SECOND QUARTER REPORT

Ended June 30, 2018

DCM

Letter to shareholders

Dear Shareholders,

The following provides an overview of:

- Second quarter 2018 and first half 2018 financial results;
- Second quarter initiatives and drivers for our business;
- Management outlook for the balance of 2018.

Second quarter 2018 financial results

Revenues for the quarter were $78.2 million compared to $73.1 million in the second quarter of 2017, an increase of $5.1 million or 7.0%. Excluding the effects of adopting IFRS 15, for the quarter ended June 30, 2018, revenues were $3.9 million, or 5.3%, higher than the same period last year. Total revenues benefited from the acquisition of BOLDER Graphics in November 2017, and the acquisition of the Perennial Group partway through the quarter in May 2018. Our core DCM business (excluding all acquisitions made since February 2017) generated $65.3 million of revenue, compared to $62.2 million in the prior year's period.

Adjusted EBITDA was $4.1 million versus $4.3 million in the second quarter of 2017. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $4.6 million or 6.0% of revenues for the quarter ended June 30, 2018.

Six month 2018 financial results

Revenues for the first six months of 2018 were $166.7 million compared to $143.2 million in the first half of 2017, an increase of $23.5 million or 16.4%. Excluding the effects of adopting IFRS 15, for the six months ended June 30, 2018, revenues were $18.5 million, or 12.9%, higher than the same period last year.

Our core DCM business (excluding all acquisitions made since February 2017) generated revenue of $141.7 million compared to $127.8 million last year, an increase of $13.9 million or 10.9%.

Adjusted EBITDA was $10.4 million compared to $7.2 million in the first half of 2017. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $9.9 million or 6.1% of revenues for the six months ended June 30, 2018.

Second quarter initiatives and drivers

Sales Performance

Our core DCM business continued to be buoyed by increased wallet share from existing clients and the continued successful onboarding of our recent financial services client.

Our sales pipeline continues to be robust. The pipeline of new customer revenue has been strengthened by our engagement in the licensed cannabis industry. DCM has been awarded multi-year contracts with several leading licensed producers to provide Health Canada compliant packaging labels for a variety of cannabis products. We expect to see revenue in this emerging market generated in the third and fourth quarters as these producers come to market.

Operations

Coupled with our cannabis producer wins, we have quickly augmented our manufacturing platform to accommodate the strong demand we are anticipating in the packaging labels business. To that end, we have secured the first Gallus

Heidelberg Labelfire 340 hybrid digital ink-jet / flexographic label press in the Canadian market. This addition is specifically designed to provide variable, on-demand, short & long run label production and is in alignment with our already strong label production capabilities. This will also allow us to pursue new prime-label market opportunities in the wine and spirits businesses.

DCM's reputation for quality and working with exacting regulatory compliance standards, supported by our proprietary work-flow platforms, are in great part the reasons why our company is winning in the market.

Recently, all four of our major production centres received their ISO 9001-2015 certifications and our six sigma scores for quality are industry-leading.

Lastly, we have had successful tests of our ERP project and are focused on a fourth quarter implementation target.

Margin & Cost Discipline

I am disappointed with our gross margin attainment in the second quarter. While we made improvements in the first quarter of 2018, our second quarter margins slipped almost a full percentage point versus a year ago.

In great part this can be attributed to product mix in the second quarter and to a lesser extent the impact of paper and other raw materials price increases that are being experienced industry-wide. But the most significant challenge to improving gross margins is related to certain contracted business that we secured in 2016 and 2017, at lower margins.

While most of our contracts allow us to pass raw material and CPI increases along to our customers, certain of these agreements have limitations in their early term that limits this ability. Nonetheless, we plan to effect price increases as contract terms allow us, and longer-term we expect to achieve higher margins with these customers.

On the plus side, we continue to see gross margin improvements on non-contracted business and as well we expect significantly improved margins in our packaging label business and other newly contracted business in the second half of the year, which is typically seasonally stronger in any event.

Management outlook for balance of 2018

We continue to maintain our guidance for 2018, buoyed by continued revenue growth and expanding opportunities we have with existing customers. We recently took over the capital markets print production for a major financial customer and in June we opened offices in Manhattan and downtown Chicago to serve their needs.

In addition, we expanded our Chicago presence by hiring two senior sales executives who are just some of the talented new team members we've added across the business in the first half of this year.

Lastly, our recent acquisition of Perennial is bearing fruit as the business recently won a major branding initiative from a new DCM client. We expect this relationship to be a harbinger of our growth in marketing services.

For a full description of our financial results for the second quarter and the year to date of 2018, please refer to our unaudited consolidated financial statements for the three and six months ended June 30, 2018 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Yours truly,

Gregory J. Cochrane
President and Chief Executive Officer

DATA Communications Management Corp.
August 2018

Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM) and its subsidiaries (referred to herein as "DCM" or the "Company") for the three and six month periods ended June 30, 2018 and 2017. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2017, the unaudited interim consolidated financial statements and accompanying notes of DCM for the three and six month periods ended June 30, 2018 and 2017 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2017 . Additional information about the Company, including its most recently filed unaudited interim and audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of August 13, 2018.

Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater

economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and risks associated with the integration of such acquired businesses; risks related to the disruption of management time from ongoing business operations due to the acquisition of the Perennial Group of Companies; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A under the headings "Risk Factors" and "Risks and Uncertainties" in DCM's publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of Common Shares (basic and diluted) outstanding during the period. In addition to net income (loss), DCM uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DCM's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to

Adjusted EBITDA, see Table 3 below. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 4 below.

Business of DCM

OVERVIEW

DCM is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with their customers. We pair customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power our clients' go-to market strategies. We help our 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.

Our extensive experience has positioned us as experts at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. Thanks to our locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), we are able to meet our clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. And we can do it all with advanced DCM security, regulatory compliance, and bilingual communications, in print or digital.

On February 22, 2017, DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

Customer agreements and terms typically include provisions consistent with industry practice, which allow DCM to pass along increases in the cost of paper and other raw materials used to manufacture products.

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.

DCM has approximately 1,450 employees in Canada and the United States, and had revenues of $289.5 million in 2017. Website: www.datacm.com.

RECENT DEVELOPMENTS

ACQUISITION OF PERENNIAL GROUP OF COMPANIES

DCM completed the acquisition of 100% of the outstanding common shares of Perennial Group of Companies Inc. on May 8, 2018 (the "Closing Date"). The acquisition includes Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi–function creative, execution and production art studio. collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial Group generated approximately $7.0 million in revenues (unaudited) for the fiscal year ended July 31, 2017. Perennial Group has approximately 45 employees operating from an 18,000 square foot office located in Etobcoke, Ontario and a 5,000 square foot office in Bolton, Ontario. The acquisition of Perennial has added a new suite of services include business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

Perennial was acquired for a total purchase price of approximately $12.5 million, after giving effect to a preliminary positive working capital adjustment of $1.2 million, related primarily to Perennial's strong cash and accounts receivable balances at closing. The purchase price of the Perennial acquisition was satisfied as follows: $8.2 million in cash, $2.1 million through the issuance of 1,394,856 common shares of DCM ("Common Shares"), and $2.3 million in the form of a subordinated, unsecured, interest bearing vendor take-back promissory notes (the "VTB"). The VTB is repayable as follows: $1.0 million payable on the first anniversary of the Closing Date, $1.0 million on the second anniversary of the Closing Date and $0.5 million on the third anniversary of the Closing Date. The purchase price will be subject to certain post-closing adjustments.

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 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 Closing Date. The fair value of the vendor take-back promissory note 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.

Total acquisition-related costs incurred and charged to the consolidated statement of operations for the six months ended June 30, 2018 were $313 of which $272 related to the Perennial acquisition and $41 for the BOLDER acquisition, respectively.

Total cash advanced on the Closing Date was $8.2 million, which was used to finance the up-front cash component of the acquisition, positive working capital adjustment and pay for related transaction costs, and was funded with a new credit facility (see "Liquidity and Capital Resources" below for further details related to DCM's credit facilities).

The revenues and net loss contributed by Perennial and included in the consolidated statement of operations for the period between the Closing Date and June 30, 2018 were $890 and $106, respectively. 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 six months ended June 30, 2018 would have been approximately $3,290 and $590, respectively, adjusting net loss for

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

REVENUE RECOGNITION POLICY

DCM adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018, which replaced IAS *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

Under IFRS 15, DCM recognizes revenue when control of the products or services it provides to its customers has been transferred. The following is a description of principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies under IFRS 15:

PRODUCT SALES

DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. DCM recognizes revenue upon the completion of production or when stock product is purchased from a third-party vendor and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable.

DCM uses significant judgment, which is inherent in its revenue generating activities,as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch

from one of DCM's warehouses, DCM closely monitors the customer's product and the agreed upon term of warehousing to manage any related business risks.

WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. Warehousing services represent a distinct performance obligation and accordingly, revenues are recognized over the period that warehousing services are provided to the customer.

FREIGHT SERVICES

DCM provides services to ship customer product from its warehouse to a location specified by the customer. This represents a distinct performance obligation and revenue is recognized when performance of the shipping service has occurred.

IMPACT ON TRANSITION TO IFRS 15

The primary impact on adoption of IFRS 15 relates to the timing of when revenue is recognized for product sales. Previously, under IAS 18, DCM identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM'S warehouse did not transfer until such time as the product was dispatched from the warehouse. Upon the adoption of IFRS 15, DCM has identified that product revenue should be recognized upon the completion of production or purchase and induction of product from third-party vendors into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment. Management is of the view that this represents a more accurate reflection of the economics in how DCM conducts business with its customers, especially given all product orders are customized based on specifications pre-approved by the customer, the product is segregated and maintained solely for the customer who placed the order (i.e. cannot be used interchangeably to fill another customer's order), and DCM has a right to payment for the performance obligations it has satisfied.

See "Accounting Policies" for further discussion regarding DCM's revenue recognition policies and the impact of adopting IFRS 15 on DCM's consolidated financial statements as at January 1, 2018 and for the three and six months ended June 30, 2018.

COST OF REVENUES AND EXPENSES

DCM's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DCM's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DCM's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DCM's facilities, utilities, insurance and building maintenance. DCM's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related

expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses in each of the last four fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures.

Selected Consolidated Financial Information

The following tables set out the summary consolidated financial information and supplemental information for the periods indicated. The summary interim and financial information for fiscal 2018 and 2017 have been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with DCM's fiscal 2017 audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2018, these periods do not reflect consistent accounting policies, particularly in relation to revenue recognition and therefore are not directly comparable. In the opinion of management, such unaudited financial DCM reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for the fair presentation of the results for those periods.

TABLE 1 The following table sets out selected historical consolidated financial information for the periods noted.

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Revenues [1]	**$ 78,176**	$ 73,066	**$ 166,692**	$ 143,192
Cost of revenues	**59,587**	55,062	**126,628**	108,828
Gross profit	**18,589**	18,004	**40,064**	34,364
Selling, general and administrative expenses	**17,750**	15,715	**35,422**	30,739
Restructuring expenses	**736**	1,735	**800**	3,621
Acquisition costs	**270**	13	**313**	969
	18,756	17,463	**36,535**	35,329
(Loss) income before finance costs and income taxes	**(167)**	541	**3,529**	(965)
Finance costs (income)				
Interest expense	**1,273**	1,181	**2,412**	2,131
Interest income	**(2)**	—	**(4)**	—
Amortization of transaction costs	**158**	121	**301**	236
	1,429	1,302	**2,709**	2,367
(Loss) income before income taxes	**(1,596)**	(761)	**820**	(3,332)
Income tax (recovery) expense				
Current	**(288)**	288	**555**	339
Deferred	**(114)**	(468)	**(304)**	(993)
	(402)	(180)	**251**	(654)
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Basic (loss) earnings per share	**$ (0.06)**	$ (0.04)	**$ 0.03**	$ (0.20)
Diluted (loss) earnings per share	**$ (0.06)**	$ (0.04)	**$ 0.03**	$ (0.20)
Weighted average number of common shares outstanding, basic	**20,870,234**	13,637,875	**20,456,993**	13,079,515
Weighted average number of common shares outstanding, diluted	**20,870,234**	13,637,875	**20,495,793**	13,079,515

As at June 30, 2018 and December 31, 2017 *(in thousands of Canadian dollars, unaudited)*	**As at June 30, 2018**	As at December 31, 2017
Current assets	**$ 83,402**	$ 82,804
Current liabilities	**61,919**	68,648
Total assets	**141,648**	131,859
Total non-current liabilities	**72,254**	68,610
Shareholders' equity (deficit)	**$ 7,475**	$ (5,399)

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures" section above for more details.

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Revenues [(1)]	**$ 78,176**	$ 73,066	**$ 166,692**	$ 143,192
Gross profit	**$ 18,589**	$ 18,004	**$ 40,064**	$ 34,364
Gross profit, as a percentage of revenues	**23.8%**	24.6%	**24.0%**	24.0%
Selling, general and administrative expenses	**$ 17,750**	$ 15,715	**$ 35,422**	$ 30,739
As a percentage of revenues	**22.7%**	21.5%	**21.2%**	21.5%
Adjusted EBITDA (see Table 3)	**$ 4,086**	$ 4,253	**$ 10,438**	$ 7,167
As a percentage of revenues	**5.2%**	5.8%	**6.3%**	5.0%
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Adjusted net income (see Table 4)	**$ 241**	$ 714	**$ 2,340**	$ 967
As a percentage of revenues	**0.3%**	1.0%	**1.4%**	0.7%

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

TABLE 3 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures" section above for more details.

EBITDA and Adjusted EBITDA reconciliation

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Interest expense	**1,273**	1,181	**2,412**	2,131
Interest income	**(2)**	—	**(4)**	—
Amortization of transaction costs	**158**	121	**301**	236
Current income tax (recovery) expense	**(288)**	288	**555**	339
Deferred income tax recovery	**(114)**	(468)	**(304)**	(993)
Depreciation of property, plant and equipment	**1,176**	1,058	**2,324**	1,943
Amortization of intangible assets	**1,232**	906	**2,301**	1,599
EBITDA	**$ 2,241**	$ 2,505	**$ 8,154**	$ 2,577
Restructuring expenses	**736**	1,735	**800**	3,621
One-time business reorganization costs	**839**	—	**1,171**	—
Acquisition costs	**270**	13	**313**	969
Adjusted EBITDA [(1)]	**$ 4,086**	$ 4,253	**$ 10,438**	$ 7,167

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

TABLE 4 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See "Non-IFRS Measures" section above for more details.

Adjusted net (loss) income reconciliation

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Restructuring expenses	**736**	1,735	**800**	3,621
One-time business reorganization costs	**839**	—	**1,171**	—
Acquisition costs	**270**	13	**313**	969
Tax effect of the above adjustments	**(410)**	(453)	**(513)**	(945)
Adjusted net income [(1)]	**$ 241**	$ 714	**$ 2,340**	$ 967
Adjusted net income per share, basic	**$ 0.01**	$ 0.05	**$ 0.11**	$ 0.07
Adjusted net income per share, diluted	**$ 0.01**	$ 0.05	**$ 0.11**	$ 0.07
Weighted average number of common shares outstanding, basic	**20,870,234**	13,637,875	**20,456,993**	13,079,515
Weighted average number of common shares outstanding, diluted	**21,742,477**	13,637,875	**20,495,793**	13,079,515
Number of common shares outstanding, basic	**21,523,515**	19,263,235	**21,523,515**	19,263,235
Number of common shares outstanding, diluted	**22,395,758**	19,263,235	**21,587,945**	19,263,235

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

Results of operations

REVENUES

For the quarter ended June 30, 2018, DCM recorded revenues of $78.2 million, an increase of $5.1 million or 7.0% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the quarter ended June 30, 2018, revenues were $3.9 million, or 5.3%, higher than the same period last year. The increase in revenues for the quarter ended June 30, 2018 was primarily due to additional revenues from the acquisitions of BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017 and increased volumes in labels and thermal paper work for customers. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business.

For the six months ended June 30, 2018, DCM recorded revenues of $166.7 million, an increase of $23.5 million or 16.4% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the six months ended June 30, 2018, revenues were $18.5 million, or 12.9%, higher than the same period last year. The increase in revenues for the six months ended June 30, 2018 was primarily due to additional revenues from the acquisitions of Eclipse, Thistle

BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017, increased volumes in labels work for existing and new retailer customers, and a one-time increase in volume from a long-standing customer which generated $8.9 million in higher revenues relative to the same period last year. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business. Overall, DCM continues to benefit from the growth initiatives it effected throughout 2017 and the first half of 2018 to help offset some of the secular declines experienced by the industry.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended June 30, 2018, cost of revenues increased to $59.6 million from $55.1 million for the same period in 2017, resulting in a $4.5 million or 8.2% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $2.8 million or 5.0% relative to the same period last year. For the six months ended June 30, 2018, cost of revenues increased to $126.6 million from $108.8 million for the same period in 2017, resulting in a $17.8 million or 16.4% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $13.5 million or 12.4% relative to the same period last year.

Gross profit for the quarter ended June 30, 2018 was $18.6 million, which represented an increase of $0.6 million or 3.2% from $18.0 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by $1.1 million or 6.3% relative to the same period last year. Gross profit as a percentage of revenues decreased to 23.8% for the quarter ended June 30, 2018 compared to 24.6% for the same period in 2017, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.9% for the quarter ended June 30, 2018. The decrease in gross profit as a percentage of revenues for the quarter ended June 30, 2018 was primarily due to product mix, with higher levels of lower margin label and thermal products production than the comparable period. Gross profit was also somewhat negatively impacted by increases in the cost of paper and the timing of passing through increases to customers, particularly certain recently contracted customers. Gross profit as a percentage of revenues was, however, positively impacted due to the refinement of DCM's pricing discipline and cost reductions realized from ongoing cost savings initiatives.

Gross profit for the six months ended June 30, 2018 was $40.1 million, which represented an increase of $5.7 million or 16.6% from $34.4 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by $5.0 million or 14.5% relative to the same period last year. Gross profit as a percentage of revenues for the six months ended June 30, 2018 remained largely unchanged from the prior year at 24.0%, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.3% for the six months ended June 30, 2018. The increase in gross profit as a percentage of revenues for the six months ended June 30, 2018 was positively impacted by higher gross margins attribtued to Eclipse, Thistle, BOLDER Graphics and Perennial, and due to the refinement of DCM's pricing discipline and cost reductions realized from prior cost savings initiatives. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the quarter ended June 30, 2018 increased $2.0 million or 12.9% to $17.8 million compared to $15.7 million in the same period in 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $2.1 million higher for the quarter ended June 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 22.7% (or 23.1% before the effects of adopting IFRS 9 and 15) and 21.5% of revenues for the quarter ended June 30, 2018 and 2017, respectively. The increase in SG&A expenses for the quarter ended June 30, 2018 was primarily attributable to the acquisitions of BOLDER Graphics and Perennial, one time business reorganization costs of $0.8 million and higher sales commission costs commensurate with the increase in revenues.

SG&A expenses for the six months ended June 30, 2018 increased $4.7 million or 15.2% to $35.4 million compared to $30.7 million for the same period of 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $4.5 million higher for the six months ended June 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 21.2% (or 21.8% before the effects of adopting IFRS 9 and 15) and 21.5% of revenues for the six months ended June 30, 2018 and 2017, respectively. The increase in SG&A expenses for the six months ended June 30, 2018 was primarily attributable to the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, one time business reorganization costs of $0.8 million, additional professional fees and higher sales commission costs commensurate with the increase in revenues.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM over the past four years in order to improve margins and better align costs with the declining revenues experienced by the Company in its traditional business, a trend that has been faced by the traditional printing industry for several years now.

For the quarter ended June 30, 2018, DCM incurred restructuring expenses of $0.7 million compared to $1.7 million in the same period in 2017. The restructuring expenses of $0.7 million during the quarter ended June 30, 2018 primarily related to headcount reductions across the operational, sales and administration functions of the business. For the quarter ended June 30, 2017, DCM incurred restructuring expenses of $1.7 million of which $1.5 million primarily related to headcount reductions across the sales and customer service functions of the business and a lease exit charge of $0.3 million associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan.

For the six months ended June 30, 2018, DCM incurred net restructuring expenses of $0.8 million compared to $3.6 million in the same period in 2017. DCM incurred $1.9 million of restructuring costs related to 1) headcount reductions in indirect labour as a result of the plant consolidations completed during the current quarter, in addition to reductions of certain individuals within the sales and administrative functions, and 2) costs incurred to facilitate the closure and consolidation of the Multiple Pakfold, BOLDER Graphics and Granby, Quebec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Quebec facilities, respectively. Total restructuring costs were offset by a recovery of $1.1 million related to the termination of DCM's lease agreement for its Granby, Quebec facility

For the six months ended June 30, 2017, DCM incurred restructuring expenses of $3.6 million. $3.7 million of restructuring costs were incurred related to headcount reductions in DCM's indirect labour force across its operations, which were

designed to streamline DCM's order-to-production process and across the sales and customer service functions of the business. These restructuring costs were offset by a recovery of $0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DCM also incurred a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan of $0.3 million.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

ADJUSTED EBITDA

For the quarter ended June 30, 2018, Adjusted EBITDA was $4.1 million, or 5.2% of revenues, after adjusting EBITDA for the $0.7 million in restructuring charges, $0.3 million of acquisition costs and $0.8 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $4.6 million or 6.0% of revenues for the quarter ended June 30, 2018 compared with an Adjusted EBITDA of $4.3 million or 5.8% for the same period last year. Adjusted EBITDA for the three months ended June 30, 2018 decreased $0.2 million or 3.9% from the same period in the prior year which was 5.8% of revenues in 2017. The decrease in Adjusted EBITDA for the three months ended June 30, 2018 was primarily attributable to lower gross profit as a result of product mix and higher SG&A expenses. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in the second half of 2017.

For the six months ended June 30, 2018, Adjusted EBITDA was $10.4 million, or 6.3% of revenues, after adjusting EBITDA for the $0.8 million in restructuring charges, $0.3 million of acquisition costs and $1.2 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $9.9 million or 6.1% of revenues for the six months ended June 30, 2018 compared with an Adjusted EBITDA of $7.2 million or 5.0% for the same period last year. The $3.3 million increase in Adjusted EBITDA for the six months ended June 30, 2018 over the six months of 2017 was attributable to higher gross profit as a result of revenues contributed by DCM's core business, in addition to the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions, improved pricing initiatives implemented part-way through the prior year, and cost savings from the restructuring efforts carried out in the second half of 2017. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DCM’s credit facilities, on certain unfavourable lease obligations related to closed facilities, and on DCM’s employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $1.3 million for the three months ended June 30, 2018 compared to $1.2 million for the same period in 2017, and was $2.4 million for the six months ended June 30, 2018 compared to $2.1 million for the same period in 2017. Interest expense for the three and six months ended June 30, 2018 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase price, settle certain debt assumed and pay for related costs incurred to complete the acquisitions of Eclipse, Thistle and BOLDER Graphics in 2017 and the acquistion of Perennial in 2018.

INCOME TAXES

DCM reported a loss before income taxes of $1.6 million and a net income tax recovery of $0.4 million for the quarter ended June 30, 2018 compared to a loss before income taxes of $0.8 million and a net income tax recovery of $0.2 million for the quarter ended June 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax recovery was $0.3 million for the quarter ended June 30, 2017. The current income tax recovery and expense were primarily related to the income taxes payable on DCM's estimated taxable income for the quarters ended June 30, 2018, and 2017, respectively. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the quarters ended June 30, 2018 and 2017, respectively.

DCM reported income before income taxes of $0.8 million and a net income tax expense of $0.3 million for the six months ended June 30, 2018 compared to a loss before income taxes of $3.3 million and a net income tax recovery of $0.7 million for the six months ended June 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was $0.1 million for the six months ended June 30, 2018. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the six months ended June 30, 2018. The deferred income tax recovery for the six months ended June 30, 2018 primarily relates to changes in estimates of future reversals of temporary differences, primarily representing adjustments due to the adoption of IFRS 15 including the full utilization of loss carryforwards and new temporary differences that arose during the six month period ended June 30, 2018.

NET LOSS

Net loss for the quarter ended June 30, 2018 was $1.2 million compared to net loss of $0.6 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net loss for the quarter ended June 30, 2018 was $0.8 million. The decrease in comparable profitability for the quarter ended June 30, 2018 was primarily due to lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, and was partially offset by refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts.

Net income for the six months ended June 30, 2018 was $0.6 million compared to a net loss of $2.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the six months ended June 30, 2018 was $0.2 million. The increase in comparable profitability for the six months ended June 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended June 30, 2018 was $0.2 million compared to Adjusted net income of $0.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the quarter ended June 30, 2018 was $0.6 million. The decrease in comparable profitability for the quarter ended June 30,

2018 was primarily due to lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, and was partially offset by refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts.

Adjusted net income for the six months ended June 30, 2018 was $2.3 million compared to Adjusted net income of $1.0 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the six months ended June 30, 2018 was $1.9 million. The increase in comparable profitability for the six months ended June 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

Liquidity and capital resources

LIQUIDITY

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 “IAM IV Credit Facility”) with Integrated Private Debt Fund IV LP (“IAM IV"), a fund managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate amended and restated credit agreements, between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM established a $5.0 million secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the “IAM 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 IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3.5 million ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand and bore interest at a rate equal to the prime rate of interest charged by DCM’s Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility had a term of one year and could be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM’s other senior lenders. The Bridging Credit Facility was subordinated in right of payment to the prior payment in full of DCM’s indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and was secured by certain specified equipment together with certain other conventional security. As at June 30, 2018, DCM had no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released. Additionally, transaction costs of $0.1 million were previously capitalized.

A total of $0.1 million of these transaction cost were amortized as May 8, 2018 and the remaining balance of $20.8 thousand was written off due to the early repayment.

On May 8, 2018, DCM established a $12.0 million non-revolving term loan facility with Crown Capital Fund IV, LP (the "Crown Facility"), a fund managed by Crown Capital Fund IV Management Inc. ("Crown"), of which approximately $8.2 million was used to fund the up-front cash component of the Perennial acquisition and $3.5 million was used to repay in full the outstanding balance of the Bridging Credit Facility. The balance of the Crown Facility will be used for general working capital purposes. The Crown Facility was made available in one advance, with an effective date of May 7, 2018, and bears interest at a rate equal to 10% per annum, calculated daily and payable in arrears on a quarterly basis. The loan facility has a five (5) year term beginning on May 7, 2018 and can be repaid at any time after twenty-four (24) months, subject to prepayment fee, upon ten (10) days prior written notice to Crown. The Crown Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is 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 $12.0 million was apportioned to the debt instrument and the warrant option based on their respective fair values of $11.5 million and $0.5 million, respectively. 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 $11.5 million to $12.0 million over the term of the loan. As at June 30, 2018 the accreted debt instrument was valued at $11.5 million including total accretion expense of $12.0 thousand. The Crown Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5.0 million during any fiscal year. 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. Effective May 7, 2018, DCM entered into the first amendment (the "Crown Amendment") to the Crown Facility, which amended certain representations and indemnities relating to taxation, including with respect to excluded taxes, indemnified taxes and other taxes in the event of a future change in the regulatory jurisdiction of the holder of the Crown Facility for the benefit of each of Crown and DCM.

As at June 30, 2018, DCM had outstanding borrowings of $20.1 million and letters of credit granted of $1.2 million under the Bank Credit Facility, outstanding borrowings of $4.4 million under the IAM III Credit Facility, outstanding borrowings of $20.4 million under the IAM IV Credit Facility, borrowings of $4.6 million under the IAM V Credit Facility, and outstanding borrowings of $12.0 million under the Crown Facility. Under the Bank Credit Facility, DCM had access to $8.6 million of available credit at June 30, 2018.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million and the Bank Credit Facility matures on March 31, 2020. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%.

As at June 30, 2018, DCM has capitalized transaction costs of $0.9 million related to the amended Bank Credit Facility. The unamortized transaction costs related to the credit facility as at June 30, 2018 was $0.5 million. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at June 30, 2018, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 4.2% per annum.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding at any time under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with IFRS ("Total Funded Debt"), is $72.0 million (after giving effect to the provisions of the inter-creditor agreement described below). The bank overdraft balance of $2.2 million on the statement of consolidated position as at June 30, 2018, represents outstanding cheques, when cashed, would be a draw over the Bank Credit Facility.

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over a nine year term ending October 15, 2022. The principal amount of the amended IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest over a sixty six month term ending in May 15, 2023. As at June 30, 2018, all of DCM's indebtedness outstanding under the IAM 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 IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at June 30, 2018, the unamortized transaction costs related to the IAM III Credit Facility were $27.0 thousand and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM has capitalized transaction costs of $0.9 million related to the amended IAM IV Credit Facility and the related unamortized balance of transaction costs were $0.5 million as at June 30, 2018 . The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM has capitalized transaction costs of $0.2 million related to the IAM V Credit Facility. As at June 30, 2018. the unamortized balance of the transaction costs were $0.2 million. The unamortized balance of the transaction costs of the IAM V Credit Facility is being amortized over the term of this facility. As at June 30, 2018, the unamortized transaction costs relating to the Crown Facility was $0.6 million and the related unamortized balance of the transaction cost was $0.6 million. The unamortized balance of the transaction costs of the Crown Facility is being amortized over the remaining term of the facility.

Each of the amended Bank Credit Agreement, the IAM III Credit Agreement, the amended IAM IV Credit Agreement, the IAM V Credit Agreement and the Crown Facility agreement 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 without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, as applicable.

Under the terms of the amended Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017,the ratio would not be less than 0.9

to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio must not be less than 1.1 to 1.0 at all times, 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. The pro forma financial results for DCM's acquisitions 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. As at June 30, 2018, the fixed charge coverage ratio was 1.27. As at June 30, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA of not greater than the following levels: from October 1 2017 to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.1:1. The pro forma financial results from DCM's acquisitions 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. As at June 30, 2018, the ratio of Total Funded Debt to EBITDA was 2.79, the debt service coverage ratio was 2.06 and the working capital current ratio was 1.35. As at June 30, 2018, DCM was in compliance with these covenants and it expects to be compliant with these covenants going forward.

Under the terms of the Crown Facility agreement, DCM must maintain (i) a fixed charge ratio, at the end of each quarter, of no less than (a)1.1 to 1.0 for the fiscal quarter ending June 30, 2018, (b) 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and (c) 1.4 to 1.0 for each fiscal quarter thereafter; and (ii) a net debt to EBITDA ratio, of no more than 4.0 to 1.0 for each quarter up until December 31, 2019 and 3.0 to 1.0 for each quarter thereafter. As at June 30, 2018, the fixed charge coverage ratio was 1.27 and the net debt to EBITDA ratio was 3.20. As at June 30, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

A failure by DCM to comply with its obligations under any of the amended Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility agreement, 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 IAM III, IAM IV and IAM V, 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. On May 3, 2018, DCM obtained written consent from IAM III, IAM IV and IAM V regarding the resignation of DCM's CEO and the appointment of DCM's President as President and CEO of DCM. 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 2018 operating plan or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility and the IAM V Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates. On February 22, 2017, DCM entered into an amended inter-creditor agreement between the Bank, IAM III, IAM 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, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement"). On June 28, 2017, a second inter-creditor agreement was entered into in order to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM 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 (the “Second A&R ICA”) between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

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 Agreement 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 IAM III Credit Facility (the “IAM III A&R Credit Facility”), its IAM IV Credit Facility (the “IAM IV A&R Credit Facility”) and its IAM V Credit Facility (the “IAM V Credit Facility”), each managed by IAM, which, among other things, incorporated conforming updates to each 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 Agreement and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by IAM.

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility, the IAM V Credit Facility, the Crown Facility, as amended, or other indebtedness of DCM.

As at June 30, 2018, DCM had a bank overdraft of $2.2 million compared to bank overdraft of $2.9 million at December 31, 2017. Under the terms of the amended IAM IV Credit Agreement and IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility and IAM V Credit Facility. As at June 30, 2018, there was a balance of $0.5 million in the blocked account, which is recognized as restricted cash in DCM's consolidated statements of financial position.

In assessing DCM’s liquidity requirements, DCM takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from

investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing restructuring activities, as well as its ongoing cash needs for its existing operations, will be sufficient to fund its currently projected operating requirements including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures, and debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

CASH FLOW FROM OPERATIONS

During the three months ended June 30, 2018, cash flows generated by operating activities were $5.8 million compared to cash flows generated by operating activities of $3.9 million during the same period in 2017. $2.7 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $3.3 million in 2017. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a $2.0 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the three months ended June 30, 2018 generated $5.4 million in cash compared with $2.7 million in the prior year. Given the increase in trade receivables as a result of higher sales in the current quarter, there was a corresponding increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs. Timing of payments to suppliers are fairly commensurate with collections on outstanding receivables from DCM's customers.

In addition, $1.8 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $1.7 million of payments in 2017. Contributions made to the Company's pension plans were $0.3 million which decreased from $0.5 million in the prior year while income tax payments increased by $0.3 million for the three months ended June 30, 2018.

During the six months ended June 30, 2018, cash flows generated by operating activities were $11.9 million compared to cash flows generated by operating activities of $2.3 million during the same period in 2017. A total of $8.2 million of the current period cash flows resulted from operations, after adjusting for non-cash items, compared with $4.7 million for the same period last year. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a $4.7 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the six months ended June 30, 2018 generated $9.1 million in cash compared with $1.8 million of cash generated in the prior year. There was an increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs as a result of higher revenues during the six month period ended June 30, 2018.

In addition, $3.9 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $3.3 million of payments in 2017. Contributions made to the Company's pension plans were $0.6 million, which decreased from $0.9 million in the prior year while income tax payments increased by $0.9 million for the six months ended June 30, 2018.

INVESTING ACTIVITIES

During the three months ended June 30, 2018, $9.8 million in cash flows were used for investing activities compared with $1.7 million during the same period in 2017. In 2018, $0.7 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Granby, Québec and BOLDER Graphics facilities into DCM's Drummondville, Quebec and Calgary, Alberta locations, respectively. Furthermore, $1.6 million of cash was used to further invest in DCM's ERP project. In 2018, $7.5 million of net cash was used to acquire the business of Perennial.

During the six months ended June 30, 2018, $11.2 million in cash flows were used for investing activities compared with $6.6 million during the same period in 2017. In 2018, $1.3 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Multiple Pakfold, Granby, Québec and BOLDER Graphics facilities into DCM's Brampton, Ontario, Drummondville, Quebec and Calgary, Alberta locations, respectively. Furthermore, $2.5 million of cash was used to further invest in DCM's ERP project. In 2018, $7.5 million of net cash was used to acquire the business of Perennial.

FINANCING ACTIVITIES

During the three months ended June 30, 2018, cash flow generated by financing activities was $4.7 million compared to cash flow used for financing activities of $5.0 million during the same period in 2017. DCM used net cash received from the issuance of common shares and warrants of $0.7 million and cash from advances under its credit facilities totaling $10.4 million to repay $4.8 million in outstanding principal amounts under its credit facilities. DCM also paid a total of $0.6 million related to the promissory notes issued in connection with the acquisitions of Thistle Eclipse and BOLDER. DATA also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

During the six months ended June 30, 2018, cash flow used for financing activities was $0.1 million compared to cash flow generated by financing activities of $1.9 million during the same period in 2017. DCM used a portion of cash generated from its operations to repay $6.7 million in outstanding principal amounts under its various credit facilities and paid a total of $3.4 million related to the promissory notes issued in connection with the acquisitions of Thistle, Eclipse and BOLDER. DATA also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

Outstanding share data

At August 13, 2018, June 30, 2018 and December 31, 2017, there were 21,523,515, 21,523,515 and 20,039,159 Common Shares outstanding, respectively.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of 89,500 Warrants.

On May 8, 2018, a total of 1,394,856 Common Shares were issued to one of the vendors as partial consideration for the purchase of the shares of Perennial. That vendor entered into a lock-up agreement with DCM, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to the Perennial transaction until May 8, 2019.

At August 13, 2018 and June 30, 2018, there were options outstanding to purchase up to 1,991,957 Common Shares, respectively and at December 31, 2017, there were options outstanding to purchase up to 804,961 Common Shares. During the six months ended June 30, 2018, the Board approved awards of options to purchase up to 1,200,000 Common Shares. 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 March 13, 2018. A total of 40,000 options were awarded to DCM's CEO and a total of 1,160,000 options were awarded to the other members of DCM's executive management team and the Board. All options vest at a rate of 1/36th per month beginning on March 14, 2018. The fair value of the options issued was estimated to be $0.8 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.88%, a weighted average life of seven years, a dividend yield of nil, an expected volatility of 40% and a forfeiture rate of 10%. During the six months ended June 30, 2018, options to purchase 13,004 Common Shares were forfeited.

At August 13, 2018 and June 30, 2018, there were warrants outstanding to purchase up to 2,251,550 Common Shares. At December 31, 2017, there were warrants outstanding to purchase up to 1,381,050 Common Shares, respectively. On June 11, 2018, 89,500 Warrants were exercised and DCM received cash proceeds of $157 thousand. On April 30, 2018, Crown was granted a total of 960,000 Warrants in connection with the Crown Facility used to finance the acquisition of Perennial. Each Warrant entitles the holder to acquire one Common Share of DCM 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 $0.6 million 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%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs. The total credit facility amount of $12.0 million was then apportioned between the host debt and the warrant option based on relative fair values. The 960,000 Warrants were recorded at a carrying value of $0.5 million.

Contractual obligations

DCM believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at June 30, 2018. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

DCM believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

Summary of eight quarter results

TABLE 5 The following table summarizes quarterly financial information for the past eight quarters.

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

	2018		2017				2016	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 78,176**	**$88,516**	$76,125	$ 70,212	$73,066	$70,126	$ 68,191	$ 65,842
Net income (loss) attributable to shareholders	**(1,194)**	**1,763**	(2,459)	(1,068)	(581)	(2,097)	(33,115)	(1,865)
Basic earnings (loss) per share	**(0.06)**	**0.09**	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)
Diluted earnings (loss) per share	**(0.06)**	**0.09**	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended June 30, 2018 can be attributed to several principal factors: the adoption of IFRS 9 and 15 on January 1, 2018, the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DCM's key plants, lower interest expense during 2016 as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DCM's net income for the second quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of BOLDER Graphics for the full quarter of 2018, operating results of Perennial (after May 8, 2018), restructuring expenses of $0.7 million related to its cost reduction initiatives, $0.8 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.3 million. DCM's net loss for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.7 million related to its cost reduction initiatives.

DCM's net income for the first quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of Eclipse, Thistle and BOLDER Graphics for the full quarter of 2018 and net restructuring expenses of $0.1 million related to its cost reduction initiatives. DCM's net loss in the first quarter of 2017 included the operating results of Eclipse and Thistle post-acquisition (after February 22, 2017), restructuring expenses of $1.9 million and business acquisition costs of $1.0 million.

DCM's net loss for the fourth quarter of 2017 included operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of $4.5 million, $0.4 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.4 million. DCM's net loss for the fourth quarter of 2016 included restructuring expenses of $1.7 million and $1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of $31.1 million related to its DCM North America cash generating unit.

DCM's net loss for the third quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.4 million related to its cost reduction initiatives. There were $1.8 million of restructuring expenses in the third quarter of 2016.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2018 which are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DCM for the three and six months ended June 30, 2018. On January 1, 2018, 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 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

PRACTICAL EXPEDIENT (ON TRANSITION)	DESCRIPTION
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

PRACTICAL EXPEDIENTS (ONGOING)	DESCRIPTION
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: 1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and 2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: 1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date. 2) Warehouse revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.

The details of the new significant accounting policies and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out below.

REVENUE RECOGNITION

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied under IFRS 15:

a. Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. Under IFRS 15, DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations under IFRS 15: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from, its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding "unbilled receivable" is also recognized as a trade receivable in the consolidated statement of financial position.

b. Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance.

c. Freight services - Under IFRS 15, DCM has identified that it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. Under IFRS 15, DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred.

VARIABLE CONSIDERATION

Some contracts with customers provide volume-based incentives specific to product sales. Previously, under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. Such incentive offerings give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM

uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers.

Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize volume-based incentives has also changed to correspond with the related timing of recognition of product sales and warehouse revenue.

CONTRACT COSTS

DCM rewards its employees with sales commissions for sales made to certain customers. Previously, under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

PRESENTATION OF DISAGGREGATED REVENUE

In accordance with IFRS 15, DCM has disclosed revenue on a disaggregated basis in the "Impact of Adoption of IFRS 9 and IFRS 15" section below. Revenue is disaggregated based on the nature of the major products and services it provides to its customers which comprise of product sales, warehousing services, freight and other services. Freight and other services includes other ancillary services such as administrative functions that DCM provides to its customers. Revenue for the other ancillary services are recognized upon completion of the performance obligations of its customers.

USE OF SIGNIFICANT JUDGMENT

DCM uses significant judgment, which is inherent in its revenue generating activities,as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer’s product and the agreed upon term of warehousing to manage any related business risks.

IFRS 9 - FINANCIAL INSTRUMENTS

In 2014, the IASB issued IFRS 9 *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative

periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

CLASSIFICATION AND MEASUREMENT

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL").

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities (1)	Other liabilities	Amortized cost
Other non-current liabilities (2)	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities)*

(2) *Includes bonuses payables*

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses.

DCM applies the ECL model to assess the impairment of its financial assets at each balance sheet date. DCM adopted the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the

expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars, unaudited)	**January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**January 1, 2018 after the adoption of IFRS 9 and IFRS 15**
Trade receivables	$ 41,193	(505)	$ 28,671	$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. As noted under changes in accounting policies, DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

   An adjustment of $8,320, net of tax, was made to recognize product revenue upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $27,754, a decrease in finished goods inventory of $25,639 and a decrease to deferred revenue of $9,147.

b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services that were bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of $861, to the opening deficit, net of tax, was made to recognize revenue related to warehousing services completed that were bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $917 and a decrease to deferred revenue of $248.

c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of $373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding decrease to the unbilled portion of trade receivables of $505 in the consolidated statement of financial position as at January 1, 2018.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

(in thousands of Canadian dollars, unaudited)	**TRADE RECEIVABLES** Lifetime expected credit losses	**UNBILLED RECEIVABLES** Lifetime expected credit losses	**Total**
Allowances as at December 31, 2017	$ (206)	N/A [1]	$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	**$ (206)**	**$ (505)**	**$ (711)**

(1) *Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at* January 1, 2018

d) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of $259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $350 in the consolidated statement of financial position as at January 1, 2018.

e) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize sales commission costs was also changed to correspond with the related recognition of revenue.

An adjustment of $184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $250 in the consolidated statement of financial position as at January 1, 2018.

f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of $2,874 and increase to deferred income tax liabilities of $83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three and six months ended June 30, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the three-months and six months periods ended June 30, 2018:

g) As noted in the accounting policies, DCM serves as a principal when contracting freight services that it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the three and six months periods ended June 30, 2018, DCM recognized $2,261 and $4,367 of freight revenue, respectively in the consolidated statement of operations

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three and six months ended June 30, 2018:

(in thousands of Canadian dollars, unaudited)	**For the three months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**For the three months ended June 30, 2018 as reported**
Revenues	$ 76,973	$ —	$ 1,203	$ 78,176
Cost of Revenues	57,840	—	1,747	59,587
Gross profit	19,133	—	(544)	18,589
Selling, commissions and expenses	9,196	—	4	9,200
General and administration expenses	8,597	(47)	—	8,550
Current income tax expense	278	12	(578)	(288)
Deferred income tax expense (recovery)	(588)	—	474	(114)
Net income	(785)	35	(444)	(1,194)

(in thousands of Canadian dollars, unaudited)	For the six months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the six months ended June 30, 2018 as reported
Revenues	$ 161,672	$ —	$ 5,020	$ 166,692
Cost of Revenues	122,325	—	4,303	126,628
Gross profit	39,347	—	717	40,064
Selling, commissions and expenses	19,498	—	163	19,661
General and administration expenses	15,762	(1)	—	15,761
Current income tax expense	453	(131)	233	555
Deferred income tax expense (recovery)	(351)	131	(84)	(304)
Net income	163	1	405	569

(in thousands of Canadian dollars, unaudited)	June 30, 2018 prior to the adoption of IFRS 9 and IFRS	Impact of adopting IFRS 9	Impact of adopting IFRS 15	June 30, 2018 as reported
Trade receivables	$ 39,174	$ (504)	$ 31,397	$ 70,067
Inventories	35,469	—	(25,417)	10,052
Deferred income tax assets	5,903	—	(3,004)	2,899
Trade payables and accrued liabilities	40,646	—	862	41,508
Income taxes payable	2,523	(132)	236	2,627
Deferred revenue	9,402	—	(7,273)	2,129
Deficit	(255,180)	(372)	9,151	(246,401)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three and six months periods ended June 30, 2018.

h) As at June 30, 2018, 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:

(in thousands of Canadian dollars, unaudited)	For the three months ended June 30, 2018	For the six months ended June 30, 2018
Product sales	**$ 71,955**	**$ 153,790**
Warehousing services	**2,329**	**5,130**
Freight and other services	**3,892**	**7,772**
	$ 78,176	**$ 166,692**

IFRS 2 - SHARE-BASED PAYMENT

An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. This amendment did not have an impact on the interim consolidated financial statements of DCM.

IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the interim consolidated financial statements of DCM.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

DCM has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current 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 those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

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 assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. DCM is currently (a) completing an inventory of all leases that need to be considered under this new standard, (b) is reviewing contract details to capture all necessary information, and (c) has identified a SaaS based solution to manage the accounting of its leases more effectively.

Implementation of the SaaS based solution and DCM's analysis of the implications against IFRS 16 are expected to be completed in the second half of the year. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019.

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. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

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 intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of this amendment is not expected to have a significant impact on the DCM's 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.

Management's report on internal controls over financial reporting

DCM's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of DCM for external purposes in accordance with IFRS.

In accordance with the provisions of the National Instrument 52-109- "Certification of the Disclosure in Issuers' Annual and Interim Filings", DCM's management has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Perennial. The scope limitation is primarily based on the time required to assess each recently acquired company's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the DCM's other operations.

Excluding the controls, policies and procedures of Perennial, DCM's management has determined that there have been no changes in the internal controls over financial reporting of DCM during the period beginning on April 1, 2018 and

ending on June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DCM.

For a summary of certain financial information about the Perennial business acquired by the Company, see "Recent Developments - Acquisition of Perennial Group of Companies".

Outlook

In the second quarter of 2018, DCM continued to experience higher revenues over the prior year as a result of modest growth in its core business, combined with incremental revenue from the acquisitions made in 2017 and the first half of 2018. DCM maintains the 2018 financial outlook it issued in February 2018, buoyed by continued revenue growth trends, expanding opportunities within its existing customer base and new customer wins, particularly as a leading supplier in the emerging market for Health Canada compliant packaging labels in the licensed cannabis market.

Despite lower margins experienced in the second quarter compared to the first quarter, and price and inflationary pressures the Company is experiencing, DCM continues to realize gross margin improvements on non-contracted business and expects significantly improved margins in the packaging label business and other newly contracted business in the second half of the year, which is typically seasonally stronger in any event.

Revenues

DCM anticipates total revenues of between $295.0 million and $310.0 million, representing growth of approximately 2% to 7% compared to revenues of $289.5 million in fiscal 2017.

Adjusted EBITDA

Adjusted EBITDA for fiscal 2018 is estimated to be between $22.0 million and $25.0 million, compared to Adjusted EBITDA in fiscal 2017 of $16.1 million.

Capital Expenditures

For fiscal 2018, DCM presently expects to spend approximately $1.5 million on capital expenditures. DCM expects to incur approximately $3.0 million mostly relating to the ERP project which will be incurred primarily through the first three quarters of 2018.

As part of establishing the above guidance, DCM made the following assumptions:

- New customer wins and sales initiatives focused on capturing greater wallet share from DCM's existing customer base, including increasingly capitalizing on its technology-enabled value-added services provided to customers, will offset continued expected declines in the Company's traditional business communications market;
- DCM will benefit from the full-year results of the acquisitions of Eclipse, Thistle and BOLDER Graphics and continue to experience growth rates in each of those businesses consistent with the past year, and DCM will benefit from the partial year of results from the acquisition of Perennial, commencing May 8, 2018.
- The three acquisitions DCM completed in 2017 will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company in 2018, as will the acquisition of Perennial in May 2018;
- DCM will be able to translate its sales pipeline into new customer acquisitions;
- Improved year over year margins will be achieved through ongoing strategic initiatives relating to productivity improvements and continuing efforts by management to drive improved profitability;

- DCM will be able to effect increases in the prices of products sold to customers to mitigate increases in the costs of paper, and consumables, CPI and freight charges that are being experienced industry-wide and longer-term realize higher margins with these customers, while experiencing nominal if any volume loss;
- The Company continues to explore additional strategic acquisition opportunities, and, while there can be no certainty that any such opportunities will be completed, such acquisitions could impact the outlook provided;
- Economic conditions in North America will not deteriorate; and
- The above guidance is based on the accounting policies applied in the unaudited interim consolidated financial statements and accompanying notes of DCM for the second quarter of 2018 and IFRS in effect for the period ended June 30, 2018.

DCM cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, and is qualified by, the section Forward-looking Statements beginning on page 1 of the August 13, 2018 MD&A.

Risks and uncertainties

An investment in DCM's securities involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described in DCM's most recent Annual Information Form and other continuous disclosure filings made by DCM with Canadian securities regulatory authorities before investing in securities of DCM. The risks described in this report, the Annual Information Form and those other filings are not the only ones facing DCM. Additional risks not currently known to DCM, or that DCM currently believes are immaterial, may also impair the business, results of operations, financial condition and liquidity of DCM.

Consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)		**June 30, 2018**		December 31, 2017
ASSETS				
CURRENT ASSETS				
Trade receivables (note 5)	**$**	**70,067**	$	41,193
Inventories (note 6)		**10,052**		36,519
Prepaid expenses and other current assets		**3,283**		5,092
		83,402		82,804
NON-CURRENT ASSETS				
Other non-current assets		**454**		—
Deferred income tax assets (note 10)		**2,899**		6,108
Restricted cash (note 8)		**515**		515
Property, plant and equipment		**17,900**		18,831
Pension assets		**2,010**		760
Intangible assets		**17,553**		14,473
Goodwill (note 4)		**16,915**		8,368
	$	**141,648**	$	131,859
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	**$**	**2,164**	$	2,868
Trade payables and accrued liabilities		**41,508**		34,306
Current portion of credit facilities (note 8)		**5,480**		8,725
Current portion of promissory notes (note 9)		**4,823**		4,374
Provisions (note 7)		**3,188**		3,950
Income taxes payable		**2,627**		3,188
Deferred revenue		**2,129**		11,237
		61,919		68,648
NON-CURRENT LIABILITIES				
Provisions (note 7)		**475**		2,702
Credit facilities (note 8)		**53,597**		47,207
Promissory notes (note 9)		**1,494**		2,829
Deferred income tax liabilities (note 10)		**1,985**		1,295
Other non-current liabilities (note 11)		**3,688**		3,413
Pension obligations		**7,850**		8,133
Other post-employment benefit plans		**3,165**		3,031
	$	**134,173**	$	137,258
EQUITY				
SHAREHOLDERS' EQUITY / (DEFICIT)				
Shares (note 12)	**$**	**251,217**	$	248,996
Warrants (note 12)		**806**		287
Contributed surplus (note 12)		**1,633**		1,368
Translation reserve		**220**		183
Deficit		**(246,401)**		(256,233)
	$	**7,475**	$	(5,399)
	$	**141,648**	$	131,859

Approved by Board of Directors

Director

Director

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the three months ended June 30, 2018**		For the three months ended June 30, 2017
REVENUES (note 3)	**$**	**78,176**	$	73,066
COST OF REVENUES		**59,587**		55,062
GROSS PROFIT		**18,589**		18,004
EXPENSES				
Selling, commissions and expenses		**9,200**		8,690
General and administration expenses		**8,550**		7,025
Restructuring expenses (note 7)		**736**		1,735
Acquisition costs (note 4)		**270**		13
		18,756		17,463
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**(167)**		541
FINANCE COSTS (INCOME)				
Interest expense		**1,273**		1,181
Interest income		**(2)**		—
Amortization of transaction costs		**158**		121
		1,429		1,302
LOSS BEFORE INCOME TAXES		**(1,596)**		(761)
INCOME TAX (RECOVERY) EXPENSE				
Current		**(288)**		288
Deferred		**(114)**		(468)
		(402)		(180)
NET LOSS FOR THE PERIOD	**$**	**(1,194)**	$	(581)
BASIC LOSS PER SHARE (note 13)	**$**	**(0.06)**	$	(0.04)
DILUTED LOSS PER SHARE (note 13)	**$**	**(0.06)**	$	(0.04)

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the six months ended June 30, 2018**		For the six months ended June 30, 2017
REVENUES (note 3)	**$**	**166,692**	$	143,192
COST OF REVENUES		**126,628**		108,828
GROSS PROFIT		**40,064**		34,364
EXPENSES				
Selling, commissions and expenses		**19,661**		17,208
General and administration expenses		**15,761**		13,531
Restructuring expenses (note 7)		**800**		3,621
Acquisition costs (note 4)		**313**		969
		36,535		35,329
INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES		**3,529**		(965)
FINANCE COSTS (INCOME)				
Interest expense		**2,412**		2,131
Interest income		**(4)**		—
Amortization of transaction costs		**301**		236
		2,709		2,367
INCOME (LOSS) BEFORE INCOME TAXES		**820**		(3,332)
INCOME TAX (RECOVERY) EXPENSE				
Current		**555**		339
Deferred		**(304)**		(993)
		251		(654)
NET INCOME (LOSS) FOR THE PERIOD	**$**	**569**	$	(2,678)
BASIC EARNINGS (LOSS) PER SHARE (note 13)	**$**	**0.03**	$	(0.20)
DILUTED EARNINGS (LOSS) PER SHARE (note 13)	**$**	**0.03**	$	(0.20)

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

Consolidated statements of comprehensive loss

(in thousands of Canadian dollars, unaudited)		**For the three months ended June 30, 2018**		For the three months ended June 30, 2017
NET LOSS FOR THE PERIOD	**$**	**(1,194)**	$	(581)
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS				
Foreign currency translation		**15**		(56)
		15		(56)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS				
Re-measurements of pension and other post-employment benefit obligations		**891**		(758)
Taxes related to pension and other post-employment benefit adjustment above		**(232)**		197
		659		(561)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$**	**674**	$	(617)
COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**(520)**	$	(1,198)

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

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars, unaudited)		**For the six months ended June 30, 2018**		For the six months ended June 30, 2017
NET INCOME (LOSS) FOR THE PERIOD	**$**	**569**	$	(2,678)
OTHER COMPREHENSIVE LOSS:				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)				
Foreign currency translation		**37**		(74)
		37		(74)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)				
Re-measurements of pension and other post-employment benefit obligations		**1,214**		(2,103)
Taxes related to pension and other post-employment benefit adjustment above		**(316)**		547
		898		(1,556)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$**	**935**	$	(1,630)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$**	**1,504**	$	(4,308)

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

Consolidated statements of changes in shareholders' equity (deficit)

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity (deficit)
Balance as at December 31, 2016	$ 237,432	$ —	$ 128	$ 1,164	$ 258	$ (248,917)	$ (9,935)
Net loss for the period	—	—	—	—	—	(2,678)	(2,678)
Other comprehensive loss for the period	—	—	—	—	(74)	(1,556)	(1,630)
Total comprehensive loss for the period	—	—	—	—	(74)	(4,234)	(4,308)
Shares issued on the redemption of convertible debentures (note 12)	—	—	(128)	128	—	—	—
Issuance of common shares (note 12)	10,662	280	—	(15)	—	—	10,927
Share-based compensation expense	—	—	—	59	—	—	59
Balance as at June 30, 2017	$ 248,094	$ 280	$ —	$ 1,336	$ 184	$ (253,151)	$ (3,257)
BALANCE AS AT DECEMBER 31, 2017	**$ 248,996**	**$ 287**	**$ —**	**$ 1,368**	**$ 183**	**$ (256,233)**	**$ (5,399)**
Impact of change in accounting policy (note 3)	**—**	**—**	**—**	**—**	**—**	**8,365**	**8,365**
	$ 248,996	**$ 287**	**$ —**	**$ 1,368**	**$ 183**	**$ (247,868)**	**$ 2,966**
Net income for the period	**—**	**—**	**—**	**—**	**—**	**569**	**569**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**37**	**898**	**935**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**37**	**1,467**	**1,504**
Issuance of common shares and warrants, net (note 12)	**2,221**	**519**	**—**	**—**	**—**	**—**	**2,740**
Share-based compensation expense	**—**	**—**	**—**	**265**	**—**	**—**	**265**
BALANCE AS AT JUNE 30, 2018	**$ 251,217**	**$ 806**	**$ —**	**$ 1,633**	**$ 220**	**$ (246,401)**	**$ 7,475**

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)		**For the three months ended June 30, 2018**		For the three months ended June 30, 2017
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	**$**	**(1,194)**	$	(581)
Adjustments to net loss				
Depreciation of property, plant and equipment		**1,176**		1,058
Amortization of intangible assets		**1,232**		906
Share-based compensation expense		**171**		7
Pension expense (note 16)		**135**		135
(Gain) loss on disposal of property, plant and equipment		**(5)**		42
Write-off of intangible assets		**242**		—
Provisions (note 7)		**870**		1,735
Amortization of transaction costs		**158**		121
Accretion of non-current liabilities and related interest expense		**150**		219
Other non-current liabilities		**120**		(248)
Other post-employment benefit plans, net		**67**		55
Income taxes recovery		**(402)**		(180)
		2,720		3,269
Changes in working capital (note 14)		**5,418**		2,721
Contributions made to pension plans		**(304)**		(453)
Provisions paid (note 7)		**(1,769)**		(1,653)
Income taxes paid		**(278)**		(5)
		5,787		3,879
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(665)**		(811)
Purchase of intangible assets		**(1,616)**		(846)
Proceeds on disposal of property, plant and equipment		**26**		2
Net cash consideration for acquisition of businesses (note 4)		**(7,505)**		—
		(9,760)		(1,655)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net (note 12)		**685**		8,080
Proceeds from credit facilities (note 8)		**10,395**		3,500
Repayment of credit facilities (note 8)		**(4,816)**		(4,003)
Repayment of convertible debentures		**—**		(11,175)
Repayment of other liabilities		**(100)**		(166)
Repayment of promissory notes (note 9)		**(585)**		(935)
Transaction costs (note 8)		**(863)**		(288)
Finance lease payments		**(6)**		(18)
		4,710		(5,005)
DECREASE IN (BANK OVERDRAFT) / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**737**		(2,781)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$**	**(2,916)**	$	1,838
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**15**		(46)
BANK OVERDRAFT – END OF PERIOD	**$**	**(2,164)**	$	(989)

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)		**For the six months ended June 30, 2018**		For the six months ended June 30, 2017
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss) for the period	**$**	**569**	$	(2,678)
Adjustments to net income (loss)				
Depreciation of property, plant and equipment		**2,324**		1,943
Amortization of intangible assets		**2,301**		1,599
Share-based compensation expense		**265**		59
Pension expense (note 16)		**269**		270
(Gain) loss on disposal of property, plant and equipment		**(129)**		22
Write-off of intangible assets		**242**		—
Provisions (note 7)		**934**		3,621
Amortization of transaction costs		**301**		236
Accretion of non-current liabilities and related interest expense		**311**		317
Other non-current liabilities		**446**		(118)
Other post-employment benefit plans, net		**134**		110
Income tax expense (recovery)		**251**		(654)
		8,218		4,727
Changes in working capital (note 14)		**9,107**		1,836
Contributions made to pension plans (note 16)		**(588)**		(912)
Provisions paid (note 7)		**(3,923)**		(3,340)
Income taxes paid		**(894)**		(5)
		11,920		2,306
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(1,286)**		(948)
Purchase of intangible assets		**(2,518)**		(1,079)
Proceeds on disposal of property, plant and equipment		**150**		22
Net cash consideration for acquisition of businesses (note 4)		**(7,505)**		(4,638)
		(11,159)		(6,643)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net (note 12)		**685**		8,069
Proceeds from credit facilities (note 8)		**10,395**		17,089
Repayment of credit facilities (note 8)		**(6,695)**		(7,601)
Repayment of convertible debentures		**—**		(11,175)
Repayment of other liabilities		**(201)**		(455)
Repayment of promissory notes (note 9)		**(3,393)**		(1,064)
Transaction costs (note 8)		**(868)**		(605)
Finance lease payments		**(13)**		(2,400)
		(90)		1,858
DECREASE IN (BANK OVERDRAFT) / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**671**		(2,479)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$**	**(2,868)**	$	1,544
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**33**		(54)
BANK OVERDRAFT – END OF PERIOD	**$**	**(2,164)**	$	(989)

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 June 30, 2018 and 2017

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

1 General Information

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 their customers. We pair customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power our clients' go-to market strategies. We help our 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.

Our extensive experience has positioned us as experts at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. Thanks to our locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), we are able to meet our clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. And we can do it all with advanced data security, regulatory compliance, and bilingual communications, in print or digital.

On February 22, 2017, DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018 (the "Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "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.

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.

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 financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, 2017, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2018 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, 2018 , as issued and outstanding as of August 13, 2018 , the date the Board of Directors 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, 2017 which have been prepared in accordance with IFRS, as issued by the IASB.

3 Change in accounting policies

(a) New and amended standards adopted

On January 1, 2018, 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 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

PRACTICAL EXPEDIENT (ON TRANSITION)	DESCRIPTION
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

PRACTICAL EXPEDIENTS (ONGOING)	DESCRIPTION
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: 1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and 2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: 1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date. 2) Warehouse revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.

The details of the new significant accounting policies and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out below.

REVENUE RECOGNITION

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied under IFRS 15:

a. Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. Under IFRS 15, DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

   In some instances, DCM customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations under IFRS 15: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's

request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from, its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding "unbilled receivable" is also recognized as a trade receivable in the consolidated statement of financial position.

b. Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance.

c. Freight services - Under IFRS 15, DCM has identified that it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. Under IFRS 15, DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred.

VARIABLE CONSIDERATION

Some contracts with customers provide volume-based incentives specific to product sales. Previously, under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. Such incentive offerings give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers.

Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize volume-based incentives has also changed to correspond with the related timing of recognition of product sales and warehouse revenue.

CONTRACT COSTS

DCM rewards its employees with sales commissions for sales made to certain customers. Previously, under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

PRESENTATION OF DISAGGREGATED REVENUE

In accordance with IFRS 15, DCM has disclosed revenue on a disaggregated basis in the "Impact of Adoption of IFRS 9 and IFRS 15" section below. Revenue is disaggregated based on the nature of the major products and services it provides to its customers which comprise of product sales, warehousing services, freight and other services. Freight and other services includes other ancillary services such as administrative functions that DCM provides to its customers. Revenue for the other ancillary services are recognized upon completion of the performance obligations of its customers.

USE OF SIGNIFICANT JUDGMENT

DCM uses significant judgment, which is inherent in its revenue generating activities,as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer’s product and the agreed upon term of warehousing to manage any related business risks.

IFRS 9 - FINANCIAL INSTRUMENTS

In 2014, the IASB issued IFRS 9 *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

CLASSIFICATION AND MEASUREMENT

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss (“FVTPL”).

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities (1)	Other liabilities	Amortized cost
Other non-current liabilities (2)	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities)*

(2) Includes bonuses payable

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses.

DCM applies the ECL model to assess the impairment of its financial assets at each balance sheet date. DCM adopted the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars, unaudited)	January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	January 1, 2018 after the adoption of IFRS 9 and IFRS 15
Trade receivables	$ 41,193	$ (505)	$ 28,671	$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. As noted under changes in accounting policies, DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

An adjustment of $8,320, net of tax, was made to recognize product revenue upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $27,754, a decrease in finished goods inventory of $25,639 and a decrease to deferred revenue of $9,147.

b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services that were bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of $861, to the opening deficit, net of tax, was made to recognize revenue related to warehousing services completed that were bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $917 and a decrease to deferred revenue of $248.

c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of $373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding

decrease to the unbilled portion of trade receivables of $505 in the consolidated statement of financial position as at January 1, 2018.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

(in thousands of Canadian dollars, unaudited)	TRADE RECEIVABLES Lifetime expected credit losses	UNBILLED RECEIVABLES Lifetime expected credit losses	Total
Allowances as at December 31, 2017	$ (206)	N/A [1]	$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	**$ (206)**	**$ (505)**	**$ (711)**

(1) Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at January 1, 2018

d) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of $259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $350 in the consolidated statement of financial position as at January 1, 2018.

e) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize sales commission costs was also changed to correspond with the related recognition of revenue.

An adjustment of $184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $250 in the consolidated statement of financial position as at January 1, 2018.

f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of $2,874 and increase to deferred income tax liabilities of $83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three and six months ended June 30, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the three-months and six months periods ended June 30, 2018:

g) As noted in the accounting policies, DCM serves as a principal when contracting freight services that it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the three and six months periods ended June 30, 2018, DCM recognized $2,261 and $4,367 of freight revenue, respectively in the consolidated statement of operations.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2018 and 2017

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

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three and six months ended June 30, 2018:

(in thousands of Canadian dollars, unaudited)	For the three months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the three months ended June 30, 2018 as reported
Revenues	$ 76,973	$ —	$ 1,203	$ 78,176
Cost of Revenues	57,840	—	1,747	59,587
Gross profit	19,133	—	(544)	18,589
Selling, commissions and expenses	9,196	—	4	9,200
General and administration expenses	8,597	(47)	—	8,550
Current income tax expense	278	12	(578)	(288)
Deferred income tax expense (recovery)	(588)	—	474	(114)
Net income	(785)	35	(444)	(1,194)

(in thousands of Canadian dollars, unaudited)	For the six months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the six months ended June 30, 2018 as reported
Revenues	$ 161,672	$ —	$ 5,020	$ 166,692
Cost of Revenues	122,325	—	4,303	126,628
Gross profit	39,347	—	717	40,064
Selling, commissions and expenses	19,498	—	163	19,661
General and administration expenses	15,762	(1)	—	15,761
Current income tax expense	453	(131)	233	555
Deferred income tax expense (recovery)	(351)	131	(84)	(304)
Net income	163	1	405	569

(in thousands of Canadian dollars, unaudited)	June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	June 30, 2018 as reported
Trade receivables	$ 39,174	(504)	$ 31,397	$ 70,067
Inventories	35,469	—	(25,417)	10,052
Deferred income tax assets	5,903	—	(3,004)	2,899
Trade payables and accrued liabilities	40,646	—	862	41,508
Income taxes payable	2,523	(132)	236	2,627
Deferred revenue	9,402	—	(7,273)	2,129
Deficit	(255,180)	(372)	9,151	(246,401)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three and six months periods ended June 30, 2018.

h) As at June 30, 2018, 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:

(in thousands of Canadian dollars, unaudited)		For the three months ended June 30, 2018		For the six months ended June 30, 2018
Product sales	$	71,955	$	153,790
Warehousing services		2,329		5,130
Freight and other services		3,892		7,772
	$	78,176	$	166,692

IFRS 2 - SHARE-BASED PAYMENT

An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. This amendment did not have an impact on the interim consolidated financial statements of DCM.

IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the interim consolidated financial statements of DCM.

(b) Future accounting standards not yet adopted.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current 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 those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

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 assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. DCM is currently (a) completing an inventory of all leases that need to be considered under this new standard, (b) is reviewing contract details to capture all necessary information, and (c) has identified a SaaS based solution to manage the accounting of its leases more effectively. Implementation of the SaaS based solution and DCM's analysis of the implications against IFRS 16 are expected to be completed in the second half of the year. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019.

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. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

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 intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of this amendment is not expected to have a significant impact on the DCM's 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.

4 Business acquisitions

ACQUISITION OF PERENNIAL GROUP OF COMPANIES

On May 8, 2018 (the "Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). Perennial Group has approximately 45 employees operating from an 18,000 square foot office located in Etobicoke, Ontario and a 5,000 square foot office in Bolton, Ontario. 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. On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial").

DCM acquired Perennial for a total purchase price of approximately $12,470, comprised of $8,166 in cash paid on closing (after giving effect to the preliminary working capital adjustment of $1,166), $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 "VTB"). The VTB is repayable as follows: $1,000 payable on the first anniversary of closing, $1,000 on the second anniversary of closing and $500 on the third anniversary of closing.

A total of 1,394,856 common shares of DCM have been issued to one of the vendors of Perennial and the number of DCM's issued and outstanding common shares increased from 20,039,159 to 21,434,015 common shares outstanding on closing of the acquisition.

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 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 Closing Date. The fair value of the vendor take-back promissory note 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.

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 Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed		**Amount**
Cash and cash equivalents	$	661
Trade receivables		1,085
Prepaid expenses and other assets		252
Property, plant and equipment		123
Intangible assets		3,105
Trade payables and accrued liabilities		(224)
Income taxes payable		(28)
Deferred revenue		(115)
Deferred income tax liabilities		(936)
Total identifiable net assets		**3,923**
Goodwill		**8,547**
Total	**$**	**12,470**

Purchase price consideration		**Amount**
Cash	$	8,166
Common shares		2,051
Promissory note (note 9)		2,253
Total	**$**	**12,470**

The fair value of trade receivables was $1,085. The gross contractual amount of trade receivables due was $832 of which $4 was deemed to be uncollectible. The remaining balance of $257 relates to unbilled receivables for the pre-closing period.

The identifiable intangible assets acquired of $3,105 which relate to customer relationships of $1,615, trade names of $665 and customer backlog intangible of $825. The customer relationships are being amortized over an expected useful life of 4.5 years while the trade name and the customer backlog are being amortized over estimated useful lives of 10 years and 19 months, respectively.

Goodwill of $8,547 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-related costs incurred and charged to the consolidated statement of operations for the six months ended June 30, 2018 were $313 of which $272 related to the Perennial acquisition and $41 for the BOLDER acquisition, respectively.

The revenues and net loss contributed by Perennial and included in the consolidated statement of operations for the period between the Closing Date and June 30, 2018 were $890 and $106, respectively. 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 six months ended June 30, 2018 and would have been approximately $3,290 and $590, respectively, adjusting net loss for additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2018.

As the acquisition occurred during the quarter ended June 30, 2018, the valuation report and the finalization of post-closing adjustments are still in progress, and therefore, the purchase price allocations are preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material.

5 Trade receivables

		June 30, 2018		December 31, 2017
Trade receivables	**$**	**71,661**	$	41,399
Provision for doubtful accounts [(1)]		**(802)**		(206)
	$	**70,859**	$	41,193

(1) Under IAS 39 DCM had a provision for doubtful accounts for the year ended December 31, 2017. Under IFRS 9 DCM has an expected credit loss allowance for lifetime credit losses, which is a simplified approach that is permissible for trade receivables which do not have a significant financing component.

As at June 30, 2018, trade receivables include unbilled receivables of $26,926, net of an expected credit loss allowance of $504. Unbilled receivables and the related expected credit loss allowance were recognized upon the adoption of IFRS 9 and IFRS 15 (see note 3 for further discussion related to the impact on adoption of these standards).

6 Inventories

		June 30, 2018		December 31, 2017
Raw materials	**$**	**5,738**	$	6,235
Work-in-progress		**3,384**		4,164
Finished goods		**930**		26,120
	$	**10,052**	$	36,519

Raw materials inventory amount is net of obsolescence reserves of $378 (2017 – Raw materials and finished goods inventory amounts are net of obsolescence reserves of $586). Finished goods at June 30, 2018 consist of base stock items. See note 3 for impact of change on adoption of IFRS 15. The cost of inventories recognized as an expense within cost of revenues for the three months ended June 30, 2018 was $59,871 (2017 - $53,081) and the cost of inventories recognized as an expense within cost of revenues for the six months ended June 30, 2018 was $125,544 (2017 – $104,356).

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7 Provisions

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of period	$ 3,067	$ 1,303	$ 192	$ 4,562
Additional charge during the three month period	736	—	134	870
Utilized during three month period	(1,149)	(616)	(4)	(1,769)
Balance – End of period	$ 2,654	$ 687	$ 322	$ 3,663
Less: Current portion of provisions	(2,457)	(581)	(150)	(3,188)
As at June 30, 2018	$ 197	$ 106	$ 172	$ 475

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of period	$ 3,468	$ 2,988	$ 196	$ 6,652
Additional charge during the six month period	1,923	—	134	2,057
Recovery during the six month period	—	(1,123)	—	(1,123)
Utilized during the six month period	(2,737)	(1,178)	(8)	(3,923)
Balance – End of period	$ 2,654	$ 687	$ 322	$ 3,663
Less: Current portion of provisions	(2,457)	(581)	(150)	(3,188)
As at June 30, 2018	$ 197	$ 106	$ 172	$ 475

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of year	$ 2,773	$ 1,207	$ —	$ 3,980
Additional charge during the year	6,778	2,679	—	9,457
Charge related to an acquisition	—	—	210	210
Utilized during the year	(6,083)	(898)	(14)	(6,995)
Balance – End of year	$ 3,468	$ 2,988	$ 196	6,652
Less: Current portion of provisions	(2,856)	(1,078)	(16)	(3,950)
As at December 31, 2017	$ 612	$ 1,910	$ 180	2,702

TERMINATION PROVISIONS

During the three and six months ended June 30, 2018, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. Additional termination expenses in the consolidated statement of operations were due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations and comprehensive income.

During the three and six month periods ended June 30, 2018, total restructuring initiatives resulted in costs incurred of $736 and $1,923, respectively. During the three and six months ended June 30, 2017, these initiatives resulted in $1,466 and $3,652, respectively, due to headcount reductions in the consolidated statement of operations and comprehensive income (loss).

For the three months ended June 30, 2018, cash payments of $1,149 (2017 - $1,478) and for the six months ended June 30, 2018, cash payments of $2,737 (2017 - $2,975) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $2,654 at June 2018 are expected to be paid in the balance of year 2018 and year 2019.

ONEROUS CONTRACTS

During the year ended December 31, 2017, DCM closed a Granby, Québec facility. A lease exit charge of $2,393 representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2021. During the six months ended June 30, 2018, DCM entered into an agreement with the landlord of this property to terminate this lease. DCM has agreed to make payments of approximately $1,116 to the landlord. During the six months ended June 30, 2018, DCM has recorded a recovery of $1,123 related to this lease exit charge recorded as at December 31, 2017.

The total restructuring expense that is reported in the consolidated statement of operations and comprehensive income includes termination expenses (recoveries) and onerous contract expenses (recoveries). The total restructuring expense incurred for the three and six month periods ended June 30, 2018 was $736 (2017 - $1,735) and $800 (2017 - $3,621), respectively.

OTHER

In connection with the acquisition of Eclipse, on February 22, 2017, DCM assumed the lease for its Burlington, Ontario facility with rent payments that exceeded the fair market value and as a result an unfavourable lease obligation for $210 was recorded based on discounting the rent payments in excess of the fair market value lease rates using a discount rate of 7%. The unfavourable lease obligation is being amortized as a reduction of rent expense in the consolidated statement of operations over the lease term, expiring in 2026.

During the three months ended June 30, 2018, DCM determined that an additional charge of $134 (2017 - $nil) was required in connection with a contract with a former employee.

8 Credit facilities

		June 30, 2018		December 31, 2017
Term loans				
- floating rate debt, maturing June 28, 2018, (Bridging Facility)		**—**		3,500
- 6.10% term debt, maturing October 15, 2022, (IAM III Credit Facility)		**4,397**		4,834
- 6.95% term debt, maturing March 10, 2023, (IAM IV Credit Facility)		**20,436**		22,220
- 6.95% term debt, maturing May 15, 2023, (IAM V Credit Facility)		**4,555**		4,938
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)		**11,470**		—
Revolving facilities				
- floating rate debt, maturing March 31, 2020, (Bank Credit Facility)		**20,094**		21,747
Credit facilities		**60,952**		57,239
Unamortized transaction costs		**(1,875)**		(1,307)
	$	**59,077**	$	55,932
Less: Current portion of Credit facilities		**(5,480)**		(8,725)
Credit facilities	**$**	**53,597**	$	47,207

CREDIT AGREEMENTS

BANK AND IAM 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 “IAM IV Credit Facility”) with Integrated Private Debt Fund IV LP ("IAM IV") a fund managed by Integrated Asset Management Corp. ("IAM") pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM established a $5,000 secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a fund managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the “IAM 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 IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

BRIDGING CREDIT FACILITY

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3,500 ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand with interest at a rate equal to the prime rate of interest charged by DCM’s Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility had a term of one year and could be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM’s other senior lenders. The Bridging Credit Facility was subordinated in right of payment to the prior payment in full of DCM’s indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and was secured by certain specified equipment together with certain other conventional security. As at June 30, 2018, DCM had no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released. Additionally, transaction costs of $146 were previously capitalized. A total of $125 of these transaction cost were amortized as May 8, 2018 and the remaining balance of $21 was written off due to the early repayment.

CROWN FACILITY

On May 8, 2018, DCM established a $12,000 non-revolving term loan facility with Crown Capital Fund IV, LP (the "Crown Facility"), a fund managed by Crown Capital Fund IV Management Inc. ("Crown"), of which approximately $8,166 was used to fund the up-front cash component of the Perennial acquisition and $3,500 was used to repay in full the outstanding balance of Bridging 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 is 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 the debt instrument and the warrant option based on their respective fair values of $11,458 and $542 (note 12), respectively. 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. As at June 30, 2018 the accreted debt instrument was valued at $11,470 including total accretion expense of $12.

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.

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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 Agreement 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 IAM III Credit Facility (the "IAM III A&R Credit Facility"), its IAM IV Credit Facility (the "IAM IV A&R Credit Facility") and its IAM V Credit Facility (the "IAM V Credit Facility"), each managed by IAM, 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 Agreement and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by IAM.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35,000 and the Bank Credit Facility matures on March 31, 2020. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $35,000 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 0.75%. DCM has capitalized transaction costs of $897 related to the Bank Credit Facility. For the three and six months ended June 30, 2018, DCM capitalized additional transaction costs of $153. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at June 30, 2018, the unamortized transaction costs related to the Bank Credit Facility was $530. As at June 30, 2018 there were outstanding borrowings of $20,094 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $1,211. As at June 30, 2018, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.2% per annum. DCM had access to $8,643 of available credit under the Bank Credit Facility at June 30, 2018.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed $72,000 (after giving effect to the provisions of the inter-creditor agreement described below). The bank overdraft balance of $2,164 on the statement of consolidated financial position as at June 30, 2018, represents outstanding cheques, when cashed, would be a draw over the Bank Credit Facility.

The principal amount of the amended IAM 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 IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $422 over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $91 over a sixty six month term ending in May 15, 2023. As at June 30, 2018, all of DCM's indebtedness outstanding under the IAM 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 IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at June 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM III Credit Facility were $28 and $4,397, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM incurred no additional capitalized transaction costs during the three and six months ended June 30, 2018 for IAM III Credit Facility. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. As at June 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM IV Credit Facility were $511 and $20,436, respectively. For the three and six months ended June 30, 2018, DCM capitalized transaction costs of $26 and $29 related to the IAM IV Credit Facility and the unamortized balance of the transaction costs is being amortized over the term of this facility. As at June 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM V Credit Facility were $182 and $4,555, respectively. For the three

and six months ended June 30, 2018, DCM capitalized additional transaction costs of $49 and $52, respectively related to the IAM V Credit Facility. The unamortized balance of the transaction costs are being amortized over the term of the facility.

For the three and six months ended June 30, 2018, DCM capitalized transaction costs of $638 related to the Crown Facility. The unamortized transaction costs and outstanding borrowings related to the Crown Facility were $625 and $11,470, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the IAM 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, IAM III, IAM IV,IAM V and Crown, as applicable. Under the terms of the IAM Credit Agreements, DCM has agreed that it will not, without the prior written consent of IAM III, IAM IV and IAM 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 IAM III, IAM IV and IAM V, acting reasonably. The Bank Credit Facility, IAM Credit Agreements 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 as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio must not be less than 1.1 to 1.0 at all times, 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. The pro forma financial results for 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 covenant calculations. As at June 30, 2018, DCM was in compliance with this covenant.

Under the terms of the IAM IV Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA of not greater than the following levels: from October 1, 2017 up to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.1:1. 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 covenant calculations. As at June 30, 2018, DCM was in compliance with these covenants.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of not greater than 4.0 to 1.0 for the quarter ended June 30, 2018 to December 31, 2019, and 3.0 to 1.0 thereafter. (ii) a fixed charge coverage ratio of no less than 1.1 to 1:0 for the fiscal quarter ending June 30, 2018, 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and 1.4 to 1.0 for each fiscal year thereafter. 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 covenant calculations. As at June 30, 2018, DCM was in compliance with these covenants.

For purposes of the Bank Credit Agreement, the IAM 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; and any other extraordinary, non-recurring or unusual items as agreed to by the lender.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the IAM 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 IAM, 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 2018 operating plan or in complying with its covenants over the next twelve months.

In addition, under the terms of the IAM IV Credit Agreement and the IAM 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 IAM IV Credit Facility and indebtedness outstanding under the IAM V Credit Facility, respectively. As at June 30, 2018, there was a balance of $515 in the blocked account related to the IAM IV Credit Facility and IAM V Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under the Bank Credit Facility, the IAM V Credit facility, the IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates (the "Inter-creditor Agreement"). On February 22, 2017, DCM entered into an amended Inter-creditor Agreement between the Bank, IAM III, IAM 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, IAM III, IAM 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 IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM 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, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

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The movement in credit facilities during the period or year are as follows:

	June 30, 2018	December 31, 2017
Balance - Beginning of period/year, net of transaction costs	**55,932**	35,042
Changes from financing cash flows		
Proceeds from credit facilities	**10,395**	27,393
Repayment of credit facilities	**(6,695)**	(14,709)
Finance costs	**(868)**	(925)
Total change from financing cash flows	**58,764**	46,801
Non-cash movements		
Acquisitions	**—**	8,476
Amortization of transaction costs	**301**	655
Accretion of discount	**12**	—
Balance - End of period/year	**$ 59,077**	$ 55,932

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

	June 30, 2018
2018	**$ 2,694**
2019	**5,671**
2020	**26,162**
2021	**6,494**
2022	**6,757**
2023 and thereafter	**13,704**
	$ 61,482

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9 Promissory notes

2018	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance – Beginning of period	$ 2,105	$ 1,431	$ 996	$ —	$ 4,532
Addition - May 8, 2018 (note 4)	—	—	—	2,253	2,253
Unwinding of discount	49	33	—	20	102
Interest expense	—	—	15	—	15
Payments during the three month period	—	(410)	(175)	—	(585)
Balance – End of period	$ 2,154	$ 1,054	$ 836	$ 2,273	$ 6,317
Less: Current portion of promissory notes	(2,154)	(1,054)	(664)	(951)	(4,823)
As at June 30, 2018	$ —	$ —	$ 172	$ 1,322	$ 1,494

2018	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance – Beginning of period	$ 4,309	$ 1,799	$ 1,095	$ —	$ 7,203
Addition - May 8, 2018 (note 4)	—	—	—	2,253	2,253
Unwinding of discount	128	75	—	20	223
Interest expense	—	—	31	—	31
Payments during the six month period	(2,283)	(820)	(290)	—	(3,393)
Balance – End of period	$ 2,154	$ 1,054	$ 836	$ 2,273	$ 6,317
Less: Current portion of promissory notes	(2,154)	(1,054)	(664)	(951)	(4,823)
As at June 30, 2018	$ —	$ —	$ 172	$ 1,322	$ 1,494

2017	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance - February 22, 2017 (Preliminary)	$ 3,962	$ 2,783	$ —	$ —	$ 6,745
Post-closing adjustment	—	231	—	—	231
Balance - February 22, 2017 (Final)	3,962	3,014	—	—	6,976
Addition on November 10, 2017	—	—	1,086	—	1,086
Unwinding of discount	347	206	—	—	553
Interest expense	—	—	9	—	9
Payments during the year	—	(1,421)	—	—	(1,421)
Balance – End of year	$ 4,309	$ 1,799	$ 1,095	$ —	$ 7,203
Less: Current portion of promissory notes	(2,253)	(1,529)	(592)	—	(4,374)
As at December 31, 2017	$ 2,056	$ 270	$ 503	$ —	$ 2,829

10 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 25.98% (2017 – 26.21%) 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 June 30, 2018, DCM has non-capital loss carry-forwards of $Nil (2017 – $8,404).

Reflected in the consolidated statement of financial position as follows:		**June 30, 2018**		December 31, 2017
Deferred income tax assets	**$**	**2,899**	$	6,108
Deferred income tax liabilities		**(1,985)**		(1,295)
Net deferred income tax assets	**$**	**914**	$	4,813

11 Other non-current liabilities

		June 30, 2018		December 31, 2017
Deferred lease inducement	**$**	**996**	$	1,082
Lease escalation liabilities		**2,405**		1,888
Bonuses payable		**829**		983
	$	**4,230**	$	3,953
Less: Current portion of other non-current liabilities		**(542)**		(540)
	$	**3,688**	$	3,413

The current portion of other non-current liabilities is included in trade payables and accrued liabilities.

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of the company 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 fair value of the future payments of $33 per month as of the closing date was $1,226 of which $293 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. Payments made under operating leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2018 to 2028.

12 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 entitled to receive assets of DCM upon such a distribution in priority to or concurrently with the holders of the common shares,

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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, 2018	**20,039,159**	**$**	**248,996**
Shares issued - May 8, 2018 (note 4)	**1,394,856**		**2,046**
Shares issued - June 11, 2018	**89,500**		**175**
Balance – June 30, 2018	**21,523,515**	**$**	**251,217**

	Number of Common shares		Amount
Balance – January 1, 2017	11,975,053	$	237,432
Shares issued - February 22, 2017	1,278,708		2,847
Shares issued - May 5, 2017	6,502		15
Shares issued - June 23, 2017	3,312,368		4,352
Shares issued - June 28, 2017	2,690,604		3,448
Balance – June 30, 2017	19,263,235	$	248,094

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 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, DCM issued 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 six months ended June 30, 2018 and the year ended December 31, 2017 is as follows:

	2018			2017		
	Number of Warrants		**Weighted average Exercise Price**	Number of Warrants		Weighted average Exercise Price
Warrants outstanding - beginning of period / year	**1,381,050**	**$**	**1.75**	1,381,050	$	1.75
Granted	**960,000**		**1.75**	—		—
Exercised	**(89,500)**		**1.75**	—		—
Warrants outstanding - end of period / year	**2,251,550**	**$**	**1.75**	1,381,050	$	1.75

On May 8, 2017, 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%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $6. 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 June 30, 2018, the apportioned carrying value of the warrant option was $542.

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 restricted shares or 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 the company in an amount equal to the fair value of one DCM common share. RSUs generally vest within three years and settle 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. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	June 30, 2018	December 31, 2017
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**177,869**	29,538
Units granted	**740,432**	150,192
Units forfeited	**(13,071)**	(1,514)
Units paid	**(505)**	(347)
Balance - end of period/year	**904,725**	177,869

During the six months ended June 30, 2018, the chief executive officer ("CEO") of DCM and President of DCM were granted 299,021 RSUs (2017 – Nil RSUs) and a total of 441,411 RSUs (2017 – Nil RSUs) were awarded to other key members of DCM's management.

Of the total outstanding RSUs at June 30, 2018, Nil (2017 – Nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at June 30, 2018 was $188 (2017 – $90).

During the six months ended June 30, 2018, compensation expense of $296 (2017 – $2) was recognized in the consolidated statement of operations related to RSUs granted.

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(b) Options ("Options")

A summary of Options activities for the six months ended June 30, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Number of Options	**Weighted average Exercise Price**	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of period / year	**804,961**	**$ 1.50**	959,745	$ 2.41
Granted	**1,200,000**	**1.41**	—	—
Forfeited	**(13,004)**	**1.50**	(135,279)	7.88
Exercised	**—**	**—**	(19,505)	1.50
Options outstanding - end of period / year	**1,991,957**	**$ 1.45**	804,961	$ 1.50
Exercisable	**925,283**	**$ 1.50**	744,006	$ 1.50

The outstanding Options had an exercise price range as follows:

	June 30, 2018	December 31, 2017
	Number of Options	Number of Options
$1.41	**1,200,000**	—
$1.50	**791,957**	804,961
Options outstanding	**1,991,957**	804,961

The Black-Scholes option-pricing model inputs used to compute compensation expense under the fair value-based method are as follows:

	June 30, 2018
Expected life (years)	**7**
Expected volatility	**40%**
Dividend yield	**0%**
Risk free rate of return	**1.88%**
Weighted average fair value of options granted	**$ 0.68**
Forfeiture rate	**10%**

During the six months ended June 30, 2018, options to purchase up to 1,200,000 common shares were awarded to DCM's Board of Directors and executive management team, including a total of 240,000 options awarded to the CEO and President. 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 14, 2018. During the six months ended June 30, 2018, a total of 13,004 options awarded were forfeited.

During the six months ended June 30, 2018, compensation expense of $265 (2017 – $59) was recognized in the consolidated statement of operations related to options granted.

(c) Deferred share unit ("DSU")

On March 14, 2018, 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 the company 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 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.

During the three and six months ended June 30, 2018, 28,009 DSUs (2017 – Nil DSUs) were granted. The carrying amount of the liability relating to the DSUs at June 30, 2018 was $48 (2017 – $Nil).

During the three and six months ended June 30, 2018, an expense of $48 (2017 – $Nil) was recognized in the consolidated statement of operations related to DSUs granted.

13 (Loss) earnings per share

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
BASIC (LOSS) EARNINGS PER SHARE		
Net loss for the period attributable to common shareholders	**$ (1,194)**	$ (581)
Weighted average number of shares	**20,870,234**	13,637,875
Basic (loss) earnings per share	**$ (0.06)**	$ (0.04)
DILUTED (LOSS) EARNINGS PER SHARE		
Net loss for the period attributable to common shareholders	**$ (1,194)**	$ (581)
Weighted average number of shares	**20,870,234**	13,637,875
Diluted (loss) earnings per share	**$ (0.06)**	$ (0.04)

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
BASIC EARNINGS (LOSS) PER SHARE		
Net income (loss) for the period attributable to common shareholders	**$ 569**	$ (2,678)
Weighted average number of shares	**20,456,993**	13,079,515
Basic earnings (loss) per share	**$ 0.03**	$ (0.20)
DILUTED EARNINGS (LOSS) PER SHARE		
Net income (loss) for the period attributable to common shareholders	**$ 569**	$ (2,678)
Weighted average number of shares	**20,495,793**	13,079,515
Diluted earnings (loss) per share	**$ 0.03**	$ (0.20)

During the the three months ended June 30, 2018, options to purchase up to 1,991,957 common shares were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. During the six months

ended June 30, 2018, options to purchase up to 1,200,000 common shares where the average market price of the common shares was greater than than the exercise price were included in the computation of diluted earnings per share while options to purchase up to 791,957 common shares where the average market price of the common stock was less than the exercise price were anti-dilutive and as such these were excluded from the computation of diluted earnings per shares. 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 June 30, 2018, respectively.

For the six months ended June 30, 2017, 6.00% Convertible Unsecured Subordinated Debentures in the aggregate principal amount of $11,175 and the related interest expense were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Options to purchase up to 865,103 common shares and warrants to purchase up to 1,345,3000 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.

14 Changes in working capital

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Trade receivables	**$ 7,693**	$ 947
Inventories	**441**	(442)
Prepaid expenses and other current assets	**649**	411
Trade payables and accrued liabilities	**(3,530)**	3,858
Deferred revenue	**165**	(2,053)
	$ 5,418	$ 2,721

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Trade receivables	**$ 424**	$ 1,446
Inventories	**830**	(2,837)
Prepaid expenses and other current assets	**1,358**	691
Trade and accrued liabilities	**6,324**	2,843
Deferred revenue	**171**	(307)
	$ 9,107	$ 1,836

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.

16 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 year ended December 31, 2017, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA

Communications Management Pension Plan for 2017 decreased from $1,311 to $647. 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. This excess funding will be applied to DCM's future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017. The new regulation allows plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months.

DCM has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the DATA Communications Management Pension Plan as at January 1, 2018. DCM expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately $420, after adjusting for the excess funding from 2017, and for 2019 will be approximately $1,353. The January 1, 2018 actuarial valuation report for the DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DCM's minimum funding requirements for 2018 and forward is not determinable at this time.

Pension expense

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

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017
Net cost recognized in general and administration expenses	**$ 75**	$ 81	**$ 150**	162
Interest costs in finance expense	**60**	54	**119**	108
Defined benefit plans	**$ 135**	$ 135	**$ 269**	$ 270
Defined contribution plans	**$ 317**	$ 385	**$ 714**	$ 765
Defined benefit multi-employer plans	**$ 158**	$ 197	**$ 312**	$ 350

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Other post-employment benefit plans expense

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

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017
Net cost recognized in general and administration expenses	**$ 73**	$ 62	**$ 146**	124
Interest costs in finance expense	**28**	26	**56**	52
Other post-employment benefit plans	**$ 101**	$ 88	**$ 202**	$ 176

Letter to shareholders

Dear Shareholders,

The following provides an overview of:

- Second quarter 2018 and first half 2018 financial results;
- Second quarter initiatives and drivers for our business;
- Management outlook for the balance of 2018.

Second quarter 2018 financial results

Revenues for the quarter were $78.2 million compared to $73.1 million in the second quarter of 2017, an increase of $5.1 million or 7.0%. Excluding the effects of adopting IFRS 15, for the quarter ended June 30, 2018, revenues were $3.9 million, or 5.3%, higher than the same period last year. Total revenues benefited from the acquisition of BOLDER Graphics in November 2017, and the acquisition of the Perennial Group partway through the quarter in May 2018. Our core DCM business (excluding all acquisitions made since February 2017) generated $65.3 million of revenue, compared to $62.2 million in the prior year's period.

Adjusted EBITDA was $4.1 million versus $4.3 million in the second quarter of 2017. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $4.6 million or 6.0% of revenues for the quarter ended June 30, 2018.

Six month 2018 financial results

Revenues for the first six months of 2018 were $166.7 million compared to $143.2 million in the first half of 2017, an increase of $23.5 million or 16.4%. Excluding the effects of adopting IFRS 15, for the six months ended June 30, 2018, revenues were $18.5 million, or 12.9%, higher than the same period last year.

Our core DCM business (excluding all acquisitions made since February 2017) generated revenue of $141.7 million compared to $127.8 million last year, an increase of $13.9 million or 10.9%.

Adjusted EBITDA was $10.4 million compared to $7.2 million in the first half of 2017. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $9.9 million or 6.1% of revenues for the six months ended June 30, 2018.

Second quarter initiatives and drivers

Sales Performance

Our core DCM business continued to be buoyed by increased wallet share from existing clients and the continued successful onboarding of our recent financial services client.

Our sales pipeline continues to be robust. The pipeline of new customer revenue has been strengthened by our engagement in the licensed cannabis industry. DCM has been awarded multi-year contracts with several leading licensed producers to provide Health Canada compliant packaging labels for a variety of cannabis products. We expect to see revenue in this emerging market generated in the third and fourth quarters as these producers come to market.

Operations

Coupled with our cannabis producer wins, we have quickly augmented our manufacturing platform to accommodate the strong demand we are anticipating in the packaging labels business. To that end, we have secured the first Gallus

Heidelberg Labelfire 340 hybrid digital ink-jet / flexographic label press in the Canadian market. This addition is specifically designed to provide variable, on-demand, short & long run label production and is in alignment with our already strong label production capabilities. This will also allow us to pursue new prime-label market opportunities in the wine and spirits businesses.

DCM's reputation for quality and working with exacting regulatory compliance standards, supported by our proprietary work-flow platforms, are in great part the reasons why our company is winning in the market.

Recently, all four of our major production centres received their ISO 9001-2015 certifications and our six sigma scores for quality are industry-leading.

Lastly, we have had successful tests of our ERP project and are focused on a fourth quarter implementation target.

Margin & Cost Discipline

I am disappointed with our gross margin attainment in the second quarter. While we made improvements in the first quarter of 2018, our second quarter margins slipped almost a full percentage point versus a year ago.

In great part this can be attributed to product mix in the second quarter and to a lesser extent the impact of paper and other raw materials price increases that are being experienced industry-wide. But the most significant challenge to improving gross margins is related to certain contracted business that we secured in 2016 and 2017, at lower margins.

While most of our contracts allow us to pass raw material and CPI increases along to our customers, certain of these agreements have limitations in their early term that limits this ability. Nonetheless, we plan to effect price increases as contract terms allow us, and longer-term we expect to achieve higher margins with these customers.

On the plus side, we continue to see gross margin improvements on non-contracted business and as well we expect significantly improved margins in our packaging label business and other newly contracted business in the second half of the year, which is typically seasonally stronger in any event.

Management outlook for balance of 2018

We continue to maintain our guidance for 2018, buoyed by continued revenue growth and expanding opportunities we have with existing customers. We recently took over the capital markets print production for a major financial customer and in June we opened offices in Manhattan and downtown Chicago to serve their needs.

In addition, we expanded our Chicago presence by hiring two senior sales executives who are just some of the talented new team members we've added across the business in the first half of this year.

Lastly, our recent acquisition of Perennial is bearing fruit as the business recently won a major branding initiative from a new DCM client. We expect this relationship to be a harbinger of our growth in marketing services.

For a full description of our financial results for the second quarter and the year to date of 2018, please refer to our unaudited consolidated financial statements for the three and six months ended June 30, 2018 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Yours truly,

Gregory J. Cochrane
President and Chief Executive Officer

DATA Communications Management Corp.
August 2018

Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM) and its subsidiaries (referred to herein as "DCM" or the "Company") for the three and six month periods ended June 30, 2018 and 2017. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2017, the unaudited interim consolidated financial statements and accompanying notes of DCM for the three and six month periods ended June 30, 2018 and 2017 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2017 . Additional information about the Company, including its most recently filed unaudited interim and audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of August 13, 2018.

Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater

economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and risks associated with the integration of such acquired businesses; risks related to the disruption of management time from ongoing business operations due to the acquisition of the Perennial Group of Companies; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A under the headings "Risk Factors" and "Risks and Uncertainties" in DCM's publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of Common Shares (basic and diluted) outstanding during the period. In addition to net income (loss), DCM uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DCM's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to

Adjusted EBITDA, see Table 3 below. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 4 below.

Business of DCM

OVERVIEW

DCM is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with their customers. We pair customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power our clients' go-to market strategies. We help our 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.

Our extensive experience has positioned us as experts at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. Thanks to our locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), we are able to meet our clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. And we can do it all with advanced DCM security, regulatory compliance, and bilingual communications, in print or digital.

On February 22, 2017, DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

Customer agreements and terms typically include provisions consistent with industry practice, which allow DCM to pass along increases in the cost of paper and other raw materials used to manufacture products.

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.

DCM has approximately 1,450 employees in Canada and the United States, and had revenues of $289.5 million in 2017. Website: www.datacm.com.

RECENT DEVELOPMENTS

ACQUISITION OF PERENNIAL GROUP OF COMPANIES

DCM completed the acquisition of 100% of the outstanding common shares of Perennial Group of Companies Inc. on May 8, 2018 (the "Closing Date"). The acquisition includes Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi–function creative, execution and production art studio. collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial Group generated approximately $7.0 million in revenues (unaudited) for the fiscal year ended July 31, 2017. Perennial Group has approximately 45 employees operating from an 18,000 square foot office located in Etobcoke, Ontario and a 5,000 square foot office in Bolton, Ontario. The acquisition of Perennial has added a new suite of services include business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

Perennial was acquired for a total purchase price of approximately $12.5 million, after giving effect to a preliminary positive working capital adjustment of $1.2 million, related primarily to Perennial's strong cash and accounts receivable balances at closing. The purchase price of the Perennial acquisition was satisfied as follows: $8.2 million in cash, $2.1 million through the issuance of 1,394,856 common shares of DCM ("Common Shares"), and $2.3 million in the form of a subordinated, unsecured, interest bearing vendor take-back promissory notes (the "VTB"). The VTB is repayable as follows: $1.0 million payable on the first anniversary of the Closing Date, $1.0 million on the second anniversary of the Closing Date and $0.5 million on the third anniversary of the Closing Date. The purchase price will be subject to certain post-closing adjustments.

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 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 Closing Date. The fair value of the vendor take-back promissory note 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.

Total acquisition-related costs incurred and charged to the consolidated statement of operations for the six months ended June 30, 2018 were $313 of which $272 related to the Perennial acquisition and $41 for the BOLDER acquisition, respectively.

Total cash advanced on the Closing Date was $8.2 million, which was used to finance the up-front cash component of the acquisition, positive working capital adjustment and pay for related transaction costs, and was funded with a new credit facility (see "Liquidity and Capital Resources" below for further details related to DCM's credit facilities).

The revenues and net loss contributed by Perennial and included in the consolidated statement of operations for the period between the Closing Date and June 30, 2018 were $890 and $106, respectively. 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 six months ended June 30, 2018 would have been approximately $3,290 and $590, respectively, adjusting net loss for

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

REVENUE RECOGNITION POLICY

DCM adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018, which replaced IAS *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

Under IFRS 15, DCM recognizes revenue when control of the products or services it provides to its customers has been transferred. The following is a description of principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies under IFRS 15:

PRODUCT SALES

DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. DCM recognizes revenue upon the completion of production or when stock product is purchased from a third-party vendor and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable.

DCM uses significant judgment, which is inherent in its revenue generating activities,as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch

from one of DCM's warehouses, DCM closely monitors the customer's product and the agreed upon term of warehousing to manage any related business risks.

WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. Warehousing services represent a distinct performance obligation and accordingly, revenues are recognized over the period that warehousing services are provided to the customer.

FREIGHT SERVICES

DCM provides services to ship customer product from its warehouse to a location specified by the customer. This represents a distinct performance obligation and revenue is recognized when performance of the shipping service has occurred.

IMPACT ON TRANSITION TO IFRS 15

The primary impact on adoption of IFRS 15 relates to the timing of when revenue is recognized for product sales. Previously, under IAS 18, DCM identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM'S warehouse did not transfer until such time as the product was dispatched from the warehouse. Upon the adoption of IFRS 15, DCM has identified that product revenue should be recognized upon the completion of production or purchase and induction of product from third-party vendors into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment. Management is of the view that this represents a more accurate reflection of the economics in how DCM conducts business with its customers, especially given all product orders are customized based on specifications pre-approved by the customer, the product is segregated and maintained solely for the customer who placed the order (i.e. cannot be used interchangeably to fill another customer's order), and DCM has a right to payment for the performance obligations it has satisfied.

See "Accounting Policies" for further discussion regarding DCM's revenue recognition policies and the impact of adopting IFRS 15 on DCM's consolidated financial statements as at January 1, 2018 and for the three and six months ended June 30, 2018.

COST OF REVENUES AND EXPENSES

DCM's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DCM's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DCM's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DCM's facilities, utilities, insurance and building maintenance. DCM's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related

expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses in each of the last four fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures.

Selected Consolidated Financial Information

The following tables set out the summary consolidated financial information and supplemental information for the periods indicated. The summary interim and financial information for fiscal 2018 and 2017 have been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with DCM's fiscal 2017 audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2018, these periods do not reflect consistent accounting policies, particularly in relation to revenue recognition and therefore are not directly comparable. In the opinion of management, such unaudited financial DCM reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for the fair presentation of the results for those periods.

TABLE 1 The following table sets out selected historical consolidated financial information for the periods noted.

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Revenues [1]	**$ 78,176**	$ 73,066	**$ 166,692**	$ 143,192
Cost of revenues	**59,587**	55,062	**126,628**	108,828
Gross profit	**18,589**	18,004	**40,064**	34,364
Selling, general and administrative expenses	**17,750**	15,715	**35,422**	30,739
Restructuring expenses	**736**	1,735	**800**	3,621
Acquisition costs	**270**	13	**313**	969
	18,756	17,463	**36,535**	35,329
(Loss) income before finance costs and income taxes	**(167)**	541	**3,529**	(965)
Finance costs (income)				
Interest expense	**1,273**	1,181	**2,412**	2,131
Interest income	**(2)**	—	**(4)**	—
Amortization of transaction costs	**158**	121	**301**	236
	1,429	1,302	**2,709**	2,367
(Loss) income before income taxes	**(1,596)**	(761)	**820**	(3,332)
Income tax (recovery) expense				
Current	**(288)**	288	**555**	339
Deferred	**(114)**	(468)	**(304)**	(993)
	(402)	(180)	**251**	(654)
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Basic (loss) earnings per share	**$ (0.06)**	$ (0.04)	**$ 0.03**	$ (0.20)
Diluted (loss) earnings per share	**$ (0.06)**	$ (0.04)	**$ 0.03**	$ (0.20)
Weighted average number of common shares outstanding, basic	**20,870,234**	13,637,875	**20,456,993**	13,079,515
Weighted average number of common shares outstanding, diluted	**20,870,234**	13,637,875	**20,495,793**	13,079,515

As at June 30, 2018 and December 31, 2017 *(in thousands of Canadian dollars, unaudited)*	**As at June 30, 2018**	As at December 31, 2017
Current assets	**$ 83,402**	$ 82,804
Current liabilities	**61,919**	68,648
Total assets	**141,648**	131,859
Total non-current liabilities	**72,254**	68,610
Shareholders' equity (deficit)	**$ 7,475**	$ (5,399)

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures" section above for more details.

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Revenues [(1)]	**$ 78,176**	$ 73,066	**$ 166,692**	$ 143,192
Gross profit	**$ 18,589**	$ 18,004	**$ 40,064**	$ 34,364
Gross profit, as a percentage of revenues	**23.8%**	24.6%	**24.0%**	24.0%
Selling, general and administrative expenses	**$ 17,750**	$ 15,715	**$ 35,422**	$ 30,739
As a percentage of revenues	**22.7%**	21.5%	**21.2%**	21.5%
Adjusted EBITDA (see Table 3)	**$ 4,086**	$ 4,253	**$ 10,438**	$ 7,167
As a percentage of revenues	**5.2%**	5.8%	**6.3%**	5.0%
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Adjusted net income (see Table 4)	**$ 241**	$ 714	**$ 2,340**	$ 967
As a percentage of revenues	**0.3%**	1.0%	**1.4%**	0.7%

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

TABLE 3 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures" section above for more details.

EBITDA and Adjusted EBITDA reconciliation

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Interest expense	**1,273**	1,181	**2,412**	2,131
Interest income	**(2)**	—	**(4)**	—
Amortization of transaction costs	**158**	121	**301**	236
Current income tax (recovery) expense	**(288)**	288	**555**	339
Deferred income tax recovery	**(114)**	(468)	**(304)**	(993)
Depreciation of property, plant and equipment	**1,176**	1,058	**2,324**	1,943
Amortization of intangible assets	**1,232**	906	**2,301**	1,599
EBITDA	**$ 2,241**	$ 2,505	**$ 8,154**	$ 2,577
Restructuring expenses	**736**	1,735	**800**	3,621
One-time business reorganization costs	**839**	—	**1,171**	—
Acquisition costs	**270**	13	**313**	969
Adjusted EBITDA [(1)]	**$ 4,086**	$ 4,253	**$ 10,438**	$ 7,167

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

TABLE 4 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See "Non-IFRS Measures" section above for more details.

Adjusted net (loss) income reconciliation

For the periods ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2018**	April 1 to June 30, 2017	**January 1 to June 30, 2018**	January 1 to June 30, 2017
Net (loss) income for the period	**$ (1,194)**	$ (581)	**$ 569**	$ (2,678)
Restructuring expenses	**736**	1,735	**800**	3,621
One-time business reorganization costs	**839**	—	**1,171**	—
Acquisition costs	**270**	13	**313**	969
Tax effect of the above adjustments	**(410)**	(453)	**(513)**	(945)
Adjusted net income [(1)]	**$ 241**	$ 714	**$ 2,340**	$ 967
Adjusted net income per share, basic	**$ 0.01**	$ 0.05	**$ 0.11**	$ 0.07
Adjusted net income per share, diluted	**$ 0.01**	$ 0.05	**$ 0.11**	$ 0.07
Weighted average number of common shares outstanding, basic	**20,870,234**	13,637,875	**20,456,993**	13,079,515
Weighted average number of common shares outstanding, diluted	**21,742,477**	13,637,875	**20,495,793**	13,079,515
Number of common shares outstanding, basic	**21,523,515**	19,263,235	**21,523,515**	19,263,235
Number of common shares outstanding, diluted	**22,395,758**	19,263,235	**21,587,945**	19,263,235

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and six months ended June 30, 2018 for further details on the impact of the adoption of new accounting standards.

Results of operations

REVENUES

For the quarter ended June 30, 2018, DCM recorded revenues of $78.2 million, an increase of $5.1 million or 7.0% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the quarter ended June 30, 2018, revenues were $3.9 million, or 5.3%, higher than the same period last year. The increase in revenues for the quarter ended June 30, 2018 was primarily due to additional revenues from the acquisitions of BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017 and increased volumes in labels and thermal paper work for customers. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business.

For the six months ended June 30, 2018, DCM recorded revenues of $166.7 million, an increase of $23.5 million or 16.4% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the six months ended June 30, 2018, revenues were $18.5 million, or 12.9%, higher than the same period last year. The increase in revenues for the six months ended June 30, 2018 was primarily due to additional revenues from the acquisitions of Eclipse, Thistle

BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017, increased volumes in labels work for existing and new retailer customers, and a one-time increase in volume from a long-standing customer which generated $8.9 million in higher revenues relative to the same period last year. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business. Overall, DCM continues to benefit from the growth initiatives it effected throughout 2017 and the first half of 2018 to help offset some of the secular declines experienced by the industry.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended June 30, 2018, cost of revenues increased to $59.6 million from $55.1 million for the same period in 2017, resulting in a $4.5 million or 8.2% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $2.8 million or 5.0% relative to the same period last year. For the six months ended June 30, 2018, cost of revenues increased to $126.6 million from $108.8 million for the same period in 2017, resulting in a $17.8 million or 16.4% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $13.5 million or 12.4% relative to the same period last year.

Gross profit for the quarter ended June 30, 2018 was $18.6 million, which represented an increase of $0.6 million or 3.2% from $18.0 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by $1.1 million or 6.3% relative to the same period last year. Gross profit as a percentage of revenues decreased to 23.8% for the quarter ended June 30, 2018 compared to 24.6% for the same period in 2017, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.9% for the quarter ended June 30, 2018. The decrease in gross profit as a percentage of revenues for the quarter ended June 30, 2018 was primarily due to product mix, with higher levels of lower margin label and thermal products production than the comparable period. Gross profit was also somewhat negatively impacted by increases in the cost of paper and the timing of passing through increases to customers, particularly certain recently contracted customers. Gross profit as a percentage of revenues was, however, positively impacted due to the refinement of DCM's pricing discipline and cost reductions realized from ongoing cost savings initiatives.

Gross profit for the six months ended June 30, 2018 was $40.1 million, which represented an increase of $5.7 million or 16.6% from $34.4 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by $5.0 million or 14.5% relative to the same period last year. Gross profit as a percentage of revenues for the six months ended June 30, 2018 remained largely unchanged from the prior year at 24.0%, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.3% for the six months ended June 30, 2018. The increase in gross profit as a percentage of revenues for the six months ended June 30, 2018 was positively impacted by higher gross margins attribtued to Eclipse, Thistle, BOLDER Graphics and Perennial, and due to the refinement of DCM's pricing discipline and cost reductions realized from prior cost savings initiatives. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the quarter ended June 30, 2018 increased $2.0 million or 12.9% to $17.8 million compared to $15.7 million in the same period in 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $2.1 million higher for the quarter ended June 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 22.7% (or 23.1% before the effects of adopting IFRS 9 and 15) and 21.5% of revenues for the quarter ended June 30, 2018 and 2017, respectively. The increase in SG&A expenses for the quarter ended June 30, 2018 was primarily attributable to the acquisitions of BOLDER Graphics and Perennial, one time business reorganization costs of $0.8 million and higher sales commission costs commensurate with the increase in revenues.

SG&A expenses for the six months ended June 30, 2018 increased $4.7 million or 15.2% to $35.4 million compared to $30.7 million for the same period of 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $4.5 million higher for the six months ended June 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 21.2% (or 21.8% before the effects of adopting IFRS 9 and 15) and 21.5% of revenues for the six months ended June 30, 2018 and 2017, respectively. The increase in SG&A expenses for the six months ended June 30, 2018 was primarily attributable to the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, one time business reorganization costs of $0.8 million, additional professional fees and higher sales commission costs commensurate with the increase in revenues.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM over the past four years in order to improve margins and better align costs with the declining revenues experienced by the Company in its traditional business, a trend that has been faced by the traditional printing industry for several years now.

For the quarter ended June 30, 2018, DCM incurred restructuring expenses of $0.7 million compared to $1.7 million in the same period in 2017. The restructuring expenses of $0.7 million during the quarter ended June 30, 2018 primarily related to headcount reductions across the operational, sales and administration functions of the business. For the quarter ended June 30, 2017, DCM incurred restructuring expenses of $1.7 million of which $1.5 million primarily related to headcount reductions across the sales and customer service functions of the business and a lease exit charge of $0.3 million associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan.

For the six months ended June 30, 2018, DCM incurred net restructuring expenses of $0.8 million compared to $3.6 million in the same period in 2017. DCM incurred $1.9 million of restructuring costs related to 1) headcount reductions in indirect labour as a result of the plant consolidations completed during the current quarter, in addition to reductions of certain individuals within the sales and administrative functions, and 2) costs incurred to facilitate the closure and consolidation of the Multiple Pakfold, BOLDER Graphics and Granby, Quebec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Quebec facilities, respectively. Total restructuring costs were offset by a recovery of $1.1 million related to the termination of DCM's lease agreement for its Granby, Quebec facility

For the six months ended June 30, 2017, DCM incurred restructuring expenses of $3.6 million. $3.7 million of restructuring costs were incurred related to headcount reductions in DCM's indirect labour force across its operations, which were

designed to streamline DCM's order-to-production process and across the sales and customer service functions of the business. These restructuring costs were offset by a recovery of $0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DCM also incurred a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan of $0.3 million.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

ADJUSTED EBITDA

For the quarter ended June 30, 2018, Adjusted EBITDA was $4.1 million, or 5.2% of revenues, after adjusting EBITDA for the $0.7 million in restructuring charges, $0.3 million of acquisition costs and $0.8 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $4.6 million or 6.0% of revenues for the quarter ended June 30, 2018 compared with an Adjusted EBITDA of $4.3 million or 5.8% for the same period last year. Adjusted EBITDA for the three months ended June 30, 2018 decreased $0.2 million or 3.9% from the same period in the prior year which was 5.8% of revenues in 2017. The decrease in Adjusted EBITDA for the three months ended June 30, 2018 was primarily attributable to lower gross profit as a result of product mix and higher SG&A expenses. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in the second half of 2017.

For the six months ended June 30, 2018, Adjusted EBITDA was $10.4 million, or 6.3% of revenues, after adjusting EBITDA for the $0.8 million in restructuring charges, $0.3 million of acquisition costs and $1.2 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $9.9 million or 6.1% of revenues for the six months ended June 30, 2018 compared with an Adjusted EBITDA of $7.2 million or 5.0% for the same period last year. The $3.3 million increase in Adjusted EBITDA for the six months ended June 30, 2018 over the six months of 2017 was attributable to higher gross profit as a result of revenues contributed by DCM's core business, in addition to the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions, improved pricing initiatives implemented part-way through the prior year, and cost savings from the restructuring efforts carried out in the second half of 2017. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DCM’s credit facilities, on certain unfavourable lease obligations related to closed facilities, and on DCM’s employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $1.3 million for the three months ended June 30, 2018 compared to $1.2 million for the same period in 2017, and was $2.4 million for the six months ended June 30, 2018 compared to $2.1 million for the same period in 2017. Interest expense for the three and six months ended June 30, 2018 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase price, settle certain debt assumed and pay for related costs incurred to complete the acquisitions of Eclipse, Thistle and BOLDER Graphics in 2017 and the acquistion of Perennial in 2018.

INCOME TAXES

DCM reported a loss before income taxes of $1.6 million and a net income tax recovery of $0.4 million for the quarter ended June 30, 2018 compared to a loss before income taxes of $0.8 million and a net income tax recovery of $0.2 million for the quarter ended June 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax recovery was $0.3 million for the quarter ended June 30, 2017. The current income tax recovery and expense were primarily related to the income taxes payable on DCM's estimated taxable income for the quarters ended June 30, 2018, and 2017, respectively. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the quarters ended June 30, 2018 and 2017, respectively.

DCM reported income before income taxes of $0.8 million and a net income tax expense of $0.3 million for the six months ended June 30, 2018 compared to a loss before income taxes of $3.3 million and a net income tax recovery of $0.7 million for the six months ended June 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was $0.1 million for the six months ended June 30, 2018. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the six months ended June 30, 2018. The deferred income tax recovery for the six months ended June 30, 2018 primarily relates to changes in estimates of future reversals of temporary differences, primarily representing adjustments due to the adoption of IFRS 15 including the full utilization of loss carryforwards and new temporary differences that arose during the six month period ended June 30, 2018.

NET LOSS

Net loss for the quarter ended June 30, 2018 was $1.2 million compared to net loss of $0.6 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net loss for the quarter ended June 30, 2018 was $0.8 million. The decrease in comparable profitability for the quarter ended June 30, 2018 was primarily due to lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, and was partially offset by refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts.

Net income for the six months ended June 30, 2018 was $0.6 million compared to a net loss of $2.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the six months ended June 30, 2018 was $0.2 million. The increase in comparable profitability for the six months ended June 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended June 30, 2018 was $0.2 million compared to Adjusted net income of $0.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the quarter ended June 30, 2018 was $0.6 million. The decrease in comparable profitability for the quarter ended June 30,

2018 was primarily due to lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, and was partially offset by refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts.

Adjusted net income for the six months ended June 30, 2018 was $2.3 million compared to Adjusted net income of $1.0 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the six months ended June 30, 2018 was $1.9 million. The increase in comparable profitability for the six months ended June 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

Liquidity and capital resources

LIQUIDITY

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 “IAM IV Credit Facility”) with Integrated Private Debt Fund IV LP (“IAM IV"), a fund managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate amended and restated credit agreements, between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM established a $5.0 million secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the “IAM 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 IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3.5 million ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand and bore interest at a rate equal to the prime rate of interest charged by DCM’s Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility had a term of one year and could be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM’s other senior lenders. The Bridging Credit Facility was subordinated in right of payment to the prior payment in full of DCM’s indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and was secured by certain specified equipment together with certain other conventional security. As at June 30, 2018, DCM had no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released. Additionally, transaction costs of $0.1 million were previously capitalized.

A total of $0.1 million of these transaction cost were amortized as May 8, 2018 and the remaining balance of $20.8 thousand was written off due to the early repayment.

On May 8, 2018, DCM established a $12.0 million non-revolving term loan facility with Crown Capital Fund IV, LP (the "Crown Facility"), a fund managed by Crown Capital Fund IV Management Inc. ("Crown"), of which approximately $8.2 million was used to fund the up-front cash component of the Perennial acquisition and $3.5 million was used to repay in full the outstanding balance of the Bridging Credit Facility. The balance of the Crown Facility will be used for general working capital purposes. The Crown Facility was made available in one advance, with an effective date of May 7, 2018, and bears interest at a rate equal to 10% per annum, calculated daily and payable in arrears on a quarterly basis. The loan facility has a five (5) year term beginning on May 7, 2018 and can be repaid at any time after twenty-four (24) months, subject to prepayment fee, upon ten (10) days prior written notice to Crown. The Crown Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is 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 $12.0 million was apportioned to the debt instrument and the warrant option based on their respective fair values of $11.5 million and $0.5 million, respectively. 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 $11.5 million to $12.0 million over the term of the loan. As at June 30, 2018 the accreted debt instrument was valued at $11.5 million including total accretion expense of $12.0 thousand. The Crown Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5.0 million during any fiscal year. 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. Effective May 7, 2018, DCM entered into the first amendment (the "Crown Amendment") to the Crown Facility, which amended certain representations and indemnities relating to taxation, including with respect to excluded taxes, indemnified taxes and other taxes in the event of a future change in the regulatory jurisdiction of the holder of the Crown Facility for the benefit of each of Crown and DCM.

As at June 30, 2018, DCM had outstanding borrowings of $20.1 million and letters of credit granted of $1.2 million under the Bank Credit Facility, outstanding borrowings of $4.4 million under the IAM III Credit Facility, outstanding borrowings of $20.4 million under the IAM IV Credit Facility, borrowings of $4.6 million under the IAM V Credit Facility, and outstanding borrowings of $12.0 million under the Crown Facility. Under the Bank Credit Facility, DCM had access to $8.6 million of available credit at June 30, 2018.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million and the Bank Credit Facility matures on March 31, 2020. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%.

As at June 30, 2018, DCM has capitalized transaction costs of $0.9 million related to the amended Bank Credit Facility. The unamortized transaction costs related to the credit facility as at June 30, 2018 was $0.5 million. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at June 30, 2018, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 4.2% per annum.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding at any time under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with IFRS ("Total Funded Debt"), is $72.0 million (after giving effect to the provisions of the inter-creditor agreement described below). The bank overdraft balance of $2.2 million on the statement of consolidated position as at June 30, 2018, represents outstanding cheques, when cashed, would be a draw over the Bank Credit Facility.

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over a nine year term ending October 15, 2022. The principal amount of the amended IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest over a sixty six month term ending in May 15, 2023. As at June 30, 2018, all of DCM's indebtedness outstanding under the IAM 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 IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at June 30, 2018, the unamortized transaction costs related to the IAM III Credit Facility were $27.0 thousand and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM has capitalized transaction costs of $0.9 million related to the amended IAM IV Credit Facility and the related unamortized balance of transaction costs were $0.5 million as at June 30, 2018 . The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM has capitalized transaction costs of $0.2 million related to the IAM V Credit Facility. As at June 30, 2018. the unamortized balance of the transaction costs were $0.2 million. The unamortized balance of the transaction costs of the IAM V Credit Facility is being amortized over the term of this facility. As at June 30, 2018, the unamortized transaction costs relating to the Crown Facility was $0.6 million and the related unamortized balance of the transaction cost was $0.6 million. The unamortized balance of the transaction costs of the Crown Facility is being amortized over the remaining term of the facility.

Each of the amended Bank Credit Agreement, the IAM III Credit Agreement, the amended IAM IV Credit Agreement, the IAM V Credit Agreement and the Crown Facility agreement 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 without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, as applicable.

Under the terms of the amended Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017,the ratio would not be less than 0.9

to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio must not be less than 1.1 to 1.0 at all times, 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. The pro forma financial results for DCM's acquisitions 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. As at June 30, 2018, the fixed charge coverage ratio was 1.27. As at June 30, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA of not greater than the following levels: from October 1 2017 to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.1:1. The pro forma financial results from DCM's acquisitions 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. As at June 30, 2018, the ratio of Total Funded Debt to EBITDA was 2.79, the debt service coverage ratio was 2.06 and the working capital current ratio was 1.35. As at June 30, 2018, DCM was in compliance with these covenants and it expects to be compliant with these covenants going forward.

Under the terms of the Crown Facility agreement, DCM must maintain (i) a fixed charge ratio, at the end of each quarter, of no less than (a)1.1 to 1.0 for the fiscal quarter ending June 30, 2018, (b) 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and (c) 1.4 to 1.0 for each fiscal quarter thereafter; and (ii) a net debt to EBITDA ratio, of no more than 4.0 to 1.0 for each quarter up until December 31, 2019 and 3.0 to 1.0 for each quarter thereafter. As at June 30, 2018, the fixed charge coverage ratio was 1.27 and the net debt to EBITDA ratio was 3.20. As at June 30, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

A failure by DCM to comply with its obligations under any of the amended Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility agreement, 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 IAM III, IAM IV and IAM V, 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. On May 3, 2018, DCM obtained written consent from IAM III, IAM IV and IAM V regarding the resignation of DCM's CEO and the appointment of DCM's President as President and CEO of DCM. 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 2018 operating plan or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility and the IAM V Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates. On February 22, 2017, DCM entered into an amended inter-creditor agreement between the Bank, IAM III, IAM 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, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement"). On June 28, 2017, a second inter-creditor agreement was entered into in order to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM 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 (the “Second A&R ICA”) between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

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 Agreement 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 IAM III Credit Facility (the “IAM III A&R Credit Facility”), its IAM IV Credit Facility (the “IAM IV A&R Credit Facility”) and its IAM V Credit Facility (the “IAM V Credit Facility”), each managed by IAM, which, among other things, incorporated conforming updates to each 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 Agreement and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by IAM.

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility, the IAM V Credit Facility, the Crown Facility, as amended, or other indebtedness of DCM.

As at June 30, 2018, DCM had a bank overdraft of $2.2 million compared to bank overdraft of $2.9 million at December 31, 2017. Under the terms of the amended IAM IV Credit Agreement and IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility and IAM V Credit Facility. As at June 30, 2018, there was a balance of $0.5 million in the blocked account, which is recognized as restricted cash in DCM's consolidated statements of financial position.

In assessing DCM’s liquidity requirements, DCM takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from

investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing restructuring activities, as well as its ongoing cash needs for its existing operations, will be sufficient to fund its currently projected operating requirements including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures, and debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

CASH FLOW FROM OPERATIONS

During the three months ended June 30, 2018, cash flows generated by operating activities were $5.8 million compared to cash flows generated by operating activities of $3.9 million during the same period in 2017. $2.7 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $3.3 million in 2017. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a $2.0 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the three months ended June 30, 2018 generated $5.4 million in cash compared with $2.7 million in the prior year. Given the increase in trade receivables as a result of higher sales in the current quarter, there was a corresponding increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs. Timing of payments to suppliers are fairly commensurate with collections on outstanding receivables from DCM's customers.

In addition, $1.8 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $1.7 million of payments in 2017. Contributions made to the Company's pension plans were $0.3 million which decreased from $0.5 million in the prior year while income tax payments increased by $0.3 million for the three months ended June 30, 2018.

During the six months ended June 30, 2018, cash flows generated by operating activities were $11.9 million compared to cash flows generated by operating activities of $2.3 million during the same period in 2017. A total of $8.2 million of the current period cash flows resulted from operations, after adjusting for non-cash items, compared with $4.7 million for the same period last year. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a $4.7 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the six months ended June 30, 2018 generated $9.1 million in cash compared with $1.8 million of cash generated in the prior year. There was an increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs as a result of higher revenues during the six month period ended June 30, 2018.

In addition, $3.9 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $3.3 million of payments in 2017. Contributions made to the Company's pension plans were $0.6 million, which decreased from $0.9 million in the prior year while income tax payments increased by $0.9 million for the six months ended June 30, 2018.

INVESTING ACTIVITIES

During the three months ended June 30, 2018, $9.8 million in cash flows were used for investing activities compared with $1.7 million during the same period in 2017. In 2018, $0.7 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Granby, Québec and BOLDER Graphics facilities into DCM's Drummondville, Quebec and Calgary, Alberta locations, respectively. Furthermore, $1.6 million of cash was used to further invest in DCM's ERP project. In 2018, $7.5 million of net cash was used to acquire the business of Perennial.

During the six months ended June 30, 2018, $11.2 million in cash flows were used for investing activities compared with $6.6 million during the same period in 2017. In 2018, $1.3 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Multiple Pakfold, Granby, Québec and BOLDER Graphics facilities into DCM's Brampton, Ontario, Drummondville, Quebec and Calgary, Alberta locations, respectively. Furthermore, $2.5 million of cash was used to further invest in DCM's ERP project. In 2018, $7.5 million of net cash was used to acquire the business of Perennial.

FINANCING ACTIVITIES

During the three months ended June 30, 2018, cash flow generated by financing activities was $4.7 million compared to cash flow used for financing activities of $5.0 million during the same period in 2017. DCM used net cash received from the issuance of common shares and warrants of $0.7 million and cash from advances under its credit facilities totaling $10.4 million to repay $4.8 million in outstanding principal amounts under its credit facilities. DCM also paid a total of $0.6 million related to the promissory notes issued in connection with the acquisitions of Thistle Eclipse and BOLDER. DATA also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

During the six months ended June 30, 2018, cash flow used for financing activities was $0.1 million compared to cash flow generated by financing activities of $1.9 million during the same period in 2017. DCM used a portion of cash generated from its operations to repay $6.7 million in outstanding principal amounts under its various credit facilities and paid a total of $3.4 million related to the promissory notes issued in connection with the acquisitions of Thistle, Eclipse and BOLDER. DATA also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

Outstanding share data

At August 13, 2018, June 30, 2018 and December 31, 2017, there were 21,523,515, 21,523,515 and 20,039,159 Common Shares outstanding, respectively.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of 89,500 Warrants.

On May 8, 2018, a total of 1,394,856 Common Shares were issued to one of the vendors as partial consideration for the purchase of the shares of Perennial. That vendor entered into a lock-up agreement with DCM, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to the Perennial transaction until May 8, 2019.

At August 13, 2018 and June 30, 2018, there were options outstanding to purchase up to 1,991,957 Common Shares, respectively and at December 31, 2017, there were options outstanding to purchase up to 804,961 Common Shares. During the six months ended June 30, 2018, the Board approved awards of options to purchase up to 1,200,000 Common Shares. 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 March 13, 2018. A total of 40,000 options were awarded to DCM's CEO and a total of 1,160,000 options were awarded to the other members of DCM's executive management team and the Board. All options vest at a rate of 1/36th per month beginning on March 14, 2018. The fair value of the options issued was estimated to be $0.8 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.88%, a weighted average life of seven years, a dividend yield of nil, an expected volatility of 40% and a forfeiture rate of 10%. During the six months ended June 30, 2018, options to purchase 13,004 Common Shares were forfeited.

At August 13, 2018 and June 30, 2018, there were warrants outstanding to purchase up to 2,251,550 Common Shares. At December 31, 2017, there were warrants outstanding to purchase up to 1,381,050 Common Shares, respectively. On June 11, 2018, 89,500 Warrants were exercised and DCM received cash proceeds of $157 thousand. On April 30, 2018, Crown was granted a total of 960,000 Warrants in connection with the Crown Facility used to finance the acquisition of Perennial. Each Warrant entitles the holder to acquire one Common Share of DCM 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 $0.6 million 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%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs. The total credit facility amount of $12.0 million was then apportioned between the host debt and the warrant option based on relative fair values. The 960,000 Warrants were recorded at a carrying value of $0.5 million.

Contractual obligations

DCM believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at June 30, 2018. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

DCM believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

Summary of eight quarter results

TABLE 5 The following table summarizes quarterly financial information for the past eight quarters.

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

	2018		2017				2016	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 78,176**	**$88,516**	$76,125	$ 70,212	$73,066	$70,126	$ 68,191	$ 65,842
Net income (loss) attributable to shareholders	**(1,194)**	**1,763**	(2,459)	(1,068)	(581)	(2,097)	(33,115)	(1,865)
Basic earnings (loss) per share	**(0.06)**	**0.09**	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)
Diluted earnings (loss) per share	**(0.06)**	**0.09**	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended June 30, 2018 can be attributed to several principal factors: the adoption of IFRS 9 and 15 on January 1, 2018, the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DCM's key plants, lower interest expense during 2016 as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DCM's net income for the second quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of BOLDER Graphics for the full quarter of 2018, operating results of Perennial (after May 8, 2018), restructuring expenses of $0.7 million related to its cost reduction initiatives, $0.8 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.3 million. DCM's net loss for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.7 million related to its cost reduction initiatives.

DCM's net income for the first quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of Eclipse, Thistle and BOLDER Graphics for the full quarter of 2018 and net restructuring expenses of $0.1 million related to its cost reduction initiatives. DCM's net loss in the first quarter of 2017 included the operating results of Eclipse and Thistle post-acquisition (after February 22, 2017), restructuring expenses of $1.9 million and business acquisition costs of $1.0 million.

DCM's net loss for the fourth quarter of 2017 included operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of $4.5 million, $0.4 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.4 million. DCM's net loss for the fourth quarter of 2016 included restructuring expenses of $1.7 million and $1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of $31.1 million related to its DCM North America cash generating unit.

DCM's net loss for the third quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.4 million related to its cost reduction initiatives. There were $1.8 million of restructuring expenses in the third quarter of 2016.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2018 which are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DCM for the three and six months ended June 30, 2018. On January 1, 2018, 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 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

PRACTICAL EXPEDIENT (ON TRANSITION)	DESCRIPTION
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

PRACTICAL EXPEDIENTS (ONGOING)	DESCRIPTION
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: 1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and 2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: 1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date. 2) Warehouse revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.

The details of the new significant accounting policies and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out below.

REVENUE RECOGNITION

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied under IFRS 15:

a. Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. Under IFRS 15, DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations under IFRS 15: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from, its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding "unbilled receivable" is also recognized as a trade receivable in the consolidated statement of financial position.

b. Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance.

c. Freight services - Under IFRS 15, DCM has identified that it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. Under IFRS 15, DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred.

VARIABLE CONSIDERATION

Some contracts with customers provide volume-based incentives specific to product sales. Previously, under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. Such incentive offerings give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM

uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers.

Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize volume-based incentives has also changed to correspond with the related timing of recognition of product sales and warehouse revenue.

CONTRACT COSTS

DCM rewards its employees with sales commissions for sales made to certain customers. Previously, under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

PRESENTATION OF DISAGGREGATED REVENUE

In accordance with IFRS 15, DCM has disclosed revenue on a disaggregated basis in the "Impact of Adoption of IFRS 9 and IFRS 15" section below. Revenue is disaggregated based on the nature of the major products and services it provides to its customers which comprise of product sales, warehousing services, freight and other services. Freight and other services includes other ancillary services such as administrative functions that DCM provides to its customers. Revenue for the other ancillary services are recognized upon completion of the performance obligations of its customers.

USE OF SIGNIFICANT JUDGMENT

DCM uses significant judgment, which is inherent in its revenue generating activities,as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer’s product and the agreed upon term of warehousing to manage any related business risks.

IFRS 9 - FINANCIAL INSTRUMENTS

In 2014, the IASB issued IFRS 9 *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative

periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

CLASSIFICATION AND MEASUREMENT

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL").

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities (1)	Other liabilities	Amortized cost
Other non-current liabilities (2)	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities)*

(2) *Includes bonuses payables*

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses.

DCM applies the ECL model to assess the impairment of its financial assets at each balance sheet date. DCM adopted the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the

expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars, unaudited)	**January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**January 1, 2018 after the adoption of IFRS 9 and IFRS 15**
Trade receivables	$ 41,193	(505)	$ 28,671	$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. As noted under changes in accounting policies, DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

   An adjustment of $8,320, net of tax, was made to recognize product revenue upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $27,754, a decrease in finished goods inventory of $25,639 and a decrease to deferred revenue of $9,147.

b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services that were bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of $861, to the opening deficit, net of tax, was made to recognize revenue related to warehousing services completed that were bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $917 and a decrease to deferred revenue of $248.

c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of $373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding decrease to the unbilled portion of trade receivables of $505 in the consolidated statement of financial position as at January 1, 2018.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

(in thousands of Canadian dollars, unaudited)	**TRADE RECEIVABLES** Lifetime expected credit losses	**UNBILLED RECEIVABLES** Lifetime expected credit losses	**Total**
Allowances as at December 31, 2017	$ (206)	N/A [1]	$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	**$ (206)**	**$ (505)**	**$ (711)**

(1) *Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at* January 1, 2018

d) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of $259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $350 in the consolidated statement of financial position as at January 1, 2018.

e) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize sales commission costs was also changed to correspond with the related recognition of revenue.

An adjustment of $184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $250 in the consolidated statement of financial position as at January 1, 2018.

f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of $2,874 and increase to deferred income tax liabilities of $83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three and six months ended June 30, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the three-months and six months periods ended June 30, 2018:

g) As noted in the accounting policies, DCM serves as a principal when contracting freight services that it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the three and six months periods ended June 30, 2018, DCM recognized $2,261 and $4,367 of freight revenue, respectively in the consolidated statement of operations

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three and six months ended June 30, 2018:

(in thousands of Canadian dollars, unaudited)	**For the three months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**For the three months ended June 30, 2018 as reported**
Revenues	$ 76,973	$ —	$ 1,203	$ 78,176
Cost of Revenues	57,840	—	1,747	59,587
Gross profit	19,133	—	(544)	18,589
Selling, commissions and expenses	9,196	—	4	9,200
General and administration expenses	8,597	(47)	—	8,550
Current income tax expense	278	12	(578)	(288)
Deferred income tax expense (recovery)	(588)	—	474	(114)
Net income	(785)	35	(444)	(1,194)

(in thousands of Canadian dollars, unaudited)	For the six months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the six months ended June 30, 2018 as reported
Revenues	$ 161,672	$ —	$ 5,020	$ 166,692
Cost of Revenues	122,325	—	4,303	126,628
Gross profit	39,347	—	717	40,064
Selling, commissions and expenses	19,498	—	163	19,661
General and administration expenses	15,762	(1)	—	15,761
Current income tax expense	453	(131)	233	555
Deferred income tax expense (recovery)	(351)	131	(84)	(304)
Net income	163	1	405	569

(in thousands of Canadian dollars, unaudited)	June 30, 2018 prior to the adoption of IFRS 9 and IFRS	Impact of adopting IFRS 9	Impact of adopting IFRS 15	June 30, 2018 as reported
Trade receivables	$ 39,174	$ (504)	$ 31,397	$ 70,067
Inventories	35,469	—	(25,417)	10,052
Deferred income tax assets	5,903	—	(3,004)	2,899
Trade payables and accrued liabilities	40,646	—	862	41,508
Income taxes payable	2,523	(132)	236	2,627
Deferred revenue	9,402	—	(7,273)	2,129
Deficit	(255,180)	(372)	9,151	(246,401)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three and six months periods ended June 30, 2018.

h) As at June 30, 2018, 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:

(in thousands of Canadian dollars, unaudited)	For the three months ended June 30, 2018	For the six months ended June 30, 2018
Product sales	**$ 71,955**	**$ 153,790**
Warehousing services	**2,329**	**5,130**
Freight and other services	**3,892**	**7,772**
	$ 78,176	**$ 166,692**

IFRS 2 - SHARE-BASED PAYMENT

An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. This amendment did not have an impact on the interim consolidated financial statements of DCM.

IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the interim consolidated financial statements of DCM.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

DCM has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current 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 those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

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 assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. DCM is currently (a) completing an inventory of all leases that need to be considered under this new standard, (b) is reviewing contract details to capture all necessary information, and (c) has identified a SaaS based solution to manage the accounting of its leases more effectively.

Implementation of the SaaS based solution and DCM's analysis of the implications against IFRS 16 are expected to be completed in the second half of the year. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019.

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. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

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 intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of this amendment is not expected to have a significant impact on the DCM's 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.

Management's report on internal controls over financial reporting

DCM's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of DCM for external purposes in accordance with IFRS.

In accordance with the provisions of the National Instrument 52-109- "Certification of the Disclosure in Issuers' Annual and Interim Filings", DCM's management has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Perennial. The scope limitation is primarily based on the time required to assess each recently acquired company's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the DCM's other operations.

Excluding the controls, policies and procedures of Perennial, DCM's management has determined that there have been no changes in the internal controls over financial reporting of DCM during the period beginning on April 1, 2018 and

ending on June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DCM.

For a summary of certain financial information about the Perennial business acquired by the Company, see "Recent Developments - Acquisition of Perennial Group of Companies".

Outlook

In the second quarter of 2018, DCM continued to experience higher revenues over the prior year as a result of modest growth in its core business, combined with incremental revenue from the acquisitions made in 2017 and the first half of 2018. DCM maintains the 2018 financial outlook it issued in February 2018, buoyed by continued revenue growth trends, expanding opportunities within its existing customer base and new customer wins, particularly as a leading supplier in the emerging market for Health Canada compliant packaging labels in the licensed cannabis market.

Despite lower margins experienced in the second quarter compared to the first quarter, and price and inflationary pressures the Company is experiencing, DCM continues to realize gross margin improvements on non-contracted business and expects significantly improved margins in the packaging label business and other newly contracted business in the second half of the year, which is typically seasonally stronger in any event.

Revenues

DCM anticipates total revenues of between $295.0 million and $310.0 million, representing growth of approximately 2% to 7% compared to revenues of $289.5 million in fiscal 2017.

Adjusted EBITDA

Adjusted EBITDA for fiscal 2018 is estimated to be between $22.0 million and $25.0 million, compared to Adjusted EBITDA in fiscal 2017 of $16.1 million.

Capital Expenditures

For fiscal 2018, DCM presently expects to spend approximately $1.5 million on capital expenditures. DCM expects to incur approximately $3.0 million mostly relating to the ERP project which will be incurred primarily through the first three quarters of 2018.

As part of establishing the above guidance, DCM made the following assumptions:

- New customer wins and sales initiatives focused on capturing greater wallet share from DCM's existing customer base, including increasingly capitalizing on its technology-enabled value-added services provided to customers, will offset continued expected declines in the Company's traditional business communications market;
- DCM will benefit from the full-year results of the acquisitions of Eclipse, Thistle and BOLDER Graphics and continue to experience growth rates in each of those businesses consistent with the past year, and DCM will benefit from the partial year of results from the acquisition of Perennial, commencing May 8, 2018.
- The three acquisitions DCM completed in 2017 will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company in 2018, as will the acquisition of Perennial in May 2018;
- DCM will be able to translate its sales pipeline into new customer acquisitions;
- Improved year over year margins will be achieved through ongoing strategic initiatives relating to productivity improvements and continuing efforts by management to drive improved profitability;

- DCM will be able to effect increases in the prices of products sold to customers to mitigate increases in the costs of paper, and consumables, CPI and freight charges that are being experienced industry-wide and longer-term realize higher margins with these customers, while experiencing nominal if any volume loss;
- The Company continues to explore additional strategic acquisition opportunities, and, while there can be no certainty that any such opportunities will be completed, such acquisitions could impact the outlook provided;
- Economic conditions in North America will not deteriorate; and
- The above guidance is based on the accounting policies applied in the unaudited interim consolidated financial statements and accompanying notes of DCM for the second quarter of 2018 and IFRS in effect for the period ended June 30, 2018.

DCM cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, and is qualified by, the section Forward-looking Statements beginning on page 1 of the August 13, 2018 MD&A.

Risks and uncertainties

An investment in DCM's securities involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described in DCM's most recent Annual Information Form and other continuous disclosure filings made by DCM with Canadian securities regulatory authorities before investing in securities of DCM. The risks described in this report, the Annual Information Form and those other filings are not the only ones facing DCM. Additional risks not currently known to DCM, or that DCM currently believes are immaterial, may also impair the business, results of operations, financial condition and liquidity of DCM.

Consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)		**June 30, 2018**		December 31, 2017
ASSETS				
CURRENT ASSETS				
Trade receivables (note 5)	**$**	**70,067**	$	41,193
Inventories (note 6)		**10,052**		36,519
Prepaid expenses and other current assets		**3,283**		5,092
		83,402		82,804
NON-CURRENT ASSETS				
Other non-current assets		**454**		—
Deferred income tax assets (note 10)		**2,899**		6,108
Restricted cash (note 8)		**515**		515
Property, plant and equipment		**17,900**		18,831
Pension assets		**2,010**		760
Intangible assets		**17,553**		14,473
Goodwill (note 4)		**16,915**		8,368
	$	**141,648**	$	131,859
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	**$**	**2,164**	$	2,868
Trade payables and accrued liabilities		**41,508**		34,306
Current portion of credit facilities (note 8)		**5,480**		8,725
Current portion of promissory notes (note 9)		**4,823**		4,374
Provisions (note 7)		**3,188**		3,950
Income taxes payable		**2,627**		3,188
Deferred revenue		**2,129**		11,237
		61,919		68,648
NON-CURRENT LIABILITIES				
Provisions (note 7)		**475**		2,702
Credit facilities (note 8)		**53,597**		47,207
Promissory notes (note 9)		**1,494**		2,829
Deferred income tax liabilities (note 10)		**1,985**		1,295
Other non-current liabilities (note 11)		**3,688**		3,413
Pension obligations		**7,850**		8,133
Other post-employment benefit plans		**3,165**		3,031
	$	**134,173**	$	137,258
EQUITY				
SHAREHOLDERS' EQUITY / (DEFICIT)				
Shares (note 12)	**$**	**251,217**	$	248,996
Warrants (note 12)		**806**		287
Contributed surplus (note 12)		**1,633**		1,368
Translation reserve		**220**		183
Deficit		**(246,401)**		(256,233)
	$	**7,475**	$	(5,399)
	$	**141,648**	$	131,859

Approved by Board of Directors

Director

Director

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the three months ended June 30, 2018**		For the three months ended June 30, 2017
REVENUES (note 3)	**$**	**78,176**	$	73,066
COST OF REVENUES		**59,587**		55,062
GROSS PROFIT		**18,589**		18,004
EXPENSES				
Selling, commissions and expenses		**9,200**		8,690
General and administration expenses		**8,550**		7,025
Restructuring expenses (note 7)		**736**		1,735
Acquisition costs (note 4)		**270**		13
		18,756		17,463
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**(167)**		541
FINANCE COSTS (INCOME)				
Interest expense		**1,273**		1,181
Interest income		**(2)**		—
Amortization of transaction costs		**158**		121
		1,429		1,302
LOSS BEFORE INCOME TAXES		**(1,596)**		(761)
INCOME TAX (RECOVERY) EXPENSE				
Current		**(288)**		288
Deferred		**(114)**		(468)
		(402)		(180)
NET LOSS FOR THE PERIOD	**$**	**(1,194)**	$	(581)
BASIC LOSS PER SHARE (note 13)	**$**	**(0.06)**	$	(0.04)
DILUTED LOSS PER SHARE (note 13)	**$**	**(0.06)**	$	(0.04)

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the six months ended June 30, 2018**		For the six months ended June 30, 2017
REVENUES (note 3)	**$**	**166,692**	$	143,192
COST OF REVENUES		**126,628**		108,828
GROSS PROFIT		**40,064**		34,364
EXPENSES				
Selling, commissions and expenses		**19,661**		17,208
General and administration expenses		**15,761**		13,531
Restructuring expenses (note 7)		**800**		3,621
Acquisition costs (note 4)		**313**		969
		36,535		35,329
INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES		**3,529**		(965)
FINANCE COSTS (INCOME)				
Interest expense		**2,412**		2,131
Interest income		**(4)**		—
Amortization of transaction costs		**301**		236
		2,709		2,367
INCOME (LOSS) BEFORE INCOME TAXES		**820**		(3,332)
INCOME TAX (RECOVERY) EXPENSE				
Current		**555**		339
Deferred		**(304)**		(993)
		251		(654)
NET INCOME (LOSS) FOR THE PERIOD	**$**	**569**	$	(2,678)
BASIC EARNINGS (LOSS) PER SHARE (note 13)	**$**	**0.03**	$	(0.20)
DILUTED EARNINGS (LOSS) PER SHARE (note 13)	**$**	**0.03**	$	(0.20)

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

Consolidated statements of comprehensive loss

(in thousands of Canadian dollars, unaudited)		**For the three months ended June 30, 2018**		For the three months ended June 30, 2017
NET LOSS FOR THE PERIOD	**$**	**(1,194)**	$	(581)
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS				
Foreign currency translation		**15**		(56)
		15		(56)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS				
Re-measurements of pension and other post-employment benefit obligations		**891**		(758)
Taxes related to pension and other post-employment benefit adjustment above		**(232)**		197
		659		(561)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$**	**674**	$	(617)
COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**(520)**	$	(1,198)

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

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars, unaudited)		**For the six months ended June 30, 2018**		For the six months ended June 30, 2017
NET INCOME (LOSS) FOR THE PERIOD	**$**	**569**	$	(2,678)
OTHER COMPREHENSIVE LOSS:				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)				
Foreign currency translation		**37**		(74)
		37		(74)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)				
Re-measurements of pension and other post-employment benefit obligations		**1,214**		(2,103)
Taxes related to pension and other post-employment benefit adjustment above		**(316)**		547
		898		(1,556)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$**	**935**	$	(1,630)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$**	**1,504**	$	(4,308)

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

Consolidated statements of changes in shareholders' equity (deficit)

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity (deficit)
Balance as at December 31, 2016	$ 237,432	$ —	$ 128	$ 1,164	$ 258	$ (248,917)	$ (9,935)
Net loss for the period	—	—	—	—	—	(2,678)	(2,678)
Other comprehensive loss for the period	—	—	—	—	(74)	(1,556)	(1,630)
Total comprehensive loss for the period	—	—	—	—	(74)	(4,234)	(4,308)
Shares issued on the redemption of convertible debentures (note 12)	—	—	(128)	128	—	—	—
Issuance of common shares (note 12)	10,662	280	—	(15)	—	—	10,927
Share-based compensation expense	—	—	—	59	—	—	59
Balance as at June 30, 2017	$ 248,094	$ 280	$ —	$ 1,336	$ 184	$ (253,151)	$ (3,257)
BALANCE AS AT DECEMBER 31, 2017	**$ 248,996**	**$ 287**	**$ —**	**$ 1,368**	**$ 183**	**$ (256,233)**	**$ (5,399)**
Impact of change in accounting policy (note 3)	**—**	**—**	**—**	**—**	**—**	**8,365**	**8,365**
	$ 248,996	**$ 287**	**$ —**	**$ 1,368**	**$ 183**	**$ (247,868)**	**$ 2,966**
Net income for the period	**—**	**—**	**—**	**—**	**—**	**569**	**569**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**37**	**898**	**935**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**37**	**1,467**	**1,504**
Issuance of common shares and warrants, net (note 12)	**2,221**	**519**	**—**	**—**	**—**	**—**	**2,740**
Share-based compensation expense	**—**	**—**	**—**	**265**	**—**	**—**	**265**
BALANCE AS AT JUNE 30, 2018	**$ 251,217**	**$ 806**	**$ —**	**$ 1,633**	**$ 220**	**$ (246,401)**	**$ 7,475**

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)		**For the three months ended June 30, 2018**		For the three months ended June 30, 2017
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	**$**	**(1,194)**	$	(581)
Adjustments to net loss				
Depreciation of property, plant and equipment		**1,176**		1,058
Amortization of intangible assets		**1,232**		906
Share-based compensation expense		**171**		7
Pension expense (note 16)		**135**		135
(Gain) loss on disposal of property, plant and equipment		**(5)**		42
Write-off of intangible assets		**242**		—
Provisions (note 7)		**870**		1,735
Amortization of transaction costs		**158**		121
Accretion of non-current liabilities and related interest expense		**150**		219
Other non-current liabilities		**120**		(248)
Other post-employment benefit plans, net		**67**		55
Income taxes recovery		**(402)**		(180)
		2,720		3,269
Changes in working capital (note 14)		**5,418**		2,721
Contributions made to pension plans		**(304)**		(453)
Provisions paid (note 7)		**(1,769)**		(1,653)
Income taxes paid		**(278)**		(5)
		5,787		3,879
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(665)**		(811)
Purchase of intangible assets		**(1,616)**		(846)
Proceeds on disposal of property, plant and equipment		**26**		2
Net cash consideration for acquisition of businesses (note 4)		**(7,505)**		—
		(9,760)		(1,655)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net (note 12)		**685**		8,080
Proceeds from credit facilities (note 8)		**10,395**		3,500
Repayment of credit facilities (note 8)		**(4,816)**		(4,003)
Repayment of convertible debentures		**—**		(11,175)
Repayment of other liabilities		**(100)**		(166)
Repayment of promissory notes (note 9)		**(585)**		(935)
Transaction costs (note 8)		**(863)**		(288)
Finance lease payments		**(6)**		(18)
		4,710		(5,005)
DECREASE IN (BANK OVERDRAFT) / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**737**		(2,781)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$**	**(2,916)**	$	1,838
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**15**		(46)
BANK OVERDRAFT – END OF PERIOD	**$**	**(2,164)**	$	(989)

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)		**For the six months ended June 30, 2018**		For the six months ended June 30, 2017
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss) for the period	**$**	**569**	$	(2,678)
Adjustments to net income (loss)				
Depreciation of property, plant and equipment		**2,324**		1,943
Amortization of intangible assets		**2,301**		1,599
Share-based compensation expense		**265**		59
Pension expense (note 16)		**269**		270
(Gain) loss on disposal of property, plant and equipment		**(129)**		22
Write-off of intangible assets		**242**		—
Provisions (note 7)		**934**		3,621
Amortization of transaction costs		**301**		236
Accretion of non-current liabilities and related interest expense		**311**		317
Other non-current liabilities		**446**		(118)
Other post-employment benefit plans, net		**134**		110
Income tax expense (recovery)		**251**		(654)
		8,218		4,727
Changes in working capital (note 14)		**9,107**		1,836
Contributions made to pension plans (note 16)		**(588)**		(912)
Provisions paid (note 7)		**(3,923)**		(3,340)
Income taxes paid		**(894)**		(5)
		11,920		2,306
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(1,286)**		(948)
Purchase of intangible assets		**(2,518)**		(1,079)
Proceeds on disposal of property, plant and equipment		**150**		22
Net cash consideration for acquisition of businesses (note 4)		**(7,505)**		(4,638)
		(11,159)		(6,643)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net (note 12)		**685**		8,069
Proceeds from credit facilities (note 8)		**10,395**		17,089
Repayment of credit facilities (note 8)		**(6,695)**		(7,601)
Repayment of convertible debentures		**—**		(11,175)
Repayment of other liabilities		**(201)**		(455)
Repayment of promissory notes (note 9)		**(3,393)**		(1,064)
Transaction costs (note 8)		**(868)**		(605)
Finance lease payments		**(13)**		(2,400)
		(90)		1,858
DECREASE IN (BANK OVERDRAFT) / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**671**		(2,479)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$**	**(2,868)**	$	1,544
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**33**		(54)
BANK OVERDRAFT – END OF PERIOD	**$**	**(2,164)**	$	(989)

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 June 30, 2018 and 2017

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

1 General Information

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 their customers. We pair customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power our clients' go-to market strategies. We help our 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.

Our extensive experience has positioned us as experts at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. Thanks to our locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), we are able to meet our clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. And we can do it all with advanced data security, regulatory compliance, and bilingual communications, in print or digital.

On February 22, 2017, DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018 (the "Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "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.

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.

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 financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, 2017, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2018 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, 2018 , as issued and outstanding as of August 13, 2018 , the date the Board of Directors 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, 2017 which have been prepared in accordance with IFRS, as issued by the IASB.

3 Change in accounting policies

(a) New and amended standards adopted

On January 1, 2018, 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 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

PRACTICAL EXPEDIENT (ON TRANSITION)	DESCRIPTION
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

PRACTICAL EXPEDIENTS (ONGOING)	DESCRIPTION
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: 1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and 2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: 1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date. 2) Warehouse revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.

The details of the new significant accounting policies and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out below.

REVENUE RECOGNITION

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied under IFRS 15:

a. Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. Under IFRS 15, DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

   In some instances, DCM customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations under IFRS 15: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's

request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from, its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding "unbilled receivable" is also recognized as a trade receivable in the consolidated statement of financial position.

b. Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance.

c. Freight services - Under IFRS 15, DCM has identified that it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. Under IFRS 15, DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred.

VARIABLE CONSIDERATION

Some contracts with customers provide volume-based incentives specific to product sales. Previously, under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. Such incentive offerings give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers.

Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize volume-based incentives has also changed to correspond with the related timing of recognition of product sales and warehouse revenue.

CONTRACT COSTS

DCM rewards its employees with sales commissions for sales made to certain customers. Previously, under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

PRESENTATION OF DISAGGREGATED REVENUE

In accordance with IFRS 15, DCM has disclosed revenue on a disaggregated basis in the "Impact of Adoption of IFRS 9 and IFRS 15" section below. Revenue is disaggregated based on the nature of the major products and services it provides to its customers which comprise of product sales, warehousing services, freight and other services. Freight and other services includes other ancillary services such as administrative functions that DCM provides to its customers. Revenue for the other ancillary services are recognized upon completion of the performance obligations of its customers.

USE OF SIGNIFICANT JUDGMENT

DCM uses significant judgment, which is inherent in its revenue generating activities,as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer’s product and the agreed upon term of warehousing to manage any related business risks.

IFRS 9 - FINANCIAL INSTRUMENTS

In 2014, the IASB issued IFRS 9 *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

CLASSIFICATION AND MEASUREMENT

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss (“FVTPL”).

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities (1)	Other liabilities	Amortized cost
Other non-current liabilities (2)	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities)*

(2) Includes bonuses payable

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses.

DCM applies the ECL model to assess the impairment of its financial assets at each balance sheet date. DCM adopted the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars, unaudited)	January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	January 1, 2018 after the adoption of IFRS 9 and IFRS 15
Trade receivables	$ 41,193	$ (505)	$ 28,671	$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. As noted under changes in accounting policies, DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

An adjustment of $8,320, net of tax, was made to recognize product revenue upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $27,754, a decrease in finished goods inventory of $25,639 and a decrease to deferred revenue of $9,147.

b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services that were bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of $861, to the opening deficit, net of tax, was made to recognize revenue related to warehousing services completed that were bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $917 and a decrease to deferred revenue of $248.

c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of $373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding

decrease to the unbilled portion of trade receivables of $505 in the consolidated statement of financial position as at January 1, 2018.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

(in thousands of Canadian dollars, unaudited)	TRADE RECEIVABLES Lifetime expected credit losses	UNBILLED RECEIVABLES Lifetime expected credit losses	Total
Allowances as at December 31, 2017	$ (206)	N/A [1]	$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	**$ (206)**	**$ (505)**	**$ (711)**

(1) Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at January 1, 2018

d) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of $259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $350 in the consolidated statement of financial position as at January 1, 2018.

e) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize sales commission costs was also changed to correspond with the related recognition of revenue.

An adjustment of $184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $250 in the consolidated statement of financial position as at January 1, 2018.

f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of $2,874 and increase to deferred income tax liabilities of $83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three and six months ended June 30, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the three-months and six months periods ended June 30, 2018:

g) As noted in the accounting policies, DCM serves as a principal when contracting freight services that it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the three and six months periods ended June 30, 2018, DCM recognized $2,261 and $4,367 of freight revenue, respectively in the consolidated statement of operations.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2018 and 2017

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

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three and six months ended June 30, 2018:

(in thousands of Canadian dollars, unaudited)	For the three months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the three months ended June 30, 2018 as reported
Revenues	$ 76,973	$ —	$ 1,203	$ 78,176
Cost of Revenues	57,840	—	1,747	59,587
Gross profit	19,133	—	(544)	18,589
Selling, commissions and expenses	9,196	—	4	9,200
General and administration expenses	8,597	(47)	—	8,550
Current income tax expense	278	12	(578)	(288)
Deferred income tax expense (recovery)	(588)	—	474	(114)
Net income	(785)	35	(444)	(1,194)

(in thousands of Canadian dollars, unaudited)	For the six months ended June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the six months ended June 30, 2018 as reported
Revenues	$ 161,672	$ —	$ 5,020	$ 166,692
Cost of Revenues	122,325	—	4,303	126,628
Gross profit	39,347	—	717	40,064
Selling, commissions and expenses	19,498	—	163	19,661
General and administration expenses	15,762	(1)	—	15,761
Current income tax expense	453	(131)	233	555
Deferred income tax expense (recovery)	(351)	131	(84)	(304)
Net income	163	1	405	569

(in thousands of Canadian dollars, unaudited)	June 30, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	June 30, 2018 as reported
Trade receivables	$ 39,174	(504)	$ 31,397	$ 70,067
Inventories	35,469	—	(25,417)	10,052
Deferred income tax assets	5,903	—	(3,004)	2,899
Trade payables and accrued liabilities	40,646	—	862	41,508
Income taxes payable	2,523	(132)	236	2,627
Deferred revenue	9,402	—	(7,273)	2,129
Deficit	(255,180)	(372)	9,151	(246,401)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three and six months periods ended June 30, 2018.

h) As at June 30, 2018, 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:

(in thousands of Canadian dollars, unaudited)		For the three months ended June 30, 2018		For the six months ended June 30, 2018
Product sales	$	71,955	$	153,790
Warehousing services		2,329		5,130
Freight and other services		3,892		7,772
	$	78,176	$	166,692

IFRS 2 - SHARE-BASED PAYMENT

An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. This amendment did not have an impact on the interim consolidated financial statements of DCM.

IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the interim consolidated financial statements of DCM.

(b) Future accounting standards not yet adopted.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current 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 those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

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 assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. DCM is currently (a) completing an inventory of all leases that need to be considered under this new standard, (b) is reviewing contract details to capture all necessary information, and (c) has identified a SaaS based solution to manage the accounting of its leases more effectively. Implementation of the SaaS based solution and DCM's analysis of the implications against IFRS 16 are expected to be completed in the second half of the year. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019.

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. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

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 intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of this amendment is not expected to have a significant impact on the DCM's 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.

4 Business acquisitions

ACQUISITION OF PERENNIAL GROUP OF COMPANIES

On May 8, 2018 (the "Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). Perennial Group has approximately 45 employees operating from an 18,000 square foot office located in Etobicoke, Ontario and a 5,000 square foot office in Bolton, Ontario. 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. On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial").

DCM acquired Perennial for a total purchase price of approximately $12,470, comprised of $8,166 in cash paid on closing (after giving effect to the preliminary working capital adjustment of $1,166), $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 "VTB"). The VTB is repayable as follows: $1,000 payable on the first anniversary of closing, $1,000 on the second anniversary of closing and $500 on the third anniversary of closing.

A total of 1,394,856 common shares of DCM have been issued to one of the vendors of Perennial and the number of DCM's issued and outstanding common shares increased from 20,039,159 to 21,434,015 common shares outstanding on closing of the acquisition.

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 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 Closing Date. The fair value of the vendor take-back promissory note 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.

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 Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed		**Amount**
Cash and cash equivalents	$	661
Trade receivables		1,085
Prepaid expenses and other assets		252
Property, plant and equipment		123
Intangible assets		3,105
Trade payables and accrued liabilities		(224)
Income taxes payable		(28)
Deferred revenue		(115)
Deferred income tax liabilities		(936)
Total identifiable net assets		**3,923**
Goodwill		**8,547**
Total	**$**	**12,470**

Purchase price consideration		**Amount**
Cash	$	8,166
Common shares		2,051
Promissory note (note 9)		2,253
Total	**$**	**12,470**

The fair value of trade receivables was $1,085. The gross contractual amount of trade receivables due was $832 of which $4 was deemed to be uncollectible. The remaining balance of $257 relates to unbilled receivables for the pre-closing period.

The identifiable intangible assets acquired of $3,105 which relate to customer relationships of $1,615, trade names of $665 and customer backlog intangible of $825. The customer relationships are being amortized over an expected useful life of 4.5 years while the trade name and the customer backlog are being amortized over estimated useful lives of 10 years and 19 months, respectively.

Goodwill of $8,547 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-related costs incurred and charged to the consolidated statement of operations for the six months ended June 30, 2018 were $313 of which $272 related to the Perennial acquisition and $41 for the BOLDER acquisition, respectively.

The revenues and net loss contributed by Perennial and included in the consolidated statement of operations for the period between the Closing Date and June 30, 2018 were $890 and $106, respectively. 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 six months ended June 30, 2018 and would have been approximately $3,290 and $590, respectively, adjusting net loss for additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2018.

As the acquisition occurred during the quarter ended June 30, 2018, the valuation report and the finalization of post-closing adjustments are still in progress, and therefore, the purchase price allocations are preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material.

5 Trade receivables

		June 30, 2018		December 31, 2017
Trade receivables	**$**	**71,661**	$	41,399
Provision for doubtful accounts [(1)]		**(802)**		(206)
	$	**70,859**	$	41,193

(1) Under IAS 39 DCM had a provision for doubtful accounts for the year ended December 31, 2017. Under IFRS 9 DCM has an expected credit loss allowance for lifetime credit losses, which is a simplified approach that is permissible for trade receivables which do not have a significant financing component.

As at June 30, 2018, trade receivables include unbilled receivables of $26,926, net of an expected credit loss allowance of $504. Unbilled receivables and the related expected credit loss allowance were recognized upon the adoption of IFRS 9 and IFRS 15 (see note 3 for further discussion related to the impact on adoption of these standards).

6 Inventories

		June 30, 2018		December 31, 2017
Raw materials	**$**	**5,738**	$	6,235
Work-in-progress		**3,384**		4,164
Finished goods		**930**		26,120
	$	**10,052**	$	36,519

Raw materials inventory amount is net of obsolescence reserves of $378 (2017 – Raw materials and finished goods inventory amounts are net of obsolescence reserves of $586). Finished goods at June 30, 2018 consist of base stock items. See note 3 for impact of change on adoption of IFRS 15. The cost of inventories recognized as an expense within cost of revenues for the three months ended June 30, 2018 was $59,871 (2017 - $53,081) and the cost of inventories recognized as an expense within cost of revenues for the six months ended June 30, 2018 was $125,544 (2017 – $104,356).

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)

7 Provisions

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of period	$ 3,067	$ 1,303	$ 192	$ 4,562
Additional charge during the three month period	736	—	134	870
Utilized during three month period	(1,149)	(616)	(4)	(1,769)
Balance – End of period	$ 2,654	$ 687	$ 322	$ 3,663
Less: Current portion of provisions	(2,457)	(581)	(150)	(3,188)
As at June 30, 2018	$ 197	$ 106	$ 172	$ 475

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of period	$ 3,468	$ 2,988	$ 196	$ 6,652
Additional charge during the six month period	1,923	—	134	2,057
Recovery during the six month period	—	(1,123)	—	(1,123)
Utilized during the six month period	(2,737)	(1,178)	(8)	(3,923)
Balance – End of period	$ 2,654	$ 687	$ 322	$ 3,663
Less: Current portion of provisions	(2,457)	(581)	(150)	(3,188)
As at June 30, 2018	$ 197	$ 106	$ 172	$ 475

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of year	$ 2,773	$ 1,207	$ —	$ 3,980
Additional charge during the year	6,778	2,679	—	9,457
Charge related to an acquisition	—	—	210	210
Utilized during the year	(6,083)	(898)	(14)	(6,995)
Balance – End of year	$ 3,468	$ 2,988	$ 196	6,652
Less: Current portion of provisions	(2,856)	(1,078)	(16)	(3,950)
As at December 31, 2017	$ 612	$ 1,910	$ 180	2,702

TERMINATION PROVISIONS

During the three and six months ended June 30, 2018, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. Additional termination expenses in the consolidated statement of operations were due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations and comprehensive income.

During the three and six month periods ended June 30, 2018, total restructuring initiatives resulted in costs incurred of $736 and $1,923, respectively. During the three and six months ended June 30, 2017, these initiatives resulted in $1,466 and $3,652, respectively, due to headcount reductions in the consolidated statement of operations and comprehensive income (loss).

For the three months ended June 30, 2018, cash payments of $1,149 (2017 - $1,478) and for the six months ended June 30, 2018, cash payments of $2,737 (2017 - $2,975) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $2,654 at June 2018 are expected to be paid in the balance of year 2018 and year 2019.

ONEROUS CONTRACTS

During the year ended December 31, 2017, DCM closed a Granby, Québec facility. A lease exit charge of $2,393 representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2021. During the six months ended June 30, 2018, DCM entered into an agreement with the landlord of this property to terminate this lease. DCM has agreed to make payments of approximately $1,116 to the landlord. During the six months ended June 30, 2018, DCM has recorded a recovery of $1,123 related to this lease exit charge recorded as at December 31, 2017.

The total restructuring expense that is reported in the consolidated statement of operations and comprehensive income includes termination expenses (recoveries) and onerous contract expenses (recoveries). The total restructuring expense incurred for the three and six month periods ended June 30, 2018 was $736 (2017 - $1,735) and $800 (2017 - $3,621), respectively.

OTHER

In connection with the acquisition of Eclipse, on February 22, 2017, DCM assumed the lease for its Burlington, Ontario facility with rent payments that exceeded the fair market value and as a result an unfavourable lease obligation for $210 was recorded based on discounting the rent payments in excess of the fair market value lease rates using a discount rate of 7%. The unfavourable lease obligation is being amortized as a reduction of rent expense in the consolidated statement of operations over the lease term, expiring in 2026.

During the three months ended June 30, 2018, DCM determined that an additional charge of $134 (2017 - $nil) was required in connection with a contract with a former employee.

8 Credit facilities

		June 30, 2018		December 31, 2017
Term loans				
- floating rate debt, maturing June 28, 2018, (Bridging Facility)		**—**		3,500
- 6.10% term debt, maturing October 15, 2022, (IAM III Credit Facility)		**4,397**		4,834
- 6.95% term debt, maturing March 10, 2023, (IAM IV Credit Facility)		**20,436**		22,220
- 6.95% term debt, maturing May 15, 2023, (IAM V Credit Facility)		**4,555**		4,938
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)		**11,470**		—
Revolving facilities				
- floating rate debt, maturing March 31, 2020, (Bank Credit Facility)		**20,094**		21,747
Credit facilities		**60,952**		57,239
Unamortized transaction costs		**(1,875)**		(1,307)
	$	**59,077**	$	55,932
Less: Current portion of Credit facilities		**(5,480)**		(8,725)
Credit facilities	**$**	**53,597**	$	47,207

CREDIT AGREEMENTS

BANK AND IAM 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 “IAM IV Credit Facility”) with Integrated Private Debt Fund IV LP ("IAM IV") a fund managed by Integrated Asset Management Corp. ("IAM") pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM established a $5,000 secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a fund managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the “IAM 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 IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

BRIDGING CREDIT FACILITY

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3,500 ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand with interest at a rate equal to the prime rate of interest charged by DCM’s Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility had a term of one year and could be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM’s other senior lenders. The Bridging Credit Facility was subordinated in right of payment to the prior payment in full of DCM’s indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and was secured by certain specified equipment together with certain other conventional security. As at June 30, 2018, DCM had no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released. Additionally, transaction costs of $146 were previously capitalized. A total of $125 of these transaction cost were amortized as May 8, 2018 and the remaining balance of $21 was written off due to the early repayment.

CROWN FACILITY

On May 8, 2018, DCM established a $12,000 non-revolving term loan facility with Crown Capital Fund IV, LP (the "Crown Facility"), a fund managed by Crown Capital Fund IV Management Inc. ("Crown"), of which approximately $8,166 was used to fund the up-front cash component of the Perennial acquisition and $3,500 was used to repay in full the outstanding balance of Bridging 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 is 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 the debt instrument and the warrant option based on their respective fair values of $11,458 and $542 (note 12), respectively. 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. As at June 30, 2018 the accreted debt instrument was valued at $11,470 including total accretion expense of $12.

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.

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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 Agreement 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 IAM III Credit Facility (the "IAM III A&R Credit Facility"), its IAM IV Credit Facility (the "IAM IV A&R Credit Facility") and its IAM V Credit Facility (the "IAM V Credit Facility"), each managed by IAM, 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 Agreement and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by IAM.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35,000 and the Bank Credit Facility matures on March 31, 2020. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $35,000 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 0.75%. DCM has capitalized transaction costs of $897 related to the Bank Credit Facility. For the three and six months ended June 30, 2018, DCM capitalized additional transaction costs of $153. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at June 30, 2018, the unamortized transaction costs related to the Bank Credit Facility was $530. As at June 30, 2018 there were outstanding borrowings of $20,094 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $1,211. As at June 30, 2018, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.2% per annum. DCM had access to $8,643 of available credit under the Bank Credit Facility at June 30, 2018.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed $72,000 (after giving effect to the provisions of the inter-creditor agreement described below). The bank overdraft balance of $2,164 on the statement of consolidated financial position as at June 30, 2018, represents outstanding cheques, when cashed, would be a draw over the Bank Credit Facility.

The principal amount of the amended IAM 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 IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $422 over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $91 over a sixty six month term ending in May 15, 2023. As at June 30, 2018, all of DCM's indebtedness outstanding under the IAM 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 IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at June 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM III Credit Facility were $28 and $4,397, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM incurred no additional capitalized transaction costs during the three and six months ended June 30, 2018 for IAM III Credit Facility. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. As at June 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM IV Credit Facility were $511 and $20,436, respectively. For the three and six months ended June 30, 2018, DCM capitalized transaction costs of $26 and $29 related to the IAM IV Credit Facility and the unamortized balance of the transaction costs is being amortized over the term of this facility. As at June 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM V Credit Facility were $182 and $4,555, respectively. For the three

and six months ended June 30, 2018, DCM capitalized additional transaction costs of $49 and $52, respectively related to the IAM V Credit Facility. The unamortized balance of the transaction costs are being amortized over the term of the facility.

For the three and six months ended June 30, 2018, DCM capitalized transaction costs of $638 related to the Crown Facility. The unamortized transaction costs and outstanding borrowings related to the Crown Facility were $625 and $11,470, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the IAM 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, IAM III, IAM IV,IAM V and Crown, as applicable. Under the terms of the IAM Credit Agreements, DCM has agreed that it will not, without the prior written consent of IAM III, IAM IV and IAM 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 IAM III, IAM IV and IAM V, acting reasonably. The Bank Credit Facility, IAM Credit Agreements 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 as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio must not be less than 1.1 to 1.0 at all times, 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. The pro forma financial results for 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 covenant calculations. As at June 30, 2018, DCM was in compliance with this covenant.

Under the terms of the IAM IV Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA of not greater than the following levels: from October 1, 2017 up to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.1:1. 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 covenant calculations. As at June 30, 2018, DCM was in compliance with these covenants.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of not greater than 4.0 to 1.0 for the quarter ended June 30, 2018 to December 31, 2019, and 3.0 to 1.0 thereafter. (ii) a fixed charge coverage ratio of no less than 1.1 to 1:0 for the fiscal quarter ending June 30, 2018, 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and 1.4 to 1.0 for each fiscal year thereafter. 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 covenant calculations. As at June 30, 2018, DCM was in compliance with these covenants.

For purposes of the Bank Credit Agreement, the IAM 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; and any other extraordinary, non-recurring or unusual items as agreed to by the lender.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the IAM 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 IAM, 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 2018 operating plan or in complying with its covenants over the next twelve months.

In addition, under the terms of the IAM IV Credit Agreement and the IAM 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 IAM IV Credit Facility and indebtedness outstanding under the IAM V Credit Facility, respectively. As at June 30, 2018, there was a balance of $515 in the blocked account related to the IAM IV Credit Facility and IAM V Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under the Bank Credit Facility, the IAM V Credit facility, the IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates (the "Inter-creditor Agreement"). On February 22, 2017, DCM entered into an amended Inter-creditor Agreement between the Bank, IAM III, IAM 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, IAM III, IAM 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 IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM 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, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

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The movement in credit facilities during the period or year are as follows:

	June 30, 2018	December 31, 2017
Balance - Beginning of period/year, net of transaction costs	**55,932**	35,042
Changes from financing cash flows		
Proceeds from credit facilities	**10,395**	27,393
Repayment of credit facilities	**(6,695)**	(14,709)
Finance costs	**(868)**	(925)
Total change from financing cash flows	**58,764**	46,801
Non-cash movements		
Acquisitions	**—**	8,476
Amortization of transaction costs	**301**	655
Accretion of discount	**12**	—
Balance - End of period/year	**$ 59,077**	$ 55,932

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

	June 30, 2018
2018	**$ 2,694**
2019	**5,671**
2020	**26,162**
2021	**6,494**
2022	**6,757**
2023 and thereafter	**13,704**
	$ 61,482

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9 Promissory notes

2018	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance – Beginning of period	$ 2,105	$ 1,431	$ 996	$ —	$ 4,532
Addition - May 8, 2018 (note 4)	—	—	—	2,253	2,253
Unwinding of discount	49	33	—	20	102
Interest expense	—	—	15	—	15
Payments during the three month period	—	(410)	(175)	—	(585)
Balance – End of period	$ 2,154	$ 1,054	$ 836	$ 2,273	$ 6,317
Less: Current portion of promissory notes	(2,154)	(1,054)	(664)	(951)	(4,823)
As at June 30, 2018	$ —	$ —	$ 172	$ 1,322	$ 1,494

2018	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance – Beginning of period	$ 4,309	$ 1,799	$ 1,095	$ —	$ 7,203
Addition - May 8, 2018 (note 4)	—	—	—	2,253	2,253
Unwinding of discount	128	75	—	20	223
Interest expense	—	—	31	—	31
Payments during the six month period	(2,283)	(820)	(290)	—	(3,393)
Balance – End of period	$ 2,154	$ 1,054	$ 836	$ 2,273	$ 6,317
Less: Current portion of promissory notes	(2,154)	(1,054)	(664)	(951)	(4,823)
As at June 30, 2018	$ —	$ —	$ 172	$ 1,322	$ 1,494

2017	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance - February 22, 2017 (Preliminary)	$ 3,962	$ 2,783	$ —	$ —	$ 6,745
Post-closing adjustment	—	231	—	—	231
Balance - February 22, 2017 (Final)	3,962	3,014	—	—	6,976
Addition on November 10, 2017	—	—	1,086	—	1,086
Unwinding of discount	347	206	—	—	553
Interest expense	—	—	9	—	9
Payments during the year	—	(1,421)	—	—	(1,421)
Balance – End of year	$ 4,309	$ 1,799	$ 1,095	$ —	$ 7,203
Less: Current portion of promissory notes	(2,253)	(1,529)	(592)	—	(4,374)
As at December 31, 2017	$ 2,056	$ 270	$ 503	$ —	$ 2,829

10 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 25.98% (2017 – 26.21%) 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 June 30, 2018, DCM has non-capital loss carry-forwards of $Nil (2017 – $8,404).

Reflected in the consolidated statement of financial position as follows:		**June 30, 2018**		December 31, 2017
Deferred income tax assets	**$**	**2,899**	$	6,108
Deferred income tax liabilities		**(1,985)**		(1,295)
Net deferred income tax assets	**$**	**914**	$	4,813

11 Other non-current liabilities

		June 30, 2018		December 31, 2017
Deferred lease inducement	**$**	**996**	$	1,082
Lease escalation liabilities		**2,405**		1,888
Bonuses payable		**829**		983
	$	**4,230**	$	3,953
Less: Current portion of other non-current liabilities		**(542)**		(540)
	$	**3,688**	$	3,413

The current portion of other non-current liabilities is included in trade payables and accrued liabilities.

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of the company 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 fair value of the future payments of $33 per month as of the closing date was $1,226 of which $293 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. Payments made under operating leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2018 to 2028.

12 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 entitled to receive assets of DCM upon such a distribution in priority to or concurrently with the holders of the common shares,

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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, 2018	**20,039,159**	**$**	**248,996**
Shares issued - May 8, 2018 (note 4)	**1,394,856**		**2,046**
Shares issued - June 11, 2018	**89,500**		**175**
Balance – June 30, 2018	**21,523,515**	**$**	**251,217**

	Number of Common shares		Amount
Balance – January 1, 2017	11,975,053	$	237,432
Shares issued - February 22, 2017	1,278,708		2,847
Shares issued - May 5, 2017	6,502		15
Shares issued - June 23, 2017	3,312,368		4,352
Shares issued - June 28, 2017	2,690,604		3,448
Balance – June 30, 2017	19,263,235	$	248,094

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 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, DCM issued 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 six months ended June 30, 2018 and the year ended December 31, 2017 is as follows:

	2018			2017		
	Number of Warrants		**Weighted average Exercise Price**	Number of Warrants		Weighted average Exercise Price
Warrants outstanding - beginning of period / year	**1,381,050**	**$**	**1.75**	1,381,050	$	1.75
Granted	**960,000**		**1.75**	—		—
Exercised	**(89,500)**		**1.75**	—		—
Warrants outstanding - end of period / year	**2,251,550**	**$**	**1.75**	1,381,050	$	1.75

On May 8, 2017, 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%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $6. 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 June 30, 2018, the apportioned carrying value of the warrant option was $542.

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 restricted shares or 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 the company in an amount equal to the fair value of one DCM common share. RSUs generally vest within three years and settle 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. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	June 30, 2018	December 31, 2017
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**177,869**	29,538
Units granted	**740,432**	150,192
Units forfeited	**(13,071)**	(1,514)
Units paid	**(505)**	(347)
Balance - end of period/year	**904,725**	177,869

During the six months ended June 30, 2018, the chief executive officer ("CEO") of DCM and President of DCM were granted 299,021 RSUs (2017 – Nil RSUs) and a total of 441,411 RSUs (2017 – Nil RSUs) were awarded to other key members of DCM's management.

Of the total outstanding RSUs at June 30, 2018, Nil (2017 – Nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at June 30, 2018 was $188 (2017 – $90).

During the six months ended June 30, 2018, compensation expense of $296 (2017 – $2) was recognized in the consolidated statement of operations related to RSUs granted.

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(b) Options ("Options")

A summary of Options activities for the six months ended June 30, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Number of Options	**Weighted average Exercise Price**	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of period / year	**804,961**	**$ 1.50**	959,745	$ 2.41
Granted	**1,200,000**	**1.41**	—	—
Forfeited	**(13,004)**	**1.50**	(135,279)	7.88
Exercised	**—**	**—**	(19,505)	1.50
Options outstanding - end of period / year	**1,991,957**	**$ 1.45**	804,961	$ 1.50
Exercisable	**925,283**	**$ 1.50**	744,006	$ 1.50

The outstanding Options had an exercise price range as follows:

	June 30, 2018	December 31, 2017
	Number of Options	Number of Options
$1.41	**1,200,000**	—
$1.50	**791,957**	804,961
Options outstanding	**1,991,957**	804,961

The Black-Scholes option-pricing model inputs used to compute compensation expense under the fair value-based method are as follows:

	June 30, 2018
Expected life (years)	**7**
Expected volatility	**40%**
Dividend yield	**0%**
Risk free rate of return	**1.88%**
Weighted average fair value of options granted	**$ 0.68**
Forfeiture rate	**10%**

During the six months ended June 30, 2018, options to purchase up to 1,200,000 common shares were awarded to DCM's Board of Directors and executive management team, including a total of 240,000 options awarded to the CEO and President. 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 14, 2018. During the six months ended June 30, 2018, a total of 13,004 options awarded were forfeited.

During the six months ended June 30, 2018, compensation expense of $265 (2017 – $59) was recognized in the consolidated statement of operations related to options granted.

(c) Deferred share unit ("DSU")

On March 14, 2018, 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 the company 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 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.

During the three and six months ended June 30, 2018, 28,009 DSUs (2017 – Nil DSUs) were granted. The carrying amount of the liability relating to the DSUs at June 30, 2018 was $48 (2017 – $Nil).

During the three and six months ended June 30, 2018, an expense of $48 (2017 – $Nil) was recognized in the consolidated statement of operations related to DSUs granted.

13 (Loss) earnings per share

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
BASIC (LOSS) EARNINGS PER SHARE		
Net loss for the period attributable to common shareholders	**$ (1,194)**	$ (581)
Weighted average number of shares	**20,870,234**	13,637,875
Basic (loss) earnings per share	**$ (0.06)**	$ (0.04)
DILUTED (LOSS) EARNINGS PER SHARE		
Net loss for the period attributable to common shareholders	**$ (1,194)**	$ (581)
Weighted average number of shares	**20,870,234**	13,637,875
Diluted (loss) earnings per share	**$ (0.06)**	$ (0.04)

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
BASIC EARNINGS (LOSS) PER SHARE		
Net income (loss) for the period attributable to common shareholders	**$ 569**	$ (2,678)
Weighted average number of shares	**20,456,993**	13,079,515
Basic earnings (loss) per share	**$ 0.03**	$ (0.20)
DILUTED EARNINGS (LOSS) PER SHARE		
Net income (loss) for the period attributable to common shareholders	**$ 569**	$ (2,678)
Weighted average number of shares	**20,495,793**	13,079,515
Diluted earnings (loss) per share	**$ 0.03**	$ (0.20)

During the the three months ended June 30, 2018, options to purchase up to 1,991,957 common shares were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. During the six months

ended June 30, 2018, options to purchase up to 1,200,000 common shares where the average market price of the common shares was greater than than the exercise price were included in the computation of diluted earnings per share while options to purchase up to 791,957 common shares where the average market price of the common stock was less than the exercise price were anti-dilutive and as such these were excluded from the computation of diluted earnings per shares. 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 June 30, 2018, respectively.

For the six months ended June 30, 2017, 6.00% Convertible Unsecured Subordinated Debentures in the aggregate principal amount of $11,175 and the related interest expense were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Options to purchase up to 865,103 common shares and warrants to purchase up to 1,345,3000 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.

14 Changes in working capital

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Trade receivables	**$ 7,693**	$ 947
Inventories	**441**	(442)
Prepaid expenses and other current assets	**649**	411
Trade payables and accrued liabilities	**(3,530)**	3,858
Deferred revenue	**165**	(2,053)
	$ 5,418	$ 2,721

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Trade receivables	**$ 424**	$ 1,446
Inventories	**830**	(2,837)
Prepaid expenses and other current assets	**1,358**	691
Trade and accrued liabilities	**6,324**	2,843
Deferred revenue	**171**	(307)
	$ 9,107	$ 1,836

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.

16 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 year ended December 31, 2017, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA

Communications Management Pension Plan for 2017 decreased from $1,311 to $647. 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. This excess funding will be applied to DCM's future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017. The new regulation allows plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months.

DCM has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the DATA Communications Management Pension Plan as at January 1, 2018. DCM expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately $420, after adjusting for the excess funding from 2017, and for 2019 will be approximately $1,353. The January 1, 2018 actuarial valuation report for the DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DCM's minimum funding requirements for 2018 and forward is not determinable at this time.

Pension expense

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

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017
Net cost recognized in general and administration expenses	**$ 75**	$ 81	**$ 150**	162
Interest costs in finance expense	**60**	54	**119**	108
Defined benefit plans	**$ 135**	$ 135	**$ 269**	$ 270
Defined contribution plans	**$ 317**	$ 385	**$ 714**	$ 765
Defined benefit multi-employer plans	**$ 158**	$ 197	**$ 312**	$ 350

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Other post-employment benefit plans expense

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

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017
Net cost recognized in general and administration expenses	**$ 73**	$ 62	**$ 146**	124
Interest costs in finance expense	**28**	26	**56**	52
Other post-employment benefit plans	**$ 101**	$ 88	**$ 202**	$ 176

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

J.R. Kingsley Ward [3]
Chairman, Director

William Albino [1,2,3]
Director

James J. Murray O.Ont., SIOR [1,2]
Director

Derek J. Watchorn [1,2,]
Director

Michael G. Sifton
Director

Merri L. Jones [3]
Director

Gregory J. Cochrane
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

EXECUTIVE TEAM

Gregory J. Cochrane
President & Chief Executive Officer

James E. Lorimer
Chief Financial Officer

Alan Roberts
Senior Vice-President,
Operations

Michael Coté
Senior Vice-President,
Chief Commercial Officer

Judy Holcomb-Williams
Senior Vice President,
Chief Culture Officer

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Toronto Stock Exchange Symbols
DCM

[1] Member, Audit Comittee
(Chairperson is William Albino)

[2] Member, Corporate Governance Committee
(Chairperson is Derek J.Watchorn)

[3] Member, Human Resources & Compensation Committee
(Chairperson is J.R. Kingsley Ward)

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