

Condensed interim consolidated statements of financial position

| <i>(in thousands of Canadian dollars, unaudited)</i> | September 30, 2020 | December 31, 2019 |
|--|---------------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (note 9) | \$ 1,517 | \$ — |
| Trade receivables (note 4) | 78,621 | 86,451 |
| Inventories (note 5) | 11,141 | 12,580 |
| Prepaid expenses and other current assets | 3,638 | 2,611 |
| | 94,917 | 101,642 |
| NON-CURRENT ASSETS | | |
| Other non-current assets | 596 | 828 |
| Deferred income tax assets (note 11) | 3,651 | 6,648 |
| Restricted cash (note 9) | 515 | 515 |
| Property, plant and equipment | 10,442 | 13,062 |
| Right-of-use assets (note 6) | 48,118 | 56,381 |
| Pension assets | — | 156 |
| Intangible assets | 14,984 | 18,167 |
| Goodwill | 16,973 | 16,973 |
| | \$ 190,196 | \$ 214,372 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank overdraft (note 9) | \$ — | \$ 1,093 |
| Trade payables and accrued liabilities | 48,839 | 51,743 |
| Current portion of credit facilities (notes 1 and 9) | 6,068 | 3,887 |
| Current portion of promissory notes (note 10) | 1,164 | 492 |
| Current portion of lease liabilities (note 8) | 8,297 | 8,252 |
| Provisions (note 7) | 1,640 | 3,886 |
| Income taxes payable | 2,102 | 2,068 |
| Deferred revenue | 1,271 | 2,133 |
| | 69,381 | 73,554 |
| NON-CURRENT LIABILITIES | | |
| Provisions (note 7) | 239 | 192 |
| Credit facilities (notes 1 and 9) | 54,942 | 74,760 |
| Promissory notes (note 10) | 973 | 2,095 |
| Lease liabilities (note 8) | 46,084 | 53,514 |
| Deferred income tax liabilities (note 11) | 274 | 402 |
| Pension obligations | 8,648 | 7,958 |
| Other post-employment benefit plans | 3,053 | 2,938 |
| | \$ 183,594 | \$ 215,413 |
| EQUITY | | |
| SHAREHOLDERS' EQUITY / (DEFICIT) | | |
| Shares (note 12) | \$ 256,045 | \$ 256,045 |
| Warrants (note 12) | 892 | 853 |
| Contributed surplus | 2,349 | 2,300 |
| Translation Reserve | 281 | 254 |
| Deficit | (252,965) | (260,493) |
| | \$ 6,602 | \$ (1,041) |
| | \$ 190,196 | \$ 214,372 |

General Information and Going Concern (note 1); Commitments and Contingencies (note 15); Subsequent Events (note 18)

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 September 30, 2020 | For the three months ended September 30, 2019 |
|--|--|--|
| REVENUES (note 16) | \$ 57,374 | \$ 63,215 |
| COST OF REVENUES | 40,711 | 47,962 |
| GROSS PROFIT | 16,663 | 15,253 |
| EXPENSES | | |
| Selling, commissions and expenses | 5,982 | 8,545 |
| General and administration expenses | 7,300 | 9,263 |
| Restructuring expenses (note 7) | 1,065 | 2,724 |
| | 14,347 | 20,532 |
| INCOME (LOSS) BEFORE FINANCE COSTS, OTHER INCOME, AND INCOME TAXES | 2,316 | (5,279) |
| FINANCE COSTS | | |
| Interest expense on long term debt and pensions, net | 1,008 | 1,356 |
| Interest expense on lease liabilities (note 8) | 796 | 904 |
| Amortization of transaction costs | 146 | 177 |
| | 1,950 | 2,437 |
| OTHER INCOME | | |
| Government grant income (note 17) | 2,759 | — |
| INCOME (LOSS) BEFORE INCOME TAXES | 3,125 | (7,716) |
| INCOME TAX EXPENSE (RECOVERY) | | |
| Current | (327) | 395 |
| Deferred | 1,313 | (2,194) |
| | 986 | (1,799) |
| NET INCOME (LOSS) FOR THE PERIOD | \$ 2,139 | \$ (5,917) |
| BASIC EARNINGS (LOSS) PER SHARE (note 13) | \$ 0.05 | \$ (0.27) |
| DILUTED EARNINGS (LOSS) PER SHARE (note 13) | \$ 0.05 | \$ (0.27) |

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 nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|--|---|---|
| REVENUES (note 16) | \$ 198,725 | \$ 211,387 |
| COST OF REVENUES | 140,791 | 159,651 |
| GROSS PROFIT | 57,934 | 51,736 |
| EXPENSES | | |
| Selling, commissions and expenses | 20,438 | 25,527 |
| General and administration expenses | 25,470 | 24,969 |
| Restructuring expenses (note 7) | 2,073 | 7,595 |
| | 47,981 | 58,091 |
| INCOME (LOSS) BEFORE FINANCE COSTS, OTHER INCOME, AND INCOME TAXES | 9,953 | (6,355) |
| FINANCE COSTS | | |
| Interest expense on long term debt and pensions, net | 3,316 | 3,760 |
| Interest expense on lease liabilities (note 8) | 2,500 | 2,707 |
| Debt modification losses (notes 9 and 10) | 625 | — |
| Amortization of transaction costs | 407 | 400 |
| | 6,848 | 6,867 |
| OTHER INCOME | | |
| Government grant income (note 17) | 8,928 | — |
| INCOME (LOSS) BEFORE INCOME TAXES | 12,033 | (13,222) |
| INCOME TAX EXPENSE (RECOVERY) | | |
| Current | 263 | (79) |
| Deferred | 3,189 | (3,149) |
| | 3,452 | (3,228) |
| NET INCOME (LOSS) FOR THE PERIOD | \$ 8,581 | \$ (9,994) |
| BASIC EARNINGS (LOSS) PER SHARE (note 13) | \$ 0.20 | \$ (0.46) |
| DILUTED EARNINGS (LOSS) PER SHARE (note 13) | \$ 0.20 | \$ (0.46) |

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

Condensed interim consolidated statements of comprehensive income (loss)

| <i>(in thousands of Canadian dollars, unaudited)</i> | For the three months ended September 30, 2020 | For the three months ended September 30, 2019 |
|--|--|--|
| NET INCOME (LOSS) FOR THE PERIOD | \$ 2,139 | \$ (5,917) |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS) | | |
| Foreign currency translation | 69 | 4 |
| | 69 | 4 |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS) | | |
| Re-measurements of pension and other post-employment benefit obligations | (1,461) | 791 |
| Taxes related to pension and other post-employment benefit adjustment above | 342 | (201) |
| | (1,119) | 590 |
| OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, NET OF TAX | \$ (1,050) | \$ 594 |
| COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | \$ 1,089 | \$ (5,323) |

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

Condensed interim consolidated statements of comprehensive income (loss)

| <i>(in thousands of Canadian dollars, unaudited)</i> | For the nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|--|---|---|
| NET INCOME (LOSS) FOR THE PERIOD | \$ 8,581 | \$ (9,994) |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS) | | |
| Foreign currency translation | 27 | 16 |
| | 27 | 16 |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS) | | |
| Re-measurements of pension and other post-employment benefit obligations | (1,373) | 67 |
| Taxes related to pension and other post-employment benefit adjustment above | 320 | (13) |
| | (1,053) | 54 |
| OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, NET OF TAX | \$ (1,026) | \$ 70 |
| COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | \$ 7,555 | \$ (9,924) |

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

Condensed interim consolidated statements of changes in shareholders' equity (deficit)*(in thousands of Canadian dollars,
unaudited)*

| | Shares | Warrants | Contributed surplus | Translation reserve | Deficit | Total equity |
|--|-------------------|---------------|---------------------|---------------------|---------------------|-------------------|
| Balance as at January 1, 2019 | \$ 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 loss for the period | — | — | — | 16 | (9,940) | (9,924) |
| Expiration of warrants | — | (269) | 269 | — | — | — |
| Share-based compensation expense | — | — | 167 | — | — | 167 |
| Issuance of warrants, net | — | 179 | — | — | — | 179 |
| Balance as at September 30, 2019 | \$ 251,217 | \$ 716 | \$ 2,277 | \$ 258 | \$ (256,534) | \$ (2,066) |
| BALANCE AS AT JANUARY 1, 2020 | \$ 256,045 | \$ 853 | \$ 2,300 | \$ 254 | \$ (260,493) | \$ (1,041) |
| Net income for the period | — | — | — | — | 8,581 | 8,581 |
| Other comprehensive loss for the period | — | — | — | 27 | (1,053) | (1,026) |
| Total comprehensive income for the period | — | — | — | 27 | 7,528 | 7,555 |
| Issuance of warrants (note 12) | — | 39 | — | — | — | 39 |
| Share-based compensation expense (note 12) | — | — | 49 | — | — | 49 |
| BALANCE AS AT SEPTEMBER 30, 2020 | \$ 256,045 | \$ 892 | \$ 2,349 | \$ 281 | \$ (252,965) | \$ 6,602 |

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, 2020 | | For the nine months ended September 30, 2019 | |
|---|---|-----------------|--|----------------|
| CASH PROVIDED BY | | | | |
| OPERATING ACTIVITIES | | | | |
| Net income (loss) for the period | \$ | 8,581 | \$ | (9,994) |
| Adjustments to net income (loss) | | | | |
| Depreciation of property, plant and equipment | | 2,779 | | 3,109 |
| Amortization of intangible assets | | 3,156 | | 2,672 |
| Depreciation of right-of-use-assets (note 6) | | 6,725 | | 6,563 |
| Interest expense on lease liabilities (note 8) | | 2,500 | | 2,707 |
| Share-based compensation expense | | 49 | | 167 |
| Pension expense | | 364 | | 446 |
| (Gain) loss on disposal of property, plant, and equipment | | (27) | | 84 |
| Provisions (note 7) | | 2,073 | | 7,595 |
| Amortization of transaction costs and debt modification losses (note 9) | | 1,032 | | 400 |
| Accretion of non-current liabilities and capitalized interest expense | | 625 | | 238 |
| Other post-employment benefit plans, net | | 115 | | 206 |
| Tax credits recognized | | — | | (89) |
| Income tax expense (recovery) | | 3,452 | | (3,228) |
| | | 31,424 | | 10,876 |
| Changes in working capital (note 14) | | 5,137 | | (8,957) |
| Contributions made to pension plans, net | | (785) | | (763) |
| Provisions paid (note 7) | | (4,272) | | (4,661) |
| Income taxes paid | | (121) | | (1,391) |
| | | 31,383 | | (4,896) |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | | (96) | | (820) |
| Purchase of intangible assets | | (35) | | (3,899) |
| Proceeds on disposal of property, plant and equipment | | 27 | | 254 |
| Proceeds on sale of business | | — | | 675 |
| | | (104) | | (3,790) |
| FINANCING ACTIVITIES | | | | |
| Proceeds from credit facilities (note 9) | | — | | 26,097 |
| Repayment of credit facilities (note 9) | | (18,958) | | (3,262) |
| Repayment of other liabilities | | (300) | | (300) |
| Repayment of promissory notes (note 10) | | (533) | | (3,905) |
| Proceeds from promissory notes and warrants (note 10) | | — | | 1,000 |
| Transaction costs (note 9) | | (227) | | (327) |
| Lease payments (note 8) | | (8,640) | | (8,075) |
| | | (28,658) | | 11,228 |
| CHANGE IN CASH (BANK OVERDRAFT) DURING THE PERIOD | | 2,621 | | 2,542 |
| (BANK OVERDRAFT) - BEGINNING OF PERIOD | \$ | (1,093) | \$ | (3,999) |
| EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES | | (11) | | (18) |
| CASH AND CASH EQUIVALENTS / (BANK OVERDRAFT) - END OF PERIOD | \$ | 1,517 | \$ | (1,475) |

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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(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 communications solutions partner that provides a suite of comprehensive on and offline communication solutions to its clients including multi media campaign management, location-specific marketing, 1:1 marketing, execution of custom loyalty programs, brand management, as well as fulfilling their commercial printing needs. The company has locations throughout Canada and in the United States (Chicago, Illinois and New York, New York).

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 International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) 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.

The Company's liquidity position and financial results have improved over the past nine months, due to: (i) improving margins from cost containment initiatives, (ii) the support of the Federal government's Canada Emergency Wage Subsidy program (note 17), and (iii) better matching of the timing of production and invoicing by converting clients from a legacy billing practice of billing on shipment (known as "bill as released" or BAR) to billing on production, all of which have contributed to a reduction in outstanding credit facility balances. However, there continues to be significant uncertainty as to the length and long-term impact that the current COVID-19 (see COVID-19 section below) pandemic could have on the Company's financial performance, and accordingly its ability to meet its future financial covenants, as there is still limited forecasted headroom in certain financial covenants over the next twelve months in the event that the Company does not take additional actions. In addition, the Bank Fifth Amendment covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month during 2020 was waived in respect of the months March, April, May, June, August and September. Absent the waivers received to date the Company would have been offside with this covenant. This covenant has not been waived at this time for the months of October, November and December. These factors 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.

The Company's ability to continue as a going concern is dependent upon its ability to comply with its financial covenants for at least the next twelve months which is contingent on management's ability to meet forecast revenue, profitability and cash collection targets and take actions to address operating and financial challenges resulting from COVID-19, or continue to obtain financial covenant waivers from such lenders' as may otherwise be necessary. DCM management plans to continue its focus on finding additional operating efficiencies, reducing selling, general and administrative expenses, continuing to convert clients away from BAR, and streamlining our invoicing and collections processes. To the extent practical, management intends to seek waivers in advance of anticipated covenant breaches.

The estimate of future cash flows in the Company's latest forecasts include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)) and the timing of cash collections. The estimates of forecasted compliance with financial covenants are sensitive to those assumptions particularly to the ongoing impact of the COVID-19 pandemic, the effects and duration of which are difficult to project with respect to the Company's business and financial results.

There can be no assurances that DCM will be successful in meeting its financial covenants for at least the next twelve months or that future waivers will be provided by the lenders if the covenants are not met.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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

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.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, ("COVID-19"), a global pandemic. Governments in affected areas in which the Company operates have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations of gatherings and events. The impacts on the global economy have been far-reaching, however, due to the speed with which the situation developed and the uncertainty of its magnitude, outcome and duration it is not possible to quantify the impact this pandemic may have on the financial results and condition of DCM in future periods.

Management of DCM has been closely monitoring developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where it operates. While safeguarding the well-being of individuals is the Company's principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to ensure continued operation have been implemented to date, including temporary layoffs of up to 182 employees, wage rollbacks for 114 senior executives, director level and other employees for the period from April 23, 2020 until July 13, 2020, shift reductions, reductions in non-essential spending and deferral of other expenses and payments where practical and application for certain government programs (note 17) and the Company continues to evaluate and assess further actions. Despite these efforts it is possible that during an extended pandemic the operation of one or more of DCM's production facilities could be disrupted. In these circumstances DCM may need to limit operations or be temporarily shut down. Although many of DCM customers' products serve essential everyday needs, it is likely that the customer demand for these customer products could continue to deteriorate due to the slowing economy.

Despite DCM's business continuing to operate as an essential services provider to a number of industries, including the healthcare, financial services and supply chain sectors, the Company has experienced a reduction in demand from certain clients and sectors due to the pandemic, particularly in its retail related business and from smaller and more transactional clients. It is not currently possible to accurately quantify the long-term impact of the pandemic on the Company's operations or financial results. These possible impacts can be caused by both the pandemic itself as well as by the extensive public restrictions to continue limiting the spread of the virus and may differ in various business areas and DCM's operating locations and timing of the loosening of various restrictions on businesses and the general public.

To date, DCM has not experienced any material disruptions in its supply chain due to COVID-19. Nor has DCM experienced any material credit collection delinquencies related to COVID-19, although certain customers have stretched their payment terms.

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 and significant accounting policies

DCM prepares its condensed interim 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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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applied in DCM's consolidated financial statements for the year ended December 31, 2019, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2020 and disclosed in (note 3). 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, 2020, as issued and outstanding as of November 10, 2020, the date the Board of Directors ("Board") approved these condensed interim consolidated 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, 2019 which have been prepared in accordance with IFRS.

3 Change in accounting policies*(a) Existing standards adopted***IAS 20 GOVERNMENT GRANTS**

Grants from the government are recognized at their fair value when there is reasonable assurance that the grant will be received and DCM will comply with all attached conditions. Government grants related to income are presented as "other income" in the interim consolidated statement of operations. DCM has applied this policy to the Canada Emergency Wage Subsidy (note 17).

*(b) New and amended standards 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. The adoption of this amendment did not have an impact on its condensed interim 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. The adoption of this amendment did not have an impact on its condensed interim 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. The adoption of this amendment did not have an impact on its condensed interim consolidated financial statements.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)**c) Future accounting standards not yet adopted***IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT**

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. DCM is currently evaluating the impact of this amendment.

IFRS 16 COVID-19-RELATED RENT CONCESSIONS

In May 2020, the IASB issued an amendment to IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The mandatory effective date would be annual periods beginning on or after June 1, 2020, with early adoption permitted. The amended standard is not expected to have an impact on the condensed interim consolidated financial statements.

IFRS 3 REFERENCE TO CONCEPTUAL FRAMEWORK

In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the condensed interim consolidated financial statements.

IAS 37 ONEROUS CONTRACTS: COST OF FULFILLING A CONTRACT

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the interim condensed 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 significant impact on DCM.

IFRS 9 FINANCIAL INSTRUMENTS: FEES IN THE '10 PER-CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018 - 2020. This amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amended standard is not expected to have a significant impact on the condensed interim consolidated financial statements.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***4 Trade receivables**

| | September 30, 2020 | December 31, 2019 |
|---------------------------------|-----------------------|----------------------|
| Trade receivables | \$ 80,188 | \$ 88,258 |
| Provision for doubtful accounts | (1,567) | (1,807) |
| | \$ 78,621 | \$ 86,451 |

As at September 30, 2020, trade receivables include unbilled receivables of \$29,177 (2019 – \$32,364), net of an expected credit loss allowance of \$390 (2019 – \$390). Included in the unbilled receivables amount is \$17,329 (2019 – \$23,968) of BAR inventory contract asset to be billed on shipments to customers.

5 Inventories

| | September 30, 2020 | December 31, 2019 |
|------------------|-----------------------|----------------------|
| Raw materials | \$ 5,313 | \$ 8,304 |
| Work-in-progress | 1,625 | 2,035 |
| Finished goods | 4,203 | 2,241 |
| | \$ 11,141 | \$ 12,580 |

Raw materials inventory amount is net of obsolescence reserves of \$255 (2019 – \$229). Finished goods consist of base stock items.

6 Right-of-use asset

The following tables present changes in the right-of-use ("ROU") assets for the nine months ended September 30, 2020:

| | Property | Office Equipment | Production Equipment | Total |
|--------------------------------------|------------------|---------------------|-------------------------|------------------|
| Balance - Beginning of period | \$ 43,419 | \$ 1,610 | \$ 11,352 | \$ 56,381 |
| Additions for the period | 642 | — | — | 642 |
| Modifications for the period | (2,415) | 58 | 166 | (2,191) |
| Depreciation for the period | (3,147) | (722) | (2,856) | (6,725) |
| Effect of movement in exchange rates | 8 | — | 3 | 11 |
| Closing net book value | \$ 38,507 | \$ 946 | \$ 8,665 | \$ 48,118 |

As at September 30, 2020

| | | | | |
|--------------------------|------------------|---------------|-----------------|------------------|
| Cost | \$ 46,267 | \$ 2,492 | \$ 15,027 | \$ 63,786 |
| Accumulated depreciation | (7,760) | (1,546) | (6,362) | (15,668) |
| Net book value | \$ 38,507 | \$ 946 | \$ 8,665 | \$ 48,118 |

During the nine months ended September 30, 2020, DCM modified certain leases by entering into renewal and/or amending agreements to extend or reduce a lease term and/or increase/reduce the lease payments. During the nine

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months ended September 30, 2020, DCM formalized a property lease agreement that was previously month-to-month, and reduced the lease term of a property lease as the extension options will no longer be exercised.

7 Provisions

| | Termination provisions | | Onerous contracts | | Other | | Total |
|-------------------------------------|---------------------------|----|----------------------|----|-------|----|---------|
| Balance – Beginning of period | \$ 4,078 | \$ | — | \$ | — | \$ | 4,078 |
| Additional charge during the period | 2,073 | | — | | — | | 2,073 |
| Utilized during the period | (4,272) | | — | | — | | (4,272) |
| Balance - September 30, 2020 | \$ 1,879 | \$ | — | \$ | — | \$ | 1,879 |
| Less: Current portion of provisions | (1,640) | | — | | — | | (1,640) |
| As at September 30, 2020 | \$ 239 | \$ | — | \$ | — | \$ | 239 |

| | Termination provisions | | Onerous contracts | | Other | | Total |
|-------------------------------------|---------------------------|----|----------------------|----|-------|----|---------|
| Balance – December 31, 2018 | \$ 2,581 | \$ | 653 | \$ | 214 | \$ | 3,448 |
| Adoption of IFRS 16 Leases | — | | (136) | | (180) | | (316) |
| As at January 1, 2019 | 2,581 | | 517 | | 34 | | 3,132 |
| Additional charge during the period | 7,595 | | — | | — | | 7,595 |
| Utilized during the 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

During the three and nine months ended September 30, 2020, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the three and nine months ended September 30, 2020, these initiatives resulted in \$1,065 and \$2,073, respectively, of additional restructuring expenses due to headcount reduction across DCM's operations in the condensed interim consolidated statement of operations.

During the three and nine months ended September 30, 2019, total restructuring initiatives resulted in costs incurred of \$2,724 and \$7,595, respectively, 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 nine months ended September 30, 2020, cash payments of \$4,272 (2019 - \$4,110) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of \$1,879 at September 30, 2020 are expected to be paid in 2020 and 2021.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***8 Lease liabilities***(i) LEASE LIABILITIES*

DCM currently leases office space, office equipment and production equipment. A lease liability has been recognized equal to the present value of remaining lease payments discounted at the interest rate implicit in the lease, or if that rate cannot be readily determined, DCM's weighted average incremental borrowing rate.

| | Property | Office Equipment | Production Equipment | Total |
|--------------------------------------|------------------|------------------|----------------------|------------------|
| Balance - Beginning of period | \$ 48,317 | \$ 1,903 | \$ 11,546 | \$ 61,766 |
| Additions during the period | 642 | — | — | 642 |
| Modifications during the period | (2,125) | 58 | 131 | (1,936) |
| Payments during the period | (5,392) | (774) | (2,474) | (8,640) |
| Interest charge for the period | 1,986 | 65 | 449 | 2,500 |
| Effect of movement in exchange rates | 12 | — | 37 | 49 |
| As at September 30, 2020 | \$ 43,440 | \$ 1,252 | \$ 9,689 | \$ 54,381 |

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

| | Contractual Cash Flows | Extension Options | Total as at September 30, 2020 |
|---|------------------------|-------------------|--------------------------------|
| Not later than one year | \$ 10,999 | \$ — | \$ 10,999 |
| Later than one and not later than five years | 27,425 | 5,051 | 32,476 |
| Later than five years | 2,505 | 29,473 | 31,978 |
| Total undiscounted lease liabilities | \$ 40,929 | \$ 34,524 | \$ 75,453 |
| Discounted using the incremental borrowing rate | | | (21,072) |
| Lease liabilities | | | \$ 54,381 |
| Current | | | \$ 8,297 |
| Non-current | | | \$ 46,084 |

(ii) AMOUNT RECOGNIZED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

| | For the three months ended September 30, 2020 | For the three months ended September 30, 2019 | For the nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|--|---|---|--|--|
| Variable lease payments not included in the measurement of lease liabilities | \$ 1,314 | \$ 1,590 | \$ 3,845 | \$ 4,661 |
| Income from sub-leasing right-of-use assets | \$ (53) | \$ (48) | \$ (159) | \$ (144) |
| Expenses relating to short-term leases and leases of low value assets | \$ 173 | \$ 177 | \$ 837 | \$ 786 |

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***9 Credit facilities**

| | September 30, 2020 | December 31, 2019 |
|---|-----------------------|----------------------|
| Term loans | | |
| - 6.10% term debt, maturing October 15, 2022, (FPD III Credit Facility) | \$ 3,004 | \$ 3,404 |
| - 6.95% term debt, maturing March 10, 2023, (FPD IV Credit Facility) | 14,695 | 16,350 |
| - 6.95% term debt, maturing May 15, 2023, (FPD V Credit Facility) | 3,327 | 3,681 |
| - 12.00% term debt, maturing May 7, 2023, (Crown Facility) | 20,761 | 19,000 |
| Revolving facilities | | |
| - floating rate debt, maturing January 31, 2023, (Bank Credit Facility) | 18,115 | 34,664 |
| Credit facilities | 59,902 | 77,099 |
| Unamortized debt premiums and discount | 2,581 | 3,201 |
| Unamortized transaction costs | (1,473) | (1,653) |
| | \$ 61,010 | \$ 78,647 |
| Less: Current portion of Credit facilities | (6,068) | (3,887) |
| Credit facilities | \$ 54,942 | \$ 74,760 |

CREDIT AGREEMENTS**BANK FACILITIES**

DCM has established a revolving credit facility (as amended, the "Bank Credit Facility") with a Canadian chartered bank (the "Bank"). Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is \$50,000 (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 \$50,000 (amended to \$35,000 in November 2020 effective September 24, 2020) 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 1.85%. For the nine months ended September 30, 2020, DCM capitalized transaction costs of \$150 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, 2020, there were outstanding borrowings of \$18,115 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of \$567. As at September 30, 2020, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.30% per annum, which reduced to 3.8% effective October 1, 2020. As at September 30, 2020, DCM had access to \$4,739 of available credit under the Bank Credit Facility. The cash and cash equivalents balance of \$1,517 shown on the condensed interim consolidated statement of financial position as at September 30, 2020 represents outstanding deposits which when cashed would be a deposit on the Bank Credit Facility. As at September 30, 2020, the carrying value of the debt instrument was \$19,483. The carrying value includes the outstanding borrowings of \$18,115, unamortized premium of \$1,882 less the unamortized transaction costs of \$514.

FPD FACILITIES

DCM established term loan facilities ("FPD III Credit Facility", "FPD IV Credit Facility", and "FPD V Credit Facility" - collectively referred to as "FPD Credit Agreements") with Fiera Private Debt Fund III L.P. ("FPD III"), Fiera Private Debt Fund IV L.P. (FPD IV), and Fiera Private Debt V L.P. ("FPD V"). 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

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consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed \$93,000.

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.

As at September 30, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD III Credit Facility were \$14 and \$3,004, respectively. As at September 30, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD IV Credit Facility were \$236 and \$14,695, respectively. As at September 30, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD V Credit Facility were \$93 and \$3,327, 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. For the nine months ended September 30, 2020, DCM capitalized transactions costs of \$16.

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"). 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 that is repayable on maturity on May 7, 2023.

As at September 30, 2020, the carrying value of the Crown debt instrument was \$20,844. This carrying value includes the loan principal balance of \$20,761 (consisting of \$19,000 principal advances and \$1,761 of capitalized interest), unamortized premiums/discounts of \$699 less unamortized transaction costs of \$616.

For the nine months ended September 30, 2020, DCM capitalized transaction costs of \$61 related to the Crown Facility. The unamortized transaction costs of \$616 is being amortized over the remaining term of this facility.

AMENDMENTS TO CREDIT FACILITIES

In connection with the Crown Fourth Amendment on December 19, 2019, the Company agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from \$1.75 to \$0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from \$1.08 to \$0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020.

On February 21, 2020, DCM entered into a sixth amendment to its Bank Credit Facility (the "Bank Sixth Amendment"). Advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$50,000 and a fixed percentage of DCM's aggregate accounts receivables and inventory (less certain reserve amounts). This amendment permits DCM: (i) for the period from January 1, 2020 to April 30, 2020, to add up to \$6,000 on an unmargined basis (the "Unmargined Amount") when calculating that borrowing base, and (ii) for the period from January 15, 2020 to May 14, 2020, to remove from the calculation of that borrowing base, up to \$2,800 of reserves (the "Excluded Pension Reserve Amount") on account of DCM's deficit in respect of its defined benefit pension plan. The Unmargined Amount of the borrowing base will reduce at the rate of \$1,000 per month commencing on May 1, 2020 until the Unmargined Amount is fully removed from the borrowing base. DCM will be required to reinstate the Excluded Pension Reserve Amount in the calculation of its borrowing base by adding \$1,000 and \$2,000 of that amount respectively in each of May and June, 2020, and by including all of the Excluded Pension Reserve Amount in July 2020 and thereafter. In addition to the financial covenants in the Bank Credit Agreement, the Bank Sixth Amendment added a new financial covenant that requires DCM to meet a Minimum Cash Flow Requirement (as

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defined in the Bank Sixth Amendment). In the event that DCM's borrowing base exceeds total borrowings under the Bank Credit Facility by less than \$1,500, tested on a bi-weekly basis, the Minimum Cash Flow Requirement requires DCM to demonstrate, in that circumstance, that net cash flows for the Company for the preceding four weeks do not vary negatively from its forecasted cash flows by more than \$3,000.

The Bank Sixth Amendment also restricts DCM from making payments and distributions to non-arm's length parties without the Bank's consent, subject to certain exceptions, and increases the interest rate on DCM's borrowings under the Bank Credit Facility by 0.50% for the period from January 1, 2020 to September 30, 2020. In addition, a total of 500,000 warrants have been issued in connection with the Bank Sixth Amendment. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$0.185 for a period of 24 months, commencing on June 18, 2020 (note 12). In connection with this amendment, DCM recognized a loss on modification of debt of \$102, which is included in finance costs in the condensed interim consolidated statement of operations.

On February 21, 2020, DCM entered into an agreement with each of FPD III, FPD IV and FPD V to defer the payment of regularly scheduled principal payments owing to each of them under the applicable FPD Loan Agreement commencing February 1, 2020. Scheduled principal payments will resume June 15, 2020. The deferred principal payments will be added to the amounts due at maturity of the respective FPD Loan Agreements.

On February 21, 2020, DCM entered into a fifth amendment (the "Crown Fifth Amendment") to the Crown Credit Agreement. Under the Crown Fifth Amendment, for the period from January 1, 2020 to October 1, 2020, all interest on outstanding borrowings under the Crown Credit Agreement will be deferred and will be capitalized on each date on which payment of such interest would otherwise be due by adding the amount of the interest due to DCM's then outstanding principal and interest obligations under the Crown Credit Agreement. In connection with this amendment, DCM recognized a loss on modification of \$454, which is included in finance costs in the condensed interim consolidated statement of operations.

On March 30, 2020, in anticipation of potential COVID-19 impacts on its business, DCM entered into a seventh amendment to its Bank Credit Facility (the "Bank Seventh Amendment"). This amendment permits DCM to amend the definition of borrowing base by adding into the margining calculations 75% of BAR Products, without duplication, for the period from April 1, 2020 to June 30, 2020. BAR Products means Bill-as-Released finished goods products that are produced and held for future delivery based on specified contracts and billing procedures with DCM's customers. During the aforementioned period, finished goods consisting of BAR Products shall be removed from the definition of "Eligible Inventory" when calculating DCM's borrowing base. The Bank Fifth Amendment covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month has been waived in respect of the months March, April, May, June, August, and September 2020, respectively. In addition, the covenant requiring DCM to attain revenue in a minimum amount equal to not less than 90% of its forecasted revenue on a quarterly and on a cumulative basis commencing with the fourth quarter of 2019 and ending with the quarter ending June 30, 2020 was waived starting in the fourth quarter of 2019.

On March 30, 2020, DCM also entered into an agreement with each of FPD III, FPD IV and FPD V, to waive the financial covenant to maintain a minimum monthly EBITDA of \$1,000 in respect of the months of March 2020, April 2020, May 2020 and June 2020 respectively. In addition, FPD also waived the Total Funded Debt to EBITDA Ratio covenant for the quarter ending June 30, 2020.

On March 30, 2020, DCM also entered into a sixth amendment (the "Crown Sixth Amendment") to the Crown Credit Agreement. This amendment waives the Net Debt to EBITDA Ratio covenant requirements for the quarters ending March 31, 2020 and June 30, 2020, respectively and also removes the new financial covenant requiring DCM to have EBITDA of not less than \$4,000 for the quarter ending March 31, 2020 and cumulative EBITDA of not less than \$8,000 for the six-month period ending June 30, 2020.

On June 23, 2020, in connection with the anticipated continued negative impact of COVID-19 on its second and third quarter results in particular, DCM entered into an additional waiver and amendment agreement with each of FPD III, FPD IV and FPD V, with respect to the FPD Credit Agreements. FPD has agreed to waive the financial covenant to

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maintain a minimum monthly EBITDA of \$1,000 for the month of July 2020. In addition, FPD also agreed to amend the Total Funded Debt to EBITDA Ratio covenant for the quarter ending September 30, 2020 from no greater than 3.0 to 1.0 to no greater than 3.75 to 1.0, and for the quarter ending December 31, 2020, from no greater than 3.0 to 1.0 to no greater than 3.25 to 1.0.

On November 2, 2020, DCM entered into an eighth amendment to its Bank Credit Facility (the "Bank Eighth Amendment") under which the Bank reduced its interest rate on DCM's borrowings under the Bank Credit Facility by 25 basis points effective September 24, 2020. At the Company's request the Bank also agreed to accelerate reduction of the maximum principal amount available under the Bank Credit Facility to \$35,000. As part of the Bank Sixth Amendment, the interest rate on DCM's borrowings under the Bank Credit Facility was increased by 0.5% between January 1 to September 30, 2020. Effective October 1, 2020, the interest rate will be reduced by an additional 0.5% for a total floating interest rate of 3.8% at such time.

In addition, the covenant requiring DCM to collect an agreement minimum percentage of its outstanding accounts receivable each month has been waived in respect of the months of August 2020 and September 2020.

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 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's requirement to maintain a fixed charge coverage ratio was waived for the first six months of 2020, however DCM was required to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for the twelve month period ended July 31, 2020, not less than 1.05 to 1.0 for the twelve month period ended August 31, 2020 and is required to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 for each twelve month period ending thereafter, commencing with the month ending September 30, 2020. The fixed charge coverage ratio is 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. DCM is also required to collect an agreed minimum percentage of its outstanding accounts receivables during 2020, however this requirement was waived for the months of March, April, May, June, August and September absent which the Company would have been breach of this covenant. Each covenant is calculated and reported on a monthly basis. As of September 30, 2020, DCM was in compliance with the fixed charge coverage ratio covenant.

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 3.0 to 1.0. The covenant was amended on December 19, 2019 to be no greater than 4.5 to 1.0 for the second quarter of 2020, 3.75 to 1.0 for the third quarter of 2020, 3.25 to 1.0 for the fourth quarter of 2020 and 3.0 to 1.0 thereafter. FPD waived the requirement to comply with this covenant for the quarters ended June 2019 through June 2020; (ii) a debt service coverage ratio of not less than 0.75 to 1.0 for the quarter ended March 31, 2020, increasing to 1.00 to 1.0 for the quarter ended June 30, 2020 and thereafter a ratio of 1.50 to 1.0 will apply, (iii) a working capital current ratio of not less than 1.10 to 1.0, and (iv) total funded debt of not more than \$93,000. Each covenant is calculated and reported on a quarterly basis. Monthly EBITDA levels must be greater than \$1,000 during each month of the waived period through to July 31, 2020. During the first quarter of 2020, the monthly EBITDA levels were waived for the months of March to June 2020. During the second quarter of 2020, the monthly EBITDA level

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was waived for the month of July 2020. As of September 30, 2020, DCM was in compliance with these amended covenants.

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 2.0 to 1.0, 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. 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. 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 5.0 to 1:0 for the quarters ending March 31, 2020 and June 30, 2020, respectively, a maximum of 4.5 to 1.0 for the quarters ended September 30, 2020 and December 31, 2020, respectively, and a maximum of 3.0 to 1.0 thereafter. In addition EBITDA for the first three quarters of 2020 is to be calculated on an annualized basis instead of a trailing twelve months basis; and (ii) a fixed charge coverage ratio no less than 1.40 to 1.0 for which waivers were previously obtained for the first two quarters of 2020, 1.1 to 1.0 for the quarter ended September 30, 2020, at least 1.15 to 1.0 for the quarter ended December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter. Each covenant is calculated and reported on a quarterly basis. At September 30, 2020, DCM was in compliance with these amended covenants.

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, 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; lease payments to convert on a pre IFRS 16 basis; and any other extraordinary, non-recurring or unusual items as agreed to by the lender. The pro forma financial results from any acquisitions completed by DCM during a given year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant 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 or that it shall be able to receive waivers from its lenders to the extent required; 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, or obtaining waivers from its lenders over the next twelve months (see note 1).

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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, 2020, there was a balance of \$515 (December 31, 2019 - \$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 interim condensed consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an 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.

The movement in credit facilities during the nine months ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Balance - Beginning of period / year, net of transaction costs and debt premiums and discounts | \$ 78,647 | \$ 57,421 |
| Changes from financing cash flows | | |
| Proceeds from credit facilities | — | 26,099 |
| Repayment of credit facilities | (18,958) | (8,495) |
| Transaction costs | (227) | (533) |
| Total change from financing cash flows | 59,462 | 74,492 |
| Non-cash movements | | |
| Issuance of new and repricing of existing warrants | — | (266) |
| Amortization of transaction costs | 407 | 465 |
| Debt modification (gains) losses | 556 | 3,858 |
| Interest capitalised on Crown loan | 1,761 | — |
| Accretion of premium and discount | (1,176) | 98 |
| Balance - End of period / year, net of transaction costs and debt premiums and discounts | \$ 61,010 | \$ 78,647 |

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

| | September 30, 2020 |
|------|-----------------------|
| 2020 | 1,479 |
| 2021 | 6,172 |
| 2022 | 7,267 |
| 2023 | 44,984 |
| | \$59,902 |

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***10 Promissory notes**

The movement in the promissory note balances for the nine months ended September 30, 2020 and the year ended December 31, 2019 are as follows:

| | DCM Burlington acquisition | Thistle acquisition | BOLDER Graphics acquisition | Perennial acquisition | Related Party Promissory Notes | Total |
|---|----------------------------------|------------------------|-----------------------------------|--------------------------|--------------------------------------|------------|
| 2020 | | | | | | |
| Balance – Beginning of period | \$ — | \$ — | \$ 175 | \$ 1,447 | \$ 965 | \$ 2,587 |
| Unwinding of discount | — | — | — | 12 | 8 | 20 |
| Interest expense | — | — | 6 | — | — | 6 |
| Loss on modification | — | — | — | 57 | — | 57 |
| Payments during the period | — | — | (3) | (530) | — | (533) |
| Balance – End of period | \$ — | \$ — | \$ 178 | \$ 986 | \$ 973 | \$ 2,137 |
| Less: Current portion of promissory notes | \$ — | \$ — | \$ (178) | \$ (986) | \$ — | \$ (1,164) |
| As at September 30, 2020 | \$ — | \$ — | \$ — | \$ — | \$ 973 | \$ 973 |
| 2019 | | | | | | |
| Balance - Beginning of year | \$ 2,254 | \$ 270 | \$ 509 | \$ 2,343 | \$ — | \$ 5,376 |
| Additions | — | — | — | — | 961 | 961 |
| Unwinding of discount | 29 | 4 | — | 104 | 4 | 141 |
| Interest expense | — | — | 14 | — | — | 14 |
| Payments during the year | (2,283) | (274) | (348) | (1,000) | — | (3,905) |
| Balance - End of year | \$ — | \$ — | \$ 175 | \$ 1,447 | \$ 965 | \$ 2,587 |
| Less: Current portion of promissory notes | — | — | — | (492) | — | (492) |
| As at December 31, 2019 | \$ — | \$ — | \$ 175 | \$ 955 | \$ 965 | \$ 2,095 |

On June 18, 2020, DCM entered into an amendment for the Perennial acquisition VTB ("Perennial amendment"). The original terms required payments of \$1,000 on May 8, 2020 and \$500 on May 8, 2021. As of September 30, 2020, DCM made payments of \$530 of the total \$1,000 owing on May 8, 2020. The remaining payment of \$470 was deferred, for a total of \$970 due on May 8, 2021. The Perennial amendment also added an interest rate of 10% per annum commencing May 8, 2020. In connection with this amendment, an additional 215,450 warrants were issued (note 12). Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$0.185 for a period of 2 years, commencing on June 18, 2020. The Perennial amendment resulted in a loss on modification of the loan of \$69 which was apportioned \$57 to the debt instrument and \$12 to the warrant option based on their relative fair values (note 12). The loss on modification of the loan of \$69 is included in finance costs in the condensed interim consolidated statement of operations.

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, with principal repayable on or before the May 7, 2023 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.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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

In addition, a total of 78,751 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 12). 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.

Effective July 25, 2019 (date of the Amended FPD A&R Credit Facilities), DCM agreed to defer any further payments on its vendor take-back promissory notes. Resumption of payments on the vendor take-back promissory notes will require prior approval by FPD.

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 25.56% (2019 – 25.48%) 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, 2020, DCM has non-capital loss carry-forwards of \$810 (2019 – \$7,767).

| Reflected in the condensed interim consolidated statement of financial position as follows: | September 30, 2020 | December 31, 2019 |
|--|-------------------------------|----------------------|
| Deferred income tax assets | \$ 3,651 | \$ 6,648 |
| Deferred income tax liabilities | (274) | (402) |
| Net deferred income tax assets | \$ 3,377 | \$ 6,246 |

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***12 Shares and warrants****SHARES**

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 be entitled to receive assets of DCM upon such a 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, 2020 and September 30, 2020 | 43,047,030 | \$ 256,045 |
| | | |
| | Number of Common shares | Amount |
| Balance – January 1, 2019 and September 30, 2019 | 21,523,515 | \$ 251,217 |

WARRANTS

A summary of warrant activities for the nine months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

| | 2020 | | 2019 | |
|---|-------------------------------|--|-------------------------------|--|
| | Number of Warrants | Weighted average Exercise Price | Number of Warrants | Weighted average Exercise Price |
| Warrants outstanding - beginning of period / year | 1,688,571 | \$ 0.35 | 2,251,550 | \$ 1.75 |
| Granted | 715,450 | 0.19 | 728,571 | 1.08 |
| Anti-dilution adjustment | 16,071 | 0.99 | — | — |
| Expired | — | — | (1,291,550) | 1.75 |
| Warrants outstanding - end of period / year | 2,420,092 | \$ 0.30 | 1,688,571 | \$ 0.35 |

The outstanding warrants had an exercise price range as follows:

| | September 30, 2020 Number of Warrants | December 31, 2019 Number of Warrants |
|----------------------|--|---|
| \$1.08 | — | 178,571 |
| \$0.99 | 194,642 | — |
| \$0.26 | 1,510,000 | 1,510,000 |
| \$0.185 | 715,450 | — |
| Warrants outstanding | 2,420,092 | 1,688,571 |

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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

On June 18, 2020, DCM entered into an amendment under the Perennial acquisition VTB and issued 215,450 warrants in connection with the amendment. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$0.185 for a period of 2 years, commencing on June 18, 2020. The fair value of the warrants issued was estimated to be \$12 using the Black-Scholes option-pricing model, assuming a risk-free interest of 0.30%, a weighted average life of 2 years, a dividend yield of nil and an expected volatility of 56.95% based on comparable companies and adjusted using a discount rate of 5% for the statutory hold period.

On June 18, 2020, DCM issued 500,000 warrants in connection with an amendment under the Bank Credit Facility on February 21, 2020. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$0.185 for a period of 2 years, commencing on June 18, 2020. The fair value of the warrants issued was estimated to be \$27 using the Black-Scholes option-pricing model, assuming a risk-free interest of 0.30%, a weighted average life of 2 years, a dividend yield of nil and an expected volatility of 56.95% based on comparable companies and adjusted using a discount rate of 5% for the statutory hold period.

On May 12, 2020, the Board approved the anti-dilution adjustments that affect certain DCM warrants outstanding at December 31, 2019, pursuant to the anti-dilution provisions of DCM's LTIP, in connection with the Rights Offering completed by the Company on December 31, 2019. The warrant exercise prices were adjusted by a factor of 1:0.917 and the number of warrants were adjusted by a factor of 1:1.09. 178,571 warrants outstanding with an exercise price of \$1.08, were adjusted to 194,642 warrants outstanding with an exercise price of \$0.99.

In connection with the Crown Fourth Amendment on December 19, 2019 (note 9), the Company agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from \$1.75 to \$0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from \$1.08 to \$0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020. The increased value of the warrants arising from the debt modification was \$121.

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 4,304,703 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.

On May 12, 2020, the Board approved the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share-based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019. The option exercise prices were adjusted by a factor of 1:0.917 and the number of options, RSUs and DSUs were adjusted by a factor of 1:1.09.

(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 over three years, require continued employment with DCM for the duration of the vesting period and settle in cash upon final vesting.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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

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 are 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.

| | September 30, 2020 | December 31, 2019 |
|------------------------------------|-------------------------------|----------------------|
| | Number of RSUs | Number of RSUs |
| Balance - beginning of period/year | 707,950 | 530,452 |
| Units granted | 6,991,659 | 853,016 |
| Anti-dilution adjustment | 62,555 | — |
| Units forfeited | (10,124) | (648,883) |
| Units paid out | (2,725) | (26,635) |
| Balance - end of period/year | 7,749,315 | 707,950 |

During the nine months ended September 30, 2020, the Chief Executive Officer ("CEO") and the President of DCM were granted 2,769,606 RSUs (2019 – 327,343 RSUs) and 4,222,053 RSUs (2019 – 525,673 RSUs) were awarded to other members of DCM's management.

Of the total RSUs outstanding as at December 31, 2019, 695,101 were affected by those anti-dilution adjustments, and were adjusted to 757,656 RSUs.

Of the total outstanding RSUs at September 30, 2020, 142,666 (December 31, 2019 – 54,857) have vested and are payable. The carrying amount of the liability relating to the RSUs at September 30, 2020 was \$525 (December 31, 2019 – \$193).

During the nine months ended September 30, 2020, compensation expense of \$332 (2019 – \$46) was recognized in the interim condensed statement of operations related to vesting of RSUs granted, and fair value adjustments.

(b) Options ("Options")

A summary of Options activities for the nine months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

| | 2020 | | 2019 | |
|--|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Number of Options | Weighted average Exercise Price | Number of Options | Weighted average Exercise Price |
| Options outstanding - beginning of period/year | 1,456,409 | \$ 1.45 | 1,991,957 | \$ 1.45 |
| Granted | — | — | 40,000 | 1.41 |
| Anti-dilution adjustment | 131,077 | 1.33 | — | — |
| Forfeited | — | — | (575,548) | (1.44) |
| Options outstanding - end of period/year | 1,587,486 | \$ 1.33 | 1,456,409 | \$ 1.45 |
| Exercisable | 1,445,783 | \$ 1.33 | 1,116,415 | \$ 1.46 |

The outstanding Options had an exercise price range as follows:

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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

| | September 30, 2020 | December 31, 2019 |
|---------------------|---------------------------|-------------------|
| | Number of Options | Number of Options |
| \$1.50 | — | 616,409 |
| \$1.41 | — | 840,000 |
| \$1.38 | 671,886 | — |
| \$1.29 | 915,600 | — |
| Options outstanding | 1,587,486 | 1,456,409 |

During the nine months ended September 30, 2020, compensation expense of \$49 (2019 – \$167) was recognized in the condensed interim consolidated statement of operations related to the vesting of options granted.

Of the total outstanding options at as at December 31, 2019, 1,456,409 options were affected by those anti-dilution adjustments and were adjusted to 1,587,486 options.

(c) Deferred share unit ("DSU")

Each director is required to receive at least half of his or her annual retainer in DSUs and has the option to elect to receive all or part of his or her other compensation 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.

Of the total DSUs outstanding as at December 31, 2019, 476,865 were affected by those anti-dilution adjustments, and were adjusted to 519,782 RSUs.

During the nine months ended September 30, 2020, 1,218,157 (2019 - 152,925) DSUs were granted. The carrying amount of the liability relating to the 1,500,923 DSUs outstanding at September 30, 2020 was \$421 (2019 – \$148 and 239,849 DSUs outstanding).

During the nine months ended September 30, 2020, an expense of \$409 (2019 – \$102) was recognized in the condensed interim consolidated statement of operations related to DSUs granted, and fair value adjustments.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***13 Earnings (loss) per share**

| | For the three months ended September 30, 2020 | For the three months ended September 30, 2019 |
|--|--|---|
| BASIC EARNINGS (LOSS) PER SHARE | | |
| Net income (loss) for the period attributable to common shareholders | \$ 2,139 | \$ (5,917) |
| Weighted average shares | 43,047,030 | 21,523,515 |
| Basic earnings (loss) per share | \$ 0.05 | \$ (0.27) |

| | | |
|--|------------|------------|
| DILUTED EARNINGS (LOSS) PER SHARE | | |
| Net income (loss) for the period attributable to common shareholders | \$ 2,139 | \$ (5,917) |
| Weighted average shares | 43,227,051 | 21,523,515 |
| Diluted earnings (loss) per share | \$ 0.05 | \$ (0.27) |

| | For the nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|--|---|--|
| BASIC EARNINGS (LOSS) PER SHARE | | |
| Net income (loss) for the period attributable to common shareholders | \$ 8,581 | \$ (9,994) |
| Weighted average shares | 43,047,030 | 21,523,515 |
| Basic earnings (loss) per share | \$ 0.20 | \$ (0.46) |

| | | |
|--|------------|------------|
| DILUTED EARNINGS (LOSS) PER SHARE | | |
| Net income (loss) for the period attributable to common shareholders | \$ 8,581 | \$ (9,994) |
| Weighted average shares | 43,138,431 | 21,523,515 |
| Diluted earnings (loss) per share | \$ 0.20 | \$ (0.46) |

For the three and nine months ended September 30, 2020, options to purchase up to 1,587,486 common shares where the average market price of the common shares was less than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 1,704,642 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of September 30, 2020.

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.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***14 Changes in working capital**

| | For the nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|---|---|--|
| Trade receivables | \$ 7,722 | \$ (15,435) |
| Inventories | 1,439 | (1,935) |
| Prepaid expenses and other current and non-current assets | (545) | 1,628 |
| Trade and accrued liabilities | (2,617) | 6,947 |
| Deferred revenue | (862) | (162) |
| | \$ 5,137 | \$ (8,957) |

15 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.

Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. DCM has purchased directors' and officers' liability insurance to mitigate the costs of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

In the normal course of business, DCM has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and licence agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at September 30, 2020 with respect to these agreements.

Executive employment agreements allow for additional payments of approximately \$3,115 if the individuals are terminated without cause, and approximately \$3,089 in the event of a change in control.

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be Directors on DCM's Board, the CEO, the President, the Chief Financial Officer and other members of the senior executive team. Compensation awarded to key management personnel, excluding compensation awarded to Directors which are described below, included:

| | For the nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|---|---|--|
| Salaries and other short-term employee benefits | \$ 2,093 | \$ 1,850 |
| Post-employment benefits | 18 | 28 |
| Share-based compensation expense | 117 | 144 |
| Total | \$ 2,228 | \$ 2,022 |

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

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

During the nine months ended September 30, 2020, key management personnel (excluding compensation awarded to Directors) were granted 6,395,348 RSUs (2019 – 571,236 RSUs), and Nil RSUs (2019 – 378,723 RSUs) were forfeited. Key management personnel (excluding compensation awarded to Directors) were also granted options to purchase up to 113,077 Common Shares for the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019 (2019 – Nil Common Shares) and Nil Common Shares (2019 – 575,548 Common Shares) were forfeited during the nine months ended September 30, 2020 (see note 12). During the nine months ended September 30, 2020, DCM's general and administration expenses include a charge of \$42 (2019 – \$144) for these share-based compensation awards.

During the nine months ended September 30, 2020, DCM's general and administration expenses include a charge of \$409 (2019 – \$204) for the duties performed by DCM's Board, of which an expense of \$291 (2019 – \$12) relates to DSU expense (note 12). Directors were also granted options to purchase up to 18,000 Common shares for the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019 (2019 - 40,000 Common Shares) during the nine months ended September 30, 2020 (see note 12). During the nine months ended September 30, 2020, DCM's general and administration expenses include a charge of \$7 (2019 – \$23) for these share-based compensation awards.

16 Segmented information

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, 2020 | For the three months ended September 30, 2019 |
|--|--|---|
| Product sales | \$ 51,873 | \$ 57,152 |
| Warehousing services | 1,787 | 2,262 |
| Freight services | 1,751 | 2,854 |
| Marketing and other services | 1,963 | 947 |
| | \$ 57,374 | \$ 63,215 |

| | For the nine months ended September 30, 2020 | For the nine months ended September 30, 2019 |
|------------------------------|---|--|
| Product sales | \$ 179,972 | \$ 192,692 |
| Warehousing services | 5,747 | 7,160 |
| Freight services | 6,398 | 8,341 |
| Marketing and other services | 6,608 | 3,194 |
| | \$ 198,725 | \$ 211,387 |

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2020 and 2019

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***17 Government Grant Income**

On April 11, 2020, the Canadian government launched the Canada Emergency Wage Subsidy (the "CEWS"), an emergency economic relief program to lessen the financial fallout on Canadian businesses from the effects of COVID-19.

The CEWS program is designed to help businesses struggling with the economic effects of the coronavirus retain and/or rehire their employees. The subsidy is intended to make it easier for eligible employers to avoid laying off or terminating employees, as well as to bring back staff that were laid-off due to COVID-19 by significantly lessening the organization's payroll costs.

The CEWS is a subsidy that was initially available for a period of twelve weeks (made up of three 4 week periods), from March 15, 2020 to June 6, 2020, that provides a subsidy of 75% of eligible remuneration, paid by an eligible entity (eligible employer) that qualifies, to each eligible employee – up to a maximum of \$847 per week.

The federal government subsequently extended the CEWS for an additional twenty-four weeks. The rules have been modified substantially for the fifth (July 5 to August 1, 2020) and subsequent periods, with transitional rules available for the fifth and sixth periods. For the first sixteen weeks (from March 15, 2020 to July 4, 2020), eligible employers that see a drop of at least 15% of their qualifying revenue in March 2020 and 30% for the following months of April, May and June, when compared to their qualifying revenue for the same period in 2019 (or the average of January and February 2020, in some circumstances), qualify for the wage subsidy. For the following twenty weeks (from July 5, 2020 to November 21, 2020), the wage subsidy has been modified to be available for all eligible employers that experience a decline in revenue for a claim period, with a base wage subsidy amount, and an additional top-up wage subsidy amount for those employers that have been most adversely affected by the COVID-19 crisis. Further, for the fifth and sixth periods, an eligible employer can calculate their wage subsidy in certain circumstances, under the rules that apply to the first four periods if the result is more favourable under the safe harbour rule. Under the alternative approach, an eligible employer may compare its qualifying revenue in the current reference period with that of its average revenue earned in the months of January and February of 2020.

DCM has to date qualified for approximately \$8,928 under the CEWS. Of the total grant received, \$1,622 of that amount was attributable to the first quarter of 2020, \$4,478 was attributable to the second quarter of 2020 and \$2,828 was attributable to the third quarter of 2020.

18 Subsequent events

On October 21, 2020, 250,000 warrants were exercised at an exercise price of \$0.185 per common share for gross proceeds of \$46.

On November 2, 2020, DCM entered into the Bank Eighth Amendment under which the Bank reduced its interest rate on DCM's borrowings under the Bank Credit Facility by 25 basis points effective September 24, 2020. At the Company's request the Bank also agreed to accelerate reduction of the maximum principal amount available under the Bank Credit Facility to \$35,000. As part of the Bank Sixth Amendment, the interest rate on DCM's borrowings under the Bank Credit Facility was increased by 0.5% between January 1 to September 30, 2020. Effective October 1, 2020, the interest rate will be reduced as scheduled for a total floating interest rate of 3.8%.