Condensed interim consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)		**June 30, 2023**		December 31, 2022
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**20,973**	$	4,208
Trade receivables (note 5)		**105,085**		54,630
Inventories		**38,486**		20,220
Prepaid expenses and other current assets		**5,632**		2,984
Income taxes receivable		**—**		15
		170,176		82,057
NON-CURRENT ASSETS				
Other non-current assets		**1,158**		466
Deferred income tax assets		**10,278**		4,830
Property, plant and equipment		**29,727**		6,779
Right-of-use assets (note 6)		**91,507**		33,505
Pension assets		**2,784**		2,364
Intangible assets		**14,057**		2,507
Goodwill (note 4)		**43,851**		16,973
	$	**363,538**	$	149,481
LIABILITIES				
CURRENT LIABILITIES				
Trade payables and accrued liabilities	**$**	**75,100**	$	44,133
Current portion of credit facilities (note 9)		**9,701**		11,667
Current portion of lease liabilities (note 8)		**12,019**		6,791
Provisions (note 7)		**2,940**		1,316
Income taxes payable		**331**		1,630
Deferred revenue		**5,745**		3,942
		105,836		69,479
NON-CURRENT LIABILITIES				
Credit facilities (note 9)		**102,996**		15,380
Lease liabilities (note 8)		**84,850**		33,011
Pension obligations		**18,649**		6,069
Other post-employment benefit plans		**3,661**		2,695
Asset retirement obligation		**2,741**		—
	$	**318,733**	$	126,634
EQUITY				
SHAREHOLDERS' EQUITY				
Shares (note 10)	**$**	**283,738**	$	256,478
Warrants (note 10)		**219**		869
Contributed surplus		**2,729**		3,131
Translation Reserve		**206**		207
Deficit		**(242,087)**		(237,838)
	$	**44,805**	$	22,847
	$	**363,538**	$	149,481

Commitments and contingencies (note 13)

Approved by Board of Directors

(Signed) "J.R. Kingsley Ward" Director

(Signed) "Richard Kellam" Director

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

Condensed interim consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the three months ended June 30, 2023**		For the three months ended June 30, 2022
				(Restated - Note 3)
REVENUES (note 14)	**$**	**118,963**	$	68,103
COST OF REVENUES		**86,926**		47,661
GROSS PROFIT		**32,037**		20,442
EXPENSES				
Selling, commissions and expenses		**9,850**		7,244
General and administration expenses		**13,154**		6,713
Restructuring expenses (note 7)		**2,729**		—
Acquisition and integration costs (note 4)		**3,837**		—
Net fair value (gains) losses on financial liabilities at fair value through profit or loss (notes 3 and 10)		**2,343**		(176)
		31,913		13,781
INCOME BEFORE FINANCE AND OTHER COSTS, AND INCOME TAXES		**124**		6,661
FINANCE COSTS AND OTHER COSTS				
Interest expense on long term debt and pensions, net		**2,480**		779
Interest expense on lease liabilities (note 8)		**1,019**		564
Amortization of transaction costs net of debt extinguishment gain (note 9)		**107**		86
		3,606		1,429
(LOSS) INCOME BEFORE INCOME TAXES		**(3,482)**		5,232
INCOME TAX (RECOVERY) EXPENSE				
Current		**690**		1,522
Deferred		**(1,293)**		(47)
		(603)		1,475
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(2,879)**	$	3,757
BASIC (LOSS) EARNINGS PER SHARE (note 11)	**$**	**(0.06)**	$	0.09
DILUTED (LOSS) EARNINGS PER SHARE (note 11)	**$**	**(0.06)**	$	0.08

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

Condensed interim consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the six months ended June 30, 2023**		For the six months ended June 30, 2022
				(Restated - Note 3)
REVENUES (note 14)	**$**	**195,040**	$	137,360
COST OF REVENUES		**139,230**		96,594
GROSS PROFIT		**55,810**		40,766
EXPENSES				
Selling, commissions and expenses		**18,171**		14,261
General and administration expenses		**18,708**		12,886
Restructuring expenses (note 7)		**2,729**		—
Acquisition and integration costs (note 4)		**9,955**		—
Net fair value (gains) losses on financial liabilities at fair value through profit or loss (notes 3 and 10)		**7,361**		278
		56,924		27,425
(LOSS) INCOME BEFORE FINANCE AND OTHER COSTS AND INCOME TAXES		**(1,114)**		13,341
FINANCE AND OTHER COSTS				
Interest expense on long term debt and pensions, net		**3,023**		1,470
Interest expense on lease liabilities (note 8)		**1,559**		1,128
Amortization of transaction costs net of debt extinguishment gain (note 9)		**179**		173
		4,761		2,771
(LOSS) INCOME BEFORE INCOME TAXES		**(5,875)**		10,570
INCOME TAX (RECOVERY) EXPENSE				
Current		**2,337**		2,660
Deferred		**(2,901)**		440
		(564)		3,100
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(5,311)**	$	7,470
BASIC (LOSS) EARNINGS PER SHARE (note 11)	**$**	**(0.11)**	$	0.17
DILUTED (LOSS) EARNINGS PER SHARE (note 11)	**$**	**(0.11)**	$	0.16

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

Condensed interim consolidated statements of comprehensive (loss) income

(in thousands of Canadian dollars, unaudited)

		For the three months ended June 30, 2023		For the three months ended June 30, 2022
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(2,879)**	$	3,757
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		**(2)**		26
		(2)		26
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of pension and other post-employment benefit obligations		**1,138**		3
Taxes related to pension and other post-employment benefit adjustment above		**(299)**		(1)
		839		2
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**$**	**837**	$	28
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**$**	**(2,042)**	$	3,785

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

Condensed interim consolidated statements of comprehensive (loss) income

(in thousands of Canadian dollars, unaudited)

		For the six months ended June 30, 2023		For the six months ended June 30, 2022
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(5,311)**	$	7,470
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		**(1)**		13
		(1)		13
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of pension and other post-employment benefit obligations		**1,437**		482
Taxes related to pension and other post-employment benefit adjustment above		**(375)**		(119)
		1,062		363
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**$**	**1,061**	$	376
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**$**	**(4,250)**	$	7,846

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

Condensed interim consolidated statements of changes in shareholders' equity

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Contributed surplus	Translation reserve	Deficit	Total equity
Balance as at December 31, 2021	$ 256,478	$ 881	$ 2,791	$ 173	$ (252,282)	$ 8,041
Net income for the period	—	—	—	—	7,470	7,470
Other comprehensive income for the period	—	—	—	13	363	376
Total comprehensive income for the period	—	—	—	13	7,833	7,846
Exercise of warrants (note 10)	—	(12)	12	—	—	—
Share-based compensation expense (note 10)	—	—	148	—	—	148
BALANCE AS AT JUNE 30, 2022	$ 256,478	$ 869	$ 2,951	$ 186	$ (244,449)	$ 16,035

BALANCE AS AT DECEMBER 31, 2022	**$ 256,478**	**$ 869**	**$ 3,131**	**$ 207**	**$ (237,838)**	**$ 22,847**
Net loss for the period	**—**	**—**	**—**	**—**	**(5,311)**	**(5,311)**
Other comprehensive income for the period	**—**	**—**	**—**	**(1)**	**1,062**	**1,061**
Total comprehensive loss for the period	**—**	**—**	**—**	**(1)**	**(4,249)**	**(4,250)**
Issuance of common shares and broker warrants, net (note 10)	**24,480**	**219**	**—**	**—**	**—**	**24,699**
Exercise of warrants (note 10)	**1,358**	**(869)**	**—**	**—**	**—**	**489**
Exercise of options (note 10)	**1,422**	**—**	**(671)**	**—**	**—**	**751**
Share-based compensation expense (note 10)	**—**	**—**	**269**	**—**	**—**	**269**
BALANCE AS AT JUNE 30, 2023	**$ 283,738**	**$ 219**	**$ 2,729**	**$ 206**	**$ (242,087)**	**$ 44,805**

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

Condensed interim consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)		**For the six months ended June 30, 2023**		For the six months ended June 30, 2022
CASH PROVIDED BY				
OPERATING ACTIVITIES				
Net (loss) income for the period	**$**	**(5,311)**	$	7,470
Items not affecting cash				
Depreciation of property, plant and equipment		**2,056**		1,561
Amortization of intangible assets		**1,164**		811
Depreciation of right-of-use-assets (note 6)		**4,437**		3,213
Interest expense on lease liabilities (note 8)		**1,559**		1,128
Share-based compensation expense		**269**		148
Pension expense		**430**		218
Loss on disposal of property, plant and equipment		**—**		9
Provisions (note 7)		**2,729**		—
Amortization of transaction costs, accretion of debt premium/ discount, net of debt extinguishment gain (note 9)		**179**		293
Accretion of non-current liabilities		**6**		—
Other post-employment benefit plan expense		**208**		136
Income tax (recovery) expense		**(564)**		3,100
Changes in working capital (note 12)		**13,163**		(12,415)
Contributions made to pension plans		**(528)**		(482)
Contributions made to other post-employment benefit plans		**(90)**		(88)
Provisions paid (note 7)		**(1,785)**		(2,633)
Income taxes paid		**(3,305)**		(368)
Total cash generated from operating activities		**14,617**		2,101
INVESTING ACTIVITIES				
Net cash consideration for acquisition of MCC (note 4)		**(126,031)**		—
Proceeds on sale and leaseback transaction (note 6)		**24,091**		—
Purchase of property, plant and equipment		**(1,298)**		(419)
Purchase of intangible assets		**(14)**		—
Proceeds on disposal of property, plant and equipment		**58**		56
Total cash used in investing activities		**(103,194)**		(363)
FINANCING ACTIVITIES				
Issuance of common shares and broker warrants, net (note 10)		**24,221**		—
Exercise of warrants (note 10)		**489**		—
Exercise of options (note 10)		**751**		—
Proceeds from credit facilities (note 9)		**147,640**		7,800
Repayment of credit facilities (note 9)		**(60,367)**		(5,918)
Decrease in restricted cash		**—**		515
Transaction costs (note 9)		**(1,802)**		—
Lease payments (note 8)		**(5,568)**		(4,265)
Total cash provided by financing activities		**105,364**		(1,868)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**16,787**		(130)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$**	**4,208**	$	901
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**(22)**		4
CASH AND CASH EQUIVALENTS – END OF PERIOD	**$**	**20,973**	$	775

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

1 General information and basis of preparation

DATA Communications Management Corp. (“DCM” or the “Company”) is a marketing and business communications partner that helps companies simplify the complex ways they communicate and operate, so they can accomplish more with fewer steps and less effort. For over 60 years, DCM has been serving major brands in vertical markets including financial services, retail, healthcare, energy, other regulated industries, and the public sector. On April 24, 2023, DCM completed the acquisition of Moore Canada Corporation (see note 4 for further details).

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

These financial statements have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company's ability to continue as a going concern is dependent upon management’s ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with its financial covenants on its credit facilities or to obtain financial covenant waivers from its lenders if necessary.

The estimate of future cash flows in the Company's forecasts for the period to September 30, 2024 took into consideration the expected impact of the April 2023 acquisition of Moore Canada Corporation ("MCC"), the Canadian operations of R.R. Donnelley & Sons and amended debt facilities used to finance the acquisition (notes 4 and 9), the increased demand experienced in 2022 that has continued into 2023 and the uncertainty of the continued impact of inflationary pressures resulting from global supply chain challenges, rising interest rates and the prospect of an economic recession on the ongoing demand for the Company's services.

While estimated forecast compliance with financial covenants is sensitive to key assumptions used for forecast revenues, gross margins and expenses (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)), management are satisfied that the Company’s forecasts and projections, taking account of reasonably possible changes in results and other uncertainties will not result in any breach of the financial covenants on its credit facilities. For this reason, management continues to believe that there is no material uncertainty regarding the ability of the Company to continue as a going concern.

The common shares of DCM are listed on the Toronto Stock Exchange (“TSX”) under the symbol “DCM” and trade on OTCQX under the symbol "DCMDF". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario. These condensed interim consolidated financial statements were approved by the Board of Directors ("Board") of DCM, on August 9, 2023.

2 Significant accounting policies

DCM prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial reports, including International Accounting Standard (“IAS”) 34 "Interim Financial Reporting". The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in DCM’s consolidated financial statements for the year ended December 31, 2022, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2023 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.

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

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2023, as issued and outstanding as of August 9, 2023, the date the Board of Directors ("Board") approved these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DCM's consolidated annual financial statements for the year ended December 31, 2022 which have been prepared in accordance with IFRS.

3 Change in accounting policies, significant accounting estimates, assumptions and judgements

a) New and amended standards adopted

IFRS 7 NET FAIR VALUE (GAINS) LOSSES ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In accordance with IAS 8 to provide more reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows, DCM applied IFRS 7 paragraph 20 to disclose net gains or net losses on financial assets or financial liabilities measured at fair value through profit or loss separately on the condensed interim consolidated statement of operations.

The following table summarizes the impact on DCM's condensed interim consolidated statement of operations for the three months ended June 30, 2022:

	Period ended June 30, 2022 prior to the adoption	Impact	Period ended June 30, 2022 prior to the adoption
Selling, commissions and expenses	$ 7,244	$ —	$ 7,244
General and administration expenses	6,537	176	6,713
Net fair value (gains) losses on financial liabilities at fair value through profit or loss	—	(176)	(176)

The following table summarizes the impact on DCM's condensed interim consolidated statement of operations for the six months ended June 30, 2022:

	Period ended June 30, 2022 prior to the adoption	Impact	Period ended June 30, 2022 prior to the adoption
Selling, commissions and expenses	$ 14,292	$ (31)	$ 14,261
General and administration expenses	13,133	(247)	12,886
Net fair value (gains) losses on financial liabilities at fair value through profit or loss	—	278	278

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments were adopted effective January 1, 2023 and did not have an impact on the condensed interim consolidated financial statements.

AMENDMENTS TO IAS 12, DEFERRED TAXES RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

This standard was amended to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments were adopted effective January 1, 2023 and did not have an impact on the condensed interim consolidated financial statements.

b) Future accounting standards not yet adopted

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. On October 31, 2022, the IASB published an amendment to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024. DCM is currently evaluating the impact on the condensed interim consolidated financial statements.

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

4 Business Acquisition

ACQUISITION OF MOORE CANADA CORPORATION (MCC)

On April 24, 2023 (the "Closing Date"), DCM completed the acquisition of 100% of the share capital of MCC for a total cash purchase price of $130,835. During the three and six months ended June 30, 2023, the total post-closing working capital adjustments to the purchase price were $4,922 for a total cash purchase price of $135,757. This amount has been reflected in trade payables and accrued liabilities as of June 30, 2023.

With the completion of the acquisition, MCC is a wholly-owned subsidiary of DCM. The acquisition of MCC provides a strategic opportunity to accelerate DCM's growth agenda. Bringing together two similar sized businesses, DCM will have a significantly larger presence in the Canadian market, an enhanced portfolio of products and services, and an expanded customer base across a broad range of industry verticals. The acquisition was funded through a revolving, floating rate credit facility from a Canadian chartered bank, which includes up to $90,000 of revolving credit capacity; a $30,000 floating rate bridge facility from the bank; and a new $50,000 fixed rate credit facility from Fiera Private Debt (see note 9 for further information).

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

The acquisition is being accounting for as a business combination using the acquisition method and the consideration paid and the preliminary 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	$	4,804
Trade receivables		57,134
Inventories		22,981
Prepaid expenses and other assets		1,542
Other non-current assets		704
Deferred income tax assets		2,443
Property, plant and equipment		49,442
Right-of-use assets		35,138
Intangible assets		12,700
Income taxes receivable		316
Trade payables and accrued liabilities		(26,276)
Deferred revenue		(1,688)
Lease liabilities		(33,925)
Provisions		(680)
Pension obligations		(13,695)
Other post-employment benefits plans		(848)
Asset retirement obligation		(1,213)
Total identifiable net assets		108,879
Goodwill		26,878
Total	$	135,757

The initial accounting for the business combination is incomplete as the valuation of the acquired property, plant and equipment, intangible assets and leases is not yet finalized. As such there may be adjustments to the purchase accounting and those adjustments could be material.

The fair value of trade receivables is $57,134. The gross contractual amount of trade receivables due is $57,905 of which $771 was deemed uncollectible. The identifiable intangible assets acquired primarily relate to customer relationships and trademarks which will be amortized over an expected useful life of nine to ten years. Goodwill of $26,878 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.

Acquisition and integration costs recognized in three and six months ended June 30, 2023 were $3,837 and $9,955 (year ended December 31, 2022 – $1,870). Of this $9,955 of acquisition and integration costs incurred during the six months ended June 30, 2023, $5,300 relates specifically to acquisition costs.

The revenue and net loss contributed by MCC and included in the condensed interim consolidated statement of operations for the three months ended June 30, 2023 were $50,305 and $1,558 respectively. If the acquisition had occurred on January 1, 2023, the estimated revenue and net income contributed by MCC the six months ended June 30, 2023 would have been approximately $140,729 and $12,613 respectively, adjusting net income for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2023 together with the consequential tax effect.

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

5 Trade receivables

		June 30, 2023		December 31, 2022
Trade receivables	**$**	**107,530**	$	56,195
Provision for expected credit losses		**(2,445)**		(1,565)
	$	**105,085**	$	54,630

As at June 30, 2023, trade receivables include unbilled receivables of $37,431 (2022 – $13,491), net of an expected credit loss allowance of $1,363 (2022 – $1,150).

6 Right-of-use asset

The following tables present changes in the right-of-use ("ROU") assets for the six months ended June 30, 2023:

		Property		**Office Equipment**		**Production Equipment**		**Total**
Balance - Beginning of period	**$**	**26,834**	**$**	**3,084**	**$**	**3,587**	**$**	**33,505**
Acquisition of MCC (note 4)		**34,672**		**—**		**466**		**35,138**
Additions for the period		**23,113**		**—**		**1,703**		**24,816**
Modifications for the period		**2,300**		**45**		**125**		**2,470**
Depreciation for the period		**(2,631)**		**(425)**		**(1,381)**		**(4,437)**
Effect of movement in exchange rates		**15**		**—**		**—**		**15**
Closing net book value	**$**	**84,303**	**$**	**2,704**	**$**	**4,500**	**$**	**91,507**
As at June 30, 2023								
Cost	**$**	**102,777**	**$**	**6,541**	**$**	**18,966**	**$**	**128,284**
Accumulated depreciation		**(18,474)**		**(3,837)**		**(14,466)**		**(36,777)**
Net book value	**$**	**84,303**	**$**	**2,704**	**$**	**4,500**	**$**	**91,507**

During the three and six months ended June 30, 2023, DCM modified certain leases by entering into renewal and/or amending agreements to extend lease terms and/or increase/reduce the lease payments. On June 8, 2023, DCM entered into a sale and leaseback of its Oshawa, Ontario warehouse facility, which was acquired as part of the Company's acquisition of MCC (note 4). Gross proceeds realized on the sale were $24.1 million, and, after deducting closing commissions, rent deposit, and other expenses, net proceeds of $23.1 million have been applied towards the $30 million balance outstanding on the Company’s Real Estate Bridge Loan with a Canadian chartered bank. The Real Estate Bridge Loan had been entered into in connection with financing of the MCC acquisition (note 9). DCM also recorded a capital improvement allowance of $1.5 million for certain identified building maintenance and repairs as a leasehold incentive receivable held in escrow. No gain or loss was recognised on the sale and leaseback transaction. The related closing costs and other expenses associated with the sale of the Oshawa facility of $559 were reflected in the condensed interim consolidated statement of operations for the three months ended June 30, 2023.

As of June 30, 2023, the carrying amount of the ROU assets includes an amount of $2,741 for asset retirement obligations associated with certain lease arrangements.

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

7 Provisions

	Termination provisions	Plant Closure	Total
Balance – December 31, 2022	**$ 1,316**	**$ —**	**$ 1,316**
Acquisition of MCC (note 4)	**680**	**—**	**680**
Additional charge during the period	**2,729**	**—**	**2,729**
Utilized during the period	**(1,785)**	**—**	**(1,785)**
Balance - June 30, 2023	**$ 2,940**	**$ —**	**$ 2,940**

	Termination provisions	Plant Closure	Total
Balance – December 31, 2021	$ 3,926	$ 550	$ 4,476
Utilized during the period	(2,083)	(550)	(2,633)
Balance - June 30, 2022	$ 1,843	$ —	$ 1,843
Less: Current portion of provisions	(788)	—	(788)
Balance - Long-term portion of provisions	$ 1,055	$ —	$ 1,055

TERMINATION PROVISIONS

During the three and six months ended June 30, 2023, DCM commenced its planned initiatives to drive synergies in connection with the acquisition of MCC, including initiatives to align its organizational structure and optimize its operational footprint (note 4).

During the three and six months ended June 30, 2023, these initiatives resulted in $2,729 of restructuring expenses due to headcount reduction across DCM's operations including senior executive management. During the six months ended June 30, 2023, cash payments of $1,785 (2022 - $2,083) were made to former employees for severances and other restructuring costs. During the six months ended June 30, 2022, an additional payment of $550 was made to a landlord for closure of a manufacturing location in Edmonton, Alberta. The remaining severance and restructuring accruals are expected to be paid in 2023 and 2024.

8 Lease liabilities

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

	Property	Office Equipment	Production Equipment	Total
Balance - Beginning of period	**32,648**	**3,311**	**3,843**	**39,802**
Acquisition of MCC (note 4)	**33,459**	**—**	**466**	**33,925**
Additions during the period	**23,014**	**—**	**1,703**	**24,717**
Modifications during the period	**2,262**	**45**	**125**	**2,432**
Payments during the period	**(3,406)**	**(471)**	**(1,691)**	**(5,568)**
Interest charge for the period	**1,375**	**58**	**126**	**1,559**
Effect of movement in exchange rates	**2**	**—**	**—**	**2**
As at June 30, 2023	**$ 89,354**	**$ 2,943**	**$ 4,572**	**$ 96,869**

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

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

	Contractual Cash Flows	Extension Options	Total as at June 30, 2023
Not later than one year	$ 15,404	$ —	$ 15,404
Later than one and not later than five years	38,542	6,107	44,649
Later than five years	17,976	71,197	89,173
Total undiscounted lease liabilities	$ 71,922	$ 77,304	$ 149,226
Discounted using the incremental borrowing rate			(51,925)
Lease liabilities			$ 97,301
Current			$ 12,019
Non-current			$ 84,850

All extension options that are reasonably certain to be exercised have been included in the measurement of the lease obligation. The Company reassesses the likelihood of extension option to be exercised when there was a significant event or change in circumstances. During the six months ended June 30, 2023, extension options that are not reflected in the measurement of the lease liability total $9,350 (December 31, 2022 - $650).

9 Credit facilities

	June 30, 2023	December 31, 2022
Term loans		
- 6.95% term debt, maturing June 08, 2023 (FPD IV Credit Facility)	—	4,882
- 6.95% term debt, maturing June 08, 2023 (FPD V Credit Facility)	—	1,225
- 5.95% term debt, maturing December 17, 2026 (FPD VI Credit facility)	8,643	9,429
- 8.08% term debt, maturing April 21, 2028 (FPD VI New Credit facility)	50,000	—
- 8.45% term debt, maturing April 24, 2024 (Real Estate Bridge Loan)	6,939	—
- floating rate debt, maturing May 8, 2024 (Bank Term Loan)	—	5,913
Revolving facilities		
- floating rate debt, maturing November 8, 2026 (Bank Credit Facility)	49,009	5,869
Credit facilities	$ 114,591	$ 27,318
Unamortized debt premiums and discount	—	260
Unamortized transaction costs	(1,894)	(531)
	$ 112,697	$ 27,047
Less: Current portion of Credit facilities	(9,701)	(11,667)
Credit facilities	$ 102,996	$ 15,380

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (the “New Bank Credit Facility”) pursuant to a third amended and restated credit agreement (the “Bank Credit Agreement”) with a Canadian chartered bank (the “Bank”) as part of the financing of the acquisition of MCC on April 24, 2023. Under the terms of the amended Bank Credit Agreement, the maximum principal amount available under the New Bank Credit Facility was increased from $15,000 to $90,000. The facility still matures on November 8, 2024. The New Bank Credit Facility also includes an “accordion” feature which can provide up to an additional $20,000 of capacity under the revolving facility. The New Bank Credit Facility matures on November 8, 2026. The New Bank Credit Facility is available to be drawn by way of either Prime Rate loans, Base Rate loans, Canadian Dollar Offered Rate ("CDOR") loans, Secured Overnight Financing Rate (SOFR loans), and/or Letters of Credit. Prime rate loans charge interest based on the prime rate plus a margin whereby the prime rate is the greater of the Bank’s published reference rate on Canadian Dollar denominated commercial loans and the CDOR rate for a period of 30 days plus 100 basis points per annum. Under the Bank Credit Agreement, the Canadian Overnight Repo Rate Average (CORRA) plus 0.3% will replace the CDOR rate when the CDOR rate ceases at the end of June 2024. Currently, advances under the New Bank Credit Facility may not, at any time, exceed the lesser of $90,000 and a fixed percentage of DCM’s aggregate accounts receivable and inventory (less certain amounts). Advances under the New Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 1.25% for a rate of 8.20% as at June 30, 2023. The amendment to the revolving credit facility was accounted for as an extinguishment of the previous facility which was derecognized along with the remaining unamortized balance of prior transaction costs and unamortized debt premium and the new debt was then recorded at fair value along with associated transaction costs of $1,088.

As part of the refinancing of the MCC acquisition, DCM also established a $30,000, one-year committed senior secured credit facility (the “Real Estate Bridge Loan”) which is intended to be repaid from the proceeds of the sale and leaseback of the acquired real estate properties or at the first anniversary of the acquisition close. The Real Estate Bridge Loan is available by way of Prime Rate loans and CDOR loans. The Real Estate Bridge Loan matures on April 24, 2024 and is subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 0.70% for a rate of 8.45%. As of June 30, 2023, DCM entered into a sale and leaseback for its Oshawa facility for net proceeds of $23.1 million (note 8), which proceeds were used to partially repay the loan. The balance as of June 30, 2023 was $6,939.

On November 8, 2021, DCM established a term loan (“Bank Term Loan”) with the Bank for $10,000 to partially refinance a partial facility with Crown Credit Partners. The Bank Term Loan was repaid as part of the acquisition (note 4) and was subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 3.50%.

As at June 30, 2023, DCM had access to $19,579 of available credit under the New Bank Credit Facility. The cash and cash equivalents of $20,973 shown on the condensed interim consolidated statement of financial position as at June 30, 2023.

FPD FACILITIES

DCM has two amortizing term loan facilities (the “FPD VI Credit Facilities”) with Fiera Private Debt VI L.P. (“FPD VI”), which is a fund managed by Fiera Private Debt Fund GP Inc. (“FPD”) pursuant to an amended and restated credit agreement dated as of April 24, 2023 (the “FPD Credit Agreement”).

DCM established a new $50,000 committed term loan with Fiera Private Debt VI L.P. (“FPD VI New Term Loan” and, together with the New Bank Credit Facility and the Bank Term Loan, the “Credit Facilities”) at an interest rate of 8.08% to partially finance the acquisition of MCC (see note 4). 71.5% of the FPD New Term Loan must be repaid in fifty-nine (59) equal monthly payments of principal plus accrued interest on the outstanding principal amount and the remaining 28.5%, together with accrued interest, must be repaid on the maturity date on April 21, 2028. DCM elected to defer principal payments on this facility for the first twelve months following the closing of the MCC acquisition. The associated transaction costs of this new loan was $714.

As part of the MCC acquisition, in April 2023, the maturity dates of pre-existing loans with FPD IV and FPD V, two other funds managed by Fiera Private Debt GP Inc. were extended to December 31, 2023 at an interest rate of 8.08%. As of June 30, 2023, the balances of these loans were fully repaid using the proceeds from the Offering (as defined in note 10).

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreement contains customary representations and warranties, certain financial covenant requirements, as well as certain 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 and FPD VI, as applicable. As of June 30, 2023, DCM was in compliance with all of its financial covenants.

The continued ability to comply with financial covenants under the Company's credit facilities for at least the next twelve months is contingent on management's ability to meet budgeted revenue, profitability and working capital targets. The estimate of future cash flows in the Company's 2023 budget (adjusted for the acquisition in note 4) include a number of key assumptions to support the financial covenant calculations, specifically related to forecast revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)). Management are satisfied that the Company's forecasts and projections, taking account of reasonably possible changes in results and other uncertainties will not result in any breach of the financial covenants on its credit facilities within the next year.

A failure by DCM to comply with its obligations under the Bank Credit Agreement or the FPD Credit 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 FPD, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months or that it shall be able to receive waivers from its lenders to the extent required; however there can be no assurance that DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants, or obtaining waivers from its lenders over the next twelve months.

INTER-CREDITOR AGREEMENT

DCM's obligations under the New Bank Credit Facility, the Real Estate Bridge Loan and the FPD VI Credit Facility are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM has entered into an inter-creditor agreement between the Bank and FPD VI which, among other things, establishes the rights and priorities of the respective liens of the Bank and FPD VI on the present and after-acquired property of DCM and its subsidiaries.

The movement in credit facilities during the six months ended June 30, 2023 and for the year ended December 31, 2022 are as follows:

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

	June 30, 2023	December 31, 2022
Balance – Beginning of period / year, net of transaction costs and debt premiums and discounts	**$ 27,047**	$ 36,299
Changes from financing cash flows		
Proceeds from credit facilities	**147,640**	2,900
Repayment of credit facilities	**(60,367)**	(12,616)
Finance costs	**(1,802)**	—
Balance after the changes in financing cash flows	**112,518**	26,583
Non-cash movements		
Amortization of transaction costs and debt modification gain, net	**179**	344
Accretion of premium and discount	**—**	120
Balance – End of period / year, net of transaction costs and debt premiums and discounts	**$ 112,697**	$ 27,047

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

	June 30, 2023
2023	**56,734**
2024	**6,333**
2025	**8,715**
2026	**11,859**
2027	**7,144**
2028	**23,806**
	$114,591

10 Shares and warrants

SHARES

DCM is authorized to issue an unlimited number of common shares. The common shares have a stated capital of one dollar. Each common share is entitled to one vote at any meeting of shareholders. Each holder of the common shares will be entitled to receive dividends if, as and when declared by the Board. In the event of the liquidation, dissolution, winding up of DCM or other distribution of assets of DCM among its shareholders for the purpose of winding up its affairs, the holders of the common shares will be entitled to receive assets of DCM upon such a distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

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

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

	Number of Common shares		**Amount**
Balance – December 31, 2022	**44,062,831**	**$**	**256,478**
Exercise of warrants – April 3, 2023	**138,157**	**$**	**167**
Exercise of warrants – April 21, 2023	**1,510,000**	**$**	**1,191**
Exercise of options – May 23, 2023	**60,374**	**$**	**128**
Exercise of options – May 23, 2023	**544,321**	**$**	**1,294**
Shares issued – May 25, 2023	**8,707,200**	**$**	**24,480**
Balance – June 30, 2023	**55,022,883**	**$**	**283,738**

	Number of Common shares		**Amount**
Balance – January 1 and June 30, 2022	44,062,831	$	256,478

During the six months ended June 30, 2023, DCM completed a private placement (the “Offering”) of common shares of the Company (“Common Shares”). Upon closing of the Offering, the Company issued 8,707,200 Common Shares at a price per share of $3.00 for gross proceeds of $26,121 (or $24,221 after closing costs). A total of $478 was recorded in equity as the deferred tax impact on the share issue costs. In connection with the Offering, the Company issued Agent broker warrants (see further discussion below).

WARRANTS

A summary of warrant activities for the six months ended June 30, 2023 and the year ended December 31, 2022 is as follows:

	Six months ended June 30, 2023			Year ended December 31, 2022		
	Number of Warrants		**Weighted average Exercise Price**	Number of Warrants		Weighted average Exercise Price
Warrants outstanding – beginning of period / year	**1,648,157**	**$**	**0.30**	1,863,607	$	0.28
Granted	**261,216**		**3.16**	—		—
Expired	**—**		**—**	(215,450)		0.185
Exercised	**(1,648,157)**		**0.30**	—		—
Warrants outstanding – end of period / year	**261,216**	**$**	**3.16**	1,648,157	$	0.30

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

The outstanding warrants had an exercise price range as follows:

	June 30, 2023 Number of Warrants	December 31, 2022 Number of Warrants
$3.16	**261,216**	—
$0.99	—	77,078
$0.32	—	61,079
$0.26	—	1,510,000
Warrants outstanding	**261,216**	1,648,157

During the six months ended June 30, 2023, 1,648,157 warrants were exercised for total proceeds of $489.

In connection with the Offering, DCM issued 261,216 broker warrants. Each warrant entitles the holder to acquire one Common Share at an exercise price of $3.16 for a period of 2 years, commencing on May 25, 2023. The fair value of the warrants issued was estimated to be $219 using the Black-Scholes option-pricing model, assuming a risk-free interest of 4.23%, a weighted average life of 2.0 years, a dividend yield of nil and an expected volatility of 55.95% based on comparable companies.

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 5,502,288 common shares or 10% of the issued and outstanding common shares of DCM.

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

(a) Restricted share unit ("RSU")

Under the RSU portion of the LTIP, selected employees are granted RSUs where each RSU represents the right to receive a distribution from DCM in an amount equal to the fair value of one DCM common share. RSUs granted are performance and non-performance based. The performance component is based on Company specific financial targets approved by the Board and the non-performance component is based on continued employment. RSUs generally vest over three years, require continued employment with DCM for the duration of the vesting period 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. The RSUs payable are included in trade payables and accrued liabilities. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

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

	June 30, 2023	December 31, 2022
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**3,154,305**	2,400,715
Units granted	**339,793**	904,207
Units forfeited	**(94,924)**	—
Units paid out	**(1,188,558)**	(150,617)
Balance - end of period/year	**2,210,616**	3,154,305

During the six months ended June 30, 2023, the Chief Executive Officer ("CEO") of DCM was granted 143,506 RSUs (six months ended June 30, 2022 – 224,652 RSUs) and 196,287 RSUs (six months ended June 30, 2022 – 312,126 RSUs) were awarded to other members of DCM's management.

Of the total outstanding RSUs at June 30, 2023, nil (December 31, 2022 – nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at June 30, 2023 was $4,515 (December 31, 2022 – $3,501).

During the three and six months ended June 30, 2023, compensation expense of $838 and $3,464 (three and six months ended June 30, 2022 – $27 and $354) was recognized in the net fair value (gains) losses on financial liabilities at fair value through profit or loss in the condensed interim consolidated statement of operations related to vesting of RSUs granted, and fair value adjustments. RSUs and DSUs are categorized as level 2 inputs in the fair value hierarchy given their valuations include inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. There were no transfers between levels 1, 2 or 3 during the period.

(b) Options ("Options")
A summary of Options activities for the six months ended June 30, 2023 and the year ended December 31, 2022 is as follows:

	Six months ended June 30, 2023			Year ended December 31, 2022		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of period/year	**4,700,886**	**$**	**0.97**	3,950,886	$	0.91
Granted	**750,000**		**3.42**	750,000		1.30
Exercised	**(671,886)**		**1.38**	—		—
Options outstanding - end of period/year	**4,779,000**	**$**	**1.31**	4,700,886	$	0.97
Exercisable	**2,987,333**	**$**	**0.89**	2,867,553	$	0.99

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

The outstanding Options had an exercise price range as follows:

	June 30, 2023 Number of Options	December 31, 2022 Number of Options
$0.69	**2,500,000**	2,500,000
$0.85	**—**	125,000
$1.29	**654,000**	654,000
$1.30	**750,000**	750,000
$1.38	**125,000**	671,886
$3.42	**750,000**	—
Options outstanding	**4,779,000**	4,700,886

On April 27, 2023, options to purchase up to 750,000 common shares were awarded to a member of management. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $3.42 per share, representing the fair value of the Common Shares on the date of grant. The 750,000 options vest at a rate of 1/3 each year beginning on April 27, 2024. The Black-Scholes option-pricing model inputs used to compute compensation expense for the options granted under the fair value-based method include a risk-free interest of 2.92%, a weighted average life of 7.0 years, a dividend yield of nil and an expected volatility of 60.00% based on comparable companies.

During the six months ended June 30, 2023, 671,886 options were exercised in exchange for 604,695 common shares (as a result of the net settlement of certain options). The total proceeds of $751.

During the three and six months ended June 30, 2023, compensation expense of $184 and $269 (three and six months ended June 30, 2022 – $56 and $148) was recognized in the condensed interim consolidated statement of operations related to the vesting of options granted.

(c) Deferred share unit ("DSU")
Each director is required to receive at least half of his or her annual retainer in DSUs and has the option to elect to receive all or part of his or her other compensation in DSUs.

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

During the six months ended June 30, 2023, 97,459 (six months ended June 30, 2022 - 173,378) DSUs were granted. The carrying amount of the liability relating to the 2,531,162 DSUs outstanding at June 30, 2023 was $7,366 (December 31, 2022 – $3,529 and 2,433,703 DSUs outstanding).

During the three and six months ended June 30, 2023, $1,506 and $3,897 (three and six months ended June 30, 2022 – recovery of $204 and $76) was recognized in the net fair value (gains) losses on financial liabilities at fair value through profit or loss in the condensed interim consolidated statement of operations related to DSUs granted, and fair value adjustments.

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

11 (Loss) earnings per share

	For the three months ended June 30, 2023	For the three months ended June 30, 2022
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to common shareholders	**$ (2,879)**	$ 3,757
Weighted average shares	**49,055,088**	44,062,831
Basic (loss) earnings per share	**$ (0.06)**	$ 0.09
DILUTED (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to common shareholders	**$ (2,879)**	$ 3,757
Weighted average shares	**49,055,088**	44,062,831
Adjustments for calculation of diluted earnings per share:		
Options	**—**	1,176,895
Warrants	**—**	1,261,880
Weighted average number of shares in calculating diluted earnings per share	**49,055,088**	46,501,606
Diluted (loss) earnings per share	**$ (0.06)**	$ 0.08

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the year attributable to common shareholders	**$ (5,311)**	$ 7,470
Weighted average shares	**46,572,750**	44,062,831
Basic (loss) earnings per share	**$ (0.11)**	$ 0.17
DILUTED (LOSS) EARNINGS PER SHARE		
Net (loss) income for the year attributable to common shareholders	**$ (5,311)**	$ 7,470
Weighted average shares	**46,572,750**	44,062,831
Adjustments for calculation of diluted earnings per share:		
Options	**—**	1,198,857
Warrants	**—**	1,267,738
Weighted average number of shares in calculating diluted earnings per share	**46,572,750**	46,529,426
Diluted (loss) earnings per share	**$ (0.11)**	$ 0.16

For the three and six months ended June 30, 2023, options to purchase up to 4,779,000 and warrants to purchase up to 216,216 were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

For the three and six months ended June 30, 2023, options to purchase up to 2,075,886 common shares and warrants to purchase up to nil 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.

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

12 Changes in working capital

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Trade receivables	**$ 9,659**	$ (5,245)
Inventories	**4,715**	(5,049)
Prepaid expenses and other current and non-current assets	**(1,094)**	410
Trade and accrued liabilities	**(232)**	(2,018)
Deferred revenue	**115**	(513)
	$ 13,163	$ (12,415)

13 Commitments and Contingencies

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

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

In the normal course of business, DCM has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and license agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at June 30, 2023 with respect to these agreements.

Executive employment agreements allow for additional payments of approximately $4,128 if the individuals are terminated without cause, and approximately $4,128 in the event of a change in control.

14 Segmented information

The CEO of DCM is the chief operating decision maker ("CODM").

DCM has a single operating segment, being the Company as a whole, reflecting the manner in which the operating results are being reviewed by the CODM to make decisions about resources to be allocated and to assess the Company's performance. The recently acquired MCC business exhibits similar economic characteristics to DCM, particularly in terms of nature of its product and services, nature of its production process, type of customers and methods used to provide its product and services.

Management evaluates the performance of its reportable segment based on income before finance costs, other income and income taxes. Certain corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segment.

All significant external sales are to customers located in Canada. DCM established operations in Chicago, Illinois in order to service the U.S. operations of a large customer and is seeking to grow its U.S. sales, however at June 30, 2023, U.S. sales were not significant to disclose separately.

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, 2023**	For the three months ended June 30, 2022
Product sales	**$ 108,157**	$ 58,606
Technology-enabled hardware solutions	**1,917**	2,803
Warehousing services	**2,545**	1,879
Freight services	**3,438**	2,274
Marketing and other services	**811**	174
Technology-enabled subscription services and fees	**$ 2,095**	$ 2,367
	$ 118,963	$ 68,103

(in thousands of Canadian dollars, unaudited)	**For the six months ended June 30, 2023**	For the six months ended June 30, 2022
Product sales	**$ 174,869**	$ 119,854
Technology-enabled hardware solutions	**5,298**	5,615
Warehousing services	**4,546**	3,872
Freight services	**5,450**	4,338
Marketing and other services	**1,326**	440
Technology-enabled subscription services and fees	**3,551**	3,511
	$ 195,040	$ 137,630

15 Related party transactions

COMPENSATION OF KEY MANAGEMENT

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

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Salaries and other short-term employee benefits	**$ 1,991**	$ 894
Post-employment benefits	**10**	8
Share-based compensation expense	**2,468**	261
Total	**$ 4,469**	$ 1,163

During the six months ended June 30, 2023, key management personnel (excluding compensation awarded to Directors) were granted 252,260 RSUs (2022 – 424,279 RSUs), and nil RSUs (2022 – nil RSUs) were forfeited. During the six months ended June 30, 2023, key management personnel (excluding compensation awarded to

Directors) were also granted options to purchase up to 750,000 Common Shares. During the six months ended June 30, 2023, DCM's general and administration expenses include a charge of $182 (2022 – $88) for these past share-based compensation awards related to options.

During the six months ended June 30, 2023, DCM's general and administration expenses include a net expense of $3,897 (2022 – recovery of $76) for the duties performed by DCM's Board, of which $3,592 (2022 – recovery of $344) relates to DSU fair value expense (note 10).