PIVOTREE INC. (Formerly Reliant Web Hosting Inc.)
Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2020
(Expressed in Canadian dollars unless otherwise stated)
(Unaudited)

Notice of No auditor review of Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators, notice is given that the attached condensed interim consolidated financial statements for the nine month period ended September 30, 2020 have not been reviewed by the Company's auditors.

PIVOTREE INC. (dba Pivotree)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2020 and December 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

	Notes	September 30, 2020 $	December 31, 2019 $
ASSETS			
Current assets			
Cash		9,510,477	2,984,657
Accounts receivable	3	8,383,104	8,401,623
Investment tax credits receivable	4	600,621	1,235,311
Prepaid expenses	5	1,526,969	2,114,998
Income tax receivable		191,401	—
		20,212,572	14,736,589
Property and equipment	6	4,155,932	5,001,414
Right-of-use assets	7	1,222,456	1,686,501
Intangible assets	8	10,737,506	12,339,144
Goodwill	23	10,211,118	10,392,316
Total Assets		**46,539,584**	44,155,964
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	7,113,375	7,020,585
Income taxes payable		45,587	398,300
Deferred revenue		1,314,825	1,797,071
Current portion of long-term debt	10	2,399,856	1,333,600
Current portion of lease liabilities	11	1,491,725	1,542,027
Current portion of earnouts payable on acquisitions		365,000	4,496,441
Due to related parties	12	—	2,223,781
		12,730,368	18,811,805
Non-current liabilities			
Long-term debt	10	16,770,144	6,678,449
Lease liabilities	11	1,633,285	2,422,685
Deferred tax		1,328,600	1,242,975
Total liabilities		32,462,397	29,155,914
Shareholders' Equity			
Share capital	14	22,427,132	19,018,569
Obligation to issue shares	14	—	3,133,460
Warrants	10	500,000	—
Contributed surplus		227,133	227,133
Deficit		(9,332,138)	(8,398,028)
Accumulated other comprehensive loss		255,060	1,018,916
		14,077,187	15,000,050
Total Liabilities & Shareholders' Equity		**46,539,584**	44,155,964

Nature of operations (Note 1)
Subsequent Events (Note 25)

Approved on behalf of the Board of Directors:
(signed) Brian O'Neil Director
(signed) Scott Bryan Director

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

PIVOTREE INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and nine months ended September 30, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

		Three Months Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Notes	$	$	$	$
Revenues	17	16,242,578	15,218,689	47,049,197	43,679,985
Cost of sales	18	7,866,894	6,641,328	21,751,948	19,013,373
Gross profit		8,375,684	8,577,361	25,297,249	24,666,612
EXPENSES					
General and administrative	13, 19	2,073,714	1,977,224	5,256,775	5,998,777
Research and development	19	459,281	374,341	1,371,375	1,374,229
Information technology and operations	19	3,998,987	3,705,001	11,847,995	10,563,895
Sales and marketing	19	946,162	926,605	2,305,625	2,888,078
Amortization and depreciation		1,071,162	1,455,785	3,309,472	3,402,938
Interest	19	480,084	246,064	1,460,304	661,971
Loss (gain) on foreign exchange		106,336	44,860	54,047	149,302
Restructure and other	19	594,114	266,765	937,264	1,183,102
Total expenses		9,729,840	8,996,645	26,542,857	26,222,292
Income (loss) before taxes		(1,354,156)	(419,284)	(1,245,608)	(1,555,680)
Income recovery (expense) - current		204,125	(146,397)	397,123	(373,396)
Deferred taxes		142,375	(25,226)	(85,625)	(58,226)
Net income (loss) for the period		(1,007,656)	(590,907)	(934,110)	(1,987,302)
Other comprehensive loss:					
Items that may be reclassified subsequently to income:					
Foreign currency translation adjustment		(1,434,384)	24,615	(763,856)	(309,134)
Comprehensive income (loss) for the period		(2,442,040)	(566,292)	(1,697,966)	(2,296,436)
Income (loss) per share – basic and diluted		(0.14)	(0.08)	(0.13)	(0.28)
Weighted Average Number of Common Shares Outstanding - basic		7,118,524	7,083,870	7,118,584	7,083,870

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

PIVOTREE INC.
INTERM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended September 30, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

	Number of common shares	Number of preferred shares	Capital Stock $	Obligation to Issue Shares $	Warrants $	Contributed Surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance, December 31, 2018	7,062,050	8,257,950	18,837,466	3,133,460	—	227,133	(5,498,437)	662,375	17,361,997
Foreign exchange translation	—	—	—	—	—	—	—	(309,134)	(309,134)
Net (loss) for the period	—	—	—	—	—	—	(1,987,302)	—	(1,987,302)
Balance September 30, 2019	7,062,050	8,257,950	18,837,466	3,133,460	—	227,133	(7,485,740)	353,241	15,246,664
Balance December 31, 2019	7,114,650	8,257,950	19,018,569	3,133,460	—	227,133	(8,398,028)	1,018,916	15,000,050
Share issuances	882,075	—	3,408,563	(3,133,460)	—	—	—	—	275,103
Preferred Share Warrants (Note 10)	—	—	—	—	500,000	—	—	—	500,000
Foreign exchange translation	—	—	—	—	—	—	—	(763,856)	(763,856)
Net (loss) for the period	—	—	—	—	—	—	(934,110)	—	(934,110)
Balance September 30, 2020	**7,983,325**	**8,257,950**	**22,427,132**	—	**500,000**	**227,133**	**(9,332,138)**	**255,060**	**14,077,187**

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

PIVOTREE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

	Nine months ended	
	September 30, 2020 $	September 30, 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	**(934,110)**	(1,987,302)
Items not affecting cash:		
Amortization and depreciation	3,315,494	3,316,354
Finance costs	190,426	92,607
Deferred income tax	85,625	58,226
Share-based compensation	133,530	197,000
Interest (payment in kind)	170,301	—
Changes in non-cash working capital balances:		
Accounts receivable	(67,382)	(167,566)
Investment tax credit receivable	634,690	37,124
Prepaid expenses	577,002	(643,149)
Accounts payable and accrued liabilities	328,336	1,088,018
Income taxes payable	(531,769)	223,464
Earnouts payable	—	890,653
Deferred revenue	(457,107)	(776,979)
Cash flows provided by operating activities	3,445,036	2,328,450
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(88,820)	(581,890)
Additions of intangible property	(644,314)	(1,593,717)
Earnout payment	(4,131,441)	(1,670,109)
Cash flows used in investing activities	(4,864,575)	(3,845,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease repayment	(1,058,866)	(1,406,741)
Loan proceeds	12,600,000	—
Loan transaction costs	(670,411)	(92,174)
Loan repayment	(725,364)	(1,150,600)
Advance from (repayments to) related parties	(2,200,000)	2,200,000
Cash flows provided by financing activities	7,945,359	(449,515)
Net increase (decrease) in cash and cash equivalents	6,525,820	(1,966,781)
Cash and cash equivalents, beginning of period	2,984,657	3,202,819
Cash and cash equivalents, end of period	**9,510,477**	1,236,038

Supplemental cash flow information (Note 24)

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

1. NATURE OF OPERATIONS

Pivotree Inc., was incorporated under the Business Corporations Act in Ontario, Canada on August 13, 1998 and extraprovincially registered in British Columbia, Canada on June 22, 2015. Pivotree Inc. and its subsidiaries are together referred to as the "Company"). The Company's principal place of business is its headquarters at 16th floor, 250 Yonge Street, Toronto, Ontario, Canada M5B 2L7. The Company deploys, manages, and optimizes leading digital platforms in Commerce, Master Data Management, and Product Information Management for major retail and branded manufacturers throughout the world. The Company provides a combination of application support and managed hosting with digital strategy and software implementation services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These unaudited interim condensed consolidated financial statements (''financial statements'') were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2019. These interim condensed consolidated financial statements have been prepared in compliance with IAS 34 — Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (''IFRS'') have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019. These financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on November 24, 2020.

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

(b) Basis of consolidation

The consolidated financial statements include the accounts of Pivotree Inc. and its wholly owned subsidiaries, Spark::red Inc. and ThinkWrap Solutions Inc. Spark::red Inc. was acquired on February 7th, 2018. It was incorporated in the State of Washington and its registered office is 11241 Willows Rd. N.E., Suite 220, Redmond, WA 98052. ThinkWrap Solutions Inc. was acquired on January 31, 2018. It was incorporated in the province of Ontario, Canada and its registered office is 450 March Road, Unit 500, Ottawa, Ontario, Canada. Subsidiaries are entities that the Company has control of 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.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars ("CAD"). The functional currency of the Company and its subsidiary ThinkWrap is Canadian dollars. The functional currency of the Company's subsidiary Spark::red is US dollars.

(Expressed in Canadian dollars)

3. ACCOUNTS RECEIVABLE

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

	September 30, 2020 $	December 31, 2019 $
Trade receivables	8,640,922	7,933,642
Other receivables	274,491	504,275
Less: Allowance for doubtful accounts	(532,309)	(36,294)
Net accounts receivable	**8,383,104**	8,401,623

For the nine months ended September 30, 2020, the Company recorded bad debt expense (recovery) of $527,364 (September 30, 2019 — ($45,061)). Other receivables include an amount recognized for performance obligations satisfied in the period and subsequently invoiced. A continuity of the Company's allowance for doubtful accounts is as follows:

	September 30, 2020 $	**December 31, 2019 $**
Opening balance	36,294	75,373
Additions	527,364	139,445
Less: write-offs	(31,349)	(178,524)
Ending balance	**532,309**	**36,294**

4. INVESTMENT TAX CREDITS RECEIVABLE

The Company claims Scientific Research and Experimental Development (SR&ED) and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency. Included in investment tax credit receivable are amounts for SR&ED credits which are currently under review or are expected to come under review by the taxation authorities:

	September 30, 2020 $	December 31, 2019 $
Balance, opening	1,235,311	1,368,338
Additions	508,498	1,035,576
Recovered	(1,143,188)	(1,168,603)
Balance, ending	**600,621**	1,235,311

5. PREPAID EXPENSES

The Company's prepaid expenses are comprised of the following:

	September 30, 2020 $	December 31, 2019 $
Software subscriptions	1,213,200	1,630,389
Rent deposits	124,473	140,150
Professional fees	104,732	161,286
Insurance	54,925	173,068
Other	29,639	10,1045
	1,526,969	2,114,998

(Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	Computer Equipment* $	Furniture and Equipment $	Leasehold Improvements $	Total $
COST				
Balance, December 31, 2018	20,775,122	806,235	418,234	21,999,681
Additions (disposals)	728,548	428,337	16,295	1,173,180
Balance, December 31, 2019	21,503,670	1,234,662	434,529	23,172,861
Additions	311,896	—	—	311,896
Effect of foreign currency translation				
Balance, September 30, 2020	21,815,566	1,234,662	434,529	23,484,757
ACCUMULATED DEPRECIATION				
Balance, December 31, 2018	16,128,465	339,265	198,915	16,666,645
Depreciation	1,068,826	387,787	76,352	1,532,965
Effect of foreign currency translation	—	—	(28,163)	(28,163)
Balance, December 31, 2019	17,197,291	727,052	247,104	18,171,447
Depreciation	1,017,434	72,054	34,739	1,124,227
Effect of foreign currency translation	4,043	29,108	—	33,151
Balance, September 30, 2020	18,218,768	828,214	281,843	19,328,825
Net book value December 31, 2019	**4,306,379**	**507,609**	**187,426**	**5,001,414**
Net book value September 30, 2020	**3,596,798**	**406,448**	**152,686**	**4,155,932**

*Included in computer equipment is equipment under capital lease and accounted for as a Right-of-use-Asset pursuant to IFRS 16 (see note 7). The cost of computer equipment under capital lease at September 30, 2020 was $8,926,150 (December 31, 2019 - $8,703,074) and the accumulated amortization was $6,489,631 (December 31, 2019 – $5,973,854).

7. RIGHT-OF-USE ASSETS

The Company leases certain office premises. The leases typically run for a period of 3 to 4 years with an option to renew the lease after that date. Lease payments are renegotiated within one year of expiry to reflect market rentals.
The office premises leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17. The Company also leases computer equipment under a number of leases which were classified as finance leases under IAS 17.

Information about leases for which the Company is a lessee is presented below:

	Premises Leases $	Computer Equipment $	Total $
Balance, January 1, 2019	2,282,955	3,144,793	5,427,748
Additions	—	356,181	356,181
Depreciation charge for the year	(596,454)	(771,754)	(1,368,208)
Balance, December 31, 2019	1,686,501	2,729,220	4,415,721
Additions	—	223,076	223,076
Depreciation expense	(464,045)	(515,777)	(979,822)
Balance, September 30, 2020	**1,222,456**	**2,436,519**	**3,658,975**

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

	Software Technologies $	Brand & Trademark $	License $	Customer Relationships $	Total $
COST					
Balance, December 31, 2018	2,547,925	18,285	297,000	11,966,759	14,829,969
Additions	1,824,033	67,808	—	—	1,891,841
Foreign currency translation	—	—	—	536,779	402,129
Balance, December 31, 2019	4,371,958	86,093	297,000	12,503,538	17,258,589
Additions	644,314	—	—	—	644,314
Foreign currency translation	—	—	—	(517,579)	(517,579)
Balance, September 30, 2020	5,016,272	86,093	297,000	11,985,959	17,385,324
ACCUMULATED AMORTIZATION					
Balance, December 31, 2018	1,145,854	—	—	1,203,956	2,349,810
Write-off	—	18,285	297,000	—	315,285
Amortization	960,889	—	—	1,293,461	2,254,350
Balance, December 31, 2019	2,106,743	18,285	297,000	2,497,417	4,919,445
Additions	757,126	—	—	970,096	1,727,222
Foreign currency translation	1,151	—	—	—	1,151
Balance, September 30, 2020	2,865,020	18,285	297,000	3,467,513	6,647,818
Net book value December 31, 2019	**2,265,220**	**67,808**	**—**	**10,006,116**	**12,339,144**
Net book value September 30, 2020	**2,151,252**	**67,808**	**—**	**8,518,446**	**10,737,506**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of the following:

	September 30, 2020 $	December 31, 2019 $
Accounts payable	2,434,335	3,467,903
Payroll accruals	1,957,219	2,189,261
Sales taxes payable	11,362	48,973
Accrued liabilities	2,291,870	1,314,448
United States Paycheck Protection Program *	418,589	—
	7,113,375	**7,020,585**

***United States Paycheck Protection Program ("PPP")**

Effective May 8, 2020 the Company's subsidiary Spark::red entered into a loan arrangement with BMO Harris Bank to obtain an unsecured loan in the amount of $1,291,087 ($937,200 USD) made under 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 Loan matures on May 31, 2022 and bears interest at a fixed rate of 1.0% per annum. Interest payments are deferred for the first six months.

The loan contains a forgiveness mechanism whereby it will be entirely forgiven provided that the loan proceeds are used by the Company to cover payroll costs, rent and utilities during the eight-week period following the Loan origination date. Management has determined that it is likely the Company will meet the terms for forgiveness of the loan. Accordingly, the loan is being recognized as a government grant using the income approach whereby amounts received are recorded in the Company's comprehensive statement of income as a reduction of payroll costs. During the nine month period ended September 30, 2020, the Company has recorded $872,498 of the PPP loan as a reduction of salaries.

(Expressed in Canadian dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

The Company 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 Company's subsidiary's eligibility for the PPP or any other subsidies or support mechanisms under the CARES Act.

10. LONG-TERM DEBT

The following table sets out the Company's borrowings:

		September 30, 2020 $	December 31, 2019 $
Bank of Montreal loan	(i)	11,140,236	8,265,600
Less: amounts due within one year included in current liabilities		(2,399,856)	(1,333,600)
Less: unamortized financing fees		(173,284)	(253,551)
		8,567,096	6,678,449
Non-revolving term loan	(ii)	9,170,031	—
Less: unamortized financing fees		(967,253)	—
		16,770,144	6,678,449

(i) Bank of Montreal Loan

During 2018 the Company obtained a loan repayable to the Bank of Montreal ("BMO") with interest at prime plus 1.00% and up to 1.5% due January 31, 2023, repayable in monthly principal installments of $83,400 commencing in September 2018 through April 2020; $125,000 from May 2020 through May 2021, and $166,700 until the end of the loan term. The loan is secured by a general security agreement and is subject to covenants.

The Company has additional debt facilities available at prevailing bank rates through BMO including the following:

(a) $3,000,000 revolving credit facility for working capital and general corporate purposes (not drawn upon as of September 30, 2020 or December 31, 2019; and
(b) $3,600,000 credit facility, limited to funding earnouts and permitted capital expenditures. During the six month period ended June 30, 2020, the Company drew the full amount of the $3,600,000 credit facility.

(ii) Non-revolving term loan ("Term Loan")

Effective February 14, 2020, the Company received $9,000,000 from an arms-length lender pursuant to a non-revolving term loan bearing interest at 12% per annum and due February 2024. In connection with the loan, the Company paid a cash commitment fee of $157,500 and issued a share purchase warrant to purchase 6,500 pre-forward split Class D Preferred shares at a price of $126.34 per share expiring February 14, 2027 (the "Series D Warrant"). The Series D Warrant has been recorded at $500,000 using the residual value method as a reduction of debt liability. All transaction costs are being accreted to finance expense over the term of the loan using an effective interest rate method.

(Expressed in Canadian dollars)

10. LONG-TERM DEBT (Continued)

Of the interest calculated each month, the Company shall pay to the Lender such amount of interest based on a fixed rate of 9.00% per annum calculated monthly in arrears on each interest payment date on the outstanding principal amount of the Loan including all PIK Interest previously added thereto, with the remainder of interest of 3.00% per annum ("PIK Interest") compounded quarterly and added to the outstanding principal amount of the Loan, as at the last day of March, June, September and December in each year commencing March 31, 2020. The loan is secured by a general security agreement, subordinate to the Company's BMO loan, and is subject to covenants. As of September 30, 2020 the Company has recorded $170,30101,526 in interest payable on the loan.

As of September 30, 2020, the Company was in compliance with all loan covenants on both the BMO loan and the Term Loan. The estimated principal repayments through the years ended 2024 are as follows:

2020	BMO (i)	$ 599,964
2021	BMO (i)	2,691,756
2022	BMO (i)	2,900,256
2023	BMO (i)	4,948,260
2024	Term Loan (ii)	9,170,301
		$ 20,310,537

See Note 25(c).

11. LEASE LIABILITIES

	September 30, 2020	December 31, 2019
	$	$
Obligation under lease contracts for computer equipment	1,858,974	2,272,234
Obligation under lease contracts for office space	1,266,036	1,692,478
Less: current portion	(1,491,725)	(1,542,027)
	1,633,285	2,422,685

Future minimum cash payments required under the premises and computer equipment leases held by the Company are as follows:

	Premises	**Computer Equipment**	**Total**
	$	**$**	**$**
2020	132,961	308,648	441,609
2021	547,001	1,003,224	1,550,225
2022	539,021	602,735	1,141,756
2023	132,851	230,066	362,917
2024	—	91,231	91,231
2025	—	48,050	48,050
	1,351,834	2,283,954	3,635,788
Imputed interest	(85,798)	(424,980)	(510,778)
	1,266,036	**1,858,974**	**3,125,010**

(Expressed in Canadian dollars)

12. DUE TO RELATED PARTIES

	September 30, 2020	December 31, 2019
	$	$
Loan payable to Eventi Credit Inc., a company related to a majority shareholder, with interest at 12% per annum, due May 6, 2020. The loan is secured and subordinated to the Company's Bank of Montreal credit facility and was repaid May 6, 2020.	—	2,200,000
Trade payables, due to Eventi Capital Partners Inc.	—	23,781
	—	**2,223,781**

All trade payables were non-interest bearing, unsecured and due on demand and were repaid in the period ended September 30, 2020.

13. RELATED PARTY TRANSACTIONS

The following are details of the related party transactions entered into by the Company during the three and nine month periods ended September 30, 2020 and 2019:

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	2019
	$	*$*	**$**	$
Expenses paid to a private company related to a majority shareholder:				
Professional fees	35,291	78,376	113,598	188,799
Interest and other loan fees	—	70,575	114,828	116,602
Travel Expenses	—	5,143	1,604	8,893
Human resources expenses	—	5,650	—	45,200
Management fees	62,500	62,500	250,500	187,500
	97,791	222,244	**480,530**	546,994

Remuneration of key management personnel: during the three and nine month periods ended September 30, 2020 and 2019 is as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Salaries and benefits	289,643	267,135	1,262,994	810,352
Consulting fees	62,500	62,500	250,500	187,500
	352,143	329,635	**1,513,494**	997,852

14. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares, an unlimited number of Series A preferred shares, an unlimited number of Series B preferred shares, an unlimited number of Series C preferred shares, and an unlimited number of Series D preferred shares. The Company's common shares are without par value, have voting rights and are entitled to receive dividends.

The Company's Series, A, B, C, D preferred shares are convertible to common shares on a 1-1 basis on election of the holders, are without par value, and have voting rights. The Company's Series D preferred shares will convert to common shares automatically in the event of the Company's public offering. The Company's Series A, B, C, D have a liquidation preference equal to one time their paid in value and are entitled to receive on a pro rata basis any

(Expressed in Canadian dollars)

14. SHARE CAPITAL (Continued)

dividends, return of capital or other distributions up to their liquidation value before the holders of any common shares.

Effective October 30, 2020, the Company completed a reorganization whereby all outstanding and issued common shares were forward split on a 50-for-1 basis. All references to share, per share amounts, warrants, options and RS's in these financial statements have been retroactively restated to reflect the forward split, unless referred to as "pre-forward split". (See Note 25(b).)

The Company's outstanding share capital as of September 30, 2020 and December 31, 2019 is as follows:

	As of September 30, 2020		As of December 31, 2019	
	Number Outstanding	**$**	Number Outstanding	$
Common shares	**7,983,325**	**8,746,082**	7,101,250	5,337,519
Series A preferred shares	999,950	**1**	999,950	1
Series B preferred shares	2,251,750	**2,880,987**	2,261,750	2,880,987
Series C preferred shares	1,394,850	**1,700,000**	1,394,850	1,700,000
Series D preferred shares	3,601,400	**9,100,062**	3,601,400	9,100,062
	8,257,950	**13,681,050**	8,257,950	13,681,050
		22,427,132		19,018,569

During the period ended September 30, 2020 the Company issued:

(a) 826,450 common shares with a consideration value of $3,133,460 pursuant to a Deferred Share Agreement in connection with the acquisition of Spark::red in 2018; and
(b) 55,625 common shares valued at $275,103 during the nine months ended September 30, 2020 in connection with the vesting of 55,625 restricted shares.

15. STOCK OPTIONS & RESTRICTED SHARES

(a) Stock Options

Prior to July, 2018, the Company's Board of Directors approved at various times stock option grants for individual officers, employees and consultants of the Company (together the "Legacy Options"). As of the date of these financial statements the outstanding Legacy Options issued have a term of 7 to 10 years. Except for stock options made out to select executives (the "Stretch Options"), all stock options vest over four years with accelerated vesting upon a sale of the Company or an initial public offering of the Company's common shares. The options will vest at 1/48 on the last day of each month. In the event a director, officer, employee or consultant leaves the Company before exercising their options, their options terminate and return to the option pool. Stretch Options are incentive based options and vest as certain performance based targets are achieved.

(Expressed in Canadian dollars)

15. STOCK OPTIONS & RESTRICTED SHARES (Continued)

A continuity of stock options granted for the periods ended September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020		December 31, 2019	
	Number	Weighted Average Exercise Price*	Number	Weighted Average Exercise Price*
Balance, beginning	1,972,650	$ 1.41	1,885,700	$ 1.35
Granted	15,000	2.31	266,250	2.04
Forfeited	(66,250)	(1.89)	(179,300)	1.68
Balance, ending**	**1,921,400**	$ 1.41	1,972,650	$ 1.41

*Actual exercise prices range from $1 to $3.78.
**As of September 30, 2020, a total of 1,024,350 stock options have vested and 897,050 stock options will vest through February 10, 2027. The weighted average grant date fair value of stock options granted in the three and nine months ended September 30, 2020 was $2.31 (September 30, 2019 - $2.04).

The Company Recognized stock-based compensation from RS's granted during the period. See discussion in section (b) below.

(b) Restricted Shares

Since 2016 the Company has provided compensation to select advisors and management all or in part with retractable common shares (the "Restricted Shares" or 'RS(s)". Restricted shares grant an individual shares in exchange for the promise to provide services over a 1-2 year period. In the event that the individual ceases to be engaged by the Company during the Restricted Share period some or all of the common shares are retracted corresponding to the services not delivered. The fair value of restricted shares is estimated using the market price of the Company's common stock at the date of grant. The Company reports the portion of the common shares that have been fully earned and can no longer be retracted as shares outstanding.

During the nine months ended September 30, 2020 and the year ended December 31, 2019 the Company granted 23,550 RS's (2019 – 39,250) and a total of 27,225 RS's vested (2019 – 39,400).

For the three and nine months ended September 30, 2020 and 2019 the Company recognized share based compensation related to RS's of $54,810 and $141,103 (2019 - $46,200Nil and $181,104) respectively.

16. EARNINGS PER SHARE

The computation for basic and diluted net income (loss) per share for the three and nine months ended September 30, 2020 and September 30, 2019 are as provided on the Statement of Comprehensive Income. To the extent that the Company's results of operations are a loss, potentially dilutive shares relating to preferred shares, deferred common shares, 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.

	Nine months ended September 30,	
	2020	2019
Preferred shares	8,257,950	8,257,950
Deferred shares	—	826,450
Stock options	1,921,400	1,888,900
RS's	—	3,250
	10,179,350	10,976,550

(Expressed in Canadian dollars)

17. REVENUE

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	2020	2019
	$	$	$	$
Managed services	11,324,049	9,932,973	32,590,094	28,816,654
Professional services	4,918,529	5,285,716	14,459,103	14,863,331
	16,242,578	15,218,689	**47,049,197**	43,679,985

18. COST OF SALES

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Data center costs and software usage rights	4,405,638	3,045,933	12,579,592	9,603,945
Salaries and benefits	3,412,468	3,499,930	8,889,467	9,110,800
Other direct costs	48,788	95,465	282,887	298,629
	7,866,894	6,641,328	**21,751,946**	19,013,374

19. EXPENSES

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	2020	2019
	$	$	$	$
Sales and Marketing				
Salaries and benefits	810,371	705,367	1,967,965	2,189,973
Advertising and marketing	94,846	102,680	189,133	293,247
Travel and other expenses	40,945	118,558	148,527	404,858
	946,162	926,605	**2,305,625**	2,888,078

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	2020	2019
	$	$	$	$
Information Technology and Operations				
Salaries and benefits	3,607,452	3,152,675	10,596,263	8,959,086
Internet and software costs	337,002	253,098	1.,066,619	612,560
Other expenses	54,533	299,228	185,113	992,249
	3,998,987	3,705,001	**11,847,995**	10,563,895

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	2020	2019
	$	$	$	$
General and Administrative				
Salaries and benefits	1,077,136	1,225,105	3,056,395	3,764,117
Professional fees	203,953	158,353	498,106	513,855
Travel, rent and general office	2,625,824	593,766	3,535,473	1,720,805
	3,906,913	1,977,224	**7,089,974**	5,998,777

(Expressed in Canadian dollars)

19. EXPENSES (Continued)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Research and Development				
Salaries and benefits	457,905	259,193	1,340,660	1,037,992
Software and other expenses	1,376	115,148	30,715	336,237
	459,281	374,341	**1,371,375**	1,374,229

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
IPO, Restructure and other				
Acquisition	—	359,814	183,615	1,114,803
Restructure	—	30,931	151,001	113,719
IPO	594,114	—	594,114	—
Other	—	(123,980)	8,534	(45,420)
	594,114	266,765	**937,264**	1,183,102

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Interest				
Loans and borrowings	436,419	112,784	1,189,070	349,964
Related party loan	—	70,575	120,107	116,603
Interest on lease obligations –				
office space	18,153	24,050	59,878	72,151
equipment	25,513	38,654	91,250	123,254
	480,084	246,064	**1,460,304**	661,971

20. SEGMENT INFORMATION

The Company has two operating segments based upon types of revenue, professional and managed services. Approximately 90% of the Company's revenue is generated from its customers in North America. All the Company's assets also reside in North America, Europe and Asia.

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	$
Revenue				
Managed services	11,324,049	9,932,973	32,590,094	28,816,654
Professional services	4,918,529	5,285,716	14,459,103	14,863,331
Total	**16,242,578**	15,218,689	**47,049,197**	43,679,985
Gross profit				
Managed services	6,944,730	6,532,348	20,109,349	18,390,676
Professional services	1,430,954	2,045,013	5,187,900	6,275,936
	8,375,684	8,577,361	25,297,249	24,666,612
Expenses	11,563,039	8,996,646	28,376,057	26,222,292
Total (loss) before tax	**(3,187,355)**	(419,284)	**(3,078,809)**	(1,555,680)

(Expressed in Canadian dollars)

21. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy for growth and maximize the return to its shareholders. The capital structure of the Company consists of cash and shareholders' equity. In order to maintain or adjust its capital structure, the Company's shareholders review and approve any material transactions that are not in the normal course of business.

The Company is subject to certain financial covenants in its debt obligations. The Company's strategy is to ensure it remains in compliance with all of its existing covenants so as to ensure continuous access to required debt to fund growth. Management reviews results and forecasts to monitor the Company's compliance.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The carrying values of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, earnouts payable, and due to related parties approximate their fair values due to the immediate or short-term nature of these instruments. The carrying value of the long-term debt and lease liabilities approximate their fair value due to their short term to maturity. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table summarizes the Company's financial instruments measured at fair value at September 30, 2020 and December 31, 2019, by categorization in the fair value hierarchy level:

	Fair value hierarchy level	**September 30, 2020 $**	December 31, 2019 **$**
Cash	Level 1	9,510,477	2,984,657
Accounts receivable	Level 2	8,383,104	8,401,623
		17,893,581	11,386,280
Accounts payable and accrued liabilities	Level 2	(7,113,375)	(7,020,585)
Earnouts payable	Level 3	(365,000)	(4,496,441)
Debt and borrowings	Level 2	(19,170,000)	(8,012,049)
Lease liabilities	Level 2	(3,125,011)	(3,964,712)
Due to related parties	Level 2	—	(2,223,781)
		(29,773,386)	(25,717,568)

There were no transfers between levels during the nine-month period ended September 30, 2020. The Company has exposure to the following risks from its use of financial instruments:

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 Company's concentration of credit risk for cash and maximum exposure thereto is $9,510,477 (2019 — $2,984,657).

With respect to its accounts receivable, the Company 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 Company's credit risk with respect to trade accounts receivable and maximum exposure thereto is $8,640,922 (2019 — $7,933,642). Accounts receivable are shown net of provision of credit losses of $532,309 (2019— $36,294).

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company'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 Company's reputation. At September 30, 2020, the Company has liabilities with the following due dates:

	Under 3 months $	3 months – 1 year $	1 – 2 years $	3 – 5 years $	Total $
A/P and accrued liabilities	7,113,375	—	—	—	7,113,375
Income taxes payable	—	45,587	—	—	45,587
Loans and borrowings	599,964	2,691,756	2,900,256	14,118,561	20,310,537
Earnouts payable	365,000	—	—	—	365,000
	8,078,339	2,737,343	2,900,256	14,118,561	27,834,499

The Company manages its liquidity risk by relying upon its revenues and available funds from existing credit facilities. In addition, recent events will impact the Company to varying degrees as the discrete effects of COVID-19 continue to impact companies and industries. This could potentially impact our financing efforts, ability to operate, customer demand and the liquidity our clients, and ultimately the Company's liquidity.

Market Risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to this risk through its long-term debt. The Company holds long-term debt with a variable interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions.

Foreign Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities denominated in foreign currencies resulting in exposure to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company's financial instruments denominated in foreign currencies expressed in Canadian dollars and the exchange rate (Canadian dollars per unit of foreign currency) used at the balance sheet date are as follows:

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Instrument	Currency	**September 30, 2020**	December 31, 2019
Cash	U.S. dollar	$ 5,603,677	$ 2,052,471
Cash	Euro	€ 19,972	€ 33,107
Cash	South African Rand	R —	R 20,895
Accounts receivable	U.S. dollar	$ 5,095,962	$ 3,273,424
Accounts payable and accrued liabilities	U.S. dollar	$ 1,314,113	$ 1,822,727
Accounts payable and accrued liabilities	Euro	€ —	€ 77,424

The period end exchange rate to the Canadian dollar, by currency, is as follows:

Currency	**September 30, 2020**	December 31, 2019
U.S. dollar	$ 1.3382	$ 1.2986
Euro	€ 1.5631	€ 1.4583
South African rand	R —	R 0.0927

At September 30, 2020, the Company had net financial assets denominated in USD of $9,385,527. A 10% variation in USD, and if all other variables remain constant, would have a pre-tax impact of $1,255,971 during the nine months period ended September 30, 2020. Operating activities denominated in Euro and South African Rand have a minimal impact on the Company.

23. GOODWILL

As at September 30, 2020, the following impairment indicators were identified for the ThinkWrap Cash Generating Unit (CGU):

- Covid-19 has caused significant changes in the North American economic environment resulting in a significant adverse effect on the entity; and
- actual net cash flows and operating profit flowing from the CGU were worse than those budgeted. Revenues for the CGU were $4.9 million during the three months ended September 30, 2020 compared to $5.3 million during the three months ended September 30, 2019. For the nine months ended September 30, 2020, revenues were $14.5 million compared to $14.9 million for the nine months ended September 30, 2019.

As a result, a goodwill impairment test was completed on the ThinkWrap CGU. Using the value-in-use approach, the CGU's recoverable amount was calculated based on the present value of future cash flows expected to be derived from the CGU.

The values assigned to the key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources:

- 5 year pre-tax cash flow projections expected to be generated based on financial budgets with a terminal growth rate of 2%.
- Revenue growth is based on management's best estimates considering historical and expected operating plans, strategic plans and industry outlook. The projections are prepared for each of the Company's CGUs and are based on financial budgets approved by the Board. Management has estimated forecasts of (5%) revenue growth for the remainder of fiscal 2020, 30% revenue growth for 2021, and 8% annually during the remaining projected period in the value-in-use model and applied a rate of 2.0% growth rate to determine the terminal value.
- Gross margins are based on average values achieved in the previous years. The projected gross margin is 35% for the forecast period.

(Expressed in Canadian dollars)

23. GOODWILL (Continued)

- Budgeted EBITDA is estimated taking into account past experience, and revenue growth projections based on industry data and the Company's strategic plan. The budgeted EBITDA as a percentage of revenue is approximately 12% in the forecast period and terminal year.
- Discount rate represents the current market assessment of the risks specific the Company's CGUs, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the Company's weighted average cost of capital ("WACC") at 13%.

The assumptions noted above are consistent with the assumptions used in the annual financial statements except for the estimates of revenue growth. No impairment charge was determined to be necessary based on the calculation.

24. SUPPLEMENTAL CASH FLOW INFORMATION

The following are non-cash investing and financing activities that occurred during the nine months ended September 30, 2020 and 2019:

	2020 $	2019 $
Addition to right of use assets as a result of transition to IFRS 16 At January 1, 2019	—	(1,686,501)
Lease liabilities as a result of transition to IFRS 16 at January 1, 2019	—	1,692,478
Capital lease additions	223,076	—
Non-cash accretion of interest included in finance cost	220,426	51,496

25. SUBSEQUENT EVENTS

Subsequent Events

(a) Public offering

Effective October 30, 2020, the Company closed its Offering of 7,059,000 pre-forward split Common Shares of the Company at a price of $8.50 per Common Share for total gross proceeds of $60,001,500. Additionally, Canaccord Genuity Corp., as lead underwriter, National Bank Financial Inc., Cormark Securities Inc. and Paradigm Capital Inc., collectively, the underwriters of the Offering, executed an over-allotment option to purchase an additional 1,058,850 Common Shares of the Company at a price of $8.50 per Common Share for additional gross proceeds of $9,000,225 (the "Over-Allotment Option"). Total costs of the Offering and Over Allotment Option were $4,349,329.

In connection with, and prior to, the filing of the prospectus, the Company implemented the following pre-closing reorganization steps. The Company was continued from the Province of British Columbia to the Province of Ontario and adopted new articles and a new by-law under the OBCA. All outstanding warrants were exercised for Class D preferred shares. All outstanding restricted share awards were converted into Common Shares on a 1:1 basis. All outstanding deferred share units were converted into Common Shares on a 1:1 basis. All issued and outstanding preferred and special shares (including Class D preferred shares issued on exercise of outstanding warrants) were converted into Common Shares on a 1:1 basis, and all existing classes of preferred and special shares were cancelled. All issued and outstanding Common Shares were subdivided on 50:1 basis. The Company amalgamated with 1746546 Ontario Inc., 2464732 Ontario Inc. and 2608313 Ontario Inc., which are single purpose holding

25. **SUBSEQUENT EVENTS (Continued)**

companies that were incorporated solely to facilitate the completion of preferred share financing rounds previously undertaken by the Company, to form a new corporate entity that continued to be named "Pivotree Inc.".

(b) Repayment of non-revolving term loan

On November 16, 2020, the Company fully repaid its non-revolving term loan with Beedie in the total amount of $10,241,857, comprised of a principal amount of $9,000,000, an early payment penalty in the amount of $1,000,000 and accrued interest in the amount of $241,857, pursuant to a credit agreement dated February 14, 2020 entered into between the Company and Beedie.

(c) BMO Loan

On September 30, 2020, the Company entered into a term sheet with BMO to revise the terms of the BMO Credit Facility. The Company's current BMO Credit Facility will be replaced with one committed revolving facility (the "Committed Revolving Facility") for up to $25 million of revolving credit, which may be drawn by way of Canadian Dollar Loans or U.S. Dollar Loans, or issuance of Letters of Credit. The Company may also obtain a $1,000,000 treasury risk line of credit to be used at the discretion of BMO for hedging agreements (the "Hedging Agreement Facility"), and a $250,000 line of credit in respect of corporate MasterCards to be issued to Company employees for corporate purposes, which together with the Committed Revolving Facility and the Hedging Agreement Facility, collectively form the "Amended BMO Facility".

(d) Stock Options

Subsequent to September 30, 2020 the Company will record an employee stock-based compensation expense for the issued stock options. Stock option expenses were not recorded in prior periods as options are incentive-based when certain performance-based targets are achieved such as the sale of the Company or in the event of an Offering. The fair value of the options granted will be calculated using the Black-Scholes method, using private market comparables and the opinion of third party agents who regularly facilitate such transactions. Assumptions to be used will include: strike price of $1.00 - $2.31; volatility of 41.33%; risk-free rate of 1.25%; and a dividend yield of 0%.