



**PIVOTREE INC.**  
**Interim Condensed Consolidated Financial Statements**  
**For the three month and nine months ended September 30, 2021**  
**and 2020**  
(Expressed in Canadian dollars unless otherwise stated)  
(Unaudited)

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### **Notice of no auditor review of Interim Condensed Consolidated Financial Statements**

Under National Instrument 51-102, if an auditor has not performed a review of the interim condensed consolidated financial statements required to be filed, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Pivotree Inc. (“Pivotree” or the “Company”) have been prepared by management and approved by the Audit Committee and Board of Directors of Pivotree.

The Company’s independent auditors have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity’s auditors.

**PIVOTREE INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2021 and December 31, 2020**  
(Expressed in Canadian dollars)  
(Unaudited)

	Notes	September 30, 2021 \$	December 31, 2020 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		40,755,642	53,942,263
Accounts receivable	4	10,450,545	7,350,206
Investment tax credit receivable	5	426,294	426,294
Prepaid expenses	6	1,897,952	1,695,910
		<b>53,530,433</b>	<b>63,414,673</b>
<b>Non-current</b>			
Property and equipment	7	3,607,508	3,938,937
Right-of-use assets	8	1,587,723	1,099,905
Intangible assets	9	13,013,738	10,142,145
Goodwill	10	16,971,568	10,051,218
<b>Total assets</b>		<b>88,710,970</b>	<b>88,646,878</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	7,194,427	7,218,948
Income taxes payable		41,467	453,963
Deferred revenue		1,762,951	1,067,539
Current portion of earnout on acquisitions	3	3,581,066	—
Current portion of lease liabilities	12	1,455,884	1,397,550
		<b>14,035,795</b>	<b>10,138,000</b>
<b>Non-current</b>			
Lease liabilities	12	1,206,368	1,469,441
Earnout on acquisitions		1,718,934	—
Deferred tax		831,345	313,923
<b>Total liabilities</b>		<b>17,792,442</b>	<b>11,921,364</b>
<b>Shareholders' equity</b>			
Share capital	14	90,744,029	88,372,006
Contributed surplus		2,665,041	2,461,523
Deficit		(22,877,823)	(14,156,305)
Accumulated other comprehensive income		387,281	48,290
		<b>70,918,528</b>	<b>76,725,514</b>
<b>Total liabilities &amp; Shareholders' equity</b>		<b>88,710,970</b>	<b>88,646,878</b>
Nature of operations (Note 1)			

Approved on behalf of the Board of Directors:

\_\_\_\_\_

\_\_\_\_\_

Director  
Director

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

**PIVOTREE INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME AND LOSS****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		\$	\$	\$	\$
<b>Revenues</b>	18	<b>16,008,806</b>	16,242,578	<b>45,363,323</b>	47,049,197
<b>Cost of sales</b>	16	<b>8,883,247</b>	7,866,894	<b>25,238,978</b>	21,751,948
<b>Gross profit</b>		<b>7,125,559</b>	8,375,684	<b>20,124,345</b>	25,297,249
<b>EXPENSES</b>					
General and administrative	17	<b>2,485,824</b>	2,073,714	<b>7,022,039</b>	5,256,775
Research and development	17	<b>562,275</b>	459,281	<b>1,445,436</b>	1,371,375
Information technology and operations	17	<b>4,030,137</b>	3,998,987	<b>11,894,411</b>	11,847,995
Sales and marketing	17	<b>1,739,279</b>	946,162	<b>4,297,919</b>	2,305,625
Amortization and depreciation		<b>1,152,529</b>	1,071,162	<b>3,346,042</b>	3,309,472
Interest	17	<b>67,882</b>	480,084	<b>230,074</b>	1,460,304
Loss (gain) on foreign exchange		<b>(384,405)</b>	106,336	<b>32,680</b>	54,047
Restructure and other	17	<b>855,219</b>	594,114	<b>1,062,697</b>	937,264
<b>Total expenses</b>		<b>10,508,740</b>	9,729,840	<b>29,331,298</b>	26,542,857
Operating loss before interest income and taxes		<b>(3,383,181)</b>	(1,354,156)	<b>(9,206,953)</b>	(1,245,608)
Interest income		<b>5,182</b>	—	<b>145,745</b>	—
Loss before income taxes		<b>(3,377,999)</b>	(1,354,156)	<b>(9,061,208)</b>	(1,245,608)
Income tax recovery - current		<b>(42,083)</b>	204,125	<b>20,917</b>	397,123
Deferred taxes		<b>116,835</b>	142,375	<b>318,773</b>	(85,625)
<b>Net loss for the period</b>					
<b>Other comprehensive loss:</b>		<b>(3,303,247)</b>	(1,007,656)	<b>(8,721,518)</b>	(934,110)
Items that may be reclassified subsequently to income:					
Foreign currency translation adjustment		<b>781,795</b>	(1,434,384)	<b>338,991</b>	(763,856)
<b>Comprehensive loss for the period</b>		<b>(2,521,452)</b>	(2,442,040)	<b>(8,382,527)</b>	(1,697,966)
<b>Loss per share – basic and diluted</b>		<b>(0.13)</b>	(0.14)	<b>(0.35)</b>	(0.13)
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>24,865,612</b>	7,118,584	<b>24,787,160</b>	7,118,584

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

**PIVOTREE INC.**  
**INTERM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the three and nine months ended September 30, 2021 and 2020**  
(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, 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 9)	—	—	—	—	500,000	—	—	—	500,000
Foreign exchange translation	—	—	—	—	—	—	—	(763,856)	(763,856)
Net income (loss) for the period	—	—	—	—	—	—	(934,110)	—	(934,110)
<b>Balance September 30, 2020</b>	<b>7,983,325</b>	<b>8,257,950</b>	<b>22,427,132</b>	<b>—</b>	<b>500,000</b>	<b>227,133</b>	<b>(9,332,138)</b>	<b>255,060</b>	<b>14,077,187</b>
<b>Balance December 31, 2020</b>	24,709,123	—	88,372,006	—	—	2,461,523	(14,156,305)	48,290	76,725,514
Options exercised	282,985	—	623,670	—	—	(646,358)	—	—	(22,688)
DSUs exercised	3,158	—	26,931	—	—	(26,931)	—	—	—
Share issuances	—	—	460,122	—	—	—	—	—	460,122
Share based compensation	—	—	—	—	—	876,807	—	—	876,807
Acquisition of Bridge	194,459	—	1,261,300	—	—	—	—	—	1,261,300
Foreign exchange translation	—	—	—	—	—	—	—	338,991	338,991
Net loss for the period	—	—	—	—	—	—	(8,792,910)	—	(8,721,518)
<b>Balance September 30, 2021</b>	<b>25,189,725</b>	<b>—</b>	<b>90,744,029</b>	<b>—</b>	<b>—</b>	<b>2,665,041</b>	<b>(22,949,215)</b>	<b>387,281</b>	<b>70,918,528</b>

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

**PIVOTREE INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the nine months ended September 30, 2021 and 2020**  
(Expressed in Canadian dollars)  
(Unaudited)

	Nine months ended	
	September 30, 2021 \$	September 30, 2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income for the period	(8,792,911)	(934,110)
Items not affecting cash:		
Amortization and depreciation	3,346,042	3,315,494
Finance costs	—	190,426
Deferred income tax	(318,773)	85,625
Share-based compensation	876,807	133,530
Interest (payment in kind)	—	170,301
Changes in non-cash working capital balances:		
Accounts receivable	(563,692)	(67,382)
Investment tax credit receivable	—	634,690
Prepaid expenses	(81,232)	577,002
Accounts payable and accrued liabilities	(1,239,028)	328,336
Income taxes payable	(438,690)	(531,769)
Deferred revenue	(360,811)	(457,107)
Cash flows provided by operating activities	(7,500,895)	3,445,036
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(434,416)	(88,820)
Additions of intangible property	(124,425)	(644,314)
Acquisition of subsidiaries, net of cash	(4,500,208)	—
Earnout payment	—	(4,131,441)
Cash flows used in investing activities	(5,059,049)	(4,864,575)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease repayment	(1,064,111)	(1,058,866)
Loan proceeds	—	12,600,000
Loan transaction costs	—	(670,411)
Loan repayment	—	(725,364)
Proceeds from share issuance, net of share issue costs	437,434	—
Advance from (repayments to) related parties	—	(2,200,000)
Cash flows provided by financing activities	(626,677)	7,945,359
Net increase (decrease) in cash and cash equivalents	(13,186,621)	6,525,820
Cash, beginning of period	53,942,263	2,984,657
<b>Cash, end of period</b>	<b>40,755,642</b>	<b>9,510,477</b>

Supplemental cash flow information (Note 22)

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

# **PIVOTREE INC.**

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

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### **1. NATURE OF OPERATIONS**

Pivotree Inc. (formerly Reliant Web Hosting Inc.), was incorporated under the Business Corporations Act in Ontario, Canada on August 13, 1998 and provincially registered in Ontario, Canada on June 22, 2015; Pivotree and its subsidiaries (together “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, order management systems, warehouse management systems 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, 2020. 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, 2020. These financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on November 23, 2021.

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, 2021. 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., Thinkwrap Solutions Inc., Bridge Solutions Group Corp., and Bridge SGI Solutions India Private Limited (together, Bridge Solutions Group Corp.). Spark::red Inc. was acquired on February 7<sup>th</sup>, 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. Bridge Solutions Group Corp. was acquired on September 16, 2021. It was incorporated in the State of New Jersey and its registered office is 21 Florence Road, Harrington Park, NJ 07640. 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 Solutions Inc. is Canadian dollars. The functional currency of the Company’s subsidiaries

## PIVOTREE INC.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

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Spark::red Inc. and Bridge Solutions Group Corp. is US dollars. The function currency of the Company's subsidiary Bridge SGI Solutions India Private Limited is Indian Rupees.

#### *(d) Critical accounting estimates and judgements*

##### **Significant estimates and assumptions**

The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the estimated recoverable amount of goodwill, intangible assets and other long-lived assets, the useful lives of plant and equipment, the estimated amount of scientific research and experimental development (SR&ED) tax credits, fair value measurements for financial instruments, earnouts from business combinations and share-based payments, and the recoverability and measurement of deferred tax assets. Actual results could differ from those estimates.

##### **Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant areas that require judgment in the Company's consolidated financial statements include:

- The estimated recoverable amount of goodwill and intangible assets and whether there are events that give rise to significant uncertainty;
- the classification of financial instruments; and
- the calculation of income taxes require judgement in interpreting tax rules and regulations.

### **3. BUSINESS COMBINATIONS**

On September 1, the Company acquired control of Bridge Solutions Group Corp. and Bridge SGI Solutions India Private Limited (together "Bridge"), with certain conditions finalized on September 16, 2021. Bridge Solutions is a supply chain service provider and Pivotree partner specializing in order management systems, warehouse management systems and application integration. The acquisition enhances Pivotree's ability to deliver end-to-end frictionless experiences for customers by providing a single entity to manage commerce systems.

Pivotree acquired Bridge for total consideration of USD \$6,000,000, comprised of USD \$1,000,000 in equity and USD \$5,000,000 in cash. Additional consideration of up to USD \$10,000,000 will be payable in cash and equity if the acquired operations achieve certain earnout targets on gross margin.

Details of the preliminary fair value of the identifiable assets and liabilities acquired, purchase consideration, and goodwill are as follows:

Purchase consideration:

Cash consideration	6,237,645
Shares	1,261,300
Contingent consideration payable	5,300,000
Total consideration	<u>12,798,945</u>

**PIVOTREE INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

**3. BUSINESS COMBINATIONS (Continued)**

The assets and liabilities recognized from the acquisition are as follows:

	<b>\$</b>
Current assets	4,478,113
Right-of-use asset	858,149
Non-current assets	4,962,349
Liabilities assumed	(3,543,649)
Deferred tax liability/asset	(890,113)
Net identifiable assets acquired	5,864,849
Add: Goodwill	6,934,096
Net assets acquired	<b>12,798,945</b>

The goodwill from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Bridge with the Company's operations and will not be deductible for tax purposes. Those assets do not meet the recognition criteria prescribed by IFRS 3 Business Combinations, and therefore have not been recognized as separate intangible assets. Transaction costs related to the acquisition of the assets amounted to \$786,689 and have been expensed in operating expenses as restructure & other in the current period.

Since the acquisition, Bridge contributed revenue of \$823,581 and net income of \$33,933. For the period of January 1 2021 to September 30, 2021, total revenue was \$7,070,920 and net income was \$1,321,023.

**4. ACCOUNTS RECEIVABLE**

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

	<b>September 30, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Trade receivables	10,458,418	7,281,119
Other receivables*	609,419	678,475
Less: expected credit loss provision	(617,292)	(609,388)
Net accounts receivable	<b>10,450,545</b>	7,350,206

\*Other receivables include an amount recognized for performance obligations satisfied in the period and subsequently invoiced.

A continuity of the Company's expected credit loss provision is as follows:

	<b>September 30, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Opening balance	609,388	36,294
Additions	113,216	612,744
Less: write-offs	(105,312)	—
Less: recovery of credit loss provision	—	(39,650)
Ending balance	<b>617,292</b>	609,388

For the nine months ended September 30, 2021, the Company recorded an expected credit loss provision of \$113,216 (September 30, 2020 — \$527,364).

**PIVOTREE INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

**5. INVESTMENT TAX CREDIT RECEIVABLE**

The Company claims Scientific Research and Experimental Development (SR&ED) and related investment tax credits (“ITCs”) 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:

	<b>September 30, 2021</b>	December 31, 2020
	\$	\$
Balance, opening	426,294	1,235,311
Additions	—	426,294
Recovered	—	(1,235,311)
Balance, ending	<b>426,294</b>	426,294

Following the change in the Company’s status as a Canadian Controlled Private Corporation upon IPO, the Company has adopted the flow-through method to account for ITCs earned on eligible SR&ED expenditures. Under this method, ITCs are recognized as a reduction to income tax expense in the period in which it is determined probable that a deferred tax liability will be available in which the credit can be used. As of September 30, 2021, the Company has not recognized a benefit for SR&ED ITC’s for eligible expenditures incurred to date.

**6. PREPAID EXPENSES**

	<b>September 30, 2021</b>	December 31, 2020
	\$	\$
Software subscriptions	1,217,195	1,150,677
Rent deposits	229,254	123,608
Insurance	120,480	303,919
Professional fees	109,029	92,136
Other	221,994	25,570
Balance, ending	<b>1,897,952</b>	1,695,910

**PIVOTREE INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

**7. PROPERTY AND EQUIPMENT**

	<b>Computer Equipment*</b>	<b>Furniture and Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>COST</b>				
Balance, December 31, 2020	21,878,839	1,234,662	434,529	23,548,030
Additions	434,416	—	—	434,416
Acquisition (note 3)	17,273	—	—	17,273
Balance, September 30, 2021	<u>22,330,528</u>	<u>1,234,662</u>	<u>434,529</u>	<u>23,999,719</u>
<b>ACCUMULATED DEPRECIATION</b>				
Balance, December 31, 2020	18,466,319	849,683	293,090	19,609,092
Depreciation	704,422	56,442	21,649	782,513
Effect of foreign currency translation	521	85	—	606
Balance, September 30, 2021	<u>19,171,262</u>	<u>906,210</u>	<u>314,739</u>	<u>20,392,211</u>
Net book value December 31, 2020	<u>3,412,520</u>	<u>384,978</u>	<u>141,439</u>	<u>3,938,937</u>
<b>Net book value September 30, 2021</b>	<b><u>3,159,266</u></b>	<b><u>328,452</u></b>	<b><u>119,790</u></b>	<b><u>3,607,508</u></b>

\*Included in computer equipment is equipment under capital lease and accounted for as a Right-of-use-Asset pursuant to IFRS 16 (see note 8). The cost of computer equipment under capital lease at September 30, 2021 was \$8,989,549 (December 31, 2020 - \$8,989,549) and the accumulated amortization was \$7,096,773 (December 31, 2020 – \$6,676,846).

**8. 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 Company also leases computer equipment under a number of leases.

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

	<b>Premises Leases</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, December 31, 2020	1,099,905	2,311,461	3,411,366
Acquisition (note 3)	858,149	—	858,149
Depreciation expense	(376,871)	(419,927)	(796,798)
Effects of foreign exchange	6,540	1,663	8,203
<b>Balance, September 30, 2021</b>	<b><u>1,587,723</u></b>	<b><u>1,893,197</u></b>	<b><u>3,480,920</u></b>

**PIVOTREE INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

**9. INTANGIBLE ASSETS**

	<b>Software Technologies \$</b>	<b>Brand and Trademark \$</b>	<b>License \$</b>	<b>Customer List \$</b>	<b>Total \$</b>
<b>COST</b>					
Balance, December 31, 2020	5,155,033	86,093	297,000	11,854,949	17,393,075
Acquisition (note 3)	500,000	—	—	4,445,076	4,945,076
Additions	124,425	—	—	—	124,425
Foreign exchange movement	405	—	—	(11,655)	(11,250)
Balance, September 30, 2021	<u>5,779,863</u>	<u>86,093</u>	<u>297,000</u>	<u>16,288,370</u>	<u>22,451,326</u>
<b>ACCUMULATED AMORTIZATION</b>					
Balance, December 31, 2020	3,144,766	18,285	297,000	3,790,879	7,250,930
Amortization	938,556	—	—	1,248,102	2,186,658
Balance, September 30, 2021	<u>4,083,322</u>	<u>18,285</u>	<u>297,000</u>	<u>5,038,981</u>	<u>9,437,588</u>
Net book value December 31, 2020	<u>2,010,267</u>	<u>67,808</u>	<u>—</u>	<u>8,064,070</u>	<u>10,142,145</u>
<b>Net book value September 30, 2021</b>	<b><u>1,696,541</u></b>	<b><u>67,808</u></b>	<b><u>—</u></b>	<b><u>11,249,389</u></b>	<b><u>13,013,738</u></b>

**10. GOODWILL**

	<b>September 30, 2021 \$</b>	<b>December 31, 2020 \$</b>
Balance, Opening	10,051,218	10,392,316
Additions (note 3)	6,934,096	—
Foreign exchange movement	(13,746)	(341,098)
Balance, Closing	<u>16,971,568</u>	<u>10,051,218</u>

The Company performs an annual goodwill impairment test as needed or when there are indications of impairment. As at September 30, 2021 there are no indications of impairment.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<b>September 30, 2021 \$</b>	<b>December 31, 2020 \$</b>
Accounts payable	3,610,601	4,211,240
Payroll accruals	1,205,047	2,039,872
Sales tax payable	117,027	—
Accrued liabilities	2,261,752	967,836
	<u>7,194,427</u>	<u>7,218,948</u>

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**12. LEASE LIABILITIES**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Obligation under lease contracts for computer equipment	1,047,066	1,717,714
Obligation under lease contracts for office space	1,615,186	1,149,277
Less: current portion	(1,455,884)	(1,397,550)
	<b>1,206,368</b>	<b>1,469,441</b>

**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, 2021 and 2020:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Expenses paid to a private company related to a majority shareholder:				
Professional fees	—	35,291	—	113,598
Interest and other loan fees	—	—	—	114,828
Travel Expenses	—	—	—	1,604
Human resources expenses	—	—	—	—
Management fees	—	62,500	—	250,500
	<b>—</b>	<b>97,791</b>	<b>—</b>	<b>480,530</b>

**Remuneration of key management personnel:** during the three and nine month periods ended September 30, 2021 and 2020 is as follows:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Salaries and benefits (including share based compensation)	398,599	289,642	1,244,982	1,262,994
Consulting fees	—	62,500	—	250,500
	<b>398,599</b>	<b>352,142</b>	<b>1,244,982</b>	<b>1,513,494</b>

**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. On October 30, 2020, the Company completed a reorganization whereby all outstanding and issued common shares were forward split on a 50-for-1 basis and at the same time, all the Company's Series A, B, C and D common and preferred shares were converted to common shares on a 1 – 1 basis and then 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.

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#### 14. SHARE CAPITAL (Continued)

During the nine months ended September 30, 2021 the Company issued:

- 282,985 common shares upon the exercise of stock options in exchange for \$437,434
- 194,459 common shares as purchase consideration with a value of USD \$1,000,000 (note 3)
- 3,158 common shares upon the excise of deferred stock units with a value of \$26,931

#### 15. STOCK OPTIONS & RESTRICTED SHARES

##### (a) Stock Options

Prior to October 2020 the Company's Board of Directors approved at various times stock option grants for individual officers, employees and consultants of the Company (the "Legacy Options"). The Legacy Options issued have a term of seven to ten years and vest over four years at a rate of 1/48 per month with accelerated vesting upon a sale of the Company or an initial public offering of the Company's common shares. 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.

On October 29, 2020, the Company completed its initial public offering (IPO). Under the terms of the original Share Option Agreement 50% of any unvested options vested as a result of the initial public offering and the remaining 50% were to be terminated along with any vested but unexercised options. All options were to be exercised immediately before the IPO. In mid-October the Company notified options holders that their vested and unvested options would not be cancelled and instead would be exercisable for shares in the new company adjusted for the 50:1 stock split that occurred as part of the IPO. The unvested options vest based on the same monthly rate as the previous plan (1/48 of the options granted per month). The extension of the Legacy Options has been accounted for as a beneficial modification whereby any incremental fair value related to vested options is expensed immediately and for unvested options is recognized over the remaining vesting period.

On October 30, 2020 the Company established its 2020 Omnibus Equity Incentive Compensation Plan ("2020 Plan") which provides for the granting of Options, Share Appreciation Rights ("SARS"), Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs") and Performance Share Units ("PSUs") to employees, directors, officers and consultants of the Company. The maximum number of shares issuable pursuant to Options issued under the 2020 Plan will be equal to 10% of the then outstanding shares on a rolling basis. In addition to the number of Options issuable under the 2020 Plan, the Company may issue an additional 2,266,778 shares in aggregate pursuant to the exercise of all SARs, RSU, DSUs and PSUs.

The following table reflects the continuity of the stock options granted for the nine month period ended September 30, 2021 and the year ended December 31, 2020:

	September 30, 2021		December 31, 2020	
	Number of options	Weighted Average Exercise Price*	Number of options	Weighted Average Exercise Price \$
Outstanding, beginning of period	1,893,900	1.41	1,972,650	1.41
Granted	57,066	9.29	15,000	2.31
Exercised	(282,985)	(1.55)	(25,000)	(1.00)
Expired/Forfeited	(17,757)	(3.55)	(68,750)	(1.89)
Outstanding, end of period	1,650,224	1.68	1,893,900	1.41

For the nine months ended September 30, 2021 and 2020 the Company recognized share based compensation related to stock options of \$585,865 (2020 – nil).

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**15. STOCK OPTIONS & RESTRICTED SHARES (Continued)***(b) Restricted Share Units*

During the nine months ended September 30, 2021 and the year ended December 31, 2020 the Company granted 61,123 RSUs (2020 – 27,223), and 4,735 were forfeited (2020 – nil). A total of nil RSUs vested (2020 – 39,400). For the nine months ended September 30, 2021 and 2020 the Company recognized share based compensation related to RSUs of \$28,773 (2020 – \$141,103).

*(c) Deferred Shares*

During the nine months ended September 30, 2021 and the year ended December 31, 2020 the Company granted 34,867 DSUs (2020 – 6,250) and 3,158 were converted to shares (2020 – nil). For the nine months ended September 30, 2021, the Company recognized share based compensation related to DSUs of \$252,034 (2020 - nil). The DSUs were measured at their grant date fair value, which is equal to the fair value of the Company's common shares.

*(d) Performance Shares*

During the nine months ended September 30, 2021 the Company granted 52,425 performance share units ("PSUs"). The PSUs vest upon the achievement of specified revenue per share and earnings before interest, taxes, depreciation and amortization ("EBITDA") percentage targets over the period of October 1, 2023 to December 31, 2023. For the nine months ended September 30, 2021, the Company recognized share based compensation related to PSUs of \$15,135 (2020 - nil). The PSUs were measured at their grant date fair value, which was equal to the fair value of the Company's common shares. The expense recognized for the nine month ended September 30, 2021 reflects the probability of achieving the revenue per share and EBITDA percentage targets which was 54% at September 30, 2021.

**16. COST OF SALES**

	<b>3 months ended September 30,</b>		<b>9 months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Data center costs and software usage rights	3,908,763	4,405,638	12,365,844	12,579,594
Salaries and benefits	4,874,672	3,412,468	12,592,333	8,889,467
Other direct costs	99,812	48,788	280,800	282,887
	<b>8,883,247</b>	<b>7,866,894</b>	<b>25,238,978</b>	<b>21,751,948</b>

**17. EXPENSES**

	<b>3 months ended September 30,</b>		<b>9 months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sales and Marketing</b>				
Salaries and benefits	1,355,890	810,371	3,674,228	1,967,965
Advertising and marketing	207,107	94,846	474,557	189,133
Travel and other expenses	176,282	40,945	149,134	148,527
	<b>1,739,279</b>	<b>946,162</b>	<b>4,297,919</b>	<b>2,305,625</b>

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**17. EXPENSES (Continued)**

	<b>3 months ended September 30,</b>		<b>9 months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Information Technology and Operations</b>				
Salaries and benefits	3,503,920	3,607,452	10,407,451	10,596,263
Internet and software costs	385,044	337,002	1,044,483	1,066,619
Other expenses	141,173	54,533	442,477	185,113
	<b>4,030,137</b>	<b>3,998,987</b>	<b>11,894,411</b>	<b>11,847,995</b>
<b>General and Administrative</b>				
Salaries and benefits	1,896,785	1,077,136	5,156,483	3,056,395
Professional fees	261,950	203,953	700,244	498,106
Travel, rent and general office	327,089	792,625	1,165,312	1,702,274
	<b>2,485,824</b>	<b>2,073,714</b>	<b>7,022,039</b>	<b>5,256,775</b>
<b>Research and Development</b>				
Salaries and benefits	546,606	457,905	1,407,861	1,340,660
Software and other expenses	15,669	1,376	37,575	30,715
	<b>562,275</b>	<b>459,281</b>	<b>1,445,436</b>	<b>1,371,375</b>
<b>Restructure and other</b>				
Acquisition	733,429	—	738,973	183,615
Restructure	8,492	—	82,276	151,001
IPO	—	594,114	—	594,114
Other	113,298	—	241,448	8,534
	<b>855,219</b>	<b>594,114</b>	<b>1,062,697</b>	<b>937,264</b>
<b>Interest</b>				
Loans, borrowings and standby fees	37,411	436,419	104,373	1,189,070
Related party loan	—	—	—	120,107
Interest on lease obligations – office space	11,453	18,153	38,940	59,878
Interest on lease obligations – equipment	19,018	25,513	86,761	91,250
	<b>67,882</b>	<b>480,084</b>	<b>230,074</b>	<b>1,460,304</b>

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**18. SEGMENT INFORMATION**

The Company has two operating segments based upon types of revenue, professional and managed services. Approximately 92% (2020 – 91%) of the Company's revenue is generated from its customers in North America. All the Company's assets also reside in North America and Europe.

		3 months ended September 30,		9 months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Revenue</b>	Managed services	8,975,810	11,324,049	27,320,632	32,590,094
	Professional services	7,032,996	4,918,529	18,042,691	14,459,103
<b>Total</b>		<b>16,008,806</b>	<b>16,242,578</b>	<b>45,363,323</b>	<b>47,049,197</b>
<b>Revenue by location</b>	Canada	5,812,547	6,266,513	17,316,145	16,282,632
	United States	8,795,705	9,269,085	24,402,898	26,719,204
	Other	1,400,554	706,980	3,644,280	4,047,361
<b>Total</b>		<b>16,008,806</b>	<b>16,242,578</b>	<b>45,363,323</b>	<b>47,049,197</b>
<b>Gross profit</b>	Managed services	4,755,284	6,944,730	14,767,408	20,109,349
	Professional services	2,370,275	1,430,954	5,356,937	5,187,900
		7,125,559	8,375,684	20,124,345	25,297,249
	Interest income	5,182	—	145,745	—
	Expenses	(10,508,740)	(9,729,840)	(29,331,298)	(26,542,857)
<b>Loss before taxes</b>		<b>(3,377,999)</b>	<b>(1,354,156)</b>	<b>(9,061,208)</b>	<b>(1,245,608)</b>
<b>Segment assets</b>	Managed services	73,765,146	41,408,652	73,765,146	41,408,652
	Professional services	14,945,824	5,130,932	14,945,824	5,130,932
<b>Total</b>		<b>88,710,970</b>	<b>46,539,584</b>	<b>88,710,970</b>	<b>46,539,584</b>
<b>Segment liabilities</b>	Managed services	8,186,068	30,378,125	8,186,068	30,378,125
	Professional services	9,606,376	2,084,272	9,606,376	2,084,272
<b>Total</b>		<b>17,792,442</b>	<b>32,462,397</b>	<b>17,792,442</b>	<b>32,462,397</b>

**19. EARNINGS PER SHARE**

The computation for basic and diluted net income (loss) per share for the three and nine months ended September 30, 2021 and September 30, 2020 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, RSU's, DSU's and PSU'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,	
	2021	2020
Preferred shares	—	8,257,950
RSU's, DSU's and PSU's	134,598	—
Stock options	1,650,224	1,921,400
	<b>1,784,822</b>	<b>10,179,350</b>

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#### 20. CAPITAL MANAGEMENT

The general objectives of the Company in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth and strategic acquisitions in order to continue operating, in providing benefits to its stakeholders and in providing an adequate return on investment to its shareholders by selling its services at a price commensurate with the level of operating risk assumed by the Company. The Company thus determines the total amount of capital required consistent with risk levels.

The Company's capital structure consists of cash and shareholders' equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income and deficit. The Company does not currently hold debt but may in the future. This capital structure is adjusted on a timely basis depending on changes in the economic environment and in the risks of the underlying assets.

#### 21. 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, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term nature of these instruments. The carrying value of 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, 2021 and December 31, 2020, by categorization in the fair value hierarchy level:

	Fair value hierarchy level	September 30, 2021 \$	December 31, 2020 \$
Cash	Level 1	40,755,642	53,942,263
Accounts receivable	Level 2	10,450,545	7,350,206
		51,206,187	61,292,469
Accounts payable and accrued liabilities	Level 2	(7,194,427)	(7,218,948)
Lease liabilities	Level 2	(2,662,252)	(2,866,991)
Earnout on acquisitions	Level 2	(5,300,000)	—
		(15,156,679)	(10,085,939)

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#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

##### 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 \$40,755,642 (2020 — \$53,942,263).

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 \$10,458,418 (2020 — \$7,281,119). Accounts receivable are shown net of provision of credit losses of \$617,292 (2020— \$609,388).

##### 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, 2021, 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	7,194,427	—	—	—	7,194,427
Income taxes payable	—	41,467	—	—	41,467
Earnout on acquisitions	—	3,581,066	1,718,934	—	5,300,000
Leases payable	361,365	959,530	760,553	580,804	2,662,252
	<u>7,555,792</u>	<u>4,582,063</u>	<u>2,479,487</u>	<u>580,804</u>	<u>15,198,146</u>

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 the Company's financing efforts, ability to operate, customer demand and the liquidity of the Company's 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 when incurred.

###### *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:

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**21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

Instrument	Currency	September 30, 2021	December 31, 2020
Cash	U.S. dollar	\$ 9,765,629	\$ 9,185,484
Cash	Euro	€ 156,834	€ 22,143
Cash	Indian Rupee	₹ 3,015,410	—
Accounts receivable	U.S. dollar	\$ 3,852,867	\$ 3,968,861
Accounts receivable	Euro	€ 283,501	—
Accounts payable and accrued liabilities	U.S. dollar	\$ 2,112,760	\$ 1,985,841
Accounts payable and accrued liabilities	Euro	€ 71,431	—
Accounts payable and accrued liabilities	Great British Pound	£ 3,688	—
Accounts payable and accrued liabilities	Indian Rupee	₹ 18,069,301	—

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

Currency	September 30, 2021	December 31, 2020
U.S. dollar	\$ 1.2716	\$ 1.2783
Euro	€ 1.4806	€ 1.5703
Great British Pound	£ 1.7146	—
Indian Rupee	₹ 0.0172	—

At September 30, 2021, the Company had net financial assets denominated in USD of \$15,731,256. A 10% variation in USD, and if all other variables remain constant, would have a pre-tax impact of \$2,112,950 during the nine month period ended September 30, 2021. Operating activities denominated in Euros have a minimal impact on the Company.

**22. SUPPLEMENTAL CASH FLOW INFORMATION**

The following are non-cash investing and financing activities that occurred during the nine months ended September 30, 2021 and 2020:

	2021	2020
	\$	\$
Capital lease additions	—	223,076
Non-cash accretion of interest included in finance cost	—	220,426

**23. SUBSEQUENT EVENTS**

Effective November 1, 2021, the Company signed an agreement to acquire 100% of the issued share capital of Codifyd, Inc., with certain conditions finalized on November 4, 2021. The Company paid total consideration of USD \$12,000,000 in cash. Additional consideration may be payable subject to the satisfaction of certain net revenue targets for the 2021 fiscal year, ending December 31, 2021. Codifyd is an end-to-end digital solutions provider, enabling businesses across industries to build and grow digital commerce with a content-first approach through Master Data Management & Product Information Management services, Product Content Management and Digital Commerce solutions. The acquisition will scale and enhance Pivotree's capability in the data management category as a foundational component of the company's frictionless commerce strategy.

The transaction adds operations in the US and India to complement the Company's existing business by expanding offerings of professional services, implementation services, managed and strategy services.

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**23. SUBSEQUENT EVENTS (Continued)**

The goodwill from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Codifyd with the Company's operations and will not be deductible for tax purposes. Those assets do not meet the recognition criteria prescribed by IFRS 3 Business Combinations, and therefore have not been recognized as separate intangible assets. Transaction costs related to the acquisition of the assets amounted to \$134,137 and will be expensed in operating expenses as restructure & other in the subsequent period.

Revenue and net income for the nine months ended September 30, 2021 have not been recorded in accordance with IFRS and as such have been excluded from these financial statements.