CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

As at and for the years ended December 31, 2020 and 2019

(expressed in United States dollars unless otherwise noted)

QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in thousands of 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, 2020 and December 31, 2019
- 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, 2020 and December 31, 2019, 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.

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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 20, 2021

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Consolidated Statements of Financial Position
Years Ended December 31, 2020 and December 31, 2019
(Expressed in thousands of United States Dollars)

As at	December 31, 2020	December 31, 2019
Assets		
Current		
Cash	$ 10,983	$ 1,420
Restricted cash	—	7,311
Accounts receivable (Note 5)	9,572	3,965
Current income tax receivable	310	331
Work in progress	738	197
Prepaid expenses	627	205
	22,230	13,429
Property and equipment, net (Note 6)	1,764	900
Intangible Assets (Note 7)	16,045	9,963
Goodwill (Note 9)	23,983	15,005
Total Assets	**$ 64,022**	**$ 39,297**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 4,621	$ 4,236
Current income tax payable	546	159
Operating line of credit (Note 8)	—	1,841
Note payable (Note 8)	—	5,245
Menlo acquisition loan (Note 8)	—	7,211
Current portion of deferred grant income	136	—
Current portion of Loan agreement (Note 8)	1,479	—
Current portion of Bank term loan (Note 8)	—	715
Current portion of Deferred revenue	1,903	1,242
Current portion of Lease liability (Note 12)	974	413
Current portion of Contingent consideration (Note 17)	3,568	4,168
Current portion of US payroll protection plan loans (Note 8)	346	—
	13,573	25,230
Non-current liabilities:		
Purchase price note due to related party (Note 8)	—	4,967
Note payable due to related party (Note 8)	—	463
Long term portion of deferred grant income	45	—
Loan agreement (Note 8)	13,887	—
Bank term loan (Note 8)	—	3,408
Contingent consideration (Note 17)	4,631	4,169
Lease liability (Note 12)	566	419
Deferred tax liability (Note 10)	3,303	1,846
Deferred revenue	—	123
US payroll protection plan loans (Note 8)	1,156	—
Total Liabilities	37,161	40,625
Shareholders' equity		
Share capital (Note 13)	45,781	9,793
Warrants (Note 13)	2,463	2,736
Contributed surplus (Note 13)	3,300	820
Deficit	(24,090)	(13,901)
Accumulated other comprehensive income	(865)	(767)
Equity attributable to owners of the Corporation	26,589	(1,319)
Non-Controlling Interest (Note 16)	272	(9)
	26,861	(1,328)
Total Liabilities and Shareholders' Equity	**$ 64,022**	**$ 39,297**

Subsequent events (Notes 8(viii) and 20)

Approved on behalf of the Board:

"Mike Reinhart"
Mike Reinhart, CEO

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

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

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2020 and December 31, 2019
(Expressed in thousands of United States Dollars except per share and share amounts)

	2020	2019
Revenue (Note 18)	$ 49,764	$ 18,525
Cost of Revenue	29,570	10,588
Gross Margin	20,194	7,937
Operating Expenses		
Sales and marketing expense	4,227	3,295
General and administrative	7,569	3,237
Development	275	136
Share-based compensation (Note 13)	720	290
Interest expense	3,502	1,624
Deferred Grant Income	(91)	—
Amortization (Note 7)	4,098	2,423
Earn-out settlement loss (Note 17)	1,176	1,618
US payroll protection loan forgiveness (Note 8)	(1,247)	—
Depreciation (Note 6)	740	664
Foreign exchange gain	(507)	(162)
Transaction related expenses (Note 4)	1,328	2,119
Change in fair value of derivative liability (Note 8vii)	8,430	—
Loss Before Income Taxes	(10,026)	(7,307)
Income tax expense — current (Note 10)	983	245
Deferred income tax recovery (Note 10)	(1,101)	(176)
Net Loss for the Period	$ (9,908)	$ (7,376)
Net Loss Attributed to:		
Non controlling interest	281	(69)
Owners of the Corporation	(10,189)	(7,307)
Comprehensive Loss:		
Items that may be reclassified subsequently to income:		
Foreign currency translation adjustment	(98)	(767)
Comprehensive loss	$ (10,006)	$ (8,143)
Basic and Diluted Loss per share (Note 14)	$ (0.07)	$ (0.08)
Weighted Average Number of Common Shares Outstanding	150,666,920	87,813,530

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, 2020 and December 31, 2019
(Expressed in thousands of United States Dollars except share amounts)

	Share Capital		Contributed				Non-Controlling	
	Number	Amount	Surplus	Warrants	Deficit	AOCI	Interest	Total
		$	$	$	$	$	$	$
Balance December 31, 2018	**84,831,013**	**$ 9,117**	**$ 374**	**$ 1,551**	**$ (6,594)**	**$ —**	**$ 40**	**$ 4,488**
Shares issued in private placement	750,000	114						114
Shares issued in connection with CRG acquisition	4,473,684	562						562
Warrants issued in connection with CRG acquisition				1,185				1,185
Share based compensation			270				20	290
Related party loan contribution			176					176
Change in cumulative impact of foreign currency						(767)		(767)
Net income (loss) for the period					(7,307)		(69)	(7,376)
Balance December 31, 2019	**90,054,697**	**$ 9,793**	**$ 820**	**$ 2,736**	**$(13,901)**	**$(767)**	**$ (9)**	**$ (1,328)**
Balance December 31, 2019	**90,054,697**	**$ 9,793**	**$ 820**	**$ 2,736**	**$(13,901)**	**$(767)**	**$ (9)**	**$ (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	1,270,033	504	1,777	(1,945)				336
Share based compensation			719					719
Exercise of RSU's	55,848	16	(16)					—
Shares issued in connection with Menlo acquisition	19,784,981	3,808						3,808
Shares issued in connection with convertible debt conversion (Note 8 vii)	33,994,449	16,101						16,101
Shares issued in settlement of contingent consideration (Note 17)	15,020,172	3,297						3,297
Shares issued to settle purchase price note (Note 8 vi)	12,071,428	3,936		(734)				3,202
Change in cumulative impact of functional currency						(98)		(98)
Net income (loss) for the period					$(10,189)		281	(9,908)
Balance December 31, 2020	**193,585,013**	**$45,781**	**$3,300**	**$ 2,463**	**$(24,090)**	**$(865)**	**$272**	**$ 26,861**

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, 2020 and December 31, 2019
(Expressed in thousands of United States Dollars)

	2020	2019
Operating Activities		
Net loss for the period	$(9,908)	$(7,376)
Items not involving cash		—
Amortization	4,098	2,423
Depreciation	740	664
Unrealized foreign exchange	(870)	(163)
Stock based compensation	720	290
Interest	3,502	1,624
Deferred Grant Income	(91)	—
Earnout settlement loss	1,176	1,618
Deferred income tax	(1,101)	(176)
Change in fair value of derivative liability	8,430	—
US payroll protection loan forgiveness	(1,247)	—
	5,449	(1,096)
Changes in non-cash working capital		
Receivables	(3,526)	(1,635)
Work in progress	(285)	314
Prepaids and deposits	(371)	(12)
Accounts payable and accrued liabilities	(1,417)	1,947
Income tax payable (receivable), net	(13)	(193)
Deferred Revenue	930	521
Cash Provided by Operating Activities	**767**	**(154)**
Investing Activity		
Purchase of intangible assets	(1,010)	—
Purchase of property and equipment	(180)	(41)
Purchase of CRG (net of cash acquired)	—	(3,181)
Purchase of Menlo (net of cash acquired)	(2,072)	—
Cash Used in Investing Activities	**(3,262)**	**(3,222)**
Financing Activities		
Proceeds from share issuance, net of issuance costs	10,732	114
Proceeds from exercise of warrants	336	—
Repayment of bank term loan	(4,123)	4,123
Interest paid	(2,290)	(1,379)
(Repayment of) Proceeds from operating line of credit	(1,841)	1,610
Lease payments	(665)	(507)
Proceeds of Loan Agreement, net of repayments	15,797	—
Repayment of Menlo acquisition note	(7,211)	7,311
Repayment of purchase price note and promissory note from related party	(2,417)	562
Payment of contingent consideration	(796)	—
Finance costs incurred (Note 8(i))	(459)	
Repayment of Note Payable	(5,245)	—
Proceeds from Payroll Protection Plan Loans	2,929	—
Cash Provided by Financing Activities	**4,747**	**11,834**
Inflow of Cash	**2,252**	**8,458**
Cash and restricted cash, Beginning of year	**8,731**	**273**
Cash and restricted cash, End of year	**$10,983**	**$ 8,731**

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

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 December 31, 2020	Ownership percentage at December 31, 2019
		%	%
Fusion Agiltech Partners, Inc.	Canada	100	100
Corporate Renaissance Group Inc,	Canada	100	100
Quisitive Ltd.	USA	100	100
Quisitive LLC	USA	100	100
Ledgerpay, Inc.	USA	84	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. BASIS OF PRESENTATION

(a) Basis of presentation

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 20, 2021.

(b) COVID-19

The outbreak 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

2. BASIS OF PRESENTATION (Continued)

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.

(c) 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.

(d) 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.

(e) Basis of consolidation

The consolidated 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.

(f) 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) 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.

(ii) Useful lives of intangible assets including development costs — 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

2. BASIS OF PRESENTATION (Continued)

the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

(iii) 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.

(iv) Recoverability of the carrying value of non-financial 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, estimated future cash flows, terminal growth rates and discount rates.

(v) 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.

(vi) 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.

Significant areas requiring the use of judgments include:

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

(ii) 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.

(iii) 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 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.

(iv) 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

2. BASIS OF PRESENTATION (Continued)

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.

(v) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 includes the license component of a multiple element contract governing the licensing of Ledger Pay software to a third party. Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer.The license component of that

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

contract is recognized on a percentage of completion basis as the integral services related in the license transfer are completed.

Revenue from the sale of maintenance and support is deferred and recognized ratably over the terms of the related agreements based on the price charged for the same or similar support services when sold in stand-alone support renewals with customers.

License revenue is also derived from sales of third-party software resales. 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.

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 in advance of services bring rendered or subscriptions consumed by a client where the revenue is not yet realizable nor recognized.

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.

(b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(c) 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.

(d) 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 13.

(e) 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.

(f) 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.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention and ability to complete the intangible asset and use or sell it

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangibles is the sum of the expenditure incurred from the date when the intangibles first meets the recognition criteria listed above. Where no internally generated intangibles can be recognized, research and development expenditure are recognized in profit or loss in the period in which it is incurred.

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 – 8 years
Microsoft relationship	5 years
Brand	4 – 6 years

(g) 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 as an expense 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 October 1 each year.

(h) 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 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.

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

(k) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 loan	Amortized cost	Amortized cost
Loan agreement	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
US payroll protection plan loans	Amortized cost	Amortized cost

(l) Operating segment

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

(m) Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 records the right-of-use assets based on the corresponding lease liability. In addition, the Corporation 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.

4. 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) $3,297 paid in cash at closing; (ii) $7,349 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 as defined in the agreement 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 has estimated the fair value of contingent consideration at acquisition to be approximately $1,765, and; (v) Net working capital adjustment estimated at the acquisition date of $92. 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.

4. BUSINESS COMBINATIONS (Continued)

The fair values shown below for Menlo are final.

	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	8,977
Trade and other payables	(1,802)
Deferred revenue	(45)
Deferred tax liability	(2,569)
Provisions — SSI Earnout	(1,102)
Borrowings	(29)
Lease liability	(323)
Fair value of assets acquired and liabilities assumed	$16,311
Cash	$ 3,297
Quisitive common shares	3,808
Convertible note (liability)	4,313
Conversion option (derivative liability)	3,036
Working capital adjustment (estimated)	92
Contingent consideration	1,765
Total Consideration	$16,311

Since the date of acquisition, Menlo contributed revenue of $20,188 and net income of $1,491 excluding the amortization of acquired intangible assets. 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

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) $5,153CAD paid in cash at closing;

(ii) $6,500CAD 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

4. BUSINESS COMBINATIONS (Continued)

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 $2,167 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.

The fair values shown below for CRG are final.

Purchase price consideration	
Cash	$ 3,659
Purchase price notes	4,805
Share purchase warrants	1,185
Shares issued	562
Fair value of contingent consideration	5,131
Consideration of the acquisition	15,342
Cash	478
Other current assets	1,152
Property and equipment	132
Tangible assets acquired	1,762
Current liabilities	322
Deferred revenue	721
Deferred tax liability	2,022
Lease liability	102
Total liabilities	$ 3,167
Finite life intangible assets acquired and goodwill	
Customer relationship	3,797
Software	1,785
Brand	1,912
Goodwill	9,253
	$15,342

The Corporation incurred $1,572 in acquisition costs related to the acquisition.

4. BUSINESS COMBINATIONS (Continued)

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

Customer relationship	7 years
Software	6 years
Brand	4 years

5. ACCOUNTS RECEIVABLE

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

	December 31, 2020	December 31, 2019
Accounts receivable	$8,175	$4,171
Allowance for doubtful accounts	(154)	(206)
Contract assets	999	—
Other receivables	552	—
Net accounts receivable	$9,572	$3,965

For the year ended December 31, 2020, the Corporation recorded bad debt expense of $185 (December 31, 2019 — $nil). Contract assets of $999 relate to performance under a first party license sale contract that has not been billed at December 31, 2020.

6. 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	86	94	—	—	1,081	1,261
Balance at December 31, 2020	$283	$507	$41	$12	$2,710	$3,553
Accumulated Depreciation						
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					7	7
Depreciation	43	15	12	—	670	740
Balance at December 31, 2020	$172	$411	$41	$12	$1,153	$1,789
Carrying amounts						
Balance December 31, 2019	$ 41	$ 17	$12	$—	$ 830	$ 900
Balance December 31, 2020	$111	$ 96	$ 0	$—	$1,557	$1,764

7. INTANGIBLE ASSETS

Intangible assets with a finite life are amortized into operating expenses over their useful lives.

	Software	Website Development	Microsoft Relationship	Customer Relationships	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	1,010	—	—	—	—	1,010
Balance December 31, 2020	$2,835	$134	$3,860	$14,473	$2,799	$24,101
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	328	8	772	2,375	615	4,098
Adjustment	—	—	—	—	2	2
Balance December 31, 2020	$ 506	$134	$2,264	$ 4,239	$ 913	$ 8,056
Carrying amounts						
Balance December 31, 2019	$1,647	$ 8	$2,368	$ 4,323	$1,617	$ 9,963
Balance December 31, 2020	$2,329	$ —	$1,596	$10,234	$1,886	$16,045

8. BORROWINGS

The following table sets out the Corporation's borrowings:

	December 31, 2020	December 31, 2019
Loan Agreement (i)	$15,366	$ —
Operating line of credit (ii)	—	1,841
Menlo acquisition loan (iii)	—	7,211
Note payable (iv)	—	5,245
Bank term loan (v)	—	4,123
Note payable to related party (vi)	—	463
Purchase price note due to a related party (vi)	—	4,967
Menlo convertible note (vii)	—	—
US payroll protection plan loans (viii)	1,502	—
Balance — end of period	$16,868	$23,850
Current	$ 1,825	$15,012
Non-current	15,043	8,838
	$16,868	$23,850

8. BORROWINGS (Continued)

(i) Debt consolidation and issuance of Loan Agreement

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 $16,133 (the "Term Loan") and a revolving operating line of credit of up to $5,000 (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 loan. 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. Loan arrangement costs of $459 were capitalized and offset against the loan balance and $28 were amortized into interest expense during the year (2019 — $0). The Operating Line is repayable with monthly interest consistent with the Term Loan rates. Interest expense during the year ended December 31, 2020 was $346 (2019 — $0).

(ii) 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. Under the terms of the agreement, 85% of the face value of factored receivables were 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 bore administrative expenses and an advance fee calculated as interest upon the daily net outstanding balance at LIBOR Daily Floating Rate plus 7% with additional service costs of 0.4% on outstanding invoices as well as other facility fees, including shortfall and chargeback fees, were applicable. The facility was secured by a general security agreement over all of the assets of Quisitive LLC. All initial transaction costs were expensed. The Corporation closed the operating line of credit in the third quarter of 2020 and, as at December 31, 2020 the balance outstanding was $0 (December 31, 2019 $1,841). Interest expense for the year ended December 31, 2020 was $131 (December 31, 2019 — $245).

(iii) 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. On August 10, 2020, this loan was retired using the proceeds of the Loan Agreement as described in note 8 (i). Loan arrangement costs of $289 were capitalized and offset against the loan balance were charged to interest expense for the year ended December 31, 2020 (2019 — $0).

For the three and nine months ended December 31, 2020, interest expense was $511 (December 31, 2019 — $0).

(iv) Note payable

Quisitive LLC had a note payable with a private lender. Unpaid principal balance bore interest at 9%, increasing 0.05% every six months not to exceed 12%, maturing on September 25, 2020, secured by a

8. BORROWINGS (Continued)

second priority security interest in Quisitive LLC's personal property. Interest on the first six months was not payable, and was added to the principal balance of the debt per the agreement. Interest was payable monthly, and the principal was due September 25, 2020. There was a basic fixed charge coverage ratio covenant of at least 1.20 to 1.00 that was to be calculated on a trailing 12-month basis quarterly among other non-financial covenants that Quisitive LLC was required to meet.

On August 10, 2020, the Note payable was retired using the proceeds of the Loan Agreement as described in note 8 (i).

Interest expense for the year ended December 31, 2020 was $403 (December 31, 2019 — $617).

(v) 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 was 5 years, with a fixed payment of $77CAD per month and a balloon payment of $1,435CAD at the end of the term. Interest was at Canadian Variable Rate plus 6.5% per annum. The security on the term loan was 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 pledged 100% of its shares in CRG. The loan contained standard compliance and ongoing coverage covenants. On August 10, 2020, the Bank term loan was retired using the proceeds of the Loan Agreement as described in note 8 (i).

Interest for the year ended December 31, 2020 was $282 (December 31, 2019 — $214).

(vi) Note payable to related party and Purchase price note due to a related party

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 was unsecured and is positioned behind the bank term loan. It was interest free and could only be repaid once the bank term loan had been repaid in full.

Purchase price note due to a related party

In connection with the closing of the acquisition of CRG, the Corporation issued $4,967 ($6,500 CAD) purchase price notes to the vendors which were held directly or indirectly by Companies affiliated with a Director of the Corporation. Interest on the notes was payable at a rate of 10% per annum compounded on an annual basis and payable semi-annually and was secured by a pledge over the shares of CRG acquired. The notes would have matured on June 1, 2021 with an option of the vendors to extend by one additional year or otherwise, subject to agreement by both parties.

On August 26, 2020, the Corporation issued 12,071,428 common shares pursuant to the exercise of warrants at $0.35 CAD (note 13(b)) and paid $2,417 ($3,189 CAD) in cash to retire the purchase price note due to a related party and the note payable to related party. 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 (note 13(b)).

For the year ended December 31, 2020, the Corporation incurred $310 in interest relating to the notes (December 31, 2019 — $379).

8. BORROWINGS (Continued)

(vii) Menlo convertible notes

The Menlo convertible notes were convertible into common shares of the Corporation at $0.20 CAD per share. The notes bore interest at 10% per annum compounded on an annual basis, payable annually for a term of 36 months. These notes were unsecured.

The principal value of the debt of $5,000 was recorded at its fair value of $4,313 on acquisition, and accretion expense and interest expense of $325 was recorded for the year ended December 31, 2020 (December 31, 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 change in fair value of the conversion feature derivative liability for the year ended December 31, 2020 of $8,430 was recorded as a charge to the income statement (2019 — $0). During the year ended December 31, 2020, the full $5,000 in principal amount of the convertible debentures were converted into an aggregate of 33,994,449 common shares of the Corporation.

(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 pending the decision by the US Small Business Administration on the Corporation's applications for forgiveness.

The effective interest rate used to measure the fair value of the loans 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 has been bifurcated from the loan and are recorded as deferred grant income. For the year ended December 31, 2020, $91 of grant income has been recognized and $90 of accretion has been recorded in interest expense relating to the liability.

The loans contain a forgiveness mechanism that provide that the loans 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.

On April 5, 2021, the Corporation received notice that the Cross River Bank loan of $1,247 has been forgiven. As the conditions giving rise to the forgiveness, being the use of the proceeds towards eligible expenses, occurred in fiscal 2020, the $1,247 has been recorded as gain on the statement of comprehensive loss for the year ended December 31, 2020.

9. GOODWILL

	December 31,	
	2020	2019
Balance, January 1	$15,005	$ 5,752
Acquisitions (Note 4)	8,978	9,253
Balance, December 31	$23,983	$15,005

The Corporation 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.

Goodwill acquired through business combinations has been tested at the cash generating unit level, consistent with the Corporation's single operating segment. The recoverable amount was determined using a value-in-use approach. Under the value-in-use approach, the recoverable amount is calculated based on the present value of future cash flows expected to be derived from the CGU.

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

- Discount rates
- Terminal growth rates

Discount rates — Discount rates represent the current market assessment of the risks specific to the CGU. The discount rate calculation is based on the specific circumstances of the Corporation 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 Corporation's investors. The cost of equity considers the risk-free rate, market equity risk premium, size premium and risk specific to the 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 Corporation is obliged to service. The pre-tax discount rate applied to the cash flow projections is approximately 17%.

Terminal growth rate — Growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans and industry outlook. The Corporation has applied a rate of 2% growth rate to determine the terminal value.

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

10. INCOME TAXES

(a) Tax recognized in profit or loss

	2020	2019
Current income tax expense:		
Current year	983	245
Deferred income tax (recovery):		
Origination and reversal of temporary differences	(1,101)	(176)
Income tax expense (recovery):	(118)	69

(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% (2019 — 26.5%) to loss before income taxes. The reasons for the differences are as follows:

	2020	2019
Loss before income taxes	$(10,026)	$(7,307)
Statutory income tax rate	26.5%	26.5%
Expected income tax (recovery)	(2,657)	(1,936)
Permanent differences, prior period adjustments and other	1,965	480
Unrecognized benefit of deferred tax assets	1,172	791
Difference in income tax rates between jurisdictions	(346)	231
Financing fees and other	(252)	503
Income tax expense (recovery)	$ (118)	$ 69

(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:

	2020	2019
Non-deductible reserves and other	57	53
Losses	25	0
Property and equipment	46	(34)
Intangibles	(3,405)	(1,778)
Deferred revenue and other	(26)	(86)
Net deferred tax liability	(3,303)	(1,846)

10. INCOME TAXES (Continued)

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

Balance — December 31, 2019	(1,846)
Charged to goodwill	(2,569)
Credited to earnings	1,011
Other	11
Closing — December 31, 2020	(3,303)

(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.

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:

	2020			2019		
	Canada	**USA**	**Consolidated**	**Canada**	**USA**	**Consolidated**
Losses carried forward	4,747	1,708	6,455	1,935	2,797	4,732
Property, equipment and intangible assets	0	3,264	3,264	—	1,658	1,658
State NOL's carry forward	0	309	309	0	0	0
Deferred Transaction cost	1,863	0	1,863	0	0	0
Other temporary differences	0	327	327	662	403	1,065
	6,610	5,608	12,218	2,597	4,858	7,455

As at December 31, 2020, the Corporation has non-capital losses of approximately $4,938 (December 31, 2019 — $1,935) 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 $1,708 (December 31, 2019 — $2,797) 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. 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 years ended December 31, 2020 and 2019 were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and short term benefits	$1,295	$1,124
Share Based Compensation	$ 339	$ 85

In addition, the Corporation has contingent consideration, and settled purchase price notes and a working capital loan to related parties that are described in notes 8 and 17.

(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 year ended December 31, 2020 are set out in the table below and the ending balance is included in accounts payable and accrued liabilities.

	Opening receivable (payable)	Net repayment / (Payments Received)	Sales provided (Services Received)	Closing (payable) receivable
		(all amounts in CAD)		
Software Integrators International Inc.	$(92)	$(38)	$ 36	$(94)
Corporate Renaissance Group Solutions (PVT) Ltd.	$(37)	$439	$(358)	$ 44

12. LEASE LIABILITIES

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

		Discounted
2021	$1,038	$ 974
2022	315	278
2022+	347	288
Total	$1,700	$1,540

(ii) Property lease payments including variable lease payments including property taxes. For the years ended December 31, 2020 and 2019 were as follows:

Year Ended December 31, 2019	2020	2019
Total Short-Term Lease Expense	$150	$191
Variable Lease Expense	187	151
	$337	$342

12. LEASE LIABILITIES (Continued)

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

Opening balance January 1, 2019	$1,204
Acquired in CRG purchase	102
Payments (net of accretion)	(474)
Present value of lease liability, December 31, 2019	$ 832
Acquired in Menlo purchase	$ 323
Payments (net of accretion)	(665)
New leases	1,050
Present value of lease liability December 31, 2020	$1,540

13. SHARE CAPITAL

(a) *Share Issuances*

The Corporation is authorized to issue an unlimited number of common shares. As at December 31, 2020, 193,585,013 common shares were issued and outstanding as fully paid and non-assessable (December 31, 2019 — 90,054,697).

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.

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

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 May 29, 2020, the Corporation issued 445,678 common shares at a price of CAD$0.35 in connection with the exercise of 423,178 broker units and 22,500 broker warrants, resulting in cash proceeds of $116.

On November 18, 2020, the Corporation issued 823,855 shares at a price of CAD$0.35 in connection with the exercise of 823,855 broker warrants, resulting in cash proceeds of $220.

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.

13. SHARE CAPITAL (Continued)

Both the warrants and the compensation unit options were valued using the Black-Scholes model and a total value of $2,150 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%

Conversion of convertible debentures (Note 8(vii)):
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 Menlo convertible notes. 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. were converted into an aggregate of 32,025,800 Common Shares.

Settlement of contingent consideration (Note 17):
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.

Settlement of purchase price notes to related party (Note 8(vi)):

On August 26, 2020, the Corporation issued 12,071,428 common shares pursuant to the exercise of warrants at $0.35 CAD and paid $2,417 ($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.

(b) Warrants Issued

Issue date	Type	Number of warrants issued	Number of warrants outstanding at Dec. 31, 2020	Maturity date	Exercise price (in CAD)
26-Jun-20(1)	unit warrants	10,666,703	10,666,203	26-Jun-22	1.10
26-Jun-20	compensation unit options	1,145,951	1,145,951	26-Jun-22	0.75
29-Mar-18(2)	broker	1,647,711	411,928	9-Aug-21	0.35
1-Jun-18(2)	broker	30,000	7,500	9-Aug-21	0.35
1-Jun-19(3)	normal	19,500,000	—	1-Jun-21	0.35

(1) 500 of these warrants were exercised during the year ended December 31, 2020.

(2) During the year, the underlying one-half warrant attached to these broker compensation options either expired or were exercised. Additionally, 1,269,533 broker warrants were exercised in 2020.

13. SHARE CAPITAL (Continued)

(3) On August 25, 2020 12,071,428 common shares were issued pursuant to the exercise of these warrants. The remaining 7,428,572 warrants issued to the vendors in the CRG acquisition were forfeited.

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.

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 4) 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 issued in 2018 and 2019 were valued using Black-Scholes model. The weighted average assumptions used in the Black-Scholes models were 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.

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 December 31, 2020	3,405,000	$0.28

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

13. SHARE CAPITAL (Continued)

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 200,000 stock options at an exercise price of CAD$0.25 during 2020 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 year ended December 31, 2020, the Corporation recognized share based compensation from stock options of $191 (December 31, 2019 — $182).

The following options were issued and outstanding as at December 31, 2020:

Grant Date	Expiry Date	Ex price (CAD)	Number of options	Exercisable
9-Apr-18	April 9, 2023	0.35	615,000	615,000
30-Apr-18	April 30, 2023	0.35	100,000	100,000
17-Aug-18	August 17, 2023	0.35	200,000	200,000
20-Nov-18	November 20, 2023	0.35	965,000	965,000
29-Aug-19	August 29, 2024	0.15	300,000	200,000
23-Dec-19	December 23, 2024	0.20	1,025,000	683,333
03-Jan-20	January 3, 2025	0.25	200,000	133,333
			3,405,000	2,896,666

The weighted average contractual life for the remaining options as at December 31, 2020 is 3.02 years.

(d) Restricted Stock Units

During the year ended December 31, 2020, the Corporation granted restricted stock units (RSU's) to employees. The RSU's vest over 0-3 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

13. SHARE CAPITAL (Continued)

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	1,996,500
Exercised	(125,000)
Closing balance December 31, 2020	6,196,801

For the year ended December 31, 2020, the Corporation recognized share based compensation related to RSU's of $529 (December 31, 2019 — $108).

14. NET LOSS PER SHARE

The computation for basic and diluted net income (loss) per share for the year ended December 31, 2020 and 2019 are as follows:

	Year ended December	
	2020	2019
Net loss for the period	$ (9,908)	$ (7,376)
Weighted average number of shares outstanding, basic	150,666,920	87,813,530
Basic and Diluted Income (Loss) Per Share	$ (0.07)	$ (0.08)

Potentially dilutive shares relating to warrants, compensation unit options 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.

	2020	2019
Warrants	10,666,203	12,283,644
Broker warrants	419,928	2,471,566
Compensation unit options	1,718,927	—
CRG warrants	—	19,500,000
Stock options	3,405,000	3,705,000
RSU's	6,196,801	4,325,301
	22,406,859	42,285,511

15. 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 Loan Agreement, Notes payable, Menlo acquisition loan, Purchase price notes and Bank term loan approximate fair value as they were at market rates of interest.

15. FINANCIAL INSTRUMENTS (Continued)

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 $10,983 (2019 — $8,731).

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 $8,175 (2019 — $4,171). Accounts receivable are shown net of provision of credit losses of $154 (2019 — $206).

	under 30	30-60 days	over 60 days	Total
Accounts receivable ageing	$6,382	$876	$917	$8,175

The Corporation is exposed to concentration of credit risk relating to one customer that represents 12% of trade accounts receivable as at December 31, 2020 (December 31, 2019 — nil).

(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, 2020, the Corporation has $10,983 (2019 — $1,420) of unrestricted cash and liabilities with the following due dates at their carrying values:

	under 3 months	3 months-1 year	1-2 years	3-5 years
A/P and accrued liabilities	$4,621	—	—	—
Income taxes payable	546			
US payroll protection plan loans		346	1,156	
Contingent consideration	—	3,568	4,631	
Loan agreement	202	1,277	2,420	11,467
Total	$5,369	$5,191	$8,207	$11,467

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 and the liquidity our clients and the Corporations 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.

15. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

The Corporation is exposed to interest rate risk through the Loan Agreement loan which bears interest at Bankers Acceptance plus a percentage determined by the results of the corporation collocated on a hailing twelve month basis. A 1% change in Bankers Aceeptance rate would lead to +/−$153 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 December 31, 2020 and 2019, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	2020	2019
	CAD$	CAD$
Cash	$5,979	$1,819
Accounts payable and accrued liabilities	(608)	(750)
	5,371	1,069
United States dollar equivalent	$4,222	$ 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 Corporation is not exposed to other price risk.

16. NON-CONTROLLING INTEREST

The Corporation owns 84% 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.

In 2019, the Corporation entered into two employment agreements that granted an award of restricted stock equal to five percent or 1,000,000 of the issued and outstanding voting stock of LedgerPay. The shares of LedgerPay are convertible into Common Shares of the Corporation based on the ratio of 1:2.124 per

16. NON-CONTROLLING INTEREST (Continued)

share. Upon fully vesting, the issuance will result in a dilution in the Corporation's interest in LedgerPay to 80%.

For the year ended December 31, 2020 the Corporation recorded non-controlling interest of $281 (2019: ($69)).

17. CONTINGENT CONSIDERATION

Balance December 31, 2018	$ 1,186
CRG earn-out on acquisition	5,130
Accretion	220
Revaluation of contingent consideration	1,618
Foreign exchange	183
Balance December 31, 2019	$ 8,337
Menlo earn-out acquisition	$ 2,367
Accretion	412
Foreign Exchange	2
Revaluation of contingent consideration	1,176
Repayment of contingent consideration in shares and cash	(4,095)
Balance December 31, 2020	$ 8,199

(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 which is based on a five times EBITDA exceeding $1,700 to a maximum of $2,200 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 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 (2018-$1,186) 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 and a corresponding increase in the earn out liability. The earn-out payment was paid through the issuance of common shares of the Corporation (Please refer to note 13(a)).

(ii) CRG earn-out

As part of the consideration for the CRG acquisition, the Corporation paid contingent consideration of $2,167 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 $5,131. The criteria for the earn out is assessed each year, resulting in a revaluation loss of $259 for the year ended Dec 31, 2020

17. CONTINGENT CONSIDERATION (Continued)

(Dec 2019 — $336). The 2019 earn-out of $1,590 was paid in 2020 through the issuance of shares and cash (Please refer to note 13(a)).

(iii) Menlo earn-out

As part of the consideration for the Menlo acquisition, the Corporation may pay 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 as defined in the agreement 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 initially estimated the fair value of contingent consideration at acquisition to be approximately $1,765. In addition $602 of earn-out relating to a previously acquired entity was recorded as a liability. During the year, $917 of revaluation losses were recorded in 2020 related to re-assessments of amounts owing.

18. REVENUE

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

	2020	2019
Professional Services	$36,334	$16,786
Maintenance, License and third party licenses and support	13,430	1,739
	$49,764	$18,525

The Corporation is exposed to concentration risk relating to one customer that represents 16% of revenues for the year ended December 31, 2020 (December 31, 2019 — no customers represented greater than 10% of revenue)

(ii) The following table shows geographic area

	2020	2019
USA	$42,943	$15,219
Canada	6,821	3,306
	$49,764	$18,525

19. SEGMENT INFORMATION

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

20. SUBSEQUENT EVENTS

Closing of Strategic $20 Million Investment by FAX Capital

On March 22, 2021 the Corporation announced the completion of a non-brokered private placement with FAX Capital Corp. ("FAX") pursuant to which FAX purchased 16,000,000 common shares of the Corporation from treasury at a price of CAD$1.25 per Common Share for gross proceeds of CAD$20,000 ($15,930).

20. SUBSEQUENT EVENTS (Continued)

Signing of Bankcard USA definitive agreement and financing of the transaction

On March 29, 2021 the Corporation announced that it has entered into a stock purchase agreement dated March 29, 2021 (the "Agreement") to acquire BankCard USA Merchant Services, Inc. ("BankCard") for US$100 million in cash and the issuance of 50,000,000 common shares in the capital of the Corporation (the "Transaction"). The shareholders may also be entitled to additional contingent consideration in the form of a performance earn-out if BankCard achieves certain financial thresholds during the two-year period following the closing of the Transaction. The amount of the earn-out is a maximum of US$20 million payable in a combination of cash and Common Shares. Closing of the Transaction is expected to occur in the second quarter of calendar 2021.

The Transaction is being financed through a combination of new bank debt and equity. The Corporation has secured committed debt financing from a syndicate of Canadian banks pursuant to an amendment to the terms of an existing loan agreement to increase the maximum commitment under the existing term loan by US$50 million which shall be used to fund a portion of the Transaction. The Corporation has also entered into an agreement pursuant to which Scotiabank, Eight Capital and Canaccord Genuity, as joint bookrunners, together with a syndicate of underwriters (collectively, the "Underwriters"), will purchase on a "bought deal" basis 38,410,000 subscription receipts of the Company (the "Subscription Receipts"), inclusive of the over-allotment option of 5,010,000 Subscription Receipts, at a price of CAD$1.50 per Subscription Receipt (the "Issue Price") for aggregate gross proceeds to the Corporation of CAD$57,615.

Each Subscription Receipt represents the right of the holder to receive, upon satisfaction or waiver of certain release conditions (including the satisfaction of all conditions precedent to the completion of the Transaction other than the payment of the consideration price) (the "Escrow Release Conditions"), without payment of additional consideration, one Common Share, subject to adjustments and in accordance with a subscription receipt agreement to be entered into upon closing of the Offering (the "Subscription Receipt Agreement").

In addition, in a concurrent private placement pursuant to existing contractual rights, FAX has agreed to purchase 3,333,333 Subscription Receipts at the Issue Price for gross proceeds of CAD$5,000 (the "Concurrent Private Placement"). The Concurrent Private Placement is expected to close concurrently with the Offering, subject to the TSXV and other necessary regulatory approvals. The proceeds of the Concurrent Private Placement will be used to partially fund the cash consideration portion of the Transaction and for general corporate purposes.

Acquisition of Mazik Global Inc.

On April 1, 2021 the Corporation announced the closing of its acquisition of Mazik Global Inc. ("Mazik"), an independent software vendor that helps companies deploy Microsoft Dynamics CRM, Cloud, and ERP solutions to the healthcare, public sector, education, and manufacturing industries.

The consideration for the acquisition of all of the shares of Mazik consisted of the following: (i) $7,000 in cash, payable to the Vendors; and (ii) the issuance to the vendors of 6,254,020 common shares in the capital of the Corporation. The Vendors may also be entitled to additional contingent consideration in the form of a performance earn-out if Mazik achieves certain financial thresholds during the three year period following the closing of the Transaction. The amount of the earn-out is a base maximum of $6,000 payable in cash, plus an additional incentive amount of $2,000 based on exceeding recurring revenue growth targets, payable in cash or shares at the option of the Corporation.

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