of the Corporation and/or its Subsidiaries to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- (b) a substantial portion of cash flow from operations of the Subsidiaries of the Corporation will be dedicated to servicing its indebtedness, thereby reducing funds available for future operations;
- (c) certain borrowings of the Corporation and/or its Subsidiaries will be at variable rates of interest, which will expose the Corporation and its Subsidiaries to future fluctuations of interest rates; and
- (d) the Corporation and/or its Subsidiaries may be more vulnerable to economic downturns and may be limited in their ability to withstand competitive pressure.

The ability of the Corporation and/or its Subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their respective indebtedness will depend on future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Credit Facility contains restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants may place significant restrictions on, among other things, the ability of the Subsidiaries and other restricted parties under such financing agreements to incur additional indebtedness, to create liens or other encumbrances, to pay dividends, to redeem equity or debt or make certain other payments, investments, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the financing agreements relating to the Credit Facility contain a number of financial covenants that require the Corporation to meet certain financial ratios and financial condition tests. A failure to comply with the obligations and covenants under the financing agreements relating to the Credit Facility could result in an event of default under such agreements, as the case may be, which, if not cured or waived, could permit acceleration of indebtedness. If the indebtedness under such agreements were to be accelerated, there can be no assurance that the assets of the Corporation and its Subsidiaries under such agreements would be sufficient to repay that indebtedness in full.

Income Tax Matters

The business and operations of the Corporation are complex and the computation of income taxes payable involves many complex factors including the Corporation's interpretation of relevant tax legislation and regulations. While management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Corporation's interpretation of the applicable tax legislation and regulations. If any challenge to the Corporation's tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on the Corporation's tax position. Furthermore, federal or provincial or foreign tax legislation may be amended, or its interpretation changed (whether by legislative or judicial action or decision), retroactively or for the future, which could adversely affect the Corporation's tax position.

Dividends

Although the Corporation intends to continue to declare and pay monthly dividends on Common Shares, there can be no assurance that dividends will continue in the future at the same frequency and in the same amounts, or at all. The actual amount of dividends declared and paid by the Corporation in respect of the Common Shares will depend upon numerous factors, including profitability, fluctuations in working capital, and the sustainability of margins and capital expenditures of its Subsidiaries.

Reliance on Technology

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

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

Market Trends and Innovation

The success of the Subsidiaries is dependent on their ability to anticipate and respond in a timely manner to changing consumer preferences, tastes and demands. Accordingly, any sustained failure to identify and respond to emerging trends could adversely affect consumer acceptance of products or the ability to continue to obtain orders, which could have an adverse effect on the Corporation's business, results from operations and financial condition.

The Subsidiaries continue to invest in technology and innovation as the industries in which they operate are constantly undergoing development and change. Their ability to anticipate changes in technology in order to successfully develop and introduce new and enhanced products or to purchase new equipment and train employees on a timely basis using such technologies will be a significant factor in the Subsidiaries remaining competitive. If there is a shift away from the use of such technologies, costs may not be recovered, adversely affecting the Corporation's business, results from operations and financial condition. In addition, if other technologies in which the investment of the Subsidiaries is not as great or their expertise is not as fully developed emerge as the industry-leading technologies, the Subsidiaries may be placed at a competitive disadvantage, which could have an adverse effect on the Corporation's business, results from operations and financial condition.

Employees and Labour Relations

The success of the Subsidiaries is dependent in large part upon their ability to attract and retain key management and employees. Recruiting and maintaining personnel in the industries in which the Subsidiaries are involved is highly competitive and it cannot be guaranteed that these entities will be able to attract and retain the qualified personnel needed for their businesses. A failure to attract or retain qualified personnel could have an adverse effect on the Corporation's business, results from operations and financial condition.

There can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in the Corporation's service or otherwise adversely affect the ability of the Corporation to conduct its operations, all of which could have a material adverse effect on its business, results from operations and financial condition.

Conflicts of Interest

The Corporation may be subject to various conflicts of interest due to the fact that its Directors and management are or may be engaged in a wide range of other business activities. The Corporation may become involved in transactions that conflict with the interests of the foregoing. The Directors and management of the Corporation and associates or affiliates of the foregoing may from time to time deal with persons, firms, institutions or organizations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities. Any such conflicts will be resolved in accordance with the provisions of the BCBCA relating to conflicts of interest.

Trading Volatility of Common Shares

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

Information Technology

The Subsidiaries rely on information technology infrastructure to achieve their business objectives. Any disruption of this infrastructure could negatively impact the Subsidiaries' ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on business in the normal course. Any such events could cause the Subsidiaries to lose customers or revenue and could require significant expense to remediate.

A security breach of information technology could also interrupt or damage operations or harm the Corporation's reputation. In addition, the Corporation may be subject to liability if confidential information relating to customers, suppliers, employees or other parties is misappropriated from its computer system. Despite the implementation of security measures, these systems may be vulnerable to physical break-ins, computer viruses, programming errors or similar disruptive problems.

DIVIDEND POLICY AND HISTORY

The current practice of the Corporation is to pay dividends in the amount of \$0.03 per Common Share per month (\$0.36 per Common Share on an annualized basis). The dividend policy of the Corporation is that the Board has the discretion to determine if and when dividends are declared and the amount that is paid to Shareholders through any such dividends of the Corporation. The Corporation's ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of the Corporation and its Subsidiaries, its debt covenants and obligations, its ability to refinance debt obligations on similar terms and at similar interest rates, its working capital requirements, its future tax obligations and its future capital requirements.

The Corporation's dividends are traditionally declared monthly with an end of month record date and then are distributed to Shareholders in the middle of the following month.

Dividend History

On May 12, 2015, the Corporation announced that it had adopted a dividend policy to declare and pay monthly dividends in the amount of \$0.02 per Common Share (\$0.24 per Common Share on an annualized basis). The payment of dividends by the Corporation is subject to solvency tests under applicable corporate law. The Corporation paid its first cash dividend on June 15, 2015. The table below sets forth the cash dividends made by the Corporation from June 15, 2015 to December 31, 2016.

Dividend Record Date ⁽¹⁾	Payment Date	Amount of Dividend per Common Share ⁽¹⁾
May 31, 2015	June 15, 2015	\$0.020
June 30, 2015	July 15, 2015	\$0.020
July 31, 2015	August 14, 2015	\$0.020
August 31, 2015	September 15, 2015	\$0.020
September 30, 2015	October 15, 2015	\$0.025
October 31, 2015	November 15, 2015	\$0.025
November 30, 2015	December 15, 2015	\$0.025
December 31, 2015	January 15, 2016	\$0.025
January 29, 2016	February 15, 2016	\$0.025
February 29, 2016	March 15, 2016	\$0.025
March 31, 2016	April 15, 2016	\$0.025
April 29, 2016	May 13, 2016	\$0.025
May 31, 2016	June 15, 2016	\$0.025
June 30, 2016	July 15, 2016	\$0.025
July 29, 2016	August 15, 2016	\$0.025
August 31, 2016	September 15, 2016	\$0.025
September 30, 2016	October 14, 2016	\$0.025
October 31, 2016	November 15, 2016	\$0.025
November 30, 2016	December 15, 2016	\$0.025

Note:

(1) Effective for the dividend made on October 15, 2015 to Shareholders of record on September 30, 2015, the Corporation increased its monthly dividend to \$0.025 per Common Share.

Increase to Monthly Dividend

On February 22, 2017, the Corporation announced that it approved an increase of \$0.005 per Common Share to its monthly dividend from \$0.025 per month (\$0.30 per Common Share on an annualized basis) to \$0.030 per month (\$0.36 per Common Share on an annualized basis). The increased dividend took effect with the dividend paid to Shareholders on April 14, 2017 to Shareholders of record as at March 31, 2017.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without par value. The holders of Common Shares are entitled to dividends if, as and when declared by the Directors, to cast one vote per Common Share at meetings of the holders of Common Shares and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of Common Shares.

The Common Shares do not have:

- (a) any pre-emptive rights;
- (b) any conversions or exchange rights;
- (c) any redemption, retraction, purchase for cancellation or surrender provisions;
- (d) any sinking or purchase fund provisions;
- (e) any provisions permitting or restricting the issuance of additional securities and any other material restrictions; or

- (f) any provisions requiring a holder to contribute additional capital.

As at December 31, 2016 there were 6,056,495 Common Shares issued and outstanding. As at the date hereof there are 6,174,376 Common Shares issued and outstanding.

Stock Option Plan

The purpose of the Stock Option Plan is to attract and motivate Directors, senior officers, employees, management company employees, consultants and others providing services to the Corporation and its Subsidiaries, and thereby advance the Corporation's interests, by affording such persons with an opportunity to acquire an equity interest in the Corporation, through the issuance of stock options.

The Stock Option Plan is a "rolling" stock option plan permitting the grant of incentive stock options to purchase up to the number of Common Shares that is equal to 10% of the issued Common Shares at the time of the stock option grant. The Stock Option Plan was accepted for filing by the Exchange in connection with the Corporation's initial public offering. As a "rolling" stock option plan, the Stock Option Plan is required to be re-approved by the Shareholders each year at the Corporation's annual general meeting and filed with the Exchange.

The Stock Option Plan authorizes the Board to grant stock options to optionees on the following terms:

- (a) the aggregate number of Common Shares which may be issued pursuant to options granted under the Stock Option Plan, unless otherwise approved by Shareholders, may not exceed that number which is equal to 10% of the Common Shares issued and outstanding at the time of the grant;
- (b) the number of Common Shares subject to each option will be determined by the Board, provided that the aggregate number of Common Shares reserved for issuance pursuant to options granted to:
 - (i) insiders may not exceed 10% of the issued Common Shares;
 - (ii) any one individual may not exceed 5% of the issued Common Shares (unless the Corporation has obtained disinterested Shareholder approval);
 - (iii) any one consultant during any 12-month period may not exceed 2% of the issued Common Shares; and
 - (iv) all persons employed to provide investor relations activities (as a group) may not exceed 2% of the issued Common Shares during any 12-month period;

in each case calculated as at the date of grant of the option, including all other Common Shares under options to such person at that time;

- (c) the exercise price of an option may not be set at less than the minimum price permitted by the Exchange (which contemplates up to a prescribed discount to the market price at the time of grant);
- (d) options may be exercisable for a period of up to ten years from the date of grant;
- (e) the options are non-assignable and non-transferable. The options can only be exercised by the optionee as long as the optionee remains an eligible optionee pursuant to the Stock Option Plan or within a period of not more than 90 days after ceasing to be an eligible optionee (30 days in the case of a person engaged in investor relations activities) or, if the optionee dies, within one year from the date of the optionee's death;
- (f) options granted to consultants engaged to perform investor relations activities must be subject to a vesting requirement, whereby such options will vest over a period of not less than 12 months, with a maximum of 25% vesting in any 3-month period; and

- (g) on the occurrence of a takeover bid, issuer bid or going private transaction, the Board will have the right to accelerate the date on which any option becomes exercisable.

The foregoing is only a summary of the salient features of the Stock Option Plan, and is qualified in its entirety by reference to the actual terms and conditions of the Stock Option Plan.

Notice of options granted under the Stock Option Plan must be given to the Exchange on a monthly basis. Any amendments to the Stock Option Plan must also be approved by the Exchange and, if necessary, by the Shareholders prior to becoming effective.

As at December 31, 2016, there were 530,500 stock options issued and outstanding under the Stock Option Plan. As at the date hereof there are 506,000 stock options issued and outstanding under the Stock Option Plan.

Employee Share Purchase Plan

The purpose of the ESPP is to advance the interests of the Corporation and its Subsidiaries by facilitating and encouraging employees of the Corporation and its Subsidiaries to purchase Common Shares and accordingly, have a direct interest in the Corporation's success.

The material terms under which employees may purchase Common Shares under the ESPP are as follows:

- (a) only persons who are permanent full-time employees of the Corporation or its affiliates who have completed six full calendar months of service and who reside in Canada are eligible to participate in the ESPP. For greater clarity, Consultants and Investor Relations Consultants (as those terms are defined by the Exchange) are not eligible to participate in the ESPP;
- (b) the Corporation will issue the Common Shares to those employees who are participating in the ESPP once a year (the "**Purchase Date**") at a price per Common Share determined by calculating the weighted average trading price of the Common Shares on the Exchange for the 5 days immediately preceding the Purchase Date;
- (c) the maximum number of Common Shares issuable under the ESPP is 50,000 Common Shares (subject to adjustment in the event of changes affecting the Corporation's capital structure), provided that in the aggregate, the Corporation is restricted from offering Common Shares pursuant to both its Stock Option Plan and its ESPP, which will result in the issuance of Common Shares exceeding 10% of the Corporation's issued Common Shares from time to time;
- (d) no one employee may acquire Common Shares pursuant to the ESPP which exceed more than 1% of the issued and outstanding Common Shares in any 12-month period and the insiders of the Corporation, as a group, may not acquire Common Shares pursuant to the ESPP which exceed, collectively and in the aggregate, more than 2% of the issued and outstanding Common Shares in any 12-month period;
- (e) employees may only designate up to 5% of their salary (in increments of 1%), on an annual basis, to contribute to the ESPP;
- (f) subject to an 18 month vesting period calculated from the Purchase Date, an employee participating in the ESPP will receive the right to receive additional Common Shares consisting of 33 1/3% of the number of Common Shares purchased by such employee on the Purchase Date (the "**Additional Shares**") and, at the irrevocable election of such participating employee designated at the time of enrollment in the ESPP, either (i) the aggregate value of the dividends that would have been payable on such Additional Shares had they been issued on the Purchase Date (the "**Phantom Dividends**"); or (ii) that number of Common Shares that can be purchased with the value of the Phantom Dividends, which such Common Shares being purchased in the open market through the facilities of the Exchange within 60 days after expiry of the vesting period by an

administrative agent appointed under the ESPP, with all incidental fees and expenses being paid by the Corporation;

- (g) the Common Shares purchased pursuant to the ESPP may be paid for in cash or by way of a loan facility provided by the Corporation for such purpose, to be repaid by payroll deductions and supported by a promissory note; and
- (h) the rights granted to employees who elect to participate in the ESPP are not transferrable and no right or interest in any Common Shares which are subject to the vesting provisions of the ESPP may be transferred without the consent of the ESPP administrators.

As at December 31, 2016 there were 4,089 Common Shares reserved for issuance pursuant to the ESPP. As at the date hereof there are 6,487 Common Shares reserved for issuance pursuant to the ESPP.

Credit Facility

The Corporation has a Credit Facility in place with Scotiabank. Pursuant to the Credit Facility, Scotiabank makes the following individual credit facilities available to the Corporation:

- (a) revolving term loan in the amount of \$4,000,000 for working capital and general corporate purposes (which may be denominated in either Canadian or United States funds);
- (b) non-revolving term loan in the amount of \$8,500,000 (which may be denominated in either Canadian or United States funds);
- (c) trading/hedging facilities in an amount sufficient to hedge interest rate risk on the Credit Facility and non-speculative foreign exchange risk;
- (d) credit card with a limit of up to \$300,000; and
- (e) revolving term loan in the amount of \$1,000,000 to finance equipment purchases.

The Credit Facility is secured by a general security agreement over the assets of the Corporation and its Subsidiaries, subject to customary terms, conditions, covenants and other provisions, and includes both financial and negative covenants.

As at the date hereof, the Corporation has nil drawn on its Credit Facility. The Corporation is in compliance with all financial covenants under the Credit Facility as at the date hereof.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the Exchange under the symbol "DE". The following is a summary of the price ranges and volumes traded on the Exchange, as applicable, from January 1, 2016 to December 31, 2016.

Period	High (\$)	Low (\$)	Volume
January, 2016	3.7800	3.3000	27,262
February, 2016	3.5500	3.2000	33,618
March, 2016	3.5000	2.8000	93,160
April, 2016	3.3200	2.8900	37,223
May, 2016	3.2500	2.9200	30,098
June, 2016	3.4900	3.0000	53,487
July, 2016	3.3900	3.0500	46,987
August, 2016	3.3500	2.9700	87,560
September, 2016	3.7900	3.1000	80,371
October, 2016	3.9500	3.2900	65,743
November, 2016	3.5600	3.1000	111,141
December, 2016	3.4400	3.1400	40,819

PRIOR SALES

During the year ended December 31, 2016, the Corporation did not issue any securities that were not listed or quoted on an exchange or marketplace.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets forth the number of Common Shares held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer as at December 31, 2016.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class as at December 31, 2016
Common Shares	941,539 ⁽¹⁾⁽²⁾⁽³⁾	15.3%

Notes:

1. An aggregate of 947,500 Common Shares issued by the Corporation to the founders of the Corporation were subject to an escrow agreement dated April 5, 2013 (the “**Seed Share Escrow Agreement**”). The Common Shares held pursuant to this escrow agreement are held in escrow and released over a period of three years from the closing of the Corporation’s qualifying transaction which took place on February 27, 2015. 94,750 escrowed Common Shares (10% of the escrowed Common Shares), were released on March 19, 2015, 142,125 escrowed Common Shares (15% of the escrowed Common Shares) were released on September 19, 2015, 142,145 escrowed Common Shares (15% of the escrowed Common Shares) were released on March 19, 2016, and 142,145 escrowed Common Shares (15% of the escrowed Common Shares) were released on September 19, 2016. Since December 31, 2016, 142,125 escrowed Common Shares (15% of the escrowed Common Shares) were released on March 19, 2017, and a further 142,125 escrowed Common Shares (15% of the escrowed Common Shares) were released on September 19, 2017. The remaining 142,125 escrowed Common Shares (15% of the escrowed Common Shares) are scheduled for release on March 19, 2018, after which all Common Shares held in escrow pursuant to the Seed Share Escrow Agreement shall have been released.
2. An aggregate of 330,000 Common Shares issued by the Corporation to the shareholders of PGR Ventures Inc. were subject to an escrow agreement dated February 27, 2015 (the “**Blaze King Share Escrow Agreement**”). The Common Shares held pursuant to this escrow agreement are held in escrow and released over a period of three years from the closing of the Corporation’s qualifying transaction which took place on February 27, 2015. 33,000 escrowed Common Shares (10% of the escrowed Common Shares), were released on February 27, 2015, 49,500 escrowed Common Shares (15% of the escrowed Common Shares) were released on August 27, 2015, 49,500 escrowed Common Shares (15% of the escrowed Common Shares) were released on February 27, 2016, and 49,500 escrowed Common Shares (15% of the escrowed Common Shares) were released on August 27, 2016. Since December 31, 2016, 49,500 escrowed Common Shares (15% of the escrowed Common Shares) were released on February 27, 2017 and a further 49,500 Common Shares (15% of the escrowed Common Shares) were released on August 27, 2017. 49,500 escrowed Common Shares (15% of the escrowed Common Shares) are scheduled for release on February 27, 2018, after which all Common Shares held in escrow pursuant to the Blaze King Share Escrow Agreement shall have been released.
3. An aggregate of 366,664 Common Shares issued by the Corporation to the shareholders of Unicast Inc. were subject to an escrow agreement dated June 23, 2016 (the “**Unicast Share Escrow Agreement**”). The Common Shares held pursuant to this escrow agreement are held in escrow and released over a period of three years from the closing of the transaction which took place on June 23, 2016. 91,666 escrowed Common Shares (25% of the escrowed Common Shares), were released on June 23, 2017. 91,666 escrowed Common Shares (25% of the escrowed Common Shares) are scheduled for release on June 23, 2018 and 183,332 escrowed Common Shares (50% of the escrowed Common Shares) are scheduled for release on June 23, 2019, after which all Common Shares held in escrow pursuant to the Unicast Share Escrow Agreement shall have been released.

DIRECTORS AND OFFICERS

The Directors and officers of the Corporation are set forth in the below. The term of office of each Director will expire at the next annual meeting of Shareholders.

Name and Municipality of Residence	Position held with the Corporation	Director of the Issuer since	Principal Occupation for the Preceding Five Years
James Paterson ⁽³⁾ Kelowna, BC	Director, Chairman & CEO	October 2, 2012	Partner, Barrister & Solicitor with Pushor Mitchell LLP, a law firm, since January 2003.
David Redekop West Kelowna, BC	Director and CFO	December 6, 2012	CFO of the Corporation since 2012.
G. Terence Edwards ⁽³⁾ Kelowna, BC	Director, Secretary and COO	December 6, 2012	Chief Operating Officer of Pushor, Mitchell LLP, a law firm, from January 2005 to September 30, 2017.
Michael Conway ⁽¹⁾⁽²⁾ West Kelowna, BC	Director	December 6, 2012	President & Co-Founder, SightQuest Technology Inc., since July 1, 2017. President & CEO, Finance Executives International, a senior financial executives association, from September 2007 to June 30, 2017.
Timothy Pirie ⁽¹⁾⁽³⁾ Kelowna, BC	Director	December 6, 2012	President of Prospect Energy Services Ltd. since 2002.
M. Bruce Campbell ⁽¹⁾⁽²⁾ Kelowna, BC	Director	December 6, 2012	President and Portfolio Manager of StoneCastle Investment Management, an investment fund manager, since September 2008.
Warren Matheos ⁽¹⁾⁽³⁾ Calgary, AB	Director	December 6, 2013	Senior Business Development Manager – Western Canada at Temple Lifestyle Ltd., a brand developing company, since May 2017; Senior Key Account at PepsiCo Canada from September 2016 to April 2017; Regional Director West at Heineken Canada from October 2013 to January 2016; Western Regional Sales Manager at Sun-Rype Products Ltd. from May 2010 to September 2013
Robert Louie ⁽¹⁾⁽³⁾ West Kelowna, BC	Director	April 25, 2013	Proprietor of Indigenous World Winery since 2016; Chief of the Westbank First Nation, a self-governing First Nation, from 2002 to 2016.
Peter Jeffrey ⁽¹⁾⁽²⁾ Kelowna, BC	Director	November 13, 2013	President of PD&J Associates, a consulting business, since February 2013. Previously President of Whitewater Composites Ltd./Formashape and President and CEO of Avcorp Industries Inc.
M. Rachel Colabella ⁽¹⁾⁽²⁾ Surrey, BC	Director	July 25, 2017	BC Regional Leader & Senior Legal Counsel, Simplex Legal LLP, since November 2016; Chief Legal Officer and Corporate Secretary of Alaris Royalty Corp. from September 2008 to October 2016.

Notes:

- (1) Independent Director.
- (2) Member of the Audit Committee.
- (3) Member of the Governance and Compensation Committee.

Aggregate Ownership of Securities

As of the date of this annual information form, the current Directors and officers of the Corporation beneficially own, or exercise control and direction over, directly or indirectly an aggregate of 1,209,265 Common Shares (approximately 19.66% of the outstanding Common Shares).

Corporate Cease Trade Orders or Bankruptcies

For the purposes of this section, “**Order**” means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for a period of more than 30 consecutive days.

Other than as set forth below, no current Director or officer of the Corporation or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is, or has been within the past ten years, a director, trustee or executive officer of any issuer that:

- (a) was subject to an Order that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) was subject to an Order that was issued after the Director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted in an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (c) within one year of that person ceasing to act in the capacity as a Director or executive officer of the issuer, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No current Director or officer of the Corporation or Shareholder who holds a sufficient number of securities of the Corporation to materially affect control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into any settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Individual Bankruptcies

No current Director or officer of the Corporation or Shareholder who holds a sufficient number of securities of the Corporation to materially affect control of the Corporation is, or has, within the ten years preceding the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

To the best of the knowledge of the Corporation, there are currently no known existing conflicts of interest between the Corporation or a Subsidiary and any Director or officer of the Corporation or a Subsidiary.

There may be potential conflicts of interest to which some or all of the Directors, officers, and insiders of the Corporation become subject in connection with the operations of the Corporation and situations may arise from time to time where some or all of the Directors, officers and insiders of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

PROMOTERS

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Corporation or of a Subsidiary, as applicable.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set forth below, management of the Corporation is not aware of any material legal proceedings or regulatory actions to which the Corporation or its Subsidiaries is a party or of which any of their respective property is subject.

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

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

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

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The following transactions were carried out by the Corporation with related parties of the Corporation including Directors and executive officers, persons that beneficially own, control or direct, directly or indirectly, more than 10% of any class or series of securities of the Corporation or any associates or affiliates of such persons.

Key Management Compensation

The Corporation identifies its key management personnel as being those personnel having the authority and responsibility for planning, directing, and controlling the Corporation. Salaries and benefits, bonuses and share-based payments are included in compensation expenses.

Compensation awarded to key management for the 2016 financial year of the Corporation and the comparative 2015 financial year is as follows:

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

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are PricewaterhouseCoopers LLP, Vancouver, British Columbia. They were appointed on July 25, 2017, when they replaced Grant Thornton LLP as auditors.

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

The following is a summary of the material contracts of the Corporation, other than contracts entered into in the ordinary course of business.

- (a) the ESPP;
- (b) the Stock Option Plan; and
- (c) the Seed Share Escrow Agreement.

Copies of these material contracts are available for inspection at the registered office of the Corporation at #201, 1674 Bertram Street Kelowna, British Columbia V1Y 9G4 upon reasonable notice and on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Grant Thornton LLP, the former auditors of the Corporation who have prepared the audit report on the audited annual financial statements of the Corporation for the year ended December 31, 2016, has advised the Corporation that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information, including Directors' and officers' remuneration and indebtedness, principal holders of the securities of the Corporation and securities authorized for issuance under compensation plans is contained in the management information circular of the Corporation dated June 20, 2017. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the financial year ended December 31, 2016.