

Condensed interim consolidated statements of financial position

<i>(in thousands of Canadian dollars, unaudited)</i>	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Trade receivables (note 5)	\$ 88,450	\$ 73,124
Inventories (note 6)	10,477	8,812
Prepaid expenses and other current assets	1,861	3,519
	100,788	85,455
NON-CURRENT ASSETS		
Other non-current assets	895	827
Deferred income tax assets (note 11)	5,357	3,428
Restricted cash (note 9)	515	515
Property, plant and equipment	13,886	16,804
Right-of-use assets (note 7)	58,976	—
Intangible assets	19,342	18,164
Goodwill (note 4)	16,973	17,038
	\$ 216,732	\$ 142,231
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft (note 9)	\$ 1,475	\$ 3,999
Trade payables and accrued liabilities	50,233	43,497
Current portion of credit facilities (notes 1 and 9)	4,591	5,670
Current portion of promissory notes (note 10)	2,104	4,013
Current portion of lease liabilities (note 7)	8,172	—
Provisions (note 8)	5,295	2,908
Income taxes payable	1,573	3,152
Deferred revenue	1,315	1,477
	74,758	64,716
NON-CURRENT LIABILITIES		
Provisions (note 8)	771	540
Credit facilities (notes 1 and 9)	75,661	51,751
Promissory notes (note 10)	457	1,363
Lease liabilities (note 7)	55,515	—
Deferred income tax liabilities (note 11)	457	1,753
Other non-current liabilities (note 12)	33	3,272
Pension obligations	7,962	8,346
Other post-employment benefit plans	3,184	2,978
	\$ 218,798	\$ 134,719
EQUITY		
SHAREHOLDERS' EQUITY / (DEFICIT)		
Shares (note 13)	\$ 251,217	\$ 251,217
Warrants (note 13)	716	806
Contributed surplus	2,277	1,841
Translation reserve	258	242
Deficit	(256,534)	(246,594)
	\$ (2,066)	\$ 7,512
	\$ 216,732	\$ 142,231

General Information and Going Concern (note 1); Commitments and Contingencies (note 16); Subsequent Events (note 3)

Approved by Board of Directors


Director


Director

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

Condensed interim consolidated statements of operations

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	For the three months ended		For the three months ended	
	September 30, 2019		September 30, 2018	
REVENUES (note 18)	\$	63,215	\$	74,925
COST OF REVENUES		47,962		56,664
GROSS PROFIT		15,253		18,261
EXPENSES				
Selling, commissions and expenses		8,545		8,235
General and administration expenses		9,263		7,312
Restructuring expenses (note 8)		2,724		9
Acquisition costs (note 4)		—		6
		20,532		15,562
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		(5,279)		2,699
FINANCE COSTS				
Interest expense, net		2,260		1,256
Amortization of transaction costs		177		168
		2,437		1,424
(LOSS) INCOME BEFORE INCOME TAXES		(7,716)		1,275
INCOME TAX (RECOVERY) EXPENSE				
Current		395		430
Deferred		(2,194)		7
		(1,799)		437
NET (LOSS) INCOME FOR THE PERIOD	\$	(5,917)	\$	838
BASIC (LOSS) EARNINGS PER SHARE (note 14)	\$	(0.27)	\$	0.04
DILUTED (LOSS) EARNINGS PER SHARE (note 14)	\$	(0.27)	\$	0.04

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

Condensed interim consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
REVENUES (note 18)	\$ 211,387	\$ 241,617
COST OF REVENUES	159,651	183,292
GROSS PROFIT	51,736	58,325
EXPENSES		
Selling, commissions and expenses	25,527	27,896
General and administration expenses	24,969	23,073
Restructuring expenses (note 8)	7,595	809
Acquisition costs (note 4)	—	319
	58,091	52,097
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES	(6,355)	6,228
FINANCE COSTS		
Interest expense, net	6,467	3,664
Amortization of transaction costs	400	469
	6,867	4,133
(LOSS) INCOME BEFORE INCOME TAXES	(13,222)	2,095
INCOME TAX (RECOVERY) EXPENSE		
Current	(79)	985
Deferred	(3,149)	(297)
	(3,228)	688
NET (LOSS) INCOME FOR THE PERIOD	\$ (9,994)	\$ 1,407
BASIC (LOSS) EARNINGS PER SHARE (note 14)	\$ (0.46)	\$ 0.07
DILUTED (LOSS) EARNINGS PER SHARE (note 14)	\$ (0.46)	\$ 0.07

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

Condensed interim consolidated statements of comprehensive (loss) income*(in thousands of Canadian dollars, unaudited)*

	For the three months ended September 30, 2019		For the three months ended September 30, 2018	
NET (LOSS) INCOME FOR THE PERIOD	\$	(5,917)	\$	838
OTHER COMPREHENSIVE (LOSS) INCOME:				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		4		(11)
		4		(11)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of pension and other post-employment benefit obligations		791		243
Taxes related to pension and other post-employment benefit adjustment above		(201)		(63)
		590		180
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	\$	594	\$	169
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	\$	(5,323)	\$	1,007

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Condensed interim consolidated statements of comprehensive (loss) income*(in thousands of Canadian dollars, unaudited)*

	For the nine months ended September 30, 2019		For the nine months ended September 30, 2018	
NET (LOSS) INCOME FOR THE PERIOD	\$	(9,994)	\$	1,407
OTHER COMPREHENSIVE (LOSS) INCOME:				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		16		26
		16		26
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of pension and other post-employment benefit obligations		67		1,457
Taxes related to pension and other post-employment benefit adjustment above		(13)		(379)
		54		1,078
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	\$	70	\$	1,104
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	\$	(9,924)	\$	2,511

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Condensed interim consolidated statements of changes in shareholders' equity (deficit)

<i>(in thousands of Canadian dollars, unaudited)</i>							
	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity
Balance as at December 31, 2017	\$ 248,996	\$ 287	\$ —	\$ 1,368	\$ 183	\$ (256,233)	\$ (5,399)
Impact of change in accounting policy on adoption of IFRS 15	—	—	—	—	—	8,365	8,365
	\$ 248,996	\$ 287	\$ —	\$ 1,368	\$ 183	\$ (247,868)	\$ 2,966
Net income for the period	—	—	—	—	—	1,407	1,407
Other comprehensive income for the period	—	—	—	—	26	1,078	1,104
Total comprehensive income for the period	—	—	—	—	26	2,485	2,511
Issuance of common shares and warrants, net (note 13)	2,221	519	—	—	—	—	2,740
Share-based compensation expense	—	—	—	383	—	—	383
Balance as at September 30, 2018	\$ 251,217	\$ 806	\$ —	\$ 1,751	\$ 209	\$ (245,383)	\$ 8,600
BALANCE AS AT DECEMBER 31, 2018	\$ 251,217	\$ 806	\$ —	\$ 1,841	\$ 242	\$ (246,594)	\$ 7,512
Net loss for the period	—	—	—	—	—	(9,994)	(9,994)
Other comprehensive income for the period	—	—	—	—	16	54	70
Total comprehensive income (loss) for the period	—	—	—	—	16	(9,940)	(9,924)
Expiration of warrants (note 13)	—	(269)	—	269	—	—	—
Share-based compensation expense	—	—	—	167	—	—	167
Issuance of warrants, net (note 13)	—	179	—	—	—	—	179
BALANCE AS AT SEPTEMBER 30, 2019	\$ 251,217	\$ 716	\$ —	\$ 2,277	\$ 258	\$ (256,534)	\$ (2,066)

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

Condensed interim consolidated statements of cash flows

<i>(in thousands of Canadian dollars, unaudited)</i>	For the nine months ended September 30, 2019		For the nine months ended September 30, 2018	
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net (loss) income for the period	\$	(9,994)	\$	1,407
Adjustments to net (loss) income				
Depreciation of property, plant and equipment		3,109		3,486
Amortization of intangible assets		2,672		3,514
Depreciation of right-of-use-assets (note 7)		6,563		—
Interest expense on lease liability (note 7)		2,707		—
Share-based compensation expense		167		383
Defined benefit pension expense (note 17)		446		403
Loss (gain) on disposal of property, plant and equipment		84		(144)
Write-off of intangible assets		—		242
Provisions (note 8)		7,595		943
Amortization of transaction costs (note 9)		400		469
Accretion of non-current liabilities and related interest expense		238		471
Other non-current liabilities		—		403
Other post-employment benefit plans, net		206		202
Tax credits recognized		(89)		—
Income tax (recovery) expense		(3,228)		688
		10,876		12,467
Changes in working capital (note 15)		(8,957)		8,723
Contributions made to defined benefit pension plans		(763)		(818)
Provisions paid (note 8)		(4,661)		(4,803)
Income taxes paid		(1,391)		(1,056)
		(4,896)		14,513
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(820)		(2,319)
Addition to intangible assets		(3,899)		(3,664)
Proceeds on disposal of property, plant and equipment		254		172
Proceeds on sale of business (note 4)		675		—
Net cash consideration for acquisition of businesses (note 4)		—		(7,505)
		(3,790)		(13,316)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net (note 13)		—		685
Proceeds from credit facilities and warrants (note 9)		26,097		12,951
Repayment of credit facilities (note 9)		(3,262)		(9,093)
Repayment of other liabilities		(300)		(301)
Proceeds from promissory notes and warrants (note 10)		1,000		—
Repayment of promissory notes (note 10)		(3,905)		(3,978)
Transaction costs (note 9)		(327)		(890)
Lease payments (note 7)		(8,075)		(20)
		11,228		(646)
DECREASE IN BANK OVERDRAFT DURING THE PERIOD		2,542		551
BANK OVERDRAFT – BEGINNING OF PERIOD	\$	(3,999)	\$	(2,868)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		(18)		34
BANK OVERDRAFT – END OF PERIOD	\$	(1,475)	\$	(2,283)

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Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2019 and 2018

(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)

1 General Information and Going Concern

DATA Communications Management Corp. ("DCM") is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with its customers. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print or digital formats.

On February 22, 2017, DCM acquired Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. (collectively, "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

On November 7, 2018, DCM announced that Perennial and Aphria Inc. ("Aphria") had entered into a joint venture agreement (the "JV"). The JV initially focused on cannabis-infused products for the wellness, medical and adult-use markets. The JV was owned equally by Perennial and Aphria. It selected specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV was dissolved on July 12, 2019. As at September 30, 2019, there were no significant transactions or balances between incorporation and dissolution.

DCM's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DCM's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. There are material uncertainties associated with the resolution of the liquidity challenges currently facing the Company as described in note 3, that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management's plans for dealing with these events and conditions and the expected timing of resolution thereof and the possible effects of these issues if they are not resolved are discussed in note 3. There is no assurance that these initiatives will be successful. The Company's ability to continue as a going concern is dependent upon its ability to return the Company to profitability, generate positive cash flows from operations, obtain additional financing and resetting the financial covenants associated with its credit facilities as discussed in note 3. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. Management do not expect

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that such adjustments will be necessary assuming its lenders agree to amend the credit facilities as planned which is expected to be completed before the end of this year.

The common shares of DCM are listed on the Toronto Stock Exchange ("TSX") under the symbol "DCM". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario.

2 Basis of presentation, significant accounting policies and change in accounting policies

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial reports, including International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*". The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in DCM's consolidated financial statements for the year ended December 31, 2018, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2019 and disclosed in note 2. Where applicable, DCM has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2019, as issued and outstanding as of November 14, 2019, the date the Board of Directors ("Board") approved these financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DCM's consolidated annual financial statements for the year ended December 31, 2018 which have been prepared in accordance with IFRS.

(a) New and amended standards adopted

On January 1, 2019, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the implementation of these standards on DCM's condensed interim consolidated financial statements are described below.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the International Accounting Standard Board's ("IASB") prior lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for them according to the respective classification.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset ("ROU Asset") and a lease liability for all leases but can elect to exclude those with a term of less than twelve months and for which the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

DCM elected to adopt IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease*.

IFRS 16 provides for certain practical expedients and exemptions, including those related to the initial adoption of the standard. DCM applied the following practical expedients, permitted by the standard, upon adoption of IFRS 16:

- the use of a single discount rate to a portfolio of equipment leases with reasonably similar characteristics;

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- reliance on previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- the accounting for operating leases (on a lease- by-lease basis) with underlying value of assets being less than \$5,000 CAD as low dollar value leases;
- the exclusion of initial direct costs for the measurement of the ROU Asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- election, by class of underlying asset, not to separate non-lease components from lease components.

DCM has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date DCM relied on its assessment made applying IAS 17 and IFRIC 4.

The details of DCM's leasing activities, new significant accounting policies and the impact of the changes from the previous significant accounting policies are set out below.

AS A LESSEE

DCM leases various offices, warehouses and machinery and office equipment. Rental contracts are typically made for fixed periods of 1 to 13 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. DCM has options to purchase certain manufacturing equipment for a nominal amount or the then fair market value, to extend the term, or return the equipment at the end of the lease term. The obligations are secured by the lessors' title to the leased asset for such leases.

DCM assesses, at the inception of a contract, whether a contract is, or contains, a lease. A lease is a contract in which the right to control the use of an identified asset is granted for an agreed upon period of time in exchange for consideration. DCM assessed whether a contract conveys the right to control the use of an identified asset when there is both the right to direct the use of the asset and obtain substantially all the economic benefits from that use. Effective January 1, 2019, DCM recognizes a ROU Asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the non-cancellable lease payments over the lease term and discounted at DCM's incremental borrowing rate. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in DCM's estimate of the amount expected to be payable under a residual value guarantee, or if DCM changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset, with any difference recorded in the condensed interim statement of operations.

The ROU Asset is measured at cost, which comprises the initial lease liability, lease payments made at or before the lease commencement date, initial direct costs and restoration obligations less lease incentives. The ROU Asset is subsequently measured at amortized cost.

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The assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if DCM is reasonably certain to exercise that option. The ROU Asset is assessed for impairment in accordance with the requirements of IAS 36 *Impairment of Assets*.

On a lease by lease basis, DCM also exercises the option available for contracts comprising lease components as well as non-lease components, not to separate these components. Payments to the lessor for variable costs associated with the lease, including variable payments to the lessor related to non-lease components, are not included in the measurement of the lease liability, and are expensed as incurred in the condensed interim consolidated statement of operations.

Extension and termination options exist for DCM's property leases. DCM re-measures the lease liability, when there is a change in the assessment of the inclusion of the extension option in the lease term, resulting from a change in facts and circumstances.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise IT equipment and small items of office furniture.

AS AN INTERMEDIATE LESSOR

DCM enters into sub-leases as an intermediate lessor. It accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease as either an operating lease or a finance lease with reference to the ROU Asset arising from the head lease. If a head lease is a short-term lease to which DCM applies the exemption described above, then the sub-lease is classified as an operating lease.

USE OF SIGNIFICANT ESTIMATES AND JUDGMENT

(i) DCM uses significant judgment when determining whether a contract contains an identified asset, and whether DCM has the right to control the use of the identified asset.

(ii) DCM also makes significant judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate represents the rate DCM would pay to borrow funds to obtain the underlying asset over a similar term and with similar security. This requires judgment to determine the financing spread adjustment based on existing credit facilities and a lease-specific adjustment based on the underlying asset.

(iii) In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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IMPACT OF ADOPTION OF IFRS 16:

The following table summarizes the impact of adopting IFRS 16 on DCM's condensed interim consolidated statement of financial position as at January 1, 2019:

<i>(in thousands of Canadian dollars, unaudited)</i>	December 31, 2018 prior to the adoption of IFRS 16	Impact of adopting IFRS 16	January 1, 2019 after the adoption of IFRS 16
Prepaid expenses and other current assets ^(c)	3,519	31	3,550
Other non-current assets ^(c)	827	257	1,084
Right-of-use assets ^{(a) (b) (c)}	—	56,879	56,879
Property, plant and equipment ^(a)	16,804	(29)	16,775
Trade payables and accrued liabilities ^{(a)(b)}	43,497	(239)	43,258
Provisions (current portion) ^(c)	2,908	(105)	2,803
Provisions (non-current portion) ^(c)	540	(211)	329
Lease liabilities ^(a)	—	60,645	60,645
Other non-current liabilities ^(b)	3,272	(2,952)	320

- (a) Previously under IAS 17, leases were classified as financing or operating leases depending on the terms and conditions of the contracts.

Leases previously classified as finance leases under IAS 17, where DCM assumed substantially all the risks and rewards of ownership, were initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. On adoption of IFRS 16, for such leases previously classified as finance leases, DCM recognized the carrying amount of the lease asset and lease liability immediately before transition in the amount of \$29 as the carrying amount of the ROU Asset and the lease liability at the date of initial application. The application of IFRS 16 to these leases as at January 1, 2019 resulted in the equipment held under finance lease arrangements previously presented within property, plant, and equipment, and the obligation previously presented under trade payables and accrued liabilities on the statement of financial position, to be presented as a ROU Asset and a lease liability.

Payments made under leases previously classified as operating leases were charged to the statement of operations on a straight-line basis over the period of the lease. On adoption of IFRS 16, DCM recognized a lease liability and a ROU Asset in relation to substantially all leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019, which amounted to \$60,616. The ROU Asset was measured at the amount equal to the lease liability, adjusted by the amount of prepaid and accrued lease payments relating to that lease (as noted below) recognized on the statement of financial position as at January 1, 2019.

- (b) Deferred lease inducements and lease escalation liabilities previously recognized with respect to operating leases in accordance with SIC-15, *Operating leases- Incentives* ("SIC-15"), have been derecognized, and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset as at that date for a total of \$3,162. Under SIC-15, payments made under operating leases net of lease inducements were recognized in the statement of operations on a straight-line basis over the term of the lease. Previously deferred lease inducements and lease escalation liabilities were included within other non-current liabilities and trade payables and accrued liabilities on the statement of financial position.
- (c) Provisions for onerous operating lease contracts and unfavourable lease obligations have been adjusted as a reduction to the ROU Asset as at January 1, 2019 for a total of \$316. This results in a reduction to the onerous lease provision and the unfavourable lease obligation included within "Provisions" on the statement of financial

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position. With respect to an onerous lease where DCM entered into a sublease whereby the rent payments received were lower than the rent payments paid for the head lease, DCM has classified the sublease as a finance lease receivable for \$506, which is included in prepaid expenses and other current assets, and other non-current assets on the statement of financial position.

- (d) Prepaid lease payments previously recognized for operating leases have been derecognized from prepaid expenses and other current assets on the statement of financial position, and the balance as of January 1, 2019 has been adjusted to increase the ROU Asset as at that date for a total of \$218.

RECONCILIATION TO THE OPENING BALANCE:

The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

<i>(in thousands of Canadian dollars)</i>	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	\$ 59,925
Undiscounted cash flows for lease commitments related to leases not yet commenced	(8,591)
Undiscounted cash flows for extension options reasonably certain to be exercised	38,932
Recognition exemption for short-term and low dollar value leases	(519)
	89,747
Leases previously classified as finance leases under IAS 17	29
Discounted using the incremental borrowing rate at January 1, 2019	(29,131)
Lease liabilities recognized at January 1, 2019	\$ 60,645
Current	6,762
Non-current	53,883

When measuring lease liabilities, DCM discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.70%.

The recognized ROU Asset relates to the following types of assets:

<i>(in thousands of Canadian dollars)</i>	January 1, 2019
Property	\$ 48,720
Office equipment	419
Production equipment	7,740
	\$ 56,879

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. DCM adopted the amendments to IFRIC 23 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's condensed interim consolidated financial statements.

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IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM adopted the amendment to IAS 19 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's condensed interim consolidated financial statements.

(b) *Future accounting standards not yet adopted.*

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)* aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (AMENDMENT)

In October 2012, the IASB issued *Definition of Material (Amendments to IAS 1 and IAS 8)* to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The amendments are effective for annual periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DCM.

3 Liquidity

On June 3, 2019, DCM implemented a new Enterprise Resource Planning ("ERP") system company-wide (excluding Eclipse, Thistle and Perennial). As part of its transition to the new ERP system, DCM encountered various migration issues which affected production and the recognition of revenue and its ability to generate accurate and timely billings to its customers. This has resulted in a deterioration in operating results, a backlog of production orders, a temporary lag in the issuance of invoices and, as a result, delays in the collection of cash. These factors have created what is believed by management to be a short-term constraint on DCM's financial liquidity. Net working capital (current assets less current liabilities) increased to \$26,030 as at September 30, 2019 from 10,400 as at June 30, 2019, primarily due to an increase in trade receivables over this period. Trade receivables, excluding unbilled receivables, were \$53,075 compared with \$33,427 as at September 30, 2019 and June 30, 2019, respectively. The significant growth in trade receivables had a simultaneous effect on the Company's total calculated collateral, which exceeded the \$42,000 of available credit on its Bank Credit Facility. As a result, DCM's access to additional credit under the Bank Credit Facility was capped, despite the Company's liquidity being supported by excess collateral. Outstanding borrowing under the Company's Bank Credit Facility was \$39,897 as at September 30, 2019 compared to \$25,541 as at June 30, 2019. The

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Company had access to \$1,400 of available credit as at September 30, 2019 however in the absence of the \$42,000 maximum limit on the Bank Credit Facility, DCM would have had access to a total of \$2,400 of credit as at September 30, 2019. Subsequently, the volume of shipments and billings to its customers resulted in further growth of its collateral in excess of the \$42,000 maximum limit and therefore, availability of credit, on the Bank Credit Facility. In the absence of the \$42,000 limit, total availability as at November 12, 2019 would be \$9,900. The Bank Credit Facility is a key source of liquidity for the Company's operations.

During the quarter ended September 30, 2019, management secured additional financial support from its lenders and received a number of waivers from its lenders as a result of the disruption in DCM's business caused by the new ERP, absent which the Company would have been in breach of most of the financial covenants associated with its credit facilities as at September 30, 2019 (note 9).

Without amendments to the financial covenants in DCM's existing credit facilities, the Company also expects to be in breach of its financial covenants throughout the remainder of 2019 and through at least mid 2020 based on its latest financial forecasts.

The Company is currently engaged in negotiations with its senior lenders regarding certain amendments (the "Credit Facilities Amendments") to its senior credit agreements, including amendments to its financial covenants to align with an agreed budget for the next twelve months and enable the Corporation to resolve the issues it has encountered in connection with the implementation of the ERP system such that the related adverse effects on the Company's financial results no longer impact the Company's ability to comply with its financial covenants on a trailing twelve month basis. The Company is seeking to reach agreement with its senior lenders on the terms of the Credit Facilities Amendments by no later than November 30, 2019. In that regard, the Company's senior lenders have agreed to waive certain financial covenants for the period of September 1, 2019 to November 30, 2019. There can be no assurance that the Company will negotiate and implement the Credit Facilities Amendments on terms satisfactory to the Company prior to November 30, 2019 or the Expiry Time, or at all.

At the Company's request, the Bank is also reviewing the potential to provide additional funding by way of an increase to the credit available under its Bank Credit Facility from \$42,000 to up to \$50,000 ("Proposed Bank Credit Facility") to provide some additional financial liquidity should the remediation of the short-term liquidity constraints arising from the ERP implementation take longer than anticipated. The Bank has engaged its own financial advisors, with the consent of the Company, to review the Company's business and financial position, including assessing the Company's financial forecasts and assisting the Bank with formulating updated financial covenants under the credit agreement to align with an agreed forecast. The Bank has indicated its intention to amend the Bank Credit Agreement to accommodate an increase in available credit, in conjunction with amending its financial covenants for the next twelve months, by November 30, 2019, subject to the completion and outcome of the report from its own financial advisors before then.

In the interim, on November 14, 2019, a fourth amendment was made to the Bank Credit Facility to provide a short-term increase of available credit from \$42,000 to \$45,000 until December 31, 2019, or the date an agreement is reached under the Proposed Bank Credit Facility, should that come sooner.

The Company is also planning a rights offering pending a successful conclusion to the refinancing negotiations with its lenders. Management anticipate having amended credit facilities in place and a rights offering closed before the end of the year.

While it is the Company's intention to execute on its refinancing plan, obtain additional debt and equity financing and mitigate the working capital constraints caused by the implementation of the new ERP system before the end of the year, there can be no assurance that DCM will be successful in these efforts. Failure to obtain adequate financing and/or on satisfactory terms could have a material adverse effect on the Company's results of operations and financial condition.

The estimate of future cash flows in the Company's financial forecasts include a number of key assumptions to support these financial covenant calculations, specifically related to revenues and gross margins, which in turn impact earnings

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before interest, income taxes, depreciation and amortization (EBITDA). The estimate of forecast future cash flows currently being reviewed with the Company's lenders as a basis for proposed amendments to the credit facilities are sensitive to those assumptions (e.g if EBITDA realized over the next twelve months falls short of our forecast by more than 11%, the Company will also be offside with certain existing financial covenants in Q3 2020). If the lenders amend the financial covenants based on an agreed forecast, the Company could still be in breach of those amended covenants if those forecasts are not met requiring further covenant waivers by the lenders.

4 Business acquisitions**ACQUISITION OF PERENNIAL GROUP OF COMPANIES**

On May 8, 2018 (the "Perennial Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial, a leading design firm. The acquisition of Perennial has added a new suite of services which include business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

DCM acquired Perennial for a total purchase price of approximately \$12,530, comprised of \$8,226 in cash paid on closing (after giving effect to the preliminary working capital adjustment of \$1,166 and the post-closing working capital adjustments of \$60), \$2,051 through the issuance of common shares of DCM, and \$2,253 in the form of a subordinated, unsecured non-interest bearing vendor take back note (the "Perennial VTB"). The Perennial VTB is repayable as follows: \$1,000 was paid on May 6, 2019, \$1,000 is payable on the second anniversary of closing and \$500 on the third anniversary of closing. A total of 1,394,856 common shares ("Common Shares") of DCM were issued to one of the vendors of Perennial. During the last quarter of fiscal 2018, the total post-closing adjustments to the purchase price were finalized and paid in cash to the vendor in the amount of \$60.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Perennial Closing Date of \$1.73 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Perennial Closing Date. The fair value of the Perennial VTB was determined by present valuing the future cash flows using a discount rate of 6% which represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

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The consideration paid and the allocation of the consideration to the fair values of the assets acquired and liabilities assumed in the acquisition as of the Perennial Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed	Amount
Cash and cash equivalents	\$ 906
Trade receivables	1,012
Prepaid expenses and other assets	287
Property, plant and equipment	115
Intangible assets	2,995
Trade payables and accrued liabilities	(388)
Income taxes payable	(28)
Deferred revenue	(115)
Deferred income tax liabilities	(924)
Total identifiable net assets	3,860
Goodwill	8,670
Total	\$ 12,530

Purchase price consideration	Amount
Cash	\$ 8,226
Common shares	2,051
Promissory note (note 10)	2,253
Total	\$ 12,530

The fair value of trade receivables was \$1,012. The gross contractual amount of trade receivables due was \$721 of which \$4 was deemed to be uncollectible. The remaining balance of \$295 relates to unbilled receivables.

The identifiable intangible assets acquired of \$2,995 relate to customer relationships of \$1,615, trade names of \$550 and customer backlog intangible of \$830. The customer relationship is being amortized over an expected useful life of 5 years. The trade name and the customer backlog are being amortized over estimated useful lives of 10 years and 19 months, respectively.

Goodwill of \$8,670 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is not tax deductible.

Total acquisition costs incurred and charged to the consolidated statement of operations for the year ended December 31, 2018 were \$294 related to the Perennial acquisition.

The revenues and net loss contributed by Perennial and included in the condensed interim consolidated statement of operations for the period between the Perennial Closing Date and September 30, 2018 were \$1,928 and \$56, respectively. Net profit (loss) has been adjusted for additional amortization and depreciation expense related to the fair value adjustments made to tangible and intangible assets on acquisition. If the acquisition had occurred on January 1, 2018, the estimated revenues and net loss contributed by Perennial to DCM's operating results for the nine months ended September 30, 2018 would have been approximately \$4,328 and \$541, respectively, after adjusting net loss for additional

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amortization and depreciation expense that would have been charged assuming the fair value adjustments to tangible and intangible assets had applied from January 1, 2018.

SALE OF TABS AND BINDER BUSINESS

On May 2, 2019, DCM entered into an asset purchase agreement with Southwest Business Products Ltd. ("Southwest") whereby DCM has sold its loose-leaf binders and index tab business to Southwest for cash of \$675 and Southwest acquired certain assets and assumed certain liabilities related to the business, including \$65 of goodwill. The gross cash proceeds are used for general working capital requirements. The release of security on the assets sold have been approved by DCM's senior lenders.

In addition, DCM has entered into a long-term supply agreement with Southwest as a preferred vendor to DCM for the supply of binders, index tabs and related products. The loose-leaf binders and tab business was previously acquired by DCM in conjunction with the acquisition of BOLDER Graphics in November of 2018.

5 Trade receivables

	September 30, 2019	December 31, 2018
Trade receivables	\$ 88,945	\$ 73,919
Provision for doubtful accounts	(495)	(795)
	\$ 88,450	\$ 73,124

As at September 30, 2019, trade receivables include unbilled receivables of \$35,695 (2018 - \$29,114), net of an expected credit loss allowance of \$175 (2018 - \$453).

6 Inventories

	September 30, 2019	December 31, 2018
Raw materials	\$ 5,201	\$ 4,779
Work-in-progress	3,073	2,810
Finished goods	2,203	1,223
	\$ 10,477	\$ 8,812

Raw materials inventory amount is net of obsolescence reserves of \$229 (2018 - \$250). Finished goods at September 30, 2019 and December 31, 2018 consist of base stock items.

7 Leases

(i) *ROU ASSET*

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<i>(in thousands of Canadian dollars, unaudited)</i>	Property	Office Equipment	Production Equipment	Total
Balance, January 1, 2019	48,720	419	7,740 \$	56,879
Additions	—	2,155	6,337	8,492
Modifications	(597)	(29)	794	168
Depreciation charge for the period	(3,404)	(605)	(2,554)	(6,563)
Balance, September 30, 2019	44,719	1,940	12,317	58,976

During the three and nine month period ended September 30, 2019, DCM modified certain leases by entering into renewal and/or amending agreements to extend or reduce a lease term and/or reduce the lease payments. This includes early termination of the Saskatoon, Saskatchewan property lease effective November 30, 2019, and negotiations with a significant lessor to extend the term of existing production and office equipment contracts.

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(i) LEASE LIABILITIES

<i>(in thousands of Canadian dollars, unaudited)</i>	Property	Office Equipment	Production Equipment	Total
Balance, January 1, 2019	52,209	419	8,017	\$ 60,645
Additions	—	2,155	6,087	8,242
Modifications	(597)	(29)	794	168
Payments during the period	(4,475)	(670)	(2,930)	(8,075)
Interest charge for the period	2,128	87	492	2,707
Balance, September 30, 2019	49,265	1,962	12,460	63,687

The contractual undiscounted cash flows of DCM's lease liabilities are as follows:

<i>(in thousands of Canadian dollars)</i>	Contractual Cash Flows	Extension Options	Total September 30, 2019
Not later than one year	\$ 11,339	\$ —	\$ 11,339
Later than one and not later than five years	34,875	4,597	39,472
Later than five years	5,445	34,107	39,552
Total undiscounted lease liabilities at September 30, 2019	\$ 51,659	\$ 38,704	\$ 90,363
Discounted using the incremental borrowing rate			(26,676)
Lease liabilities at September 30, 2019			\$ 63,687
Current			8,172
Non-current			55,515

(ii) AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
Variable lease payments not included in the measurement of lease liabilities	\$ 1,590	\$ 4,661
Income from sub-leasing right-of-use assets	\$ (48)	\$ (144)
Expenses relating to short-term leases and leases of low value assets	\$ 177	\$ 786

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8 Provisions

	Termination provisions	Onerous contracts	Other	Total
Balance – June 30, 2019	\$ 5,349	\$ —	\$ —	\$ 5,349
Additional charge during the three month period	2,724	—	—	2,724
Utilized during the three month period	(2,007)	—	—	(2,007)
Balance – September 30, 2019	\$ 6,066	\$ —	\$ —	\$ 6,066
Less: Current portion of provisions	(5,295)	—	—	(5,295)
As at September 30, 2019	\$ 771	\$ —	\$ —	\$ 771

	Termination provisions	Onerous contracts	Other	Total
Balance – December 31, 2018	\$ 2,581	\$ 653	\$ 214	\$ 3,448
Adoption of IFRS 16 (note 2)	—	(136)	(180)	(316)
As at January 1, 2019	2,581	517	34	3,132
Additional charge during the nine month period	7,595	—	—	7,595
Utilized during the nine month period	(4,110)	(517)	(34)	(4,661)
Balance – September 30, 2019	\$ 6,066	\$ —	\$ —	\$ 6,066
Less: Current portion of provisions	(5,295)	—	—	(5,295)
As at September 30, 2019	\$ 771	\$ —	\$ —	\$ 771

	Termination provisions	Onerous contracts	Other	Total
Balance – December 31, 2017	\$ 3,468	\$ 2,988	\$ 196	\$ 6,652
Additional charge during the year	2,654	—	134	2,788
Recovery during the year	—	(1,123)	—	(1,123)
Utilized during the year	(3,541)	(1,212)	(116)	(4,869)
Balance – December 31, 2018	\$ 2,581	\$ 653	\$ 214	\$ 3,448
Less: Current portion of provisions	(2,286)	(571)	(51)	(2,908)
As at December 31, 2018	\$ 295	\$ 82	\$ 163	\$ 540

TERMINATION PROVISIONS

During the three and nine months ended September 30, 2019, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the three and nine months ended September 30, 2019, these initiatives resulted in \$2,724 and \$7,595, respectively, of additional restructuring expenses due to headcount reduction across DCM's operations, the closure of its Brossard, Quebec manufacturing facility effective April 30, 2019, as part of its strategy to exit the stationery business, and the sale of its tabs and bindery business in the Calgary, Alberta manufacturing facility.

During the three and nine months ended September 30, 2018, total restructuring initiatives resulted in costs incurred of \$9 and \$1,932, respectively, due to headcount reductions in the condensed interim consolidated statement of operations.

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For the three and nine months ended September 30, 2019, cash payments of \$2,007 (2018 - \$806) and \$4,110 (2018 - \$3,543), respectively, were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of \$6,066 at September 30, 2019 are expected to be paid in 2019 and 2020.

ONEROUS CONTRACTS

During the first quarter of 2018, DCM entered into an agreement with the landlord of the Granby, Quebec facility to terminate its existing lease. DCM agreed to make payments to the landlord in two equal installments of \$517 each due on May 15, 2018 and January 15, 2019. During the three months ended March 31, 2019, DCM made the last installment payment to the landlord of the facility.

The remaining balance of \$136 relates to an onerous sublease contract for the Dorval, Quebec facility. This balance was reclassified as a reduction to the ROU Asset upon the adoption of IFRS 16 (see note 2).

OTHER

During the first quarter of 2019, the outstanding balance of \$34 (2018 - nil) was paid in connection with a former contract. The remaining balance of \$180 relates to an unfavourable lease obligation for its Burlington, Ontario facility in connection with the acquisition of Eclipse where the rent payments exceeded the fair market value. This balance was reclassified as a reduction to the ROU Asset upon the adoption of IFRS 16 (see note 2).

9 Credit facilities

	September 30, 2019	December 31, 2018
Term loans		
- 6.10% term debt, maturing October 15, 2022, (FPD III Credit Facility)	3,404	3,947
- 6.95% term debt, maturing March 10, 2023, (FPD IV Credit Facility)	16,350	18,589
- 6.95% term debt, maturing May 15, 2023, (FPD V Credit Facility)	3,681	4,160
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)	18,502	11,511
Revolving facilities		
- floating rate debt, maturing January 31, 2023, (Bank Credit Facility) - see amendment in note 3	39,897	20,799
Credit facilities	81,834	59,006
Unamortized transaction costs	(1,582)	(1,585)
	\$ 80,252	\$ 57,421
Less: Current portion of Credit facilities	(4,591)	(5,670)
Credit facilities	\$ 75,661	\$ 51,751

CREDIT AGREEMENTS**BANK AND FPD FACILITIES**

DCM has established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "FPD IV Credit Facility") with Fiera Private Debt Fund IV L.P. ("FPD IV") (formerly, Integrated Private Debt Fund IV LP) a fund managed by Fiera Private Debt Fund GP Inc. ("FPD") (formerly, Integrated Asset Management Corp.) pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the "Bank Credit Agreement") and FPD (as amended, the "FPD IV Credit Agreement"), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement

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(the "FPD III Credit Agreement") between Thistle and Fiera Private Debt Fund III L.P. ("FPD III") (formerly, Integrated Private Debt Fund III LP), another fund managed by FPD, pursuant to which FPD III has advanced to Thistle a term loan facility (the "FPD III Credit Facility"). On November 10, 2017, DCM established a \$5,000 secured, non-revolving senior credit facility (the "FPD V Credit Facility") with Fiera Private Debt V L.P. ("FPD V") (formerly, Integrated Private Debt Fund V LP), a fund managed by FPD (the "FPD V Credit Agreement" and, together with the FPD III Credit Agreement and the FPD IV Credit Agreement, the "FPD Credit Agreements") to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The FPD III Credit Facility and the FPD V Credit Facility are subject to the same covenants stipulated under the FPD IV Credit Agreement and are reported on a consolidated basis.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is \$42,000 (see Amendments to Credit Facilities) and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$42,000 and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.60%. DCM has capitalized transaction costs of \$1,105 related to the Bank Credit Facility. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at September 30, 2019, the unamortized transaction costs related to the Bank Credit Facility was \$437. As at September 30, 2019, there were outstanding borrowings of \$39,897 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of \$725. As at September 30, 2019, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.55% per annum. As at September 30, 2019, DCM had access to \$1,400 of available credit under the Bank Credit Facility. The bank overdraft of \$1,475 shown on the condensed interim consolidated statement of financial position as at September 30, 2019 represents outstanding cheques, which when cashed, would be a draw on the Bank Credit Facility.

Under the terms of the FPD Credit Agreements, the maximum aggregate principal amount which may be outstanding under the FPD III Credit Facility, FPD IV Credit Facility, the FPD V Credit Facility, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed \$80,000 (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended FPD III Credit Facility amortizes in blended equal monthly repayments of principal and interest of \$96 over a nine year term ending October 15, 2022. The principal amount of the FPD IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of \$422 over a seven year term ending March 10, 2023. The principal amount of the FPD V Credit Facility amortizes in blended equal monthly repayments of principal and interest of \$91 over a sixty six month term ending May 15, 2023. The FPD III Credit Facility, FPD IV Credit Facility and FPD V Credit Facility were amended on July 25, 2019 to defer principal payments for the months of August through December 2019 (see Amendments to Credit Facilities). As at September 30, 2019, all of DCM's indebtedness outstanding under the FPD III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended FPD IV Credit Facility and under the FPD V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at September 30, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD III Credit Facility were \$20 and \$3,404, respectively. As at September 30, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD IV Credit Facility were \$329 and \$16,350, respectively. As at September 30, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD V Credit Facility were \$117 and \$3,680, respectively. The unamortized balance of the transaction costs for FPD III Credit Facility, FPD IV Credit Facility and the FPD V Credit Facility are being amortized over the remaining term of each respective facility.

CROWN FACILITY

On May 8, 2018, DCM established a \$12,000 non-revolving term loan facility ("Crown Tranche One Loan") with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which \$8,226 was

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used to fund the up-front cash component of the Perennial acquisition and \$3,500 was used to repay in full the outstanding balance on DCM's subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"). The balance of the Crown Facility was used for general working capital purposes.

The Crown Facility was made available in one advance on the funding date of May 8, 2018 and bears interest at a fixed rate of 10% per annum, payable quarterly, and the principal amount of the loan is due at maturity, which is 60 months from closing. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of \$12,000 was apportioned to \$11,458 to the debt instrument and \$542 to the warrant option based on their relative fair values (note 13). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from \$11,458 to \$12,000 over the term of the loan.

On August 16, 2019, DCM entered into a third amendment to its Crown Facility whereby Crown advanced a second non-revolving term loan in the principal amount of \$7,000 ("Crown Tranche Two Loan"), for total advances in the principal amount of \$19,000. The terms are consistent with the provisions of the Crown Tranche One Loan. In addition, a total of 550,000 warrants have been issued to Crown in connection with the Crown Tranche Two Loan. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$1.08 for a period of 3.7 years, commencing on August 16, 2019. The Crown Facility was apportioned to \$6,855 to the debt instrument and \$145 to the warrant option based on the relative fair values (note 13). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from \$6,855 to \$7,000 over the term of the loan.

In connection with the amendment, DCM recognized a loss on modification of debt of \$70, which is included in the amortization of transactions costs in the condensed interim consolidated statement of operations.

As at September 30, 2019, the accreted debt instrument was valued at \$18,502 including total accretion expense of \$68.

The Crown Facility can be prepaid in full at any time after twenty-four (24) months from the date of the funding anniversary. The penalties attached to each option are: (a) 3% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 24th month but before the 36th month following the date of the funding anniversary, (b) 2% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 36th month but before the 48th month following the date of the funding anniversary, or (c) 1% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 48th month but before the 60th month following the date of the funding anniversary.

For the nine months ended September 30, 2019, DCM capitalized transaction costs of \$176 related to the Crown Facility. The unamortized transaction costs and outstanding borrowings related to the Crown Facility were \$679 and \$18,502, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility.

BANK LEASE FACILITY

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately \$2,400 ("Bank Lease Facility"). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the three and nine month periods ended September 30, 2019 was \$nil

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and \$30, respectively. On January 16, 2019, DCM entered into an amendment to extend the interim funding period to March 31, 2019.

On April 29, 2019, DCM finalized its lease agreement with the Bank pursuant to the Bank Lease Facility entered into on July 31, 2018. The agreement is for a period of five years with monthly payments of \$38. Upon expiration of the lease term, DCM has the option to purchase or return the equipment.

AMENDMENTS TO CREDIT FACILITIES

Effective May 7, 2018, DCM entered into an amended and restated bank credit agreement (the "A&R Bank Credit Facility") with regards to its Bank Credit Facility, as amended, which incorporated conforming updates to the original Bank Credit Facility dated March 16, 2016 to consolidate the subsequent series of amendments previously made to that facility, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility into the A&R Bank Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the A&R Bank Credit Facility.

Effective May 7, 2018, DCM also entered into amended and restated credit agreements with regards to its FPD III Credit Facility (the "FPD III A&R Credit Facility"), its FPD IV Credit Facility (the "FPD IV A&R Credit Facility") and its FPD V Credit Facility (the "FPD V A&R Credit Facility" and, together with the FPD III A&R Credit Facility and the FPD IV A&R Credit Facility, the "FPD A&R Credit Facilities"), which, among other things incorporated conforming updates to each of those respective original credit agreements, to consolidate the subsequent series of amendments previously made to those agreements, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by FPD.

On July 31, 2018, the A&R Bank Credit Facility was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed \$3,000. The A&R Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of \$35,000 and has added a cross default and cross collateralization condition which includes the equipment leased as collateral under A&R Bank Credit Facility and Bank Lease Facility.

On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. On February 8, 2019, DCM received an extension of the previous waiver in relation to meeting the fixed charge coverage ratio requirement for the quarter ending June 30, 2019.

On October 26, 2018, DCM received a waiver with regards to the FPD A&R Credit Facilities, and for the purposes of determining DCM's Excess Cash Flow (as defined under "Covenant Requirements" below), the FPD A&R Credit Facilities were waived to reduce the requirement to maintain a debt service coverage ratio of 2.0 times so long as DCM maintains a debt service coverage ratio of at least 1.85 times for the next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM is required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions.

On March 5, 2019, DCM entered into a second amendment to its' A&R Bank Credit Facility. Significant terms of the amendment made to the credit facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the prime rate margin on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the credit facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16 effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the A&R Bank Credit Facility will be completed on a basis that substantially has the same effect as the results prior to the adoption of IFRS 16 whereby lease payments will also be deducted from EBITDA, in addition to all other adjustments previously allowed per the Bank Credit Agreement. As a result, definitions of certain terms related to IFRS 16 were added to the A&R Bank Credit Facility. DCM's financial covenant ratio with the Bank remains unchanged.

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On June 21, 2019, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarter ended September 30, 2019.

On June 21, 2019, DCM received an amendment regarding the FPD A&R Credit Facilities for the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:0 to 1:0, which was amended to no greater than 3.25 to 1:0 for the quarters ended June 30, 2019, and September 30, 2019, and for the quarter ending December 31, 2019. Subsequently, on June 30, 2019, DCM received a waiver regarding the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:25 to 1:0 for the quarter ended June 30, 2019.

On June 24, 2019, DCM received an amendment regarding the A&R Bank Credit Facility for the requirement to meet the fixed charge coverage ratio of 1.1 to 1.0, which was amended to 0.90 to 1.0 for May and June 2019, and 1.0 to 1.0 for July and August 2019.

On July 25, 2019, FPD III, FPD IV and FPD V agreed to amend the credit agreements between DCM and FPD III, FPD IV and FPD V for the FPD A&R Credit Facilities ("Amended FPD A&R Credit Facilities"). For each of the FPD A&R Credit Facilities, principal payments for the months of August 2019 through December 2019 will be deferred and paid out as bullet payments on each FPD A&R Credit Facility's respective maturity date. During this period, the interest rate on each of the FPD III, FPD IV and FPD V A&R Credit Facilities will be increased to 7.25% per annum. The increase in the interest rates will be treated as a payment in kind ("PIK") with the interest premium calculated and accrued on a monthly basis for each of the three credit facilities. The PIK is required to be repaid in cash prior to January 15, 2020 when the regularly scheduled principal and interest payments on each credit facility resume.

As a condition to those amendments, DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

On July 31, 2019, DCM entered into a third amendment to increase the revolving commitment on its Bank A&R Credit Facility from an aggregate outstanding principal amount of up to \$35,000 to up to \$42,000 between July 31 and December 31, 2019. In addition, the amendment includes the Bank's consent to the amendments to the FPD A&R Credit Facilities on July 25, 2019. On November 14, 2019 a fourth amendment was made to increase the aggregate principal amount up to \$45,000 up until December 31, 2019 (see further details in note 3).

On September 30, 2019, DCM received a waiver regarding the Crown Facility for the requirement to maintain the Net Debt to EBITDA of 4.0 to 1.0 for the quarter ended September 30, 2019.

On September 30, 2019, DCM received a waiver regarding the A&R Bank Credit Facility for the requirement to meet the fixed charge coverage ratio of 1.1 to 1.0 for the quarter ended September 30, 2019 and the months ending October 31 and November 30, 2019.

On September 30, 2019, DCM received a waiver regarding the FPD A&R Credit Facilities for the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:0 to 1:0 and Debt Service Coverage Ratio of no less than 1:5 to 1:0 and total funded debt of less than \$80,000 for the quarter ended September 30, 2019.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the FPD Credit Agreements and the Crown Facility contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, FPD III, FPD IV, FPD V and Crown, as applicable. Under the terms of the FPD Credit Agreements, DCM has agreed that it will not, without the prior written consent of FPD III, FPD IV and FPD V, change (or permit any change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DCM, or if any such person has either died or is disabled and can therefore no

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longer carry on his or her duties of such office, DCM will have 60 days to replace such officer, such replacement officer to be satisfactory to FPD III, FPD IV and FPD V, acting reasonably. The A&R Bank Credit Facility, FPD A&R Credit Facilities and the Crown Facility limit spending on capital expenditures by DCM to an aggregate amount not to exceed \$5,500, \$5,000 and \$5,000, respectively during any fiscal year.

Under the terms of the Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio of no less than the following levels: 1:00 to 1 from January 1, 2018 to March 31, 2018 and 1.10 to 1 on and after March 31, 2018, for which an amendment for the months of May, June, July and August 2019 has been obtained, and a waiver for the months of September, October and November 2019 was obtained (as noted above), calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. Each covenant is calculated and reported on a monthly basis. See note 1 for liquidity risk. Absent the waiver, the Company would have been in breach of this covenant as at September 30, 2019.

Under the terms of the FPD Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than the following levels: 3.25 to 1 from January 1, 2018 up to March 31, 2018 and 3.00 to 1 on and after April 1, 2018, for which a waiver for the quarters ended June 30, 2019, and an amendment for the quarter ended September 30, 2019, which was subsequently waived, and for the quarter ending December 31, 2019 was previously obtained (as noted above); (ii) a debt service coverage ratio of not less than 1.50 to 1 for which a waiver for the quarter ended September 30, 2019 has been obtained (as noted above), (iii) a working capital current ratio of not less than 1.10 to 1, and (iv) total funded debt of not more than \$80,000 for which a waiver for the quarter ended September 30, 2019 has been obtained (as noted above). Each covenant is calculated and reported on a quarterly basis. Absent the waivers, the Company would have been in breach of these covenants as at September 30, 2019.

In addition, the FPD Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.00 to 1, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the A&R Bank Credit Facility, the FPD A&R Credit Facilities and the Crown Facility and (iv) interest on leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at September 30, 2019, DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 from April 30, 2018 to December 31, 2019 and 3.00 to 1 thereafter, for which a waiver for the quarter ended September 30, 2019 has been obtained; (ii) a fixed charge coverage ratio no less than the following levels: 1.10 to 1 as at June 30, 2018, 1.25 to 1 from July 1, 2018 to September 30, 2018 and 1.40 to 1 for each quarter thereafter, for which waivers for the quarters ended December 31, 2018, March 31, 2019, June 30, 2019 and September 30, 2019 have been obtained (as noted above). Each covenant is calculated and reported on a quarterly basis. Absent the waiver, the Company would have been in breach of these covenants as at September 30, 2019.

For purposes of the Bank Credit Agreement, the FPD Credit Agreements and Crown Facility agreement, "EBITDA" means net income or net loss for the relevant period, calculated on a consolidated basis in accordance with generally accepted accounting principles, plus amounts deducted, or minus amounts added, in calculating net income or net loss in respect of: the aggregate expense incurred for interest on debt and other costs of obtaining credit; income taxes,

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whether or not deferred; depreciation and amortization; non-cash expenses resulting from employee or management compensation, including the grant of stock options or restricted options to employees; any gain or loss attributable to the sale, conversion or other disposition of property out of the ordinary course of business; interest or dividend income; foreign exchange gain or loss; gains resulting from the write-up of property and losses resulting from the write-down of property (except allowances for doubtful accounts receivable and non-cash reserves for obsolete inventory); any gain or loss on the repurchase or redemption of any securities (including in connection with the early retirement or defeasance of any debt); goodwill and other intangible asset write-downs; and any other extraordinary, non-recurring or unusual items as agreed to by the lender. The pro forma financial results from DCM's acquisitions completed during the year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's calculations.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the FPD Credit Agreements or the Crown Facility, together with certain other events, including a change of control of DCM and a change in DCM's Chief Executive Officer, President or Chief Financial Officer (unless a replacement officer acceptable to FPD, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants over the next twelve months (see note 1).

In addition, under the terms of the FPD IV Credit Agreement and the FPD V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of \$425 and of \$90 to be used for repayments of principal and interest of indebtedness outstanding under the FPD IV A&R Credit Facility and indebtedness outstanding under the FPD V A&R Credit Facility, respectively. As at September 30, 2019, there was a balance of \$515 (September 30, 2018 - \$515) in the blocked account related to the FPD IV A&R Credit Facility and FPD V A&R Credit Facility which is recognized as restricted cash on the condensed interim consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under the A&R Bank Credit Facility, the FPD V A&R Credit facility, the FPD IV A&R Credit Facility and the FPD III A&R Credit Facility are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. On February 22, 2017, DCM entered into an amended Inter-creditor Agreement (the "Inter-creditor Agreement") between the Bank, FPD III, FPD IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement").

On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include FPD V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and its subsidiaries.

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The movement in credit facilities during the nine month period ended September 30, 2019 are as follows:

	September 30, 2019	December 31, 2018
Balance - January 1, 2019, net of transaction costs	\$ 57,421	\$ 55,932
Changes from financing cash flows		
Proceeds from credit facilities	26,097	12,951
Repayment of credit facilities	(3,262)	(11,238)
Transaction costs	(327)	(900)
Total change from financing cash flows	79,929	56,745
Non-cash movements		
Issuance of warrants	(145)	—
Amortization of transaction costs	400	623
Accretion of discount	68	53
Balance - End of period	\$ 80,252	\$ 57,421

The scheduled principal repayments on the long-term debt are as follows:

	September 30, 2019
2019	—
2020	5,899
2021	6,313
2022	7,043
2023	63,076
	\$ 82,331

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10 Promissory notes

The movement in the promissory note balances during the nine months ended September 30, 2019 and year ended December 31, 2018 is as follows:

2019	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Related Party Promissory Notes	Total
Balance – Beginning of period	\$ 2,254	\$ 270	\$ 509	\$ 2,343	\$ —	\$ 5,376
Additions	—	—	—	—	961	961
Unwinding of discount	29	4	—	81	4	118
Interest expense	—	—	11	—	—	11
Payments during the period	(2,283)	(274)	(348)	(1,000)	—	(3,905)
Balance – End of period	\$ —	\$ —	\$ 172	\$ 1,424	\$ 965	\$ 2,561
Less: Current portion of promissory notes	\$ —	\$ —	\$ (172)	\$ (967)	\$ (965)	\$ (2,104)
As at September 30, 2019	\$ —	\$ —	\$ —	\$ 457	\$ —	\$ 457

2018	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Related Party Promissory Notes	Total
Balance - Beginning of year	\$ 4,309	\$ 1,799	\$ 1,095	\$ —	\$ —	\$ 7,203
Addition - May 8, 2018	—	—	—	2,253	—	2,253
Unwinding of discount	228	111	—	90	—	429
Interest expense	—	—	52	—	—	52
Payments during the year	(2,283)	(1,640)	(638)	—	—	(4,561)
Balance - End of year	\$ 2,254	\$ 270	\$ 509	\$ 2,343	\$ —	\$ 5,376
Less: Current portion of promissory notes	(2,254)	(270)	(509)	(980)	—	(4,013)
As at December 31, 2018	\$ —	\$ —	\$ —	\$ 1,363	\$ —	\$ 1,363

On July 31, 2019, DCM issued promissory notes (“Related Party Promissory Notes”) to certain parties, including related parties of DCM, in the aggregate principal amount of \$1,000. The Related Party Promissory Notes bear interest at the rate of 10% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the July 31, 2020 maturity date. The Related Party Promissory Notes are subordinated to DCM's obligations under the Bank A&R Credit Facility, the FPD A&R Credit Facilities and the Crown Facility on the same basis as the VTB Noteholders as provided for in the amended and restated inter-creditor agreement dated May 7, 2018.

In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$1.08 for a period of 3.8 years, commencing on July 31, 2019. The Related Party Promissory Notes of \$1,000 was apportioned to \$961 to the debt instrument and \$39 to the warrant option based on their relative fair values (note 13). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from \$961 to \$1,000 over the term of the loan.

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11 Income taxes

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.07% (2018 – 26.07%) based on the tax rates in years when the temporary differences are expected to reverse. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at September 30, 2019, DCM has non-capital loss carry-forwards of \$5,289 (2018 – nil).

Reflected in the consolidated statement of financial position as follows:	September 30, 2019	December 31, 2018
Deferred income tax assets	\$ 5,357	\$ 3,428
Deferred income tax liabilities	(457)	(1,753)
Net deferred income tax assets	\$ 4,900	\$ 1,675

12 Other non-current liabilities

	September 30, 2019	December 31, 2018
Deferred lease inducement	\$ —	\$ 908
Lease escalation liabilities	—	2,254
Bonuses payable	409	668
	\$ 409	\$ 3,830
Less: Current portion of other non-current liabilities	(376)	(558)
	\$ 33	\$ 3,272

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of Thistle which will be paid in equal monthly payments until the end of October 2020. The liability was recorded at fair value based on discounting using a discount rate of 10%. The carrying amount of the liability at September 30, 2019 was \$409 (2018 - \$668) of which \$376 (2018 - \$348) was classified as current liabilities in trade payables and accrued liabilities.

DCM's operations are conducted in leased properties. DCM's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Up until December 31, 2018, payments made under operating leases were recognized in the condensed interim consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2019 to 2028. These balances were reclassified as a reduction of the ROU Asset as at January 1, 2019 upon adoption of IFRS 16 (see note 2).

13 Shares and warrants

DCM is authorized to issue an unlimited number of common shares. The common shares have a stated capital of one dollar. Each common share is entitled to one vote at any meeting of shareholders. Each holder of the common shares will be entitled to receive dividends if, as and when declared by the Board. In the event of the liquidation, dissolution, winding up of DCM or other distribution of assets of DCM among its shareholders for the purpose of winding up its affairs, the holders of the common shares will, subject to the rights of the holders of any other class of shares of DCM be entitled

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to receive assets of DCM upon such a distribution in priority to or concurrently with the holders of the common shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

The following summarizes the change in number of issued and outstanding common shares during the periods below:

	Number of Common shares		Amount
Balance – January 1, 2019 and September 30, 2019	21,523,515	\$	251,217
	Number of Common shares		Amount
Balance - January 1, 2018	20,039,159	\$	248,996
Shares issued - May 8, 2018 (note 4)	1,394,856		2,046
Shares issued - June 11, 2018	89,500		175
Balance – September 30, 2018	21,523,515	\$	251,217

In connection with the acquisition of Perennial on May 8, 2018, DCM issued a total of 1,394,856 Common Shares to the vendors of the companies as partial consideration for the fair value of the net assets acquired on the Perennial Closing Date for \$2,051, net of \$8 in issuance costs and increased by a deferred income tax asset of \$3.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of warrants. The additional share issue caused an increase in common shares by \$175. The increase consisted of cash proceeds of \$157 as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of \$18.

WARRANTS

A summary of warrant activities for the nine months ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	2019		2018	
	Number of Warrants	Weighted average Exercise Price	Number of Warrants	Weighted average Exercise Price
Warrants outstanding - beginning of period / year	2,251,550	\$ 1.75	1,381,050	\$ 1.75
Granted	628,571	1.08	960,000	1.75
Expired	(1,291,550)	1.75	—	—
Exercised	—	—	(89,500)	1.75
Warrants outstanding - end of period / year	1,588,571	\$ 1.49	2,251,550	\$ 1.75

On August 16, 2019, DCM entered into an amendment with Crown for an additional principal amount of \$7,000 and issued 550,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$1.08 for a period of 3.7 years, commencing on August 16, 2019. The fair value of the warrants issued was estimated to be \$145 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.24%, a weighted average life of 3.7 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling \$5. The additional principal amount of \$7,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at September 30, 2019, the value allocated to the warrant options outstanding for this issue was \$140, net of transaction costs.

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On July 31, 2019, DCM issued 78,571 warrants in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$1.08 for a period of 3.8 years, commencing on July 31, 2019. The fair value of the warrants issued was estimated to be \$39 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.49%, a weighted average life of 3.8 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. The total Related Party Promissory Notes amount of \$1,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at September 30, 2019, the value allocated to the warrant options outstanding for this issue was \$39.

On May 8, 2018, DCM established the \$12,000 Crown Facility and issued 960,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018. The fair value of the warrants issued was estimated to be \$565 using the Black-Scholes option-pricing model, assuming a risk-free interest of 2.16%, a weighted average life of five years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling \$5 (increased by a deferred income tax asset of \$2). The total credit facility amount of \$12,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at September 30, 2019 and December 31, 2018, the value allocated to the warrant options outstanding for this issue was \$537, net of transaction costs.

On June 28, 2017, DCM completed a non-brokered private placement offering, which included purchase warrants entitling the holder to acquire one Common Share at an exercise price of \$1.75 for a period of two years. On June 28, 2019, the remaining purchase warrants of 1,291,550 expired, resulting in a reduction of warrants and corresponding increase to contributed surplus of \$269 on the condensed consolidated interim statement of financial position.

SHARE-BASED COMPENSATION

DCM has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DCM; and, align the interests of Participants with those of the shareholders of DCM. Awards to Participants are primarily based on the financial results of DCM and services provided. The aggregate maximum number of common shares available for issuance from DCM's treasury under the LTIP is 2,152,352 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

DCM's share-based compensation plan consists of five types of awards: restricted share unit ("RSUs"), options, deferred share unit ("DSUs"), restricted shares or stock appreciation right ("SARs") awards. No SARs have been granted to date.

(a) Restricted share unit ("RSU")

Under the RSU portion of the LTIP, selected employees are granted RSUs where each RSU represents the right to receive a distribution from DCM in an amount equal to the fair value of one DCM common share. RSUs granted are performance and non-performance based. The performance component is based on Company specific financial targets approved by the Board and the non-performance component is based on continued employment. RSUs generally vest within three years, requires continued employment with DCM for the duration of the vesting period and settles in cash upon final vesting.

A liability for RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to compensation expense, as a component of costs of revenues, selling, commissions and expenses, and general and administration expenses. The RSUs payable is included in trade payables and accrued liabilities. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

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	September 30, 2019	December 31, 2018
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	530,452	177,869
Units granted	813,910	740,432
Units forfeited	(618,924)	(387,344)
Units paid out	(26,635)	(505)
Balance - end of period/year	698,803	530,452

During the nine months ended September 30, 2019, the CEO and the President of DCM were granted 327,343 RSUs (2018 – 299,021 RSUs) and a total of 486,567 RSUs (2018 – 441,411 RSUs) were awarded to other key members of DCM's management.

Of the total outstanding RSUs at September 30, 2019, Nil (December 31, 2018 – 26,634) have vested and are payable. The carrying amount of the liability relating to the RSUs at September 30, 2019 was \$446 (December 31, 2018 – \$400).

During the nine months ended September 30, 2019, compensation expense of \$46 (nine months ended September 30, 2018 – \$330) was recognized in the condensed interim consolidated statement of operations related to RSUs granted.

(b) Options ("Options")

A summary of Options activities for the nine months ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	2019		2018	
	Number of Options	Weighted average Exercise Price	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of period / year	1,991,957	\$ 1.45	804,961	\$ 1.50
Granted	40,000	1.41	1,200,000	1.41
Forfeited	(575,548)	—	(13,004)	1.50
Options outstanding - end of period / year	1,456,409	\$ 1.45	1,991,957	\$ 1.45
Exercisable	1,121,531	\$ 1.47	1,125,281	\$ 1.50

The outstanding Options had an exercise price range as follows:

	September 30, 2019	December 31, 2018
	Number of Options	Number of Options
\$1.41	664,452	1,200,000
\$1.50	791,957	791,957
Options outstanding	1,456,409	1,991,957

The Black-Scholes option-pricing model inputs used to compute compensation expense for the options granted in the nine months ended September 30, 2019 under the fair value-based method are as follows:

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	September 30, 2019
Expected life (years)	7
Expected volatility	40%
Dividend yield	0%
Risk free rate of return	1.45%
Weighted average fair value of options granted	\$0.57
Forfeiture rate	10%

During the nine months ended September 30, 2019, options to purchase up to 40,000 common shares were awarded to a director. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 28, 2019. During the nine months ended September 30, 2019, a total of 575,548 options awarded were forfeited.

During the nine months ended September 30, 2019, compensation expense of \$167 (nine months ended September 30, 2018– \$383) was recognized in the condensed interim consolidated statement of operations related to options granted.

(c) *Deferred share unit ("DSU")*

On March 11, 2019 and March 21, 2019, each director was given the option to elect to receive all or part of his or her compensation (the "Director Fees") in DSUs.

Each DSU represents the right to receive a distribution from DCM in an amount equal to the fair value of one DCM common share on the date of the termination of service of the respective director. The number of DSUs payable to each director is determined by multiplying the total Director Fees payable by the percent elected to be paid in DSUs and dividing the product by the Fair Value of one DCM common share on the grant date. A liability for DSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The DSUs payable is included in trade payables and accrued liabilities.

During the three and nine months ended September 30, 2019, 131,042 and 152,927 DSUs (three and nine months ended September 30, 2018 – 54,579 DSUs) were granted. The carrying amount of the liability relating to the DSUs at September 30, 2019 was \$221 (December 31, 2018 – \$81).

During the nine months ended September 30, 2019, an expense of \$102 (nine months ended September 30, 2018 – \$81) was recognized in the interim condensed consolidated statement of operations related to DSUs granted.

Notes to The Condensed Interim Consolidated Financial Statements

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(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)

14 Earnings (loss) per share

	For the three months ended September 30, 2019	For the three months ended September 30, 2018
BASIC LOSS PER SHARE		
Net loss for the period attributable to common shareholders	\$ (5,917)	\$ 838
Weighted average number of shares	21,523,515	21,523,515
Basic loss per share	\$ (0.27)	\$ 0.04

DILUTED LOSS PER SHARE

Net loss for the period attributable to common shareholders	\$ (5,917)	\$ 838
Weighted average number of shares	21,523,515	20,821,844
Diluted loss per share	\$ (0.27)	\$ 0.04

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to common shareholders	\$ (9,994)	\$ 1,407
Weighted average number of shares	21,523,515	20,931,490
Basic (loss) earnings per share	\$ (0.46)	\$ 0.07

DILUTED (LOSS) EARNINGS PER SHARE

Net (loss) income for the period attributable to common shareholders	\$ (9,994)	\$ 1,407
Weighted average number of shares	21,523,515	20,931,490
Diluted (loss) earnings per share	\$ (0.46)	\$ 0.07

For the three and nine months ended September 30, 2019, options to purchase up to 1,456,409 common shares were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 1,588,571 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of September 30, 2019.

During the three and nine months ended September 30, 2018, options to purchase up to 1,991,957 common shares where the average market price of the common shares was greater than the exercise price were included in the computation of diluted earnings per share as their effect would have been dilutive. Warrants to purchase up to 2,251,550 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of September 30, 2018, respectively.

Notes to The Condensed Interim Consolidated Financial Statements

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15 Changes in working capital

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Trade receivables	\$ (15,435)	\$ (1,542)
Inventories	(1,935)	814
Prepaid expenses and other current and non-current assets	1,628	1,422
Trade and accrued liabilities	6,947	8,576
Deferred revenue	(162)	(547)
	\$ (8,957)	\$ 8,723

16 Commitments and Contingencies

DCM and its subsidiaries are subject to various claims, potential claims and lawsuits. While the outcome of these matters is not determinable, DCM's management does not believe that the ultimate resolution of such matters will have a material adverse impact on DCM's financial position.

17 Employee benefit plans

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees.

During the year ended December 31, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the DATA Communications Management Pension Plan had improved since the previous valuation. Based on the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 decreased from \$647 to \$527, when compared to the actuarial report as at January 1, 2017.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by \$227. During the year ended December 31, 2018, DCM made all the required payments related to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying \$216 of the excess funding from 2017. The remaining excess funding from 2017 of \$11 has been applied to DCM's 2019 minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

Notes to The Condensed Interim Consolidated Financial Statements

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Pension expense

DCM's pension expense related to its defined benefit and defined contributions plans is as follows:

	For the three months ended September 30, 2019		For the three months ended September 30, 2018		For the nine months ended September 30, 2019		For the nine months ended September 30, 2018
Net cost recognized in general and administration expenses	\$ 75	\$	75	\$	225	\$	225
Interest costs in finance expense	74		59		221		178
Defined benefit plans	\$ 149	\$	134	\$	446	\$	403
Defined contribution plans	\$ 506	\$	318	\$	947	\$	1,032
Defined benefit multi-employer plans	\$ 110	\$	135	\$	382	\$	447

Other post-employment benefit plans expense

DCM's other post-employment benefit plans expense is as follows:

	For the three months ended September 30, 2019		For the three months ended September 30, 2018		For the nine months ended September 30, 2019		For the nine months ended September 30, 2018
Net cost recognized in general and administration expenses	\$ 70	\$	73	\$	210	\$	219
Interest costs in finance expense	29		28		87		84
Other post-employment benefit plans	\$ 99	\$	101	\$	297	\$	303

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18 Segmented information

As at September 30, 2019, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

<i>(in thousands of Canadian dollars, unaudited)</i>	For the three months ended September 30, 2019	For the three months ended September 30, 2018
Product sales	\$ 57,152	\$ 67,739
Warehousing services	2,262	2,681
Freight services	2,854	3,383
Marketing and other services	947	1,122
	\$ 63,215	\$ 74,925

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Product sales	\$ 192,692	\$ 220,248
Warehousing services	7,160	8,183
Freight services	8,341	9,534
Marketing and other services	3,194	3,652
	\$ 211,387	\$ 241,617