CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

As at and for the years ended December 31, 2019 and 2018

(expressed in United States dollars unless otherwise noted)

QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Consolidated Financial Statements
December 31, 2019 and 2018
(Expressed in United States Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Quisitive Technology Solutions, Inc.

Opinion

We have audited the consolidated financial statements of Quisitive Technology Solutions, Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(A) in the financial statements, which indicates that the Entity has experienced losses since inception, has a working capital deficiency and significant debt obligations.

As stated in Note 2(A) in the financial statements, these conditions, along with other matters as set forth in Note 2(A) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kevin James Fisher.

Vaughan, Canada

April 28, 2020

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Consolidated Statements of Financial Position
Years Ended December 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	2019	2018
Assets		
Current		
Cash	$ 1,419,756	$ 273,448
Restricted cash (Note 11)	7,310,500	—
Accounts receivable (Note 5)	3,964,599	1,400,739
Current income tax receivable	331,010	—
Work in progress	196,645	510,444
Prepaid expenses	205,593	219,318
	13,428,103	2,403,949
Property and equipment, net (Note 6)	900,148	179,840
Intangibles (Note 7)	9,962,968	4,922,572
Goodwill (Note 8)	15,005,578	5,752,748
Total Assets	**$39,296,797**	**$13,259,109**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 4,236,904	$ 2,071,222
Current income tax payable	159,247	38,187
Operating line of credit (Note 9)	1,840,630	230,253
Note payable (Note 12)	5,244,851	5,244,851
Menlo acquisition note (Note 11)	7,210,529	—
Current portion of Bank term loan (Note 13)	714,946	—
Current portion of Deferred revenue	1,241,957	—
Current portion of Lease liability (Note 15)	412,844	—
Current portion of Contingent consideration (Notes 4 and 21)	4,168,207	1,186,094
	25,230,115	8,770,607
Non-current liabilities:		
Purchase price note due to related party (Note 14)	4,966,761	—
Note payable due to related party (Note 14)	463,493	—
Bank term loan (Note 13)	3,407,861	—
Contingent consideration (Notes 4 and 21)	4,169,106	—
Lease liability (Note 15)	418,674	—
Deferred tax liability (Note 10)	1,845,746	—
Deferred revenue	123,673	—
Total Liabilities	40,625,429	8,770,607
Shareholders' equity		
Share capital (Note 16)	9,793,723	9,117,405
Warrants (Note 16)	2,736,054	1,551,091
Contributed surplus (Note 16)	819,609	374,266
Deficit	(13,901,107)	(6,593,814)
Foreign currency translation adjustment	(767,063)	—
Equity attributable to owners of the Corporation	(1,318,784)	4,448,948
Non-Controlling Interest (Note 19)	(9,848)	39,554
	(1,328,632)	4,488,502
Total Liabilities and Shareholders' Equity	**$39,296,797**	**$13,259,109**

Going Concern (Note 2(a))
Subsequent Events (Notes 12 and 24)

* The Corporation applied IFRS 16 using the modified retrospective approach. Under this method, the comparative information is not restated. See Note 2(q).

Approved on behalf of the Board:

"Mike Reinhart"
Mike Reinhart, Chairman and CEO

"David Guebert"
David Guebert, Director and Chair of Audit Committee

The accompanying Notes are an integral part of these consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	2019	2018
Revenue (Note 22)	$18,525,288	$12,606,724
Cost of Revenue	10,588,212	7,933,300
Gross Margin	7,937,076	4,673,424
Operating Expenses		
Sales and marketing expense	3,294,509	2,056,445
General and administrative	3,236,831	3,569,533
Development	136,496	—
Share-based compensation (Note 16)	289,604	403,864
Interest expense	1,624,398	734,544
Amortization (Note 7)	2,423,368	1,488,101
Earn-out settlement loss (Note 21)	1,617,736	—
Depreciation (Note 6)	664,226	94,787
Foreign exchange loss (gain)	(161,995)	—
Acquisition related expenses (Note 3, 24)	2,119,177	327,463
Listing expenses (Note 4)	—	2,570,700
Loss Before Income Taxes	(7,307,274)	(6,572,013)
Income tax expense — current (Note 10)	245,379	38,187
Deferred income tax recovery (Note 10)	(175,946)	—
Net Loss for the Period	$ (7,376,707)	$ (6,610,200)
Comprehensive Loss:		
Items that may be reclassified subsequently to income:		
Foreign currency translation adjustment	(767,063)	—
Comprehensive loss	$ (8,143,770)	$ 6,610,200
Net Loss Attributed to:		
Owners of the Corporation	$ (7,307,292)	$ (6,593,814)
Non-controlling interest (Note 19)	(69,415)	(16,386)
Basic and Diluted Loss per share (Note 17)	$ (0.08)	$ (0.09)
Weighted Average Number of Common Shares Outstanding	87,813,530	70,243,772

* The Corporation applied IFRS 16 using the modified retrospective approach. Under this method, the comparative information is not restated. See Note 2(q).

The accompanying Notes are an integral part of these consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	Share Capital		Contributed				Non-Controlling	
	Number	**Amount**	**Surplus**	**Warrants**	**Deficit**	**AOCI**	**Interest**	**Total**
		$	$	$	$	$	$	$
Balance, December 31, 2017	**1,000,000**	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Shares issued from private placement	62,067,288	8,178,156	—	—	—	—	—	8,178,156
Shares issued in connection with Quisitive acquisition	11,588,725	466,562	—	—	—	—	—	466,562
Share issued from private placement	—	—	—	—	—	—	—	—
Share issuance costs	—	(704,732)	—	—	—	—	—	(704,732)
Warrants	—	(1,214,327)	—	1,214,327	—	—	—	—
Broker Warrants	—	(336,764)	—	336,764	—	—	—	—
Shares issued from 2nd private placement	—	—	—	—	—	—	—	—
Shares issuance costs 2nd private placement	—	—	—	—	—	—	—	—
Warrants from 2nd private placement	—	—	—	—	—	—	—	—
Broker Warrants from 2nd private placement	—	—	—	—	—	—	—	—
Shares issued pursuant to RTO	10,175,000	2,728,509	23,042	—	—	—	—	2,751,551
Share-based compensation—RTO	—	—	—	—	—	—	—	—
Share-based compensation	—	—	351,224	—	—	—	55,940	407,164
Net income (loss) for the period	—	—	—	—	(6,593,814)	—	(16,386)	(6,610,200)
Balance December 31, 2018	**84,831,013**	**9,117,405**	**374,266**	**1,551,091**	**(6,593,814)**	**—**	**39,554**	**4,488,502**
Shares issued in private placement	750,000	114,090	—	—	—	—	—	114,090
Shares issued in connection with CRG acquisition	4,473,684	562,228	—	—	—	—	—	562,228
Warrants issued in connection with CRG acquisition	—	—	—	1,184,963	—	—	—	1,184,963
Currency Translation adjustment	—	—	—	—	—	(767,063)	—	(767,063)
Stock based compensation	—	—	269,591	—	—	—	20,013	289,604
Related party loan contribution	—	—	175,752	—	—	—	—	175,752
Net income (loss) for the year	—	—	—	—	(7,307,293)	—	(69,415)	(7,376,707)
Balance December 31, 2019	**90,054,697**	**9,793,723**	**819,609**	**2,736,054**	**(13,901,107)**	**(767,063)**	**(9,848)**	**(1,328,632)**

* The Corporation applied IFRS 16 using the modified retrospective approach. Under this method, the comparative information is not restated. See Note 2(q).

The accompanying Notes are an integral part of these consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	2019	2018
Operating Activities		
Net loss for the period	$(7,376,707)	$(6,610,200)
Items not involving cash		
Amortization	2,423,368	1,488,101
Depreciation	664,226	94,787
Unrealized foreign exchange	(162,964)	—
Stock based compensation	289,604	403,864
Interest	1,624,398	—
Listing fee	—	2,751,551
Earnout settlement adjustment	1,617,736	61,094
Deferred income tax	(175,946)	—
	(1,096,285)	(1,810,803)
Changes in non-cash working capital		
Receivables	(1,634,328)	82,484
Work in Progress	313,799	(510,444)
Prepaids and deposits	(12,027)	(64,121)
Accounts payable and accrued liabilities	1,947,196	(157,220)
Deferred Revenue	520,519	—
Income Tax payable	(192,866)	38,187
Cash Provided by (Used in) Operating Activities	(153,992)	(2,421,917)
Investing Activity		
Purchase of property and equipment	(41,255)	—
Purchase of intangible assets	—	(86,001)
Purchase of CRG (net of cash acquired)	(3,181,199)	
Purchase of Quisitive, net of cash acquired	—	(3,904,876)
Net cash acquired in qualifying transaction	—	569,347
Cash Used in Investing Activity	(3,222,454)	(3,421,530)
Financing Activities		
Proceeds from share issuance, net of issuance costs	114,090	7,473,438
Interest paid	(1,624,398)	—
Accretion	245,234	—
Proceeds of Bank Term Loan, net of financing costs incurred	4,122,807	—
Proceeds of Menlo Acquisition loan, net of financing costs incurred	7,310,500	—
Seacoast Factoring arrangement	1,610,377	230,253
Net Proceeds from related party loan	561,958	—
Lease payments	(507,313)	—
Net Proceeds (Repayment) of operating line of credit	—	(1,392,357)
Repayment of Equipment Leases	—	(194,440)
Cash Provided by (Used in) Financing Activities	11,883,254	6,116,894
Inflow (Outflow) of Cash	**8,456,808**	**273,447**
Cash, Beginning of Period	**273,448**	**1**
Cash and restricted cash, End of year	**$ 8,730,256**	**$ 273,448**

* The Corporation applied IFRS 16 using the modified retrospective approach. Under this method, the comparative information is not restated. See Note 2(q).

The accompanying Notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

(a)

Quisitive is a premier Microsoft solutions provider that helps enterprise organizations move, operate and innovate in the Microsoft cloud: Quisitive provides Microsoft Azure, Microsoft Dynamics business applications and Microsoft O365 as well as proprietary Software as a Service ("SaaS") solutions such as CRG emPerform™, LedgerPay, and business solutions from other technology partners that complement the Microsoft platform.

With a legacy of deep technical and business expertise, Quisitive is empowering the enterprise to navigate the ever-changing technology climate their business relies upon. Quisitive helps customers harness the power of the Microsoft cloud and innovative technologies such as, artificial intelligence, machine learning, the Internet of Things (IoT) and blockchain through customized solutions.

(b) Structure of Business

Quisitive Technology Solutions, Inc. ("Quisitive" or the "Corporation"), formerly Nebo Capital Corporation ("Nebo"), is the parent Corporation of Fusion Agiletech Partners, Inc. (formerly Fusion Martech Partners, Inc.) ("Fusion Canada") which was incorporated on February 8th, 2017 under the Business Corporation Act (Ontario).

On August 8, 2018, a Qualifying Transaction occurred pursuant to a definitive Business Combination Agreement and was approved by the TSX-V and proceeded by way of a three cornered amalgamation (the "Amalgamation") pursuant to which Fusion Canada amalgamated with Nebo Acquisition Corp., a wholly-owned subsidiary of Nebo incorporated under the laws of Ontario, and Nebo acquired all of the issued and outstanding common shares of Fusion Canada (the "Fusion Shares"), in exchange for Nebo's shares on a 1:1 basis, such that Fusion Canada became a wholly-owned subsidiary of Nebo. The Amalgamation also provided that all outstanding convertible securities to purchase Fusion Canada's Shares were either exchanged in accordance with their terms, on a 1:1 basis, for economically equivalent securities of Nebo or became exercisable for equivalent securities of Nebo in lieu of securities of Fusion Canada and otherwise on the same terms and conditions.

The common shares of Quisitive are listed on the TSX Venture Exchange (the "TSX-V") under the symbol "QUIS". The Corporation is a holding Corporation that has been incorporated to acquire IT service companies in the United States and Canada as well as develop SaaS solutions for business. The address of the Corporation's registered office is 161 Bay Street, Suite 2325, Toronto, Ontario, M5J 2S1.

Quisitive Ltd. (formerly Fusion Agiletech Holdings Ltd.), a wholly owned subsidiary of Fusion Canada, was incorporated on December 22nd, 2017 under the General Corporate Law of the State of Delaware. Quisitive Ltd.'s registered office is 1675 South State Street, Suite B, Dover, Delaware, 19901.

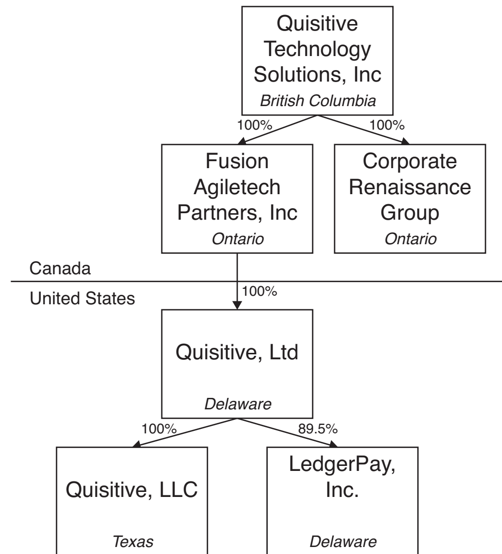
Quisitive LLC, is a Texas Limited Liability Corporation, Quisitive LLC's headquarters is 1431 Greenway Drive, Suite 1000, Irving, TX 75038. On January 22, 2018, Fusion Holdings entered into a definitive agreement to acquire the membership interests of Quisitive LLC. The transaction closed on January 23, 2018 and the operations of Quisitive LLC since January 24, 2018 have been reflected in the consolidated financial statements. Quisitive LLC is a wholly owned subsidiary of Quisitive through its subsidiaries.

LedgerPay, Inc, was incorporated on December 26th, 2017 under the General Corporate Law of the State of Delaware. LedgerPay's principal activity is to develop, promote and sustain payments-related software products. Quisitive Ltd owns 89.5% of LedgerPay at December 31, 2019. The address of the LedgerPay's registered office is 1675 South State Street, Suite B, Dover, Delaware, 19901.

1. NATURE OF OPERATIONS (Continued)

On June 1, 2019, the Corporation acquired the shares of Corporate Renaissance Group ("CRG"). Operations of CRG since June 1, 2019 have been reflected in the consolidated financial statements.

Figure 1: Corporate Structure Diagram of Quisitive at December 31, 2019.



2. SIGNIFICANT ACCOUNTING POLICIES

(A) GOING CONCERN:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the basis of presentation outlined in Note 2(b) on the assumption that the Corporation is a going concern and will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation has experienced losses since inception, has a working capital deficiency and significant current debt obligations. The Corporation is addressing these circumstances by growing the business to provide funds to ensure working capital needs are met, seeking additional financing and pursuing a debt consolidation strategy to lower capital costs and retire short term debt obligations. Additional financing will be required to support operating and investing activities and refinance debt obligations. There is no certainty that growth, additional financing, or debt consolidation alternatives will be available or that they will be available on attractive terms.

The above conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Corporation's ability to continue as a going concern. In addition, varying and discrete effects of COVID-19 across companies and industries could potentially impact our financing efforts, ability to operate, ability of our clients to commit to contracts, liquidity and ability to continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classification used.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) BASIS OF PREPARATION

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

These financial statements were authorized for issue by the Board of Directors on April 28, 2020.

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All financial information is stated in United States of America Dollars ("US$"), except where otherwise noted.

(b) Functional and reporting currency

These consolidated financial statements are presented in US$. The functional currency of the Corporation and each of the Corporations' controlled subsidiaries is US$ with the exception of Corporate Renaissance Group, Inc. which uses Canadian dollars as its functional currency.

(c) Basis of consolidation

The consolidated financial statements include the Corporation and its wholly-owned subsidiaries Fusion Agiletech Partners, Inc., Quisitive Ltd., Quisitive LLC, CRG as well as LedgerPay, in which the Corporation owns a 89.5% interest. Subsidiaries are entities that the Corporation has control and are fully consolidated from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(d) Use of Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates include:

(i) Cash generating units ("CGU") and the allocation of goodwill for the purpose of impairment testing.

(ii) Stock-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Stock-based compensation expense also utilizes subjective assumptions on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Useful lives of intangible assets — Following initial recognition, the Corporation carries the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

(iv) Recoverability of the carrying value of intangible assets requires management to determine whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of marketing and sales data, as well as the Corporation's financial ability to continue marketing and sales activities and operations.

(v) The fair value of consideration to acquire the Corporation in a reverse take-over transaction comprised common shares and replacement warrants and options. Common shares were valued on the date of issuance. Replacement warrants and options were valued using the Black-Scholes model. The Corporation applied IFRS 2 *Share-based Payments* in accounting for the Transaction.

(vi) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.

(vii) The amount of goodwill initially recognized as a result of a business combination, the fair value estimate of any contingent consideration and the determination of the fair value of the identifiable assets acquired and liabilities assumed is based, to a considerable extent, on management's estimate of future cash flows expected to be derived from the assets acquired.

Significant areas requiring the use of judgments include:

(i) The assessment of the Corporation's ability to continue as a going concern involves judgment regarding future funding available for its platform development and working capital requirements.

(ii) The Corporation records an allowance for doubtful accounts related to accounts receivable that are considered to be uncollectable. The allowance is based on the Corporation's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to those factors could impact the estimated allowance and the provision for bad debts.

(iii) The determination of the functional currency for the Corporation and each of its subsidiaries is based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

(iv) Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Corporation's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Corporation has and continues to use tax planning strategies to realize deferred tax assets in order to avoid

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Corporation may materially affect the consolidated financial statements.

(v) Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash outflow required to settle the obligation. The Corporation is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

(vi) Contingent consideration and the allocation of fair value of assets acquired. Management has applied judgment with respect to the probability of the contingent consideration being earned and the discount rate. The determination of fair value of assets acquired requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets acquired require the most judgment and include estimates of future cash flows.

(e) Income taxes

Deferred tax is calculated, using the financial position method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Share Issue Costs

The Corporation accounts for share issue costs by deferring the costs until the shares are issued, at which time the costs are charged to share capital as share issue costs. If the share offering does not proceed, the costs are expensed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition

IFRS 15, Revenue from Contracts with Customers, applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Professional Services

Services revenues are derived from professional services that include developing, implementing, integrating, automating and extending business processes, technology infrastructure, and software applications. Professional services revenues are recognized over time as services are rendered. Most of our projects are performed on a time and materials basis, while a portion of our revenues is derived from projects performed on a fixed fee or fixed fee percent complete basis. For time and material projects, revenues are recognized and billed by multiplying the number of hours our professionals expend in the performance of the project by the hourly rates. For fixed fee contracts, revenues are recognized and billed by multiplying the established fixed rate per time period by the number of time periods elapsed. For fixed fee percent complete projects, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours.

Certain costs incurred by the Corporation for subcontractors and other expenses that are recoverable directly from clients are billed to the clients and therefore included in revenue.

Project costs include all direct labour and subcontract costs and those indirect costs related to contract performance such as benefits, travel expenses and hardware and software reimbursements. Selling, general and administrative costs are charged to expenses as incurred.

In conjunction with services provided, we receive referral fees under partner programs. These referral fees are recognized at a point in time when earned and recorded within services revenues on a net basis.

Maintenance, License and other revenue

License revenue is derived from sales of third-party software resales, in which we are considered the agent, we typically act as principal in resales, however, each contract is evaluated in order to assess the role. Revenues from sales of third-party software where we act as an agent are recorded on a net basis, while revenues where we act as principal are recorded on a gross basis.

License revenue is expected to fluctuate depending on our clients' demand for these products. There are no significant cancellation or termination-type provisions for our software sales. Contracts for our professional services provide for a general right, to the client or us, to cancel or terminate the contract within a given period of time (generally 30 days' notice is required). The client is responsible for any time and expenses incurred up to the date of cancellation or termination of the contract.

Deferred revenue is the amount paid over the current billing to the client project where the revenue is not yet realizable nor recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit terms are extended to customers in the normal course of business. The Corporation performs ongoing credit evaluations of its customers based on payment history and willingness to pay and, generally, requires no collateral.

Accounts receivable are recorded at their estimated net realizable value, net of an allowance for doubtful accounts. The Corporation's estimate of the allowance for doubtful accounts is based upon historical experience, its evaluation of the current status of receivables, and unusual circumstances, if any. Accounts are considered past due if payment is not made on a timely basis in accordance with the Corporation's credit terms.

(h) Stock-based compensation

Stock-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount for equity settled awards is recorded to contributed surplus. The fair value of options is determined using the Black-Scholes option pricing model. For employee share options, the number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. The Corporation's share based plans are described in note 16.

(i) Property and equipment

Property and equipment is comprised of computers and network equipment, furniture and equipment, leasehold improvements and software, which are amortized on straight-line basis over five years. Property and equipment is measured at cost less accumulated amortization and accumulated impairment loss.

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Corporation amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives as follows:

Website development 2 years
Software 2 – 6 years
Customer relationships 3 – 7 years
Microsoft relationship 5 years
Brand 4 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquiree. Acquisition-related costs are recognized in loss in the period incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS sections. Changes in the fair value of contingent consideration initially classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Goodwill is allocated to the Corporation's CGUs that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal. The Corporation performs the annual goodwill impairment tests on December 31 each year.

(l) Impairment of non-financial assets

At the end of each reporting period, the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. When an impairment loss subsequently

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

reverses (except for goodwill), the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(m) Income (loss) per share

Basic income (loss) per share is calculated by dividing the income or loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted earnings per share assumes that the deemed proceeds received from the exercise of share options, share purchase warrants and their equivalents would be used to repurchase common shares of the Corporation at the average market price during the year.

Stock options and share purchase warrants are typically dilutive when the Corporation has net income for the period and the average market price of the common shares during the period exceeds the exercise price of the stock option and/or share purchase warrant.

(n) Foreign currency translation

The majority of our subsidiaries have a U.S. dollar functional currency, which represents the currency of the primary economic environment in which they operate. For these subsidiaries, we translate monetary assets and liabilities denominated in foreign currencies into U.S. dollars at the period-end exchange rates. We translate non-monetary assets and liabilities denominated in foreign currencies into U.S. dollars at historic rates, and we translate revenue and expenses into U.S. dollars at the average exchange rates prevailing during the month of the transaction. Exchange gains and losses also arise on the settlement of foreign-currency denominated transactions. We recognize foreign currency differences arising on translation in our consolidated statement of operations.

For our subsidiary with a non-U.S. dollar functional currency, we translate assets and liabilities into U.S. dollars using the period-end exchange rates, and we translate revenue and expenses into U.S. dollars at the average exchange rates prevailing during the month of the transaction. We defer gains and losses arising from the translation of these operations in the foreign currency translation adjustment account which are recorded in other comprehensive income (loss) (OCI).

(o) Financial Instruments

The Corporation classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Corporation assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Corporation compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Corporation applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Corporation to track the changes in credit risk; rather, the Corporation recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Corporation under the contract, and the cash flows that the Corporation expects to receive. The Corporation assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Corporation measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of the Corporation's Classification and Measurements of Financial Assets and Liabilities

	IFRS 9	
	Classification	Measurement
Cash and restricted cash	FVTPL	Fair value
Accounts receivables	Amortized cost	Amortized cost
Accounts payables and accrued liabilities	Amortized cost	Amortized cost
Operating line of credit	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Contingent consideration	FVTPL	Fair value
Income tax payable	Amortized cost	Amortized cost
Menlo acquisition note	Amortized cost	Amortized cost
Bank term loan	Amortized cost	Amortized cost
Lease liability	Amortized cost	Amortized cost
Note payable to related party	Amortized cost	Amortized cost

(p) Operating segment

Management has determined that the Corporation operates in a single reportable operating segment.

(q) Adoption of IFRS 16 — Leases

IFRS 16 introduced a single, on-balance sheet accounting approach for leases. Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach for recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings as January 1, 2019. Comparative information has not been restated and continues to be reported under IAS17.

Under the new standard the Corporation assesses whether at contract inception, such contract contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control or use an identified asset for a period of time in exchange for consideration.

The Corporation records a right-of-use asset and lease liability at the lease commencement date. The right-of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate. Payments included in the measurements of the liability include fixed payments and payments expected to be made where a renewal/extension option is reasonably certain to be exercised. The lease liability is subsequently increased by the interest cost and decreased by lease payments made. The liability is remeasured when there is a change in the future lease payments arising from the exercise of extension options, changes in the assessment of extension options reasonably expected to be excised, renegotiations with lessors and contract amendments, changes in the scope of a lease due to certain contract rights being exercised, and changes in assessments of termination options reasonably expected to be exercised.

The Corporation elected to record the right-of-use assets based on the corresponding lease liability. In addition, the Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial applications short term leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impacts on Financial Statements

On initial transition, the Corporation has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Right-of-use assets and lease liabilities of $1,203,999 were recorded on January 1, 2019. There was no net impact on opening retained earnings on adoption.

The following is a table that reconciles the Corporation's operating lease obligations at December 31, 2018 as previously disclosed in the Corporation's 2018 Consolidated Financial Statements to the IFRS 16 lease liability recognized on January 1, 2019. The discount rate applied on transition was 5.3%.

Commitments, December 31, 2018	$1,507,950
Less: Non-lease commitments	210,549
Undiscounted lease obligation at January 1, 2019	1,297,401
Discount	(93,402)
Balance, right-of-use asset and lease liabilities January 1, 2019	$1,203,999

Commencing January 1, 2019, there will be a decrease to operating costs and increases to finance costs associated with the interest accretion on the lease liability and depreciation expense related to the right-of-use asset.

(r) New Accounting Pronouncements

IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017) — The Interpretation, applicable to annual periods beginning on or after January 1, 2019 (earlier application permitted), provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances. There has been no impact on the financial statements as a result of implementing this policy.

3. BUSINESS COMBINATIONS

Quisitive LLC

On January 23, 2018, Fusion Holdings (now Quisitive, Ltd) purchased 100% of the equity interests in Quisitive, LLC to obtain control.

The aggregate consideration paid by the Corporation to acquire Quisitive, LLC was comprised of:

(i) $2,071,843 paid in cash at closing;

(ii) $1,228,157 issued as a short term note, which was subsequently paid on March 29, 2018;

(iii) 11,588.738 shares in Fusion Holdings, convertible on a 1:1,000 basis into shares of parent Corporation Fusion Agiletech Partner;

(iv) $700,000 paid in cash for settlement of lawsuit by the former shareholders of Quisitive LLC; and

(v) Contingent consideration up to $2,500,000.

3. BUSINESS COMBINATIONS (Continued)

As part of the compensation for the Quisitive, LLC membership units, Fusion Holdings entered into an earn-out with certain former Quisitive, LLC members (the "Contingent Consideration"). The Contingent Consideration has a maximum payout of $2,500,000 which is based on a five times EBITDA exceeding $1,700,000 to a maximum of $2,200,000 eligible in either 2018 or fiscal 2019. On the acquisition date, management estimated the fair market value of the Contingent Consideration to be $1,125,000 by estimating the likelihood of achieving such Contingent Consideration goals and applying a present value at discount rate of 5.3% to such likely amounts.

The Corporation has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquire, and liabilities assumed were recorded at their estimated fair value at the acquisition date.

In connection with the acquisition of Quisitive LLC, the Corporation incurred acquisition costs of $327,463 in the year ended December 31, 2018.

The fair values shown below for Quisitive, LLC are final.

Purchase price consideration	
Cash paid	$ 4,000,000
Shares issued	466,562
Fair value of contingent consideration	1,125,000
Consideration of the acquisition	$ 5,591,562
Cash	95,124
Other current assets	$ 1,611,070
Deposit	27,347
Property and equipment	280,433
Other intangibles	42,732
Tangible assets acquired	2,056,706
Current liabilities	(1,636,244)
Operating line of credit	(1,392,357)
Equipment lease	(194,440)
Note payable	(5,244,851)
Total liabilities	$(8,467,892)
Net tangible liabilities assumed	(6,411,186)
Finite life intangibles asset acquired:	
Microsoft relationship	3,860,000
Customer relationship	2,390,000
Goodwill	5,752,748
	$ 5,591,562

The acquired intangible assets are being amortized over their estimated useful lives as follows:

Microsoft relationship	5 years
Customer relationship	3 years

3. BUSINESS COMBINATIONS (Continued)

Corporate Renaissance Group

On June 1, 2019, Quisitive Technology Solutions, Inc. purchased the equity interests in Corporate Renaissance Group to obtain control.

The aggregate consideration paid by the Corporation to acquire CRG is comprised of the following (all in Canadian Dollars):

(i) $5,152,750CAD paid in cash at closing;

(ii) $6,500,000CAD issued as a purchase price notes. Interest on the notes is payable at a rate of 10% per annum compounded on an annual basis and payable semi-annually with the first payment commencing six (6) months following the Closing Date. The notes have a term of twenty-four (24) months from the Closing Date with the option of the Sellers to extend by one additional year or otherwise as the Parties may agree;

(iii) 19,500,000 Share Purchase Warrants. These warrants are non-transferable, detachable share purchase warrants, each of which entitles the holder to acquire one common share at a price of $0.35CAD per common share;

(iv) 4,473,684 common shares; and

(v) Contingent consideration of $2,166,667 CAD per annum payable at the end of each of the next three fiscal years ended December 31, 2019 to 2021 if CRG's annual EBITDA exceeds $2.5 million CAD in each year with an additional growth earnout for the excess EBITDA earned over $7.5 million CAD over the three year earnout period. The Corporation has estimated the full contingent consideration at present value to be approximately $6.9 million CAD.

The Corporation has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date.

3. BUSINESS COMBINATIONS (Continued)

The fair values shown below for CRG are final.

Purchase price consideration	
Cash	$ 3,659,348
Purchase price notes	4,805,207
Share purchase warrants	1,184,963
Shares issued	562,228
Fair value of contingent consideration	5,130,481
Consideration of the acquisition	15,342,227
Cash	478,149
Other current assets	1,152,183
Property and equipment	132,033
Tangible assets acquired	1,762,365
Current liabilities	321,835
Deferred revenue	721,438
Deferred tax liability	2,021,934
Lease liability	101,662
Total liabilities	$ 3,166,869
Finite life intangible assets acquired	
Customer relationship	3,796,851
Software	1,784,579
Brand	1,912,471
Goodwill	9,252,830
	$15,342,227

Since the date of acquisition, CRG contributed revenue of $3,306,686 and a net loss of $358,961. The Company incurred $1,572,383 in acquisition costs related to the acquisition. The Share Purchase Agreement contains a buy back right to the vendor whereby the shares in CRG can be repurchased by the vendor for a nominal amount if interest on the purchase price notes or earn-out payments are not paid when due.

The acquired intangible assets are being amortized over their estimated useful lives as follows:

Customer relationship	7 years
Software	6 years
Brand	4 years

4. REVERSE ACQUISITION OF NEBO CAPITAL CORPORATION

On August 8, 2018, Nebo completed its Qualifying Transaction, which was effected pursuant to an agreement between Nebo and Fusion Canada. As part of the agreement, Nebo acquired all the issued and outstanding shares of Fusion Canada.

As part of the Qualifying Transaction, Fusion Canada amalgamated with a wholly-owned subsidiary of Nebo Capital Corp (the “Amalgamation”), pursuant to which all shares of Fusion Canada, were exchanged for shares of Nebo.

4. REVERSE ACQUISITION OF NEBO CAPITAL CORPORATION (Continued)

The Transaction proceeded by way of a three cornered amalgamation (the "Amalgamation") pursuant to which Fusion Canada amalgamated with Nebo Acquisition Corp., a wholly-owned subsidiary of Nebo ("Subco") incorporated under the laws of Ontario, and Nebo acquired all of the issued and outstanding common shares of Fusion Canada (the "Fusion Shares"), in exchange for Nebo Shares on a 1:1 basis, such that Fusion Canada became a wholly-owned subsidiary of Nebo. The Amalgamation also provided that all outstanding convertible securities to purchase Fusion Canada shares were either exchanged in accordance with their terms, on a 1:1 basis, for economically equivalent securities of Nebo or became exercisable for equivalent securities of Nebo in lieu of securities of Fusion Canada and otherwise on the same terms and conditions. In connection with the closing of the Transaction, Nebo also changed its name from "Nebo Capital Corp." to "Quisitive Technology Solutions, Inc.".

Upon completion of the Transaction, there are an aggregate of 84,831,013 Quisitive Shares issued and outstanding (non-diluted) comprised of 10,175,000 common shares issued to former holders of Nebo common shares, and 74,656,013 common shares issued to former holders of Fusion Canada common shares, of which the shareholders of Nebo hold approximately 11.99%, and the shareholders of Fusion Canada hold approximately 88.01%.

Upon closing of the Qualifying Transaction, the former shareholders of Fusion Canada owned 88.01% of the common shares of the Corporation and as a result, the transaction is considered a reverse acquisition of Nebo by Fusion Canada. For accounting purposes, Fusion Canada is considered the acquirer and Nebo the acquiree.

The results of operations of Nebo are included in the consolidated financial statements as of the date of the reverse acquisition on August 8, 2018.

The following summarizes the reverse takeover of Nebo by Fusion Canada and the net assets acquired at August 8, 2018.

Fair value of consideration paid to former Nebo holders of:	
Common shares (10,175,000 common shares at CDN$0.35)	$2,728,509
Options (150,000 options)	23,042
Total consideration	2,751,551
Less: Net identifiable assets acquired and liabilities assumed	(569,347)
Other expenses associated with listing	388,496
Total Listing expense	$2,570,700

As the acquisition was not considered a business combination, a total of $2,570,000, being the excess of fair value of the consideration paid to obtain the listing over the net assets (liabilities) received (assumed) was expensed for the year ended December 31, 2018.

5. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable is comprised of the following:

	December 31, 2019	December 31, 2018
Accounts receivable	$4,171,149	$1,558,724
Less: Allowance for doubtful accounts	(206,550)	(157,985)
Net accounts receivable	$3,964,599	$1,400,739

For the year ended December 31, 2019, the Corporation recorded bad debt expense of $nil (December 31, 2018 — $192,985). The Quisitive LLC accounts receivable balance of $2,563,593 is factored (see Note 9) but there is recourse on the collection.

6. PROPERTY AND EQUIPMENT

	Computers and Network Equipment	Furniture and Equipment	Leasehold Improvements	Software	Right of Use Asset	Total
COST						
Balance, December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
Additions	117,175	399,267	36,239	12,204	—	564,885
Balance, December 31, 2018	117,175	399,267	36,239	12,204	—	564,885
Additions	41,255	—	—	—	1,203,999	1,245,254
Acquired from CRG Acquisition	11,915	13,408	5,049		101,662	132,034
Balance, December 31, 2019	$170,345	$412,675	$41,288	$12,204	$1,305,661	$1,942,173
ACCUMULATED DEPRECIATION						
Balance, December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
Accumulated Depreciation on Additions	53,659	214,553	14,944	7,102	—	290,258
Depreciation	31,823	52,096	6,800	4,068	—	94,787
Balance, December 31, 2018	85,482	266,649	21,744	11,170	—	385,045
Effect of Foreign Currency Translation	—	—	—	—	(7,246)	(7,246)
Depreciation	43,658	129,070	7,248	1,034	483,216	664,226
Balance, December 31, 2019	$129,140	$395,719	$28,992	$12,204	$ 475,970	$1,042,025
Net book value December 31, 2018	$ 31,693	$132,618	$14,495	$ 1,034	$ —	$ 179,840
Net book value December 31, 2019	$ 41,205	$ 16,956	$12,296	$ (0)	$ 829,691	$ 900,148

7. INTANGIBLE ASSETS

Intangible assets related to our Quisitive, LLC acquisition were recorded at the fair value at the acquisition date. Intangible assets with a finite life are amortized into income over their useful lives.

	Software	Website Development	Microsoft Relationship	Customer Relationship	Brand	Total
Cost						
Balance December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
Acquired from business combinations	—	88,449	3,860,000	2,390,000	—	6,338,449
Additions	40,157	45,844				86,001
Balance December 31, 2018	40,157	134,293	3,860,000	2,390,000	—	6,424,450
Acquired from business combination-CRG	1,784,579	—	—	3,796,851	1,912,471	7,493,901
Balance December 31, 2019	$1,824,736	$134,293	$3,860,000	$6,186,851	$1,912,471	$13,918,351
Accumulated Amortization						
Balance December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
Acquired from business combinations	—	13,777	—	—	—	13,777
Amortization	—	18,282	723,353	746,466	—	1,488,101
Balance December 31, 2018	—	32,059	723,353	746,466	—	1,501,878
Amortization	177,606	64,112	768,827	1,117,282	295,542	2,423,368
Adjustment	—	30,137	—	—	—	30,137
Balance December 31, 2019	$ 177,606	$126,308	$1,492,180	$1,863,748	$ 295,542	$ 3,955,383
Carrying value						
Balance December 31, 2018	$ 40,157	$102,234	$3,136,647	$1,643,534	$ —	$ 4,922,572
Balance December 31, 2019	$1,647,130	$ 7,986	$2,367,820	$4,323,103	$1,616,929	$ 9,962,968

Amortization expenses for the year ending December 31, 2019 and 2018 were $2,423,368 and $1,488,101, respectively.

8. GOODWILL

	December 31,	
	2019	2018
Balance, January 1	$ 5,752,748	—
Acquisitions (Note 3)	9,252,830	5,752,748
Balance, December 31	$15,005,578	$5,752,748

The Company performs a goodwill impairment test annually on October 1 and whenever there is an indication of impairment. The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test are described below.

8. GOODWILL (Continued)

Goodwill acquired through business combinations has been allocated to two groups of cash generating units ("CGUs") — Quisitive LLC and CRG. The recoverable amount for each group of CGUs was determined using a value-in-use approach. Under the value-in-use approach, the CGU's recoverable amount is calculated based on the present value of future cash flows expected to be derived from each CGU.

The calculation of recoverable amount is most sensitive to the following assumptions:

- Discount rates
- Growth rate used to extrapolate cash flows beyond the budgeted period

Discount rates — Discount rates represent the current market assessment of the risks specific to each group of CGUs. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC reflects a target debt-to equity ratio. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of equity considers the risk-free rate, market equity risk premium, size premium and risk specific to each group of CGUs' underlying assets that have not been considered in the cash flow projections. The risk premiums assigned are evaluated annually based on publicly available market data. The cost of debt is based on the interest-bearing borrowings that the Company is obliged to service. The pre-tax discount rate applied to the cash flow projections is approximately 17%.

Growth rate — Growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans and industry outlook. The projections are prepared for each of the Company's groups of CGUs and are based on financial budgets approved by the Board. Management has estimated forecasts of revenue growth of 20% annually during the projected period in the value in use model and applied a rate of 2% growth rate to determine the terminal value.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of either CGU to materially exceed its recoverable amount.

9. OPERATING LINE OF CREDIT

On October 12, 2018 Quisitive LLC entered into a two-year master purchase and sale agreement with a US Bank where trade receivables of Quisitive LLC are factored for interest and fees. 85% of the face value of factored receivables are advanced upon presentation of verified invoices, with the other 15% remitted back to Quisitive LLC, net of interest and fees upon payment by the end customer. The $2,500,000 facility bears administrative expenses and an advance fee calculated as interest upon the daily net outstanding balance at LIBOR Daily Floating Rate plus 7% and will have additional service costs of 0.4% on outstanding invoices. Other facility fees, including shortfall and chargeback fees, among other fees apply. The facility is secured by a general security agreement over all of the assets of Quisitive LLC. All transaction costs have been expensed as they are not material. As at December 31, 2019 there was $659,370 available for release that was not borrowed against.

	December 31,	
	2019	2018
Operating line of credit	$1,840,630	$230,253
Interest expense for the year ended December 31	$ 245,057	$ 48,690

10. INCOME TAXES

(a) Tax recognized in profit or loss

	2019	2018
Current income tax expense:		
Current year	245,379	38,187
Deferred income tax (recovery):		
Origination and reversal of temporary differences	(175,946)	0
Income tax expense:	69,433	38,187

10. INCOME TAXES (Continued)

(b) Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the combined corporate income tax rate of 26.5% (2018 — 26.5%) to loss before income taxes. The reasons for the differences are as follows:

	2019	2018
Loss before income taxes	$(7,307,274)	$(6,572,013)
Statutory income tax rate	26.5%	26.5%
Expected income tax (recovery)	(1,936,428)	(1,741,583)
Permanent differences	480,675	857,843
Unrecognized benefit of deferred tax assets	790,594	918,607
Difference in income tax rates between jurisdictions	231,445	202,488
Financing fees and other	503,147	(199,168)
Income tax expense	$ 69,433	$ 38,187

(c) Recognized deferred tax assets and liabilities

Deferred income taxes reflect the net income tax effects of temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the amounts used for income tax purposes.

The following are the temporary differences and unused tax losses for which deferred income tax assets and (liabilities) are recognized in the consolidated financial statements:

	2019	2018
Non-deductible reserves and other	52,770	0
Property and equipment	(34,320)	0
Intangibles	(1,777,895)	0
Deferred revenue and other	(86,301)	0
Net deferred tax liability	(1,845,746)	0

Movement in recognized deferred tax liability is attributable to the following:

Balance — December 31, 2018	0
Charged to goodwill	(2,021,934)
Credited to earnings	175,946
Other	242
Closing — December 31, 2019	(1,845,746)

(d) Unrecognized deferred tax

Deferred income taxes reflect the net income tax effects of temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the amounts used for income tax purposes.

10. INCOME TAXES (Continued)

The following are the deductible temporary differences and unused tax losses for which no deferred income tax assets are recognized in the consolidated financial statements:

	2019			2018		
	Canada	USA	Consolidated	Canada	USA	Consolidated
Non-capital losses carried forward	1,934,746	2,796,833	4,731,579	812,692	1,692,423	2,505,115
Property, equipment and intangible assets	—	1,658,295	1,658,295	—	794,058	794,058
Other temporary differences	662,365	402,810	1,065,175	615,807	378,829	994,636
	2,597,111	4,857,938	7,455,049	1,428,499	2,865,310	4,293,809

As at December 31, 2019, the Corporation has non-capital losses of approximately $1,934,746 (December 31, 2018 — $812,692) available that may be carried forward and applied against future income for Canadian income tax purposes and will begin to expire in 2029. The Corporation also has approximately $2,796,833 (December 31, 2018 — $1,692,423) of non-capital operating losses that may be carried forward indefinitely and applied against future income for United States income tax purposes. The remaining temporary difference can be carried forward indefinitely.

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible.

Management considers the scheduled reversals of deferred income tax liabilities, the character of the deferred income tax assets and available tax planning strategies in making this assessment.

Management continually evaluates the likelihood that its deferred tax assets could be realized. The Corporation recognizes tax benefits on losses or other deductible amounts generated where it is probable that sufficient taxable income will exist in the future to utilize deferred tax assets.

11. MENLO ACQUISITION LOAN

On December 31, 2019 the Corporation entered into a one year loan for $7.5 million maturing on December 31, 2020. The loan bears interest at prime plus 8.05% payable monthly in arrears and is secured by priority interest over Menlo Technologies Inc. and its subsidiaries which were acquired subsequent to year-end (note 24). Loan arrangement costs of $289,471 have been capitalized and offset against the loan balance.

The loan contains standard compliance covenants and, as at December 31, 2019, the proceeds of $7,310,500 were held in trust and were restricted for use in the closing of the acquisition of Menlo Technologies, Inc.

12. NOTE PAYABLE

Quisitive LLC has a note payable with a private lender. Unpaid principal balance bears interest at 9%, increasing 0.05% every six months not to exceed 12%, maturing on February 25, 2020, secured by a second priority security interest in Quisitive LLC's personal property. Interest on the first six months were not payable, and have been added to the principal balance of the debt per the agreement. Interest is payable monthly, and the principal was due February 25, 2020. There is a basic fixed charge coverage ratio covenant of at least 1.20 to 1.00 that is to be calculated on a trailing 12-month basis quarterly among other

12. NOTE PAYABLE (Continued)

non-financial covenants that Quisitive LLC must meet. On February 25, 2020, the term of the loan was extended to September 25, 2020 with all other terms of the original agreement held in force.

	December 31, 2019	December 31, 2018
Note payable	$5,244,851	$5,244,851
Interest expense for the year ended December 31	$ 617,015	$ 559,961

13. BANK TERM LOAN

	December 31, 2019	December 31, 2018
BANK TERM LOAN		
Current portion	$ 714,946	—
Long term portion	3,407,861	—
Total	$4,122,807	$—
Interest expense for the year ended	$ 213,871	$—

In conjunction with the acquisition of CRG, the Corporation entered into a commercial agreement with a major Canadian financial institution to provide a term facility of $4,605,818 ($6,000,000CAD). Term of the facility is 5 years, with a fixed payment of $77,381CAD per month and a balloon payment of $1,434,524CAD at the end of the term. The note also contains a cash sweep mechanism which could accelerate principal payments by up to $343,000CAD per annum based on a prescribed formula in the agreement. Interest is at Canadian Variable Rate plus 6.5% per annum. The security on the term loan is a general security agreement creating a first ranking security interest in all the present and future tangible and intangible personal property of CRG, including a second ranking share pledge agreement in which the Corporation has pledged 100% of its shares in CRG. The loan contains standard compliance and ongoing coverage covenants.

14. AMOUNTS DUE TO RELATED PARTY

(i) Note payable to related party

The Company entered into a promissory note agreement totaling $750,000CAD with a related company owned by a Director/Officer of the Corporation for the purpose of providing bridge loan for working capital of CRG. The note is unsecured and is positioned behind the bank term loan. It is interest free and can only be repaid once the bank term loan has been repaid in full. As this loan is to a related party, and the present value of this loan is less than the face value of the loan, the difference has been recorded directly to equity.

	December 31, 2019
Note payable — related party	$463,493

14. AMOUNTS DUE TO RELATED PARTY (Continued)

(ii) Purchase price note

In connection with the closing of the acquisition of CRG, the Corporation issued $6,500,000CAD purchase price notes to the vendors which are held directly or indirectly by Companies affiliated with a Director of the Corporation. Interest on the notes is payable at a rate of 10% per annum compounded on an annual basis and payable semi-annually and is secured by a pledge over the shares of CRG acquired. The Company obtained a waiver to defer payment of the first interest installment of $325,000CAD due on December 1, 2019 to January 24, 2020. For the year-ended December 31, 2019, the Company has accrued $379,167CAD in interest relating to the notes and the interest was paid subsequent to December 31, 2019. The notes mature on June 1, 2021 with an option of the vendors to extend by one additional year or otherwise, subject to agreement by both parties.

(iii) During the year, the Company had transactions with Software Integrators International, Inc. and Corporate Renaissance Group Solutions (PVT) Ltd. which are controlled by a Director/Officer of the Corporation. The transactions and balances for the period from acquisition to December 31, 2019 are set out in the table below.

	June 1 to December 31, 2019			
	Opening receivable (payable)	Net repayment / (Payments Received)	Sales provided	Closing payable
		(all amounts in CAD)		
Software Integrators International Inc.	$(93,683)	$ (14,290)	$ 16,147	$(91,826)
Corporate Renaissance Group Solutions (PVT) Ltd.	$ 37,018	$106,285	$(180,370)	$(37,067)

15. LEASE LIABILITIES

(i) Future minimum cash payments required under the property leases held by the Corporation are as follows:

		Discounted
2020	$516,614	$412,844
2021	416,480	418,674
Total	$933,094	$831,518

(ii) Property lease payments including variable lease payments including property taxes. For the years ended December 31, 2019 and 2018 were as follows:

Year Ended December 31, 2019	2019	2018
Total Short-Term Lease Expense	190,822	—
Variable Lease Expense	150,949	67,219
	$341,771	$ 67,219

15. LEASE LIABILITIES (Continued)

(iii) continuity of fair value of lease obligations is as follows:

Opening balance January 1, 2019	$1,203,999
Acquired in CRG purchase	101,662
Payments (net of accretion)	(474,143)
Present value of lease liability, December 31, 2019	$ 831,518

16. SHARE CAPITAL

(a) Share Issuances

The Corporation is authorized to issue an unlimited number of common shares. As at December 31, 2019, 90,054,697 common shares were issued and outstanding as fully paid and non-assessable (December 31, 2018 — 84,831,013).

On February 8, 2017 1,000,000 shares were issued for CAD$1.

On January 16, 2018, Fusion Canada completed a private placement raising aggregate gross proceeds of $1,111,175 (CAD$1,380,000) through the sale of 27,600,000 common shares at CAD$0.05 per share.

On January 19, 2018, Fusion Canada completed a private placement raising aggregate gross proceeds of $398,574 (CAD$495,000) through the sale of 9,900,000 common shares at CAD$0.05 per share.

On January 22, 2018, 11,588.738 shares in Fusion Holdings convertible on a 1:1,000 basis into shares of the Corporation at a value of $466,562 were issued pursuant the Agreement and Plan of Merger and Membership Interest Purchase Agreement of Quisitive, LLC and on January 23, 2018 Fusion Holdings exchanged the 11,588.738 common shares for 11,588,725 common shares of Fusion Canada.

On March 29, 2018 the Corporation issued 24,138,716 common shares for CAD$0.35 per unit for $6,552,696 (CAD$8,448,550). Each unit consisted of one share and one half of one warrant. Each whole warrant entitles the holder thereof to acquire an additional share at a price of CAD$0.50. In connection with the offering, 1,647,711 additional broker warrants were issued, each unit which entitles the holder thereof to acquire common share at a price of CAD$0.35, expiring on earlier of (i) three years following Qualifying Transaction or (ii) June 1, 2022.

On June 1, 2018, the Corporation issued 428,572 units at a price of CAD$0.35 per unit for $115,710 (CAD$150,000). Each unit consists of one common share and one half of one warrant. Each whole warrant entitles the holder thereof to acquire an additional common share at a price of CAD$0.50. As part of the share issuance 214,286 warrants were issued with a strike price of CAD$0.50 and expire on the date which is the earlier of (i) 3 years following completion of the Qualifying Transaction or (ii) June 1, 2020. In addition, 30,000 broker warrants exercisable for units as described above were issued exercisable at CAD$0.35 and expiring on earlier of (i) three years following Qualifying Transaction or (ii) June 1, 2022.

On August 8, 2018, the Corporation issued 10,175,000 common shares in connections with the Qualifying Transaction at a price of CAD$0.35.

On June 1, 2019 in conjunction with the acquisition of CRG, the Corporation issued 4,473,684 shares as part of the purchase consideration with total value of $562,228.

On July 9, 2019, the corporation issued 750,000 common shares at a price of CAD$0.20 resulting in total proceeds of $114,090 net of share issue costs.

16. SHARE CAPITAL (Continued)

(b) Warrants Issued

Issue date	Type	Number of warrants	Maturity date	Exercise price (in CAD)
29-Mar-18	normal	12,069,358	29-Mar-20	0.50
29-Mar-18	broker	1,647,711	9-Aug-21	0.35
1-Jun-18	normal	214,286	1-Jun-20	0.50
1-Jun-18	broker	30,000	9-Aug-21	0.35
1-Jun-19	normal	19,500,000	1-Jun-21	0.35

As part of the share issuance of 24,138,716 common shares on March 29, 2018, 12,069,358 warrants were issued with a strike price of CAD$0.50 and expire on the date which is the earlier of (i) 3 years following completion of the Qualifying Transaction (see Note 4) or (ii) March 29, 2020. In addition, 1,647,711 broker warrants were issued exercisable at CAD$0.35 and expiring on earlier of (i) three years following Qualifying Transaction or (ii) March 29, 2022. Each unit is comprised of one and one half common shares of the Corporation. Each warrant is convertible into one common share, and each broker warrant is convertible into a unit which is one and one half common shares.

As part of the share issuance of 428,572 common shares on June 1, 2018, 214,286 warrants were issued with a strike price of CAD$0.50 and expire on the date which is the earlier of (i) 3 years following completion of the Qualifying Transaction (see Note 4) or (ii) June 1, 2020. In addition, 30,000 broker warrants exercisable for units were issued exercisable at CAD$0.35 and expiring on earlier of (i) three years following Qualifying Transaction or (ii) June 1, 2022. Each unit is comprised of one and one half common shares of the Corporation. Each warrant is convertible into one common share, and each broker warrant is convertible into a unit which is one and one half common shares.

On June 1, 2019 in conjunction with the acquisition of Corporate Renaissance Group, the Corporation issued 19,500,000 shares purchase warrants as part of the purchase consideration. (See Note 3) Each warrant is non-transferable, detachable share purchase warrants, each such warrant entitling the holder to acquire on the terms set out there in one Quisitive Share at a price of $0.35 per Quisitive Share.

The share purchase warrants were valued using Black-Scholes model. The weighted average assumptions used in the Black-Scholes models are for 2018 and 2019 as follows:

Risk-free interest rate	1.88 - 2%
Expected term (in years)	2 - 3
Estimated dividend yield	0%
Weighted-average estimated volatility	114.2 - 148.18%

(c) Stock Options

The Corporation has a stock and incentive plan in place to to promote the interests of the Corporation and its shareholders by aiding the Corporation in attracting and retaining employees, officers, consultants, advisors and directors capable of assuring the future success of the Corporation, to offer such persons incentives to put forth maximum efforts for the success of the Corporation's business and to compensate such persons through various stock and cash-based arrangements and provide them with opportunities for stock ownership in the Corporation, thereby aligning the interests of such persons with the Corporation's shareholders.

16. SHARE CAPITAL (Continued)

The plan sets out the framework for determining eligibility as well as the terms of any stock based compensation granted. In 2019, the Corporation adopted an Omnibus plan which includes the full scope of governance on stock options, RSU's, stock appreciation rights, and incentive stock options.

	Number of options	Weighted average exercise price (CAD)
Outstanding December 31, 2017	0	$ —
Granted	2,880,000	0.35
re-issued to former Nebo option holders	150,000	0.20
Outstanding December 31, 2018	3,030,000	$0.34
Granted	1,325,000	0.19
Forfeited/expired	650,000	0.29
Outstanding at December 31, 2019	3,705,000	$0.29

The Corporation issued 1,325,000 options to employees and directors during 2019 with strike prices ranging between $0.15 and $0.20 per share and the vesting schedule is 1/3 are vested on the date of issue, 1/3 on the 1st anniversary and 1/3 on the 2nd anniversary. The fair value of these options was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.25% - 1.7%
Expected term (in years)	5
Estimated dividend yield	0%
Weighted-average estimated volatility	110%
Weighted-average fair value per option	$0.19

The Corporation issued 2,880,000 stock options at an exercise price of CAD$0.35 to employees and directors during 2018. All of the issued and outstanding stock options vest as follows: 1/3 on the date of issue, 1/3 on the first anniversary and 1/3 on the second anniversary of the grant date. The fair value of these options was estimated using the Black Scholes option pricing model with the following assumptions:

Risk Free Interest Rate:	2.03 - 2.19%
Expected term:	5 years
Estimated dividend yield:	0%
Volatility:	104.8 - 141.1%
Weighted-average fair value per option	$0.19

For the year ended December 31, 2019, the Corporation recognized share based compensation from stock options of $181,986.

16. SHARE CAPITAL (Continued)

The following options were issued and outstanding as at December 31, 2019:

Grant Date	Expiry Date	Ex price	Number of options	Exercisable
9-Apr-18	April 9, 2023	0.35	1,115,000	743,333
30-Apr-18	April 30, 2023	0.35	100,000	66,667
17-Aug-18	August 17, 2023	0.35	200,000	133,333
20-Nov-18	November 20, 2023	0.35	965,000	643,333
29-Aug-19	August 29, 2024	0.15	300,000	100,000
23-Dec-19	December 23, 2024	0.20	1,025,000	341,666
			3,705,000	2,028,332

The weighted average contractual life for the remaining options as at December 31, 2019 is 4.54 years.

(d) *Restricted Stock Units*

During the year, the Corporation granted 4,325,301 restricted stock units (RSU's) to employees. 400,301 RSU's vested immediately with the remaining vesting over 1-3 years. Each RSU entitles the employee to either one share of the Corporation or the cash equivalent of one share of the Corporation at the option of the Corporation at the exercise date. The fair value of restricted stock awards is estimated using the market price of the Corporation's common stock at the date of grant. Restricted stock activity during the year is as follows:

	# of RSU's 2019	# of RSU's 2018
Opening Balance January 1, 2019	—	—
Granted	4,325,301	—
forfeited/cancelled	—	—
Closing balance December 31, 2019	4,325,301	—

For the year ended December 31, 2019, the Corporation recognized share based compensation related to RSU's of $107,618.

17. NET LOSS PER SHARE

The computation for basic and diluted net income (loss) per share for the year ended December 31, 2019 and 2018 are as follows:

	Year ended December, 2019	Year ended December, 2018
Net loss for the period	$ 7,376,707	$ 6,610,200
Weighted average number of shares outstanding, basic	87,813,530	70,243,772
Basic and Diluted Income (Loss) Per Share	$ (0.08)	$ (0.09)

17. NET LOSS PER SHARE (Continued)

Potentially dilutive shares relating to warrants, broker warrants, stock options and RSU's as set-out below have been excluded from the calculation of the diluted number of shares as the impact would be anti-dilutive.

	2019	2018
Warrants	12,283,644	12,283,644
Broker warrants	2,471,566	2,471,566
CRG warrants	19,500,000	—
Stock options	3,705,000	3,030,000
RSU's	4,325,301	—
	42,285,511	17,892,210

18. FINANCIAL INSTRUMENTS

The carrying values of the cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and operating line of credit approximate their fair values due to their short term to maturity. The carrying value of the notes payable, Menlo acquisition loan, purchase price notes and bank term loan approximate fair value as they were at market rates of interest.

The Corporation has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major US and Canadian financial institutions and the Corporation's concentration of credit risk for cash and maximum exposure thereto is $8,730,256 (2018 — 273,448).

With respect to its accounts receivable, the Corporation assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Corporation's credit risk with respect to trade accounts receivable and maximum exposure thereto is $4,171,149 (2018 — $1,510,171). Accounts receivable are shown net of provision of credit losses of $206,550 (2018 — $157,985).

	under 30	30-60 days	over 60 days	Total
Accounts receivable ageing	$ 2,677,167	$ 600,836	$ 686,596	$3,964,599

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. At December 31, 2019, the

18. FINANCIAL INSTRUMENTS (Continued)

Corporation has $1,419,756 (2018 — $273,448) of unrestricted cash and liabilities with the following due dates:

	under 3 months	3 months-1 year	1-2 years	3-5 years
A/P and accrued liabilities	4,236,904	—		
Operating line of credit	1,840,630	—		
Income taxes payable	—	159,247		
Note payable	—	5,244,851		
Menlo acquisition loan	—	7,210,529		
Purchase price note	—			
Note payable to related party	—	—	4,966,761	463,493
Contingent consideration	4,168,207	—	—	4,169,106
Bank term Loan	238,315	476,631	714,946	2,692,915
Total	10,484,056	13,091,258	5,681,707	7,325,514

The Corporation manages its liquidity risk by relying upon its revenues. In addition, recent events will impact the Company to varying degrees as the discrete effects of COVID-19 across companies and industries evolves. This could potentially impact our financing efforts, ability to operate, customer demand and the liquidity our clients, liquidity and ability to continue as a going concern.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(d) Interest rate risk

The Corporation is exposed to interest rate risk through the Menlo acquisition loan which bears interest at prime plus 8.05%. A 1% change in prime lending rate would lead to +/−$75,000 in interest payable over 1 year.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Corporation's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Corporation is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Corporation are not denominated in its functional currency. The Corporation does not manage currency risk through hedging or other currency management tools.

18. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2019 and 2018, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	2019	2018
	CAD$	CAD$
Cash	$1,818,763	$ 312,543
Accounts payable and accrued liabilities	(750,194)	(606,815)
	1,068,569	(294,272)
United States dollar equivalent	$ 818,579	$(215,710)

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Corporation is not exposed to other price risk.

19. NON-CONTROLLING INTEREST

The Corporation owns 89.5% of its subsidiary LedgerPay.

On January 22, 2018, the Corporation, through its subsidiaries, executed an employment agreement with an executive, and issued 5% or 500,000 shares of LedgerPay to him that are convertible to 1,062,500 shares in the Corporation, at the holder's option. Those shares are not currently converted.

On March 5, 2018, the Corporation, through its subsidiaries, executed an employment agreement with an executive and granted an award of restricted stock equal to five percent (5%) or 500,000 of the issued and outstanding voting stock of LedgerPay. The award shall vest over the initial term at a rate of 12.5% every three-month period following the effective date provided the executive remains employed by the Corporation as of the end of each such three-month period. The award is convertible into 1,062,500 the Corporation common shares at the holder's choice. Those shares are currently not converted.

For the year ended December 31, 2019 the Corporation recorded non-controlling interest of $(69,415) (2018: $16,386).

20. RELATED PARTY TRANSACTION AND BALANCE

Key management compensation

The Company's key management consist of executive officers and directors:

The compensation recorded to key management personnel during the years ended December 31, 2019 and 2018 were as follows:

	Year ended December 31,	
	2019	2018
Salaries and short-term employee benefits	$1,124,443	$471,917
Share-based compensation	$ 84,852	$109,380

20. RELATED PARTY TRANSACTION AND BALANCE (Continued)

In addition, the Corporation has contingent consideration, as well as purchase price notes and a working capital loan to related parties that are described in notes 14 and 21.

21. CONTINGENT CONSIDERATION

Balance December 31, 2017	$ —
Quisitive LLC Earn-out on acquisition	1,125,000
Accretion	61,094
Balance December 31, 2018	1,186,094
CRG earn-out on acquisition	5,130,480
Accretion	219,585
Revaluation of contingent consideration	1,617,736
Foreign exchange	183,418
Balance December 31, 2019	$8,337,313

(i) Quisitive LLC earn-out

As part of the compensation for the Quisitive, LLC membership units, Fusion Holdings entered into an earn out with certain former Quisitive, LLC members (the "Contingent Consideration"), of which the majority holder is an officer/director of the Corporation. The Contingent Consideration has a maximum payout of $2,500,000 which is based on a five times EBITDA exceeding $1,700,000 to a maximum of $2,200,000 eligible in either 2018 or fiscal 2019. On the acquisition date, management estimated the fair market value of the Contingent Consideration to be $1,125,000 by estimating the likelihood of achieving such Contingent Consideration goals and applying a present value at discount rate of 5.3% to such likely amounts. As of December 31, 2019 the present value of the contingent consideration was determined to be $2,500,000 (2018-$1,186,094) The EBITDA targets were not reached for 2018, but continued to be eligible for 2019. In 2019, the earn out target was met, resulting in a revaluation loss of $1,282,125 and a corresponding increase in the earn out liability. The earn-out payment is payable in common shares of the Corporation.

(ii) CRG earn-out

As part of the consideration for the CRG acquisition, the Corporation paid contingent consideration of $2,166,667 CAD per annum payable at the end of each of the next three fiscal years ended December 31, 2019 to 2021 if CRG's annual EBITDA exceeds $2.5 million CAD in each year with an additional growth earnout for the excess EBITDA earned over $7.5 million CAD over the three year earnout period. The balances are due to persons and companies affiliated with an officer/director of the Corporation. The Corporation initially estimated the contingent consideration at present value to be approximately $5,130,480. The criteria for the first leg of the earn-out was met in 2019, resulting in a revaluation loss of $335,611.

22. REVENUE

(i) The following table sets out the Corporation's revenues by type.

	2019	2018
Professional Services	$16,786,268	$12,378,382
Maintenance, License and other	1,739,020	228,342
	$18,525,288	$12,606,724

(ii) The following table shows geographic area

	2019	2018
USA	$15,218,602	$12,606,724
Canada	3,306,686	0
	$18,525,288	$12,606,724

23. SEGMENT INFORMATION

The Corporation has one operating segment. The Corporation's assets and operations are located in North America.

24. SUBSEQUENT EVENTS

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Corporation's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

Acquisition of Menlo Technologies, Inc.

On January 2, 2020, Quisitive Technology Solutions, Inc. purchased 100% of the equity interests in Menlo Technologies, Inc. ("Menlo") to obtain control.

The aggregate consideration paid by the Corporation to acquire Menlo is comprised of the following:

(i) $3,075,307, paid in cash at closing;

24. SUBSEQUENT EVENTS (Continued)

(ii) $7,603,384 paid through the issuance of a convertible note to the vendors bearing interest at 10% per annum compounded on an annual basis, payable annually for a term of 36 months. The fair value is comprised of the fair value of the note of $4,308,078 and the conversion option (estimated using the Black Scholes option pricing model) of $3,295,306.

(iii) $3,808,319 through the issuance of 19,784,981 Quisitive common shares issued, which are traded on the TSX Venture Exchange ("TSXV"). The closing price the Corporation's common shares at the valuation date was USD $0.19 per share ($0.25CAD); and

(iv) Contingent consideration with a fair value of $1,765,000 relating to earn-out payments triggered by the achievement of EBITDA targets as follows: if Adjusted EBITDA exceeds EBITDA threshold ($2,300,000) for each of 2020, 2021, and 2022, the earn-out payment is $1,166,667 each year. In addition, an additional payment growth incentive payment of $500,000 in each year is payable if Adjusted EBITDA exceeds the EBITDA threshold ($2,750,000 for 2020, $3,250,000 for 2021) with respect to the growth incentive plan.

The Corporation has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date. Transaction costs of $546,794 were incurred in 2019 and are included in acquisition costs.

The fair values shown below for Menlo are preliminary.

Purchase Price Consideration

Cash	$ 3,075,000
Quisitive common shares	3,808,000
Convertible note (liability)	4,308,000
Conversion option (equity)	3,295,000
Contingent consideration	1,765,000
	$16,251,000

	USD Fair value recognized on acquisition
Cash	$ 1,225,000
Trade and other receivables	2,266,000
Prepaid expenses and other assets	121,000
Property and equipment	340,000
Customer relationships intangible assets	8,286,000
Brand intangible assets	886,000
Goodwill	8,181,000
Trade and other payables	(1,004,000)
Deferred revenue	(45,000)
Deferred tax liability	(2,568,000)
Provisions	(1,095,000)
Borrowings	(29,000)
Lease liability	(313,000)
Purchase consideration transferred	**$16,251,000**

The acquired intangible assets will be amortized over their estimated useful lives as follows:

Customer relations — 8 years
Brand — 6 years

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