QUISITIVE™

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020 and 2019

(expressed in thousands of United States dollars unless otherwise noted)

QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2020 and 2019
(Expressed in thousands of United States Dollars)

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Unaudited Condensed Consolidated Interim Statements of Financial Position
June 30, 2020 and December 31, 2019
(Expressed in thousands of United States Dollars)

As at	June 30, 2020	December 31, 2019
Assets		
Current		
Cash	$ 19,197	$ 1,420
Restricted cash	—	7,311
Accounts receivable (Note 4)	7,603	3,965
Current income tax receivable	173	331
Work in progress	821	197
Prepaid expenses	328	206
	28,122	13,430
Property and equipment, net (Note 5)	956	900
Intangibles (Note 6)	17,355	9,963
Goodwill	23,983	15,006
Total Assets	**$ 70,416**	**$ 39,299**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 6,246	$ 4,237
Current income tax payable	669	159
Operating line of credit (Note 7)	—	1,841
Note payable (Note 7)	5,245	5,245
Menlo acquisition note (Note 7)	7,336	7,211
Current portion of deferred grant income	136	—
Current portion of purchase price note due to related party (Note 7)	4,779	—
Current portion of Bank term loan (Note 7)	663	715
Current portion of Deferred revenue	2,878	1,242
Current portion of Lease liability (Note 8)	252	413
Current portion of Contingent consideration	5,696	4,168
	33,900	25,231
Non-current liabilities:		
Purchase price note due to related party (Note 7)	—	4,967
Note payable due to related party (Note 7)	438	463
Long term portion of deferred grant income	114	—
Derivative liability (Note 7vii)	11,280	—
Bank term loan (Note 7)	3,104	3,408
Contingent consideration	5,337	4,169
Lease liability (Note 8)	561	419
Deferred tax liability	4,073	1,846
Deferred revenue	—	124
US payroll protection plan loans (Note 7)	2,680	
Convertible notes (Note 7)	4,327	—
Total Liabilities	65,814	40,627
Shareholders' equity		
Share capital (Note 9)	22,618	9,794
Warrants (Note 9)	3,758	2,736
Contributed surplus (Note 9)	2,529	820
Deficit	(23,992)	(13,901)
Foreign currency translation adjustment	(328)	(767)
Equity attributable to owners of the Corporation	4,585	(1,318)
Non-Controlling Interest (Note 12)	17	(10)
	4,602	(1,328)
Total Liabilities and Shareholders' Equity	**$ 70,416**	**$ 39,299**

Subsequent Events (Note 16)

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

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss
For the three and six months ended June 30, 2020 and 2019
(Expressed in thousands of United States Dollars, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue (Note 14)	$ 13,125	$ 4,080	$ 24,011	$ 8,089
Cost of Revenue	7,484	2,335	14,333	4,739
Gross Margin	5,641	1,745	9,678	3,350
Operating Expenses				
Sales and marketing expense	1,166	792	2,203	1,451
General and administrative	1,666	780	3,496	1,488
Development	41	16	108	16
Share-based compensation (Note 9)	179	50	385	95
Interest expense	971	251	1,961	478
Grant income	(23)	—	(23)	—
Amortization (Note 6)	1,038	479	2,069	883
Depreciation (Note 5)	194	159	374	308
Foreign exchange loss (gain)	565	517	232	533
Acquisition related expenses	150	466	284	520
Change in fair value of derivative liability (Note 7vii)	5,313	—	8,455	—
Loss Before Income Taxes	(5,619)	(1,765)	(9,866)	(2,422)
Income tax expense — current	298	71	559	71
Deferred income tax recovery	(164)	—	(361)	—
Net Loss for the Period	**$ (5,753)**	**$ (1,836)**	**$ (10,064)**	**$ (2,493)**
Comprehensive Loss:				
Items that may be reclassified subsequently to income:				
Foreign currency translation adjustment	40	—	439	—
Comprehensive loss	$ (5,713)	$ (1,836)	$ (9,625)	$ (2,493)
Net Loss Attributed to:				
Owners of the Corporation	$ (5,825)	$ (1,820)	$ (10,091)	$ (2,463)
Non-controlling interest (Note 12)	72	(16)	27	(30)
	(5,753)	**(1,836)**	**(10,064)**	**(2,493)**
Basic and Diluted Loss per share (Note 10)	(0.05)	(0.02)	(0.09)	(0.03)
Weighted Average Number of Common Shares Outstanding	112,877,330	86,322,242	111,903,609	85,564,400

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

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2020 and 2019
(Expressed in thousands of United States Dollars, except per share amounts)

	Share Capital		Contributed					
	Number	Amount	Surplus	Warrants	Deficit	AOCI	NCI	Total
Balance December 31, 2018	**84,831,013**	**9,117**	**374**	**1,551**	**(6,594)**	**—**	**40**	**4,488**
Shares issued in connection with CRG acquisition	4,473,684	562						562
Warrants issued in connection with CRG acquisition				1,463				1,463
Stock based compensation			87				10	97
Net income (loss) for the period					(2,463)		(30)	(2,493)
Balance June 30, 2019	**89,304,697**	**9,679**	**461**	**3,014**	**(9,057)**		**20**	**4,117**
Balance December 31, 2019	**90,054,697**	**9,794**	**820**	**2,736**	**(13,901)**	**(767)**	**(10)**	**(1,328)**
June 26, 2020 unit issuance	21,333,405	8,326		2,150				10,476
Compensation unit options issued in connection with June 26, 2020 financing				256				256
Warrants exercised/expired	445,678	176	1,324	(1,384)				116
Stock based compensation			385					385
Shares issued in connection with Menlo acquisition	19,784,981	3,808						3,808
Shares issued in connection with convertible debt conversion	1,968,649	514						514
Change in cumulative impact of functional currency						439		439
Net income (loss) for the period					(10,091)		27	(10,064)
Balance June 30, 2020	**133,587,410**	**22,618**	**2,529**	**3,758**	**(23,992)**	**(328)**	**17**	**4,602**

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

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2020 and 2019
(Expressed in thousands of United States Dollars)

	Six months ended	
	June 30, 2020	June 30, 2019
Operating Activities		
Net loss for the period	$(10,064)	$ (2,493)
Items not involving cash		
Amortization	2,069	883
Depreciation	374	308
Unrealized foreign exchange	(584)	(693)
Stock based compensation	385	95
Grant income	(23)	—
Interest	1,961	478
Deferred income tax	(361)	—
Change in fair value of derivative liability	8,455	—
	2,212	(1,422)
Changes in non-cash working capital		
Receivables	(1,559)	(244)
Work in progress	(368)	224
Prepaids and deposits	(72)	(29)
Accounts payable and accrued liabilities	711	71
Deferred revenue	1,905	674
Income tax payable (receivable net)	248	34
Cash Provided by (Used in) Operating Activities	3,077	(692)
Investing Activity		
Addition of intangible assets	(290)	—
Purchase of property and equipment	(89)	(76)
Purchase of Menlo Technologies (net of cash acquired)	(2,072)	—
Purchase of CRG (net of cash acquired)	—	(3,181)
Cash Used in Investing Activities	(2,451)	(3,257)
Financing Activities		
Proceeds from share issuance, net of share issue costs	10,732	—
Proceeds from exercise of warrants	116	—
Repayment of bank term loan	(164)	—
Interest paid	(1,590)	(425)
Operating line of credit	(1,841)	310
Lease payments	(342)	(227)
Payroll protection plan loans	2,929	—
Proceeds of bank term loan — net	—	4,436
Promissory note from related party	—	580
Cash Provided by Financing Activities	9,840	4,674
Inflow of Cash	**10,466**	**725**
Cash, Beginning of Period	**8,731**	**273**
Cash and restricted cash, End of period	**$ 19,197**	**$ 998**

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

(Expressed in thousands of United States Dollars)

1. NATURE OF OPERATIONS

(a)

Quisitive Technology Solutions, Inc. (the "Corporation") 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

The Corporation has the following subsidiaries:

Entity name	Country	Ownership percentage at June 30, 2020	Ownership percentage at December 31, 2019
		%	%
Fusion Agiltech Partners, Inc.	Canada	100	100
Corporate Renaissance Group	Canada	100	100
Quisitive Ltd.	USA	100	100
Quisitive LLC	USA	100	100
Ledgerpay, Inc.	USA	89	89.5
Menlo Technologies, Inc.	USA	100	—
MidTech Software Solutions, Inc.	USA	100	—
Support Solutions, Inc.	USA	100	—
Menlo Software India Private Limited	India	100	—

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements ("financial statements") were prepared using the same accounting policies and methods as those used in the Corporation's consolidated financial statements for the year ended December 31, 2019. These interim condensed consolidated financial statements have been prepared in compliance with IAS 34 — Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019. These financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on August 26, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The uncertainties around the outbreak of the novel coronavirus ("COVID-19") pandemic required the use of judgments and estimates which resulted in no material impacts for the period ended June 30, 2020. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include: revenue recognition, impairment of goodwill and intangible assets, allowance for expected credit losses, corporate income taxes, provisions and contingent consideration related to acquisitions.

All dollar values of current and comparative figures in the financial statements and accompanying tables have been rounded to the nearest thousand ($000), except when otherwise indicated.

(B) ADJUSTMENTS TO JUNE 30, 2019 COMPARATIVES

In connection with the completion of the annual consolidated financial statements for the year ended December 31, 2019, the Corporation identified certain immaterial errors in reported revenues and expenses for the three and six months ended June 30, 2019 as compared to the amounts previously reported relating to the recognition of fair value discounts on acquired deferred revenue in the acquisition of CRG and the accounting for costs incurred to obtain contracts. The correction of these immaterial errors resulted in a reduction in revenues and an increase in net loss and deficit for the three and six months ended June 30, 2019 of $102 and $102, respectively. In addition, certain immaterial items in the 2019 statement of cash flows were reclassified or amended. These differences are immaterial to each period and have been reflected in the underlying quarterly financial information in the applicable quarters in the 2019 comparative figures.

(C) FUNCTIONAL AND REPORTING CURRENCY

These 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.

(D) BASIS OF CONSOLIDATION

The financial statements include the Corporation and its subsidiaries. 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.

3. BUSINESS COMBINATIONS

Menlo Technologies, Inc.

On January 2, 2020, the Corporation, through its subsidiaries purchased all of the shares of Menlo Technologies, Inc. ("Menlo") to obtain control. The aggregate consideration paid by the Corporation to acquire Menlo is comprised of the following: (i) $3,296 paid in cash at closing; (ii) $7,344 in fair value attributable to $5,000 face value convertible notes convertible into common shares of the Corporation at $0.20 CAD per share bearing interest at 10% per annum compounded on an annual basis, payable annually for a term of 36 months.; (iii) 19,784,981 common shares valued at $3,808; (iv) Contingent consideration of $1,167 per annum payable at the end of each of the next three fiscal years ended December 31, 2020 to 2022 if Menlo's annual EBITDA exceeds $2.3 million in each year with an additional growth earnout of $500 per year if EBITDA is greater than $2.75 million and $3.25M in 2020 and 2021, respectively. The Corporation

(Expressed in thousands of United States Dollars)

3. BUSINESS COMBINATIONS (Continued)

has estimated the full contingent consideration at fair value to be approximately $1,765, and; (v) Net working capital adjustment estimated at the acquisition date of $254, which has been recorded in accounts payable. 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.

The fair values shown below for Menlo are preliminary, subject to additional information being obtained.

	USD Fair value recognized on acquisition $
Cash	$ 1,225
Trade and other receivables	2,336
Prepaid expenses and other assets	121
Property and equipment	27
Right-of-use asset	323
Intangibles	9,172
Goodwill	8,971
Trade and other payables	(1,640)
Deferred revenue	(45)
Deferred tax liability	(2,569)
Provisions — SSI Earnout	(1,102)
Borrowings	(29)
Lease liability	(323)
Preliminary fair value of assets acquired and liabilities assumed	$16,467
Cash	$ 3,296
Quisitive common shares	3,808
Convertible note (liability)	4,308
Conversion option (derivative liability)	3,036
Working capital adjustment (estimated)	254
Contingent consideration	1,765
	$16,467

Since the date of acquisition, Menlo contributed revenue of $10,096 and net income of $1,225. The Corporation incurred $547 in acquisition costs (incurred in 2019) related to the acquisition. The acquired intangible assets are being amortized over their estimated useful lives as follows:

Brand	6 years
Customer Relationships	8 years

(Expressed in thousands of United States Dollars)

4. ACCOUNTS RECEIVABLE

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

	June 30, 2020	December 31, 2019
Accounts receivable	$7,157	$4,171
Less: Allowance for doubtful accounts	(47)	(206)
Other receivables	493	—
Net accounts receivable	$7,603	$3,965

For the three and six months ended June 30, 2020, the Corporation recorded bad debt expense of $19 and $24, respectively (June 30, 2019 — $0 and $0). The Quisitive LLC accounts receivable balance of $2,307 at June 30, 2020 is factored (see Note 7i) but there is recourse on the collection.

5. PROPERTY AND EQUIPMENT

	Computers and Network Equipment	Furniture and Equipment	Leasehold Improvements	Software	Right of Use Asset	Total
Cost						
Balance December 31, 2018	$117	$400	$36	$ 12	$ —	$ 565
Additions	41	—	—	—	1,204	1,245
Acquired from business combination — CRG	12	13	5	—	102	132
Balance December 31, 2019	170	413	41	12	1,306	1,942
Acquired from business combination — Menlo	27	—	—	—	323	350
Additions	41	48	—	—	—	89
Balance at June 30, 2020	$238	$461	$41	$ 12	$1,629	$2,381
Accumulated Amortization						
Balance, December 31, 2018	$ 85	$267	$22	$ 11	$ —	$ 385
Effect of Foreign Currency Translation	—	—	—	—	(7)	(7)
Depreciation	44	129	7	1	483	664
Balance, December 31, 2019	129	396	29	12	476	1,042
Effect of Foreign Currency Translation	—	—	—	—	9	9
Depreciation	32	7	6	—	329	374
Balance at June 30, 2020	$161	$403	$35	$ 12	$ 814	$1,425
Carrying value						
Balance December 31, 2019	$ 41	$ 17	$12	$ —	$ 830	$ 900
Balance June 30, 2020	$ 77	$ 58	$ 6	$ —	$ 815	$ 956

(Expressed in thousands of United States Dollars)

6. INTANGIBLE ASSETS

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, 2018	$ 40	$134	$3,860	$ 2,390	$ —	$ 6,424
Acquired from business combination — CRG	1,785	—	—	3,797	1,913	7,495
Balance December 31, 2019	1,825	134	3,860	6,187	1,913	13,919
Acquired from business combination — Menlo	—	—	—	8,286	886	9,172
Additions	290	—	—	—	—	290
Balance June 30, 2020	$2,115	$134	$3,860	$14,473	$2,799	$23,381
Accumulated Amortization						
Balance December 31, 2018	$ —	$ 32	$ 723	$ 746	$ —	1,501
Amortization	178	64	769	1,117	296	2,424
Adjustment	—	30	—	1	—	31
Balance December 31, 2019	178	126	1,492	1,864	296	3,956
Amortization	168	8	387	1,187	319	2,069
Adjustment	1	—	(1)	1	—	1
Balance June 30, 2020	$ 347	$134	$1,878	$ 3,052	$ 615	$ 6,026
Carrying value						
Balance December 31, 2019	$1,647	$ 8	$2,368	$ 4,323	$1,617	$ 9,963
Balance June 30, 2020	$1,768	$ —	$1,982	$11,421	$2,184	$17,355

7. BORROWINGS

The following table sets out the Corporation's borrowings:

	June 30, 2020	31-Dec-19
Operating line of credit (i)	$ —	$ 1,841
Menlo acquisition loan (ii)	7,336	7,211
Note payable (iii)	5,245	5,245
Bank term loan (iv)	3,767	4,123
Note payable to related party (v)	438	463
Purchase price note due to a related party (vi)	4,779	4,967
Menlo convertible note (vii)	4,327	—
US payroll protection plan loans (viii)	2,680	—
Balance — end of period	$28,572	$23,850
Current	$18,023	$15,012
Non-current	10,549	8,838
	$28,572	$23,850

7. BORROWINGS (Continued)

(i) 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 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. At June 30, 2020 the balance outstanding was $0 (December 31, 2019 $1,841). Interest expense for the three and six months ended June 30, 2020 was $54 and $117 (June 30, 2019 — $57 and $103).

(ii) 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 on January 2, 2020. Loan arrangement costs of $289 were capitalized and offset against the loan balance and $63 and $126 were amortized for the three and six months ended June 30, 2020.

For the three and six months ended June 30, 2020, interest expense was $196 and $415 (June 30, 2019 — $0 and $0).

(iii) 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 September 25, 2020, secured by a second priority security interest in Quisitive LLC's personal property. Interest on the first six months was not payable, and has been added to the principal balance of the debt per the agreement. Interest is payable monthly, and the principal is due September 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 non-financial covenants that Quisitive LLC must meet. Interest expense for the three and six months ended June 30, 2020 was $164 and $328 (June 30, 2019 — $164 and $322).

(iv) Bank term loan

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 $4,606 ($6,000CAD). Term of the facility is 5 years, with a fixed payment of $77CAD per month and a balloon payment of $1,435CAD at the end of the term. The note also contains a cash sweep mechanism which could accelerate principal payments by up to $343CAD 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. Interest for the three and six months ended June 30, 2020 was $76 and $166 (June 30, 2019 — $17 and $17).

7. BORROWINGS (Continued)

(v) Note payable to related party

The Corporation entered into a promissory note agreement totaling $750CAD 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.

(vi) Purchase price note

In connection with the closing of the acquisition of CRG, the Corporation issued $4,967 ($6,500CAD) 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. For the three and six months ended June 30, 2020, the Corporation incurred $117 and $238 in interest relating to the notes (June 30, 2019 — $41 and $41). 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.

(vii) Menlo convertible note:

In connection with the acquisition of Menlo, the Corporation entered into a convertible note agreement totaling $5,000 in principal and recorded at the cumulative fair value of the debt and conversion option components of the note totalling $7,344 with the former owners of Menlo. The notes are unsecured and are convertible into common shares of the Corporation at $0.20 CAD per share. The notes bear interest at 10% per annum compounded on an annual basis, payable annually for a term of 36 months.

The principal value of the debt of $5,000 was recorded at fair value of $4,308 on acquisition, and accretion expense and interest expense of $164 and $324 was recorded for three and six months ended June 30, 2020 (June 30, 2019 — nil). The conversion feature was determined to be a derivative investment liability and the fair value of the derivative of $3,036 was recorded on January 1, 2020. The fair value of this liability at June 30, 2020 was $11,280 and the change in fair value for the three and six months ended June 30, 2020 of $5,313 and $8,455 was recorded as a charge to the income statement. Fair value of the liability is estimated at each period end using the Black Scholes option pricing model. During the year, $300 face value of notes was converted to common shares, resulting in the issuance of 1,968,649 common shares. Conversion of these notes is at the option of the holder unless the Corporation's volume weighted average share price exceeds $0.40 CAD for 20 consecutive trading days.

(viii) US payroll protection plan loans

On May 1, 2020, Quisitive LLC and Menlo Technologies, Inc. entered into two separate loan arrangements with Bank of America and Cross River Bank (the "Lenders"), respectively, to obtain unsecured loans for $1,682 and $1,247, respectively totaling $2,929 (the "Loans") made under the United States Paycheck Protection Program (the "PPP"). The PPP is a program organized by the U.S. Small Business Administration established under the recently-enacted Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loans mature on April 30, 2022 and bear interest at a fixed rate of 1.0% per annum. Interest payments are deferred for the first six months.

The effective interest rate used to measure the fair value of the loan is 5% and the benefit of the interest rate concession is accounted for as a grant as it provides economic benefits to the Corporation over the term of the loan. The difference between the face value of the loans of $2,929 and the discounted value of $2,658 have been bifurcated from the loan and are recorded as deferred grant income. For the period from

(Expressed in thousands of United States Dollars)

7. BORROWINGS (Continued)

inception to June 30, 2020, $23 of grant income has been recognized and $23 of accretion has been recorded in interest expense relating to the liability.

The loans contain a forgiveness mechanism that will be forgiven in their entirety provided that the proceeds from the Loans are used by the Corporation to cover payroll costs, rent and utilities during the eight-week period following the Loan origination dates.

The Corporation is monitoring developments as federal authorities continue to update relevant policies and guidelines regarding the PPP, including some that have retroactive effect, and assessing any changes in the Corporation's subsidiaries eligibility for the PPP or any other subsidies or support mechanisms under the CARES Act.

8. LEASE LIABILITIES

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

	As at	
	June 30, 2020	December 31, 2019
12 Months	$623	$603
1-2 years	262	378
Total	$885	$981

(ii) Property lease payments including variable lease payments including property taxes. For the periods ended June 30, 2020 and 2019 were as follows:

	Period Ended June 30,	
	2020	2019
Total Short-Term Lease Expense	$ 21	$ 95
Variable Lease Expense	100	40
	$121	$135

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

Opening balance January 1, 2020	$ 832
Acquired in Menlo purchase	323
Payments (net of accretion)	(342)
Present value of lease liability, June 30, 2020	$ 813

9. SHARE CAPITAL

(a) *Share Issuances*

On January 2, 2020, the Corporation issued 19,784,981 common shares at a price of CAD$0.25 as part of the purchase consideration in the acquisition of Menlo.

On January 21, 2020, the Corporation issued 1,968,649 common shares at a price of CAD$0.20 in connection with the conversion of $300 convertible notes.

(Expressed in thousands of United States Dollars)

9. SHARE CAPITAL (Continued)

On May 29, 2020, the corporation issued 445,678 common shares at a price of CAD$0.35 in connection with the exercise of 434,428 broker units and 11,250 broker warrants, resulting in cash proceeds of $116.

On June 26, 2020, the Corporation issued 21,333,405 Units at a price of $0.75 CAD per unit. Each Unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire one Common Share at a price of CAD$1.10 until June 26, 2022. If the daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange ("TSXV") for any 10 consecutive days exceeds CAD$1.60, the Corporation may, upon providing written notice to the holders of the Warrants within five trading days following the end of such 10 day period, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. Gross proceeds of the issuance were $11,700. Transaction costs of $1,224 incurred in the transaction have been offset against share capital, of which $968 were in cash and $256 consisted of 1,145,951 compensation unit options, which were issued to the underwriters. As a result, the Corporation received net cash proceeds of $10,732. Each compensation unit option provides the holder the right to acquire one common share and one-half of one common share purchase warrant for the unit price of CAD$0.75.

Both the warrants and the compensation unit options were valued using the Black-Scholes model and a total value of $2,406 was allocated to warrants and $256 to the compensation unit options. The assumptions used in the Black-Scholes model are as follows:

Risk-free interest rate	0.25%
Expected term (in years)	2
Estimated dividend yield	0%
Estimated volatility	108%

(b) Warrants and Compensation Unit Options Issued

In connection with the equity issuance on June 26, 2020, the Corporation issued 10,666,703 warrants exercisable at CAD$1.10 per share, as well as 1,145,951 compensation unit options exercisable at CAD$0.75 per share.

Issue date	Type	Number of warrants	Maturity date	Exercise price (in CAD)
26-Jun-20	normal	10,666,703	26-Jun-22	1.10
26-Jun-20	compensation unit options	1,145,951	26-Jun-22	0.75
29-Mar-18[(1)]	broker	1,235,783	9-Aug-21	0.35
1-Jun-18[(1)]	broker	7,500	9-Aug-21	0.35
1-Jun-19	normal	19,500,000	1-Jun-21	0.35

(1) During the quarter, the underlying one-half warrant attached to these broker compensation options either expired or were exercised.

(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.

(Expressed in thousands of United States Dollars)

9. 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, 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
Granted	200,000	0.25
Forfeited/expired	(500,000)	0.35
Outstanding at June 30, 2020	3,405,000	$0.28

The Corporation issued 200,000 stock options at an exercise price of CAD$0.25 during the year vesting 1/3 on issue, 1/3 on the first anniversary of the grant 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	1.34%
Expected term (in years)	5
Estimated Dividend yield	0
Weighted-average estimated volatility	103.65%
Weighted-average fair value per option	$ 0.19

For the three and six months ended June 30, 2020, the Corporation recognized share based compensation from stock options of $46 and $109 (June 30, 2019 – $50 and $95).

The following options were issued and outstanding as at June 30, 2020:

Grant Date	Expiry Date	Ex price (CAD)	Number of options	Exercisable
9-Apr-18	April 9, 2023	0.35	615,000	410,000
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
03-Jan-20	January 3, 2025	0.25	200,000	66,666
			3,405,000	1,761,665

The weighted average contractual life for the remaining options as at June 30, 2020 is 3.62 years.

(d) Restricted Stock Units

During the six months ended June 30, 2020, the Corporation granted 1,796,500 restricted stock units (RSU's) to employees. The RSU's vest over 1-3 years. Each RSU entitles the employee to either one share

(Expressed in thousands of United States Dollars)

9. SHARE CAPITAL (Continued)

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
Opening balance December 31, 2019	4,325,301
Granted	1,796,500
Closing balance June 30, 2020	6,121,801

For the three and six months ended June 30, 2020, the Corporation recognized share based compensation related to RSU's of $133 and $276 (June 30, 2019 — $0 and $0).

10. NET LOSS PER SHARE

The computation for basic and diluted net income (loss) per share for the three and six months ended June 30, 2020 and 2019 are as follows:

	Three Months ended		Six Months ended	
	2020	2019	2020	2019
Net loss for the periods	$ (5,753)	$ (1,836)	$ (10,064)	$ (2,493)
Weighted Average number of shares outstanding, basic	112,877,330	86,322,242	111,903,609	85,564,400
Basic and Diluted Income (Loss) Per Share	$ (0.05)	$ (0.02)	$ (0.09)	$ (0.03)

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.

	June 30, 2020	December 31, 2019
Convertible debentures	33,135,000	—
June 26 unit Offering warrants	10,666,703	—
June 26 unit Offering compensation options	1,718,926	—
Warrants	—	12,283,644
Broker warrants	1,250,783	2,471,566
CRG warrants	19,500,000	19,500,000
Stock options (Note 9c)	3,405,000	3,705,000
RSU's (Note 9d)	6,121,801	4,325,301
	74,652,263	42,285,511

11. 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 at June 30, 2020 is $19,197 (December 31, 2019 — $8,731).

(Expressed in thousands of United States Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

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 $7,157 (December 31, 2019 — $4,171). Accounts receivable are shown net of provision of credit losses of $47 (December 31, 2019 — $206).

	under 30	30-60 days	over 60 days	Total
Trade Accounts receivable ageing	$5,990	$405	715	$7,110

The Corporation has one customer that represents 17% of trade accounts receivable as at June 30, 2020 (December 31, 2019 — nil) and $1,945 and $3,945 of revenues for the three and six months ended June 30, 2020 and is exposed to concentration of credit risk relating to that customer account.

(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 June 30, 2020, the Corporation has $19,197 (December 31, 2019 — $1,420) 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	$ 6,246	$ —	$ —	$ —
Note payable	5,245	—	—	—
Menlo acquisition loan	—	7,336	—	—
Purchase price note	—	4,779	—	
Note payable to related party	—	—		438
Contingent consideration[(1)]	4,315	1,381	5,337	
Bank term Loan	166	497	654	2,450
Convertible notes	—	—	4,327	—
US payroll protection loans	—	—	2,929	—
Total	$15,972	$13,993	$13,247	$2,888

(1) $3,708 of this was satisfied through the issuance of common shares of the Corporation subsequent to June 30, 2020 (note 16).

The Corporation manages its liquidity risk by relying upon its revenues. In addition, recent events will impact the Corporation 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, the liquidity of our clients, and overall liquidity.

(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.

(Expressed in thousands of United States Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

The Corporation is exposed to interest rate risk through the Menlo acquisition loan, and the bank term loan which bears interest at prime plus 6.5-8.05% and LIBOR +7%. A 1% change in prime lending rate would lead to +/−$75 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.

As at June 30, 2020 and December 31, 2020, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	June 30, 2020	December 31, 2019
	CAD$	CAD$
Cash	$15,541	$ 1,819
Accounts payable and accrued liabilities	(263)	(750)
	15,278	1,069
United States dollar equivalent	$11,211	$ 819

(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 derivative liability related to the option value of the convertible loan is marked to market at each reporting period end based on a number of inputs including the Corporation's share price and price changes create income statement changes/recoveries as they occur.

12. NON-CONTROLLING INTEREST

The Corporation owns 89% of its subsidiary LedgerPay (December 31, 2019 — 89.5%).

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 three and six months ended June 30, 2020 the Corporation recorded non-controlling interest of $72 and $27 (June 30, 2019: ($(16) and $(30)).

(Expressed in thousands of United States Dollars)

13. RELATED PARTY TRANSACTION AND BALANCE

(i) *Key management compensation*

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

The compensation recorded to key management personnel during the three and six months ended June 30, 2020 and 2019 were as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Salaries and short term benefits	$202	$203	$400	$364
Share Based Compensation	$ 91	$ —	$181	$ —

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 3 and 7.

(ii) During the quarter, the Corporation 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 six months ended June 30, 2020 are set out in the table below.

	Opening receivable (payable)	Net repayment / (Payments Received)	Sales provided (Services Received)	Closing payable
		(all amounts in CAD)		
Software Integrators International Inc.	$(92)	$(15)	$ 16	$(91)
Corporate Renaissance Group Solutions (PVT) Ltd.	$(37)	$152	$(147)	$(32)

14. REVENUE

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

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Professional Services	$ 9,634	$3,850	$18,284	$7,858
Maintenance, License and other	3,491	230	5,727	231
	$13,125	$4,080	$24,011	$8,089

(ii) The following table shows revenues by geographic area

	2020	2019	2020	2019
USA	$11,705	$3,586	$20,890	$7,595
Canada	1,420	494	3,121	494
	$13,125	$4,080	$24,011	$8,089

15. SEGMENT INFORMATION

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

16. SUBSEQUENT EVENTS

(i) Conversion of convertible debentures

On July 2, 2020, the remaining $4,700 in principal amount of the convertible debentures that were issued by the Corporation as partial consideration for the acquisition of Menlo Technologies, Inc. on January 2, 2020 were converted into an aggregate of 32,025,800 Common Shares.

(ii) Settlement of contingent consideration

On July 2, 2020, the Corporation issued 9,861,441 Common Shares to former shareholders of Quisitive, LLC, a subsidiary of the Corporation, in respect of earn-out liabilities totalling $2,500 on June 30, 2020 relating to earn-out targets which were achieved during the year ended December 31, 2019.

On July 2, 2020, the Corporation issued an aggregate of 5,158,731 Common Shares in the form of a performance earn-out as contingent consideration to the former vendors of Corporate Renaissance Group Inc. a subsidiary of the Corporation totalling $795 on June 30, 2020 for achieving earn-out targets which were achieved during the year ended December 31, 2019. The remaining balance of $795 was settled in cash.

(iii) Issuance of LedgerPay, Inc. (“LedgerPay”) shares

On July 2, 2020, the Corporation also caused the issuance of 1,000,000 shares of LedgerPay, a subsidiary of the Corporation, to key employees, subject to vesting over the next two years. The shares of LedgerPay are convertible into Common Shares of the Corporation based on the ratio of 1:2.124 per share. Upon fully vesting, the issuance will result in a dilution in the Corporation’s interest in LedgerPay to 80%.

(iv) Debt consolidation and balance sheet restructuring

On August 10, 2020, the Corporation successfully completed its debt consolidation initiatives pursuant to the terms of a loan agreement entered into between the Corporation, certain material subsidiaries of the Corporation, as guarantors, and a leading Canadian Schedule I Chartered Bank (the “Loan Agreement”). The Loan Agreement provides for a five-year term loan of US$16,133,000 (the “Term Loan”) and a revolving operating line of credit of up to US$5,000,000 (the “Operating Line”), with all debts, liabilities, and obligations of the Corporation and guarantors under the Term Loan and Operating Line collaterally secured by a first-ranking security interest in all of the present and future undertaking, property and assets of the Corporation and its material subsidiaries. The proceeds from the Term Loan were used to refinance and retire the existing debt obligations under the Note payable, existing Bank term loan and the Menlo acquisition note. Interest on the Term Loan is payable on a monthly basis, based on a price grid which ranges, depending on the Corporation’s total senior debt to EBITDA ratio, from the Bank’s prime rate plus 1.5%, to the Bank’s prime rate plus 2.25%, with advances repayable in monthly instalments of principal plus interest with a final payment of any amounts then outstanding due at maturity. The loan contains standard compliance and ongoing debt service and coverage covenants. The Operating Line is repayable with monthly interest consistent with the Term Loan rates.

(v) Settlement of purchase price note and note payable to a related party.

On August 25, 2020, the Corporation issued 12,071,428 common shares pursuant to the exercise of warrants at $0.35 CAD and paid $3,189 CAD in cash to retire the purchase price note due to a related party and the note payable to related party of $4,779 ($6,500 CAD) and $750 CAD, respectively. In addition, as part of the settlement, the remaining 7,428,572 warrants exercisable at $0.35 CAD initially issued to vendors in the CRG acquisition were forfeited.

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