

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

November 24, 2021

This management's discussion and analysis of financial condition and results of operations ("MD&A") for the three months ended September 30, 2021 should be read in conjunction with the unaudited condensed consolidated interim financial statements of Pivotree Inc. (the "Company", "our", "we" or "Pivotree") covering the same period, along with the related notes thereto. The financial information presented in this MD&A is derived from the Company's unaudited condensed consolidated interim financial statements for the three months ended September 30, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts are in Canadian dollars except where otherwise indicated. The Company's unaudited condensed consolidated interim financial statements for the three months ended September 30, 2021 are filed with Canadian securities regulators and can be accessed through SEDAR at www.sedar.com.

Cautionary Statement on Forward-looking information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking information**") within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "budgets", "scheduled", "estimates", "outlook", "forecasts", "projects", "prospects", "strategy", "intends", "anticipates", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will" occur. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information includes, among other things, statements relating to: the proposed expansion of the Company's market position and potential acquisitions; expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies; addressable markets for our products and services; our assessment of market risks; expectations regarding our revenue and the revenue generating potential of our products and services; our business plans and strategies; and our competitive position in our industry.

Forward-looking information, by its nature, is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets and industry verticals; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain any required financing on acceptable terms; compliance with the terms of any debt facilities; the impact of competition; the changes and trends in our industry or the global economy; currency exchange and interest rates; and changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that, while considered by the Company to be appropriate and reasonable as of the date of this MD&A, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to:

- our ability to execute on our growth strategies;
- our ability to create and protect unique intellectual property and enter new markets;
- the impact of changing conditions in the global e-commerce market, including (i) increasing competition and (ii) changes in approach in the e-commerce software as a service solution or infrastructure market;
- changes in the expectations, financial condition and demand of our target markets;
- changes in the expectations, competitive positioning and demand amongst major cloud providers;
- changes or increases in the difficulty of avoiding cyber or data security threats, or compliance with data security regulators that may impact our business;
- our ability to continue to execute accretive acquisitions;
- our ability to maintain and build our reputation with clients;
- fluctuations in currency exchange rates and volatility in financial markets;
- developments and changes in applicable laws and regulations; and
- such other factors discussed in greater detail under the "Risk Factors" section of the prospectus of the Company dated October 23, 2020 (the "**Prospectus**").

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in forward-looking information. The opinions, estimates or assumptions referred to above and described in detail in the "Risk Factors" section of the Prospectus available on SEDAR at www.sedar.com should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. Forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made), and are subject to change after such date. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

The foregoing cautionary statements expressly qualify all forward-looking information contained in this MD&A. Readers should read this MD&A and the "Risk Factors" section of the Prospectus in their entirety and consult their own professional advisors to ascertain and assess the income, tax, legal, risk factors and other aspects of their investment in the common shares of the Company (the "**Common Shares**").

Additional information relating to the Company can be found on our website at www.pivottree.com. The Company's continuous disclosure materials are also available on SEDAR at www.sedar.com.

Overview

Our goal at Pivotree is to help accelerate the future of frictionless commerce. Our objective is to help lead this change over the next decade because we believe in a future where technology, embedded intimately into all aspects of our everyday lives, shapes the interactions with the brands we love. The continued evolution of frictionless commerce will depend on those who lead and inspire that transformation. Converging technologies are driving up consumers' expectations and creating increased pressure on great brands to find new and better ways to connect with their customers. In its best form, frictionless commerce reduces stress on the system, anticipates customers' needs, and delivers personalized products to customers efficiently at optimal prices. Increased efficiencies create an incredible opportunity to reduce our carbon footprint in the process. In addition, great brands are expected to meet the elevated social values of new generations of discerning buyers that include heightened visibility into the origin and source of the goods they are buying. Vast amounts of data will underpin the frictionless economy.

We plan to help shape the future of frictionless commerce by working together with some of the largest retailers, distributors and branded manufacturers in North America and by driving the adoption, design, development, and implementation of frictionless commerce solutions in a rapidly changing marketplace. Converging technologies make it possible to accelerate frictionless commerce faster than ever before and Pivotree's goal is to make these technologies work cohesively for brands and their customers.

Pivotree provides services focused on the design, implementation, management, and maintenance of the ecosystem of complex digital commerce solutions for large enterprises. We provide the technical skills necessary to enable the effective use of technologies combined with the business context to leverage a solution to solve our clients' business challenges. We strive to fill the gaps in available technology with our own intellectual property to reduce the barriers to adoption. Our goal is to enable inclusive, immersive and highly personalized experiences for our clients and their customers. We build our products with a view to productizing and scaling technology to lower the costs and reduce the risks of implementing and managing our integrated solutions. Each of our solutions starts with reliable and reputable e-commerce and master data management ("**MDM**") platforms, which run on enterprise grade infrastructure that are customized to meet a variety of client needs, situations, and budgets.

Pivotree has continued to bolster its product offering in an effort to become a North American leader of e-commerce enablement solutions. With the recent acquisition of Bridge Solution Group Inc. ("**Bridge Solutions**"), we now directly offer solutions within the supply chain category. The entry into the Supply Chain category continues to build on our global e-commerce and information management firm, a transformation that began in 2018 with the acquisitions of Spark::Red Inc. ("**Spark::Red**") and ThinkWrap Solutions Inc. ("**ThinkWrap**"). Bridge Solutions brings in extensive experience with order management services, warehouse management services and application integrations. This expansion is expected to transform Pivotree's ability to build and deliver end-to-end frictionless experiences for customers by providing a single entity to manage their commerce ecosystem. We have also established key partnerships with an extensive network of reputable software vendors, cloud providers, and system implementers, and recently became a certified partner on SAP's Customer Data Cloud Platform. Pivotree is also an AWS Advanced Consulting partner with add-on competencies for Oracle and Retail Workloads.

Many of our clients begin work with us, and then add on additional services as a result of our commitment and high quality performance delivery. Clients engage with us at various starting points along the spectrum of our services, ranging from building the migration plan, to implementation, managed services and could also include post-production support. Most of our clients are contracted long-term and charged on a per project basis. We often add on additional revenue ("non-recurring revenue") as a client chooses us to expand our services in support of their business objectives. These relationships help us and our clients invest into building and supporting new solutions that drive value. Some of our largest clients consume services from us across multiple categories. Finally, with the addition of our new supply chain services through our recent acquisition, our current clients will not have access to additional services from Pivotree that are of critical importance to their business model.

We generate revenue primarily from the sale of our recurring managed services while also offering professional services as a recurring revenue stream and as a project supporting the customer's ongoing transition to digital commerce channels. Managed services are sold on the basis of a minimum monthly committed revenue with overage charges and our professional services are sold primarily on a time and material contract for a specific project or duration. Our managed services business is primarily a multi-year contract with some being annual and most on an automatic renewal schedule. This results in a relatively smooth revenue curve for managed services, with good

visibility into near-term revenue growth. Our goal is to continue to grow revenues arising from our existing customer base and by adding new customers to grow our overall customer base. Our business does have significant seasonal attributes with the fourth quarter being stronger due to the holiday season transaction volumes. The Company operates on a global basis with a mix of U.S. dollars, Canadian dollars and European euros. The consolidated financial reporting is based on the Company's functional currency, being the Canadian dollar. The Company does not currently hedge its exposure to fluctuations in U.S. dollar or other European currency denominated revenues and expenses.

The Company's shares are listed under the symbol "PVT" on the TSX Venture Exchange, as of October 30, 2020, following the completion of its public offering in Canada.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures including key performance indicators used by management and typically used by our competitors in the technology industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures and technology metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including technology industry metrics, in the evaluation of companies in the technology industry. Management also uses non-IFRS measures and technology industry metrics in order to facilitate operating performance comparisons from period to period, the preparation of annual operating budgets and forecasts and to determine components of executive compensation. The non-IFRS measures and technology industry metrics referred to in this MD&A include, "Recurring and Non-Recurring Revenue", "Adjusted EBITDA" and "Free Cash Flow".

Key Performance Indicators

Due to our service model, we recognize revenue within managed and professional services based on the recurring nature of the work and the actual effort extended. Both managed and professional services carry a recurring component where we recognize revenues based on the contractual committed fees with contract terms being one to three years, providing for a high degree of visibility into near-term revenues.

Management uses a number of metrics, including the ones identified below, to measure the Company's performance and customer trends, which are used to prepare financial plans and shape future strategy. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

- *Annual Recurring Revenue (ARR)*. We define Annual Recurring Revenue as the annualized equivalent value of the most recent quarter's recurring revenue of all existing managed services and professional services contracts that contain a minimum committed spend with total ARR being inclusive of related overage fees and customer credits as at the date being measured, and excluding any non-recurring set up fees and short-term standalone projects. The revenues captured are related to customer contracts that generally span a one to three-year contract term with most of the managed services being non-cancelable. Almost all of our customer contracts, contributing to ARR, automatically renew unless cancelled by our customers. Our calculation of ARR assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal. Actual ARR versus new ARR Bookings would be expected to increase with the related overage charges and through the upsell of additional services across our categories. ARR provides us with visibility for consistent and predictable growth to our cash flows. ARR will continue to be a key performance indicator for the Company on a go-forward basis. See "Non-IFRS Measures and Reconciliation of Non-IFRS Measures - Recurring and Non-Recurring Revenue" for the recurring revenue in the most recent quarter to support ARR.

- *ARR Bookings*. This is defined as the new contractual bookings with existing and new customers for services that include minimum committed levels that automatically renew and generally span a one to three-year contract term. This amount does not include any projects, set up fees or overages charges. The ARR Bookings conversion to revenue, and ARR, will depend on the time it takes to deploy a given purchased service, which is driven by the complexity of the solution. The actual impact on revenue and ARR could vary from actuals once overage charges are captured. The revenue conversion may also be impacted as booking will capture amendments in existing services that convert on demand services to longer term agreements with minimum commitments. It is important to note that while this is an indicator of revenue and future potential revenue, it cannot be reconciled to actual revenue recognized.
- *Non-Recurring Bookings*: This is defined as contractual bookings with existing and new customers primarily for professional services projects but would also include one-time managed service set up fees, and short-term managed services arrangements. The conversion to non-recurring revenue, will depend on the start date and ramp up with revenue being recognized through the duration of the projects, as the defined scope is delivered. The bookings amount may differ from actual revenues where the fees are based on a time and material structure.
- *Total Bookings*: This is defined as ARR booking plus the contract value of the Non- Recurring Bookings
- *Net Revenue Retention Rate in Constant Currency*: We define Net Revenue Retention Rate in constant currency for a period by considering the group of customers on our platform as of twelve months prior and dividing our ARR attributable to such group of customers at the end of the period by the ARR at the beginning of such period. By implication, this ratio excludes any ARR from new customers acquired during the period, but it does include incremental sales added to the cohort base of customers during the period being measured. The benefits of cross selling and expanding our level of integrations and support is realized when we can achieve high Net Revenue Retention Rates. We reach constant currency for the reported period by applying the average foreign exchange of the comparable period from twelve months prior to translate the reported period results.

Net Revenue Retention Rate and Annual Recurring Revenue for the three months ended September 30, 2021 are as follows:

	Three months ending September 30,		YoY Change		Nine months ending September 30,		YoY Change	
	2021	2020	Change	% Change	2021	2020	Change	% Change
Total ARR ⁽¹⁾	41,009,228	49,469,736	8,460,508	-17.1%	N/A	N/A	N/A	N/A
ARR Bookings	1,074,798	2,843,712	1,768,914	-62.2%	5,150,341	8,787,924	3,637,583	-41.4%
Non-Recurring Bookings	5,698,323	5,274,010	424,313	8.0%	22,624,408	13,192,553	9,431,855	71.5%
Total Bookings	6,773,121	8,117,722	1,344,601	-16.6%	27,774,749	21,980,477	5,794,272	26.4%
Net Revenue Retention Rate in Constant Currency ⁽¹⁾	80.6%	113.7%	-33.1%	N/A	N/A	N/A	N/A	N/A

Note:

(1) Point-in-time metrics for current quarter only

The total bookings for the three months ended September 30, 2021 were \$1.3 million or 16.6% lower than the three months ended September 30, 2020 and were \$5.8 million or 26.4% higher for the nine months ended September 30, 2021 when compared to the same period from fiscal 2020. The current quarter bookings were impacted by the timing of final client sign-off on certain material Non-Recurring opportunities. The three month ended ARR Bookings reflected the upsells and renewals with existing customers.

The net revenue retention rate dropped to 80.6% in constant currency as of September 30, 2021, when compared to this period in fiscal 2020. This was primarily due to the expected impact of customer churn on legacy platforms and reduction in spend with existing customer after the growth experienced the prior year.

Recurring and Non-Recurring Revenue

"*Recurring Revenue*" represents the value of minimum monthly committed revenues plus related overages, from all existing managed and professional services customer contracts or commitments of the Company, excluding non-recurring implementation and projects with discrete outcomes and deliverables.

"*Non-Recurring Revenues*" represent services that are short-term in nature and include set-up fees for managed services and professional services work related to a traditional design, build and test project running through multiple phases and evolve with the client's strategy.

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Recurring.....	10,252,294	12,367,413	(2,115,120)	-17.1%	30,709,336	34,632,337	(3,923,000)	-11.3%
Non Recurring.....	5,756,512	3,875,165	1,881,347	48.5%	14,653,987	12,416,860	2,237,127	18.0%
Total Revenue	16,008,806	16,242,578	(233,773)	-1.4%	45,363,323	47,049,197	(1,685,873)	-3.6%

Adjusted EBITDA

Adjusted EBITDA is used by management as a supplemental measure to review and assess operating performance and provide a more complete understanding of factors and trends affecting our business. Management believes that Adjusted EBITDA is a useful measure of operating performance and our ability to generate cash-based earnings, as it provides a relevant picture of operating results by excluding the effects of financing and investing activities which removes the effects of interest, depreciation and amortization expenses as non-cash items that are not reflective of our underlying business performance, and other one-time or non-recurring expenses. The Company defines Adjusted EBITDA as net income (loss) excluding taxes, interest and finance costs, amortization and depreciation, restructuring and other, and share based compensation. Management believes that these adjustments are appropriate in making Adjusted EBITDA an approximation of cash-based earnings from operations before capital replacement, financing, and income tax charges. Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations. The Company's definition of Adjusted EBITDA may be different than similarly titled measures used by other companies.

The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net Income (loss)	(3,303,247)	(1,007,656)	(8,721,518)	(934,110)
Depreciation & Amortization ⁽¹⁾	1,152,529	1,071,162	3,346,042	3,309,472
Interest ⁽²⁾	67,882	480,084	230,074	1,460,304
Taxes	(74,752)	(346,500)	(339,690)	(311,500)
EBITDA	(2,157,587)	197,090	(5,485,092)	3,524,166
Stock-Based Compensation ⁽³⁾	310,057	61,170	876,807	133,530
Restructuring & Other ⁽⁴⁾	855,219	594,114	1,062,697	937,264
Adjusted EBITDA	(992,311)	852,374	(3,545,588)	4,594,961

Notes:

- (1) Depreciation and amortization expense is primarily related to depreciation expense on right-of-use assets (“ROU assets”), intangibles and property and equipment.
- (2) Interest expense are primarily related to interest and accretion expense on the secured debentures and convertible promissory notes. Included within is also the interest incurred on lease obligations.
- (3) Stock-Based Compensation represent non-cash expenditures recognized in connection with the issuance of share-based compensation to our employees, advisors and directors. Prior year started to recognize the options expense in the fourth quarter of 2020
- (4) Restructuring & Other expenses are related to restructuring, IPO costs, merger and acquisitions and extraordinary events that are not considered an expense indicative of continuing operations.

Free Cash Flow

Free Cash Flow is defined as cash provided by (used in) operating activities less additions to property and equipment, deferred development costs and principal lease payments. The following table reconciles our cash flow from (used in) operating activities to Free Cash Flow:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Adjusted EBITDA	(992,311)	852,374	(3,545,588)	4,594,961
Cash Financed Capital Expenditure	81,584	18,216	434,416	88,820
Payment of Capital Leases	340,283	367,677	1,026,008	1,253,721
Deferred Development	30,306	203,006	124,424	644,314
Adjusted Free Cash Flow	(1,444,485)	263,475	(5,130,437)	2,608,105

Summary of Factors Affecting our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of our Prospectus.

Market acceleration of the digital commerce strategy

We intend to continue to drive the transformation to frictionless commerce by scaling and integrating our solutions to meet the needs of both new and existing large enterprise customers. We believe that there is significant upside to market share and to expanding our total addressable market through integrated solutions that both increase share of wallet with our existing customer base and attract new customers. We plan to do this by further developing our products and services as well as continuing to invest in marketing strategies tailored to attract new businesses, mainly within North America. We plan to continue to invest in expanding and evolving our categories to define and accelerate frictionless commerce.

Up-selling with existing customers

Our existing customers represent a significant opportunity to up-sell additional functionality with the level of coverage from our sales and marketing function. We plan to continually invest in category expansion, product development and sales and marketing to add additional solutions for our customers and drive customer satisfaction. Our future revenue growth and our ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to cross sell managed and professional services from across our categories.

Scaling our sales and marketing team

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our sales and marketing efforts and our ability to extend our reach to more customers and cover a larger client portfolio. The majority of our sales and marketing efforts are accomplished in-house and we believe the strength of our sales and marketing team is critical to our success. We have invested, and intend to continue to invest meaningfully, in the expansion of our sales force and consequently, we anticipate that our headcount will continue to increase as a result of these investments.

Foreign currency

Our functional and presentation currency is the Canadian dollar, except for our Spark::Red subsidiary which has a U.S. dollar functional currency. Our total results of operations are converted from the functional currency to Canadian dollars. As a result, our results of operations will be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar. See the "Risk Factors" section of our Prospectus for a discussion on exchange rate fluctuations and their potential negative effect on our results of operations.

Key Components of Results of Operations

Pivotree has always been primarily operated and managed across two economic entities, with operations in several different countries. The management team is structured to direct the activities of the Company based on the type of service and workforce with certain cross functions groups. The Company is managed globally through departmental leads. As a result, we believe that we have two reporting segments: managed services and professional services. Over time, this may change as the Company grows, and when this occurs, we will reflect the change in our reporting practice.

Revenue

We generate revenue from the following primary sources:

- *Managed Services.* Our customers enter into agreements that provide for recurring service fees. The majority of the customer agreements currently being entered into have a term of one to three years and are non-cancelable or cancelable with a cancellation fee. Generally, all of the customer agreements automatically renew unless cancelled by our customers within the designated time period. The revenue per contract will vary depending upon the size of the infrastructure, the various elements of the overall service, complexity of integrations, the level of application support and the term of the agreement. The minimum monthly service fees are recognized evenly over the life of a contract, commencing on the in-service date and terminating on the end date of the agreement. In addition, monthly overage fees are charged to the customer if their demands exceeded the minimum volumes established.
- *Professional Services.* Our clients generally require support in implementing a platform to run their commerce or data management business requirements. This support can include system integration, application integration, training and any required process-change analysis. These services are purchased independently or at the same time as the managed services and could be delivered over a short period or over a longer period of time through phases that could span multiple years. We have also contracted these services with a monthly minimum commitment as a recurring revenue stream to drive certainty and predictability in our revenues and to provide for optimal utilization of our professional services workforce. These services are not set up charges for managed services. The contracts are typically contracted for specific phases that align with the overall program goals and client budgets, while evolving with their digital strategy requirements. Revenues derived from professional services are recognized over the term in which such services are provided and proportionately to the work performed, typically using a time and material billing arrangement.

Cost of Revenue

Cost of revenue is comprised of costs related to hosting platforms, third-party licenses integrated into the solution and the professional services workforce. Significant expenses included in cost of revenue include employee wages and benefits expenses, data centre and public cloud hosting costs and other third-party license costs to support the managed services.

Operating Expenses

Our primary operating expenses are as follows:

- *General and Administrative.* General and administrative expenses are comprised primarily of employee salaries and benefits expenses for our administrative, executives, finance, legal and human resources teams, rent, travel, share based compensation and general office and administrative expenses, consulting and professional fees and credit impairment losses. Benefits of government programs that are not specific to any single operating expense department are also captured in the general and administrative expenses. We anticipate increases to general and administrative expenses as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses. However, as the Company grows, we expect that general and administrative expenses will decrease as a percentage of revenue.

- *Information Technology ("IT") and Operations.* IT and operations expenses are comprised of salaries and benefits for our help desk, project management, infrastructure, applications management and support, workplace IT and other technology. With growth, we expect these costs to increase in a step manner which will allow us to support growth of clients and employees. However, we expect that IT and operations expenses will decrease as a percentage of revenue.
- *Sales and Marketing.* Sales and marketing expenses are comprised of employee salaries and benefits related to our sales and marketing teams, travel and advertising and marketing events. To implement our growth strategy, we intend to continue to grow our sales and marketing teams. As the Company continues to grow, we expect sales and marketing expenses to increase, while these expenses may fluctuate from year to year, consistent with our overall growth.
- *Research and Development.* Research and development expenses are comprised primarily of employee salaries and benefits related to our research and development and product team, consulting and professional fees and web hosting fees. Eligible development work is capitalized and deferred based on the asset shifting to production and amortized over its useful life. Our research and development team are focused on both continuous improvement of our existing internal and external facing solutions, as well as developing new products that can drive value on a standalone basis or as integrated modules to further build a platform. Our product team will continue to assess customer demands and viable solutions to problems in order to evolve our existing product and identify new strategic market opportunities. As Pivotree's growth continues, we expect our research and development and product team costs to increase, however, over time we believe it is reasonable to expect that they would decline as a percentage of revenue.
- *Loss (Gain) on Foreign Exchange.* Loss (gain) on foreign exchange primarily relates to translation of monetary assets and liabilities denominated in foreign currencies being translated into functional currencies at the foreign exchange rate applicable at the end of each period.
- *Amortization and Depreciation.* Amortization and depreciation expense primarily relate to depreciation on property and equipment, intangibles and right-of-use asset. Property and equipment are comprised of furniture and office equipment, computers, data centre equipment, leasehold improvements and land and building. Intangibles relate to capitalized development labour costs and customer lists acquired through acquisitions. Right-of-use asset relates to the adoption of IFRS 16 – Leases ("**IFRS 16**") on January 1, 2019 which requires all major leases to be recognized on the statement of financial position.
- *Restructure and Other.* These costs include costs with respect to one-time events related to employee restructuring, acquisitions, impairments and other one-time non-recurring costs.

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	16,008,806	16,242,578	45,363,323	47,049,197
Cost of revenue.....	8,883,247	7,866,894	25,238,978	21,751,948
Gross profit.....	7,125,559	8,375,684	20,124,345	25,297,249
Operating expenses				
General and administrative....	2,485,824	2,073,714	7,022,039	5,256,775
Sales and marketing	1,739,279	946,162	4,297,919	2,305,625
Research and development	562,275	459,281	1,445,436	1,371,375
IT and Operations.....	4,030,137	3,998,987	11,894,411	11,847,995
Loss (gain) on foreign exchange.....	(384,405)	106,336	32,680	54,047
Amortization and Depreciation	1,152,529	1,071,162	3,346,042	3,309,472
Restructuring and Other.....	855,219	594,114	1,062,697	937,264
Interest.....	67,882	480,084	230,074	1,460,304
	10,508,740	9,729,840	29,331,298	26,542,857
Income before other items.....	(3,383,181)	(1,354,156)	(9,206,953)	(1,245,608)
Other items				
Interest income.....	5,182	-	145,745	-
Operating loss	(3,377,999)	(1,354,156)	(9,061,208)	(1,245,608)
Current taxes.....	(42,083)	204,125	20,917	397,123
Deferred taxes.....	116,835	142,375	318,773	(85,625)
Net income (loss).....	(3,303,247)	(1,007,656)	(8,721,518)	(934,110)
Other comprehensive income (loss)				
Foreign translation adjustment.....	781,795	(1,434,384)	338,991	(763,856)
Comprehensive income (loss).....	(2,521,452)	(2,442,040)	(8,382,527)	(1,697,966)
Income (Loss) per share - basic	(0.13)	(0.14)	(0.35)	(0.13)
Weighted average number of common shares outstanding - basic.....	24,865,612	7,118,584	24,787,160	7,118,584

Review of Operations for the three and nine months ended September 30, 2021 and 2020

Revenue

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Managed Services.....	8,975,810	11,324,049	(2,348,239)	-20.7%	27,320,632	32,590,094	(5,269,462)	-16.2%
Professional Services	7,032,996	4,918,529	2,114,467	43.0%	18,042,691	14,459,103	3,583,588	24.8%
Total Revenue	16,008,806	16,242,578	(233,773)	-1.4%	45,363,323	47,049,197	(1,685,873)	-3.6%

Revenue decreased from \$16.2 million to \$16.0 million or -1.4% or 2.5% constant currency growth for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and decreased from \$47.0 million to \$45.4 million or -3.6% for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. These results include \$0.7M from the acquisition of Bridge Solutions.

Revenues from managed services decreased from \$11.3 million to \$9.0 million or -20.7% or -16.7% growth in constant currency in the third quarter of 2021 as compared to the same quarter in 2020 and decreased from \$32.6 million to \$27.3 million or -16.2% in the first nine months of 2021 as compared to the same timeframe in 2020. The revenue decrease was primarily driven by foreign exchange, the churn of certain legacy customers and a reduction in spend with existing customers after a ramp up in fiscal 2020. These results include \$0.2M from the acquisition of Bridge Solutions.

Revenues from professional services increased from \$4.9 million to \$7.0 million or 43.0% or 46.9% growth in constant currency for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and increased from \$14.5 million to \$18.0 million or 24.8% for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. This segment ramped up over the last two quarters of fiscal 2020 to hit record levels in the third quarter of fiscal 2021, with growth coming from new opportunities from existing customers as well as certain key wins with new logos. The professional services revenues in the third quarter of fiscal 2021 were also boosted by revenues from investments in new technologies and platforms such as VTEX, as well as the acquisition of Bridge Solutions which contributed \$0.5 million.

Cost of Revenue

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Total Cost of revenue.....	8,883,247	7,866,894	1,016,352	12.9%	25,238,978	21,751,948	3,487,030	16.0%
Percentage of total revenue..	55.5%	48.4%			55.6%	46.2%		

Cost of revenue increased from \$7.9 million to \$8.9 million or 12.9% for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and increased from \$21.8 million to \$25.2 million or 16.0% for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. The three month change in cost of revenue was related primarily to the acquisition of Bridge Solutions, added costs to deliver the higher levels of professional services revenues and ongoing investments in new platforms and technologies in professional services to support the reported bookings and revenues. In addition, the third quarter of fiscal 2020 benefited from a government support program which reduced costs as a mitigation to the COVID-19 impact to professional services.

Gross Profit

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Total Gross Profit.....	7,125,559	8,375,684	(1,250,125)	-14.9%	20,124,345	25,297,249	(5,172,903)	-20.4%
Percentage of total revenue..	44.5%	51.6%			44.4%	53.8%		

Gross profit, being revenue less cost of revenues, decreased from \$8.4 million to \$7.1 million and decreased from 51.6% of revenue to 44.5% of revenue for the three months ended September 30, 2020 as compared to the three months ended September 30, 2021 and decreased from \$25.3 million to \$20.1 million and decreased from 53.8% of revenue to 44.4% of revenue for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2021. Contributing to the gross profit dollars and the percentage of revenue decline is the mentioned investment in new technologies in the professional services business, and a larger percentage of the managed services revenues being cloud-hosted, with a higher cost of revenue ratio. Additionally, contributing to the blended margin results decline is the overall mix of revenues shifting towards a higher ratio of professional services. Adjusting for revenues and cost of revenue related to the new investment areas and growing categories within professional services, the total gross profit as a percentage of total revenue is approximately 48.1% for the three months ended September 30, 2021.

Operating Expenses

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
General and administrative....	2,485,824	2,073,714	412,110	20%	7,022,039	5,256,775	1,765,267	34%
Sales and marketing	1,739,279	946,162	793,116	84%	4,297,919	2,305,625	1,992,293	86%
Research and development	562,275	459,281	102,994	22%	1,445,436	1,371,375	74,060	5%
IT and Operations.....	4,030,137	3,998,987	31,149	1%	11,894,411	11,847,995	46,416	0%
Loss (gain) on foreign exchange.....	(384,405)	106,336	(490,741)	-461%	32,680	54,047	(21,369)	-40%
Amortization and Depreciation	1,152,529	1,071,162	81,368	8%	3,346,042	3,309,472	36,571	1%
Restructuring and Other.....	855,219	594,114	261,105	44%	1,062,697	937,264	125,433	13%
Interest.....	67,882	480,084	(412,202)	-86%	230,074	1,460,304	(1,230,230)	-84%
Total operating expenses ...	10,508,740	9,729,840	778,899	8%	29,331,298	26,542,857	2,788,440	11%

General and Administrative Expenses

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
General and administrative....	2,485,824	2,073,714	412,110	19.9%	7,022,039	5,256,775	1,765,264	33.6%
Percentage of total revenue..	15.5%	12.8%			15.5%	11.2%		

General and administrative expenses increased from \$2.1 million to \$2.5 million or 19.9% for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and increased from \$5.3 million to \$7.0 million or 33.6% for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. The primary drivers for the increase were the net new expenses related to the operations of Bridge Solutions and expenses related to stock-based compensation. Our general and administrative expenses as a percentage of total

revenue increased from 12.8% to 15.5% from the three months ended September 30, 2020 to the three months ended September 30, 2021 and increased from 11.2% to 15.5% from the nine months ended September 30, 2020 to nine months ended September 30, 2021.

Sales and Marketing Expenses

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Sales and marketing	1,739,279	946,162	793,116	83.8%	4,297,919	2,305,625	1,992,293	86.4%
Percentage of total revenue..	10.9%	5.8%			9.5%	4.9%		

Sales and marketing expenses increased from \$0.9 million to \$1.7 million or 83.8% for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and increased from \$2.3 million to \$4.3 million or 86.4% for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. This increase is driven by investments in the Sales and Marketing team to support the implementation of our overall long-term growth strategy. Our sales and marketing expenses as a percentage of total revenue increased from 5.8% to 10.9% from the three months ended September 30, 2020 to three months ended September 30, 2021 and increased from 4.9% to 9.5% from the nine months ended September 30, 2020 to nine months ended September 30, 2021.

Research and Development Expenses

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Research and development ...	562,275	459,281	102,994	22.4%	1,445,436	1,371,375	74,060	5.4%
Percentage of total revenue..	3.5%	2.8%			3.2%	2.9%		

Research and development expenses increased from \$0.5 million to \$0.6 million for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and stayed the same at \$1.4 million for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. This increase was primarily due to headcount additions related to investments in developing new products and offerings. Our research and development expenses as a percentage of total revenue increased from 2.8% to 3.5% from three months ended September 30, 2020 to three months ended September 30, 2021 and increased from 2.9% to 3.2% from the nine months ended September 30, 2020 to nine months ended September 30, 2021.

IT and Operations

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
IT and Operations.....	4,030,137	3,998,987	31,149	0.8%	11,894,411	11,847,995	46,416	0.4%
Percentage of total revenue..	25.2%	24.6%			26.2%	25.2%		

IT and Operations expenses stayed fairly consistent at \$4.0 million for the three months ended September 30, 2021 as compared to the equivalent period in the prior year and stayed the same at approximately \$11.9 million for the nine months ended September 30, 2021 as compared to the equivalent period in the prior year. The slight increase is primarily due to the addition of expenses related to the operations of Bridge Solutions, which were partially offset by

cost optimization measures across our contractor spend. Our IT and operations expenses as a percentage of total revenue increased from 24.6% to 25.2% from three months ended September 30, 2020 to three months ended September 30, 2021 and increased from 25.2% to 26.2% from the nine months ended September 30, 2020 to nine months ended September 30, 2021.

Loss/Gain on Foreign Exchange

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Loss (gain) on foreign exchange.....	(384,405)	106,336	(490,741)	-461.5%	32,680	54,047	(21,367)	-39.5%
Percentage of total revenue..	-2.4%	0.7%			0.1%	0.1%		

Foreign exchange loss/gain primarily relates to translation of monetary assets and liabilities denominated in foreign currencies being translated into functional currencies at the foreign exchange rate applicable at the end of each period. The change in foreign exchange loss/gain is primarily attributable to the change in Canadian dollar compared to the U.S. dollar for the periods presented. The three months ended September 30, 2020 and the three months ended September 30, 2021 were impacted by \$0.5 million of unrealized foreign exchange gains and the nine months ended September 30, 2020 and the nine months ended September 30, 2021 were impacted by \$0.0 million of unrealized foreign exchange gains.

Amortization and Depreciation

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Amortization and Depreciation.....	1,152,529	1,071,162	81,368	7.6%	3,346,042	3,309,472	36,570	1.1%
Percentage of total revenue..	7.2%	6.6%			7.4%	7.0%		

The Amortization and Depreciation expense increased slightly from \$1.1 million to \$1.2 million for the three months ended September 30, 2021 and for the comparable period in 2020 and was approximately \$3.3 million for both the nine months ended September 30, 2021 and for the comparable period in 2020. The amortization and depreciation expense as a percentage of total revenue, increased from 6.6% to 7.2% for the three months ended September 30, 2020 to the three months ended September 30, 2021 and increased from 7.0% to 7.4% from the nine months ended September 30, 2020 to nine months ended September 30, 2021.

Non-Operating Expenses

	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Restructure and other.....	855,219	594,114	261,105	43.9%	1,062,697	937,264	125,433	13.4%
Interest.....	67,882	480,084	(412,202)	-85.9%	230,074	1,460,304	(1,230,230)	-84.2%

Restructure and Other Expenses

Restructure and other expenses were \$0.9 million for the three months ended September 30, 2021 and \$0.6 million for the comparable period in 2020 and were \$1.1 million for the nine months ended September 30, 2021 and \$0.9 million for the comparable period in 2020. The fiscal 2021 restructure and other expenses were primarily driven by recorded expenses related to the acquisition of Bridge Solutions, while fiscal 2020 was impacted primarily by costs related to the Offering process.

Interest

Interest expense was \$0.1 million for the three months ended September 30, 2021 compared to \$0.5 million for the comparable period in 2020 and was \$0.2 million for the nine months ended September 30, 2021 compared to \$1.5 million for the comparable period in 2020. This decrease reflects the repayment of all debt in the last quarter of fiscal 2020, after the IPO.

Selected Annual Information

	Fiscal years ended December 31,	
	2020	2019
	\$	\$
Revenue.....	63,595,737	59,686,432
Net income (loss).....	(5,758,277)	(2,899,591)
Net income (loss) attributable to equity owners of the Company...	-	-
Income (Loss) per share - basic.....	(0.57)	(0.41)
Total assets.....	88,646,878	44,155,964
Total long-term liabilities.....	1,783,364	10,344,108

Key Statement of Financial Position Information

	Balance as of			
	September 30, 2021	September 30, 2020	Change	Change
	\$	\$	\$	%
Cash and cash equivalents	40,755,642	9,510,477	31,245,165	329%
Total assets	88,710,970	46,539,587	42,171,383	91%
Total liabilities	17,792,442	32,462,398	(14,669,956)	-45%
Total long-term liabilities	3,756,647	19,732,029	(15,975,382)	-81%

Total Assets

Total assets increased \$42.2 million or 91% for the period ended September 30, 2021 compared to the period ended September 30, 2020, primarily driven by the capital raised through the IPO in the fourth quarter of Fiscal 2020. This was offset slightly by the repayment of the Beedie Investments Ltd. loan of \$9 million, the continued depreciation of our non-current assets, and the ongoing investments in our operations year to date in fiscal 2021.

Total Liabilities

Total liabilities decreased \$14.7 million or 45% from September 30, 2020 to September 30, 2021. Total long-term liabilities reduced by \$15.9 million or 81% for the period ended September 30, 2021 compared to the period ended September 30, 2020. The main driver was the repayment of all non-current loans and borrowings that were outstanding during the third quarter of Fiscal 2020.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the last eight quarters, starting December 31, 2019 and ending September 30, 2021. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three months ended							
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Managed Services...	8,975,810	8,878,875	9,465,946	10,874,163	11,324,049	10,984,540	10,281,505	10,682,296
Professional Services..	7,032,996	5,470,754	5,538,942	5,672,377	4,918,529	3,910,568	5,630,005	5,324,151
Total Revenue.....	16,008,806	14,349,630	15,004,888	16,546,541	16,242,578	14,895,108	15,911,510	16,006,447
Net income (loss).....	-3,303,247	-2,945,546	-2,472,725	-4,824,167	-1,007,656	279,463	-205,917	-912,289
Income (Loss) per share - basic.....	-0.13	-0.12	-0.10	-0.48	-0.14	0.04	-0.03	-0.13

Revenue

Out total quarterly revenue increased 11.6% in the third quarter of fiscal 2021 versus the second quarter of fiscal 2021. Professional services grew sequentially by 28.6% and Managed Services had sequential growth of 1.0%.

Net income (loss)

Gross margins improved \$0.9M in the third quarter of fiscal 2021 versus the second quarter of fiscal 2021. This improvement was offset by higher sales and marketing costs and acquisition transaction fees, resulting in a net income decrease in the third quarter of fiscal 2021 versus the second quarter of fiscal 2021.

Liquidity, Capital Resources and Financing

Overview

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders, allow room for acquisitions and provide an adequate return on investment to our shareholders by selling our services at a price that is commensurate with the level of operating risk assumed by us. We thus determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are currently subject to a minimum cash requirement through our credit agreement.

Working Capital

Our primary source of cash flow is revenue from operations and debt financing through secured debentures. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis.

Working capital surplus as at September 30, 2021 was \$39.5 million.

In addition to the cash balance of \$40.8 million as at September 30, 2021, the Company has an additional \$18.9 million available from the BMO Credit Facility that may be drawn to meet ongoing working capital requirements. The BMO Credit Facility may be drawn in Canadian dollars at the Canadian prime lending rate plus applicable margin. Our principal cash requirements are for working capital. Given our existing cash and credit facilities, along with the proceeds raised from the Offering, we believe there is sufficient liquidity to manage future working capital

requirements, to meet our current and short-term financial obligations as they become due, and to support our growth plans.

Cash Flows

The following table presents cash and cash equivalents as at September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash and cash equivalents, beginning of period ...	47,494,224	9,507,617	53,942,263	2,984,657
Net cash provided by (used in):				
Operating activities.....	(2,055,621)	959,110	(7,500,895)	3,445,037
Investing activities.....	(4,612,098)	(221,222)	(5,059,049)	(4,864,576)
Financing activities.....	(70,863)	(735,028)	(626,677)	7,945,359
Effect of foreign exchange on cash and cash equivalents	-	-	-	-
Net increase (decrease) in cash and cash	(6,738,582)	2,860	(13,186,621)	6,525,820
Cash and cash equivalents, end of period...	40,755,642	9,510,477	40,755,642	9,510,477

Cash Flows Used in/from Operating Activities

Cash flows used in operating activities for the three months ended September 30, 2021 were \$2.1 million compared to \$1.0 million of cash flows provided by operating activities for the three months ended September 30, 2020. Cash flows used in operating activities for the nine months ended September 30, 2021 were \$7.5 million compared to \$3.4 million of cash flows provided by operating activities for the nine months ended September 30, 2020. Approximately \$2.2 million of the decrease in cash flows from operating activities was a result of lower net income after adjusting for non-cash items, which includes the impact of the cost of revenue investments made in professional services as well as sales and marketing under operational expenses, and the benefits of government support programs in the fiscal 2020 financials. The remainder of the decrease was driven by the net changes to the working capital balance, which included certain pre-payments to 3rd party software vendors and for legal and insurance expenses, as well as a change to the accounts receivables.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for three months ended September 30, 2021 was \$4.6 million compared to cash usage of \$0.2 million for the three months ended September 30, 2020 and was \$5.1 million for the nine months ended September 30, 2021 and \$4.9 million for the nine months ended September 30, 2020. The quarterly increase in cash usage is due to the acquisition of Bridge in September. For the nine months ended September 2021 and 2020, however, there is only a minor variance due to this quarter's acquisition costs being offset by the cash usage in fiscal 2020 for earnout payments of \$4.1 million, related to a prior acquisition.

Cash Flows from Financing Activities

Cash flows used in financing activities for the three months ended September 30, 2021 were \$0.1 million compared to \$0.7 million for the three months ended September 30, 2020 and cash flows used in financing activities for the nine months ended September 30, 2021 were \$0.6 million compared to cash inflows of \$7.9 million for the nine months ended September 30, 2020. There were no material financing activities in the third quarter of fiscal 2021 outside of certain capital leases that were part of regular operations. The first quarter of fiscal 2020 included net loan proceeds from the financing arrangement with Beedie Investments Ltd.

Contractual Obligations

During the three months ended September 30, 2021, there were no significant changes in our contractual obligations.

Off-Balance Sheet Arrangements

We have not entered into off-balance sheet financing arrangements. Except for operating leases not recognized as right-of-use assets under IFRS 16 - Leases, all of our liabilities and commitments are reflected as part of our statement of financial position. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transaction

We have no related party transactions, other than those noted in our consolidated financial statements, which are summarized below. These related party transactions are with key members of management and directors of the Company. Compensation expenses for these persons for the three and nine months ended September 30, 2021 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Professional & Consulting.....	-	35,291	-	113,598
Management Fees.....	-	62,500	-	250,500
Share-based compensation.....	-	-	-	-
Travel.....	-	-	-	1,604
Loans.....	-	-	-	-
Interest & Fees.....	-	-	-	114,828

Subsequent Events

Subsequent to September 30, 2021, on November 2, 2021, the Company signed an agreement to acquire 100% of the issued share capital of Codifyd, Inc. for total consideration of USD \$12,000,000, paid 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.

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.

Financial Instruments and Other Instruments

Credit Risk

Generally, the carrying amount in our consolidated statement of financial position exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

Our credit risk is primarily attributable to our cash and cash equivalents and trade receivables. We do not require guarantees from our customers. Credit risk with respect to cash and cash equivalents is managed by maintaining balances only with high credit quality financial institutions.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade receivables. Moreover, balances for trade receivables are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts, which are established and maintained at an appropriate amount.

We estimate anticipated losses from doubtful accounts based upon the expected collectability of all accounts receivable, which estimate takes into account the number of days past due, collection history, identification of specific customer exposure and current economic trends. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Impairment losses are charged to general and administrative expense in the consolidated statements of loss and comprehensive loss. Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed uncollectible.

The maximum exposure to credit risk at the date hereof is the carrying value of each class of receivables mentioned above. We do not hold any collateral as security.

Foreign Currency Exchange Risk

We are exposed to currency risk due to financial instruments denominated in foreign currencies. The Company's primary exposure with respect to foreign currencies is from Canadian dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings in transactional currency that is other than Canadian dollars. The net carrying value of these Canadian denominated balances held in entities with U.S. dollars as their transactional currency as at September 30, 2021 and December 31, 2020 and 2019 presented in U.S. dollars is as follows:

	Sep-21	Fiscal 2020	Fiscal 2019
	US\$	US\$	US\$
Cash and cash equivalents.....	9,765,629	9,185,454	2,052,471
Trade and other receivables.....	3,852,867	3,968,861	3,273,424
Trade and other payables.....	2,112,760	-1,985,841	-1,822,727
Borrowings.....	-	-	-

We have not entered into arrangements to hedge our exposure to currency risk.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We review these estimates on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below. Management has determined that we operate in a single operating and reportable segment.

Revenue Recognition

IFRS 15, *Revenue from Contracts with Customers*, applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;

- determine the transaction price;
- allocate the transaction price; and
- recognize revenue when, or as, the Company satisfies a performance obligation.

The Company's contracts often include a number of promised goods or services. The Company's goods and services are generally distinct from other performance obligations and accounted for as separate performance obligations. A good or service is distinct if the customer can benefit from it on its own or together with other readily available resources, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer.

In determining the transaction price of contract with a customer, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any). The total transaction price is allocated to each performance obligation on a relative stand-alone selling price ("SSP") basis.

The SSP reflects the price we would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. In most cases we are able to establish the SSP based on observable data. Where possible we establish a narrow SSP range for our products and services and assess this range on a periodic basis or when material changes in facts and circumstances warrant a review. If the SSP is not directly observable, then we estimate the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the amount and timing of revenue recognized. SSP is a formal process whereby management considers multiple factors including, but not limited to, geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and pricing practices.

Managed Services

Managed service revenues are derived from providing a monthly recurring service. The services include infrastructure deployment and management, web and application hosting, 24/7 access to experts for system and application triage, application support, configuration management, and security. Managed services fees are structured with a minimum level of spend based on environment size and minimum level of support provided. For any overage, a price list is established to charge for any overage. The monthly fee is recognized as revenue on a monthly basis based on the minimum commitment and overage charges.

Billing for the minimum commitment is issued at the start of the service period. Overage charges are issued after the service period, once actual volumes are available.

Costs of sales associated with managed services include data centers, public cloud, third party licensing for monitoring and security solutions plus any other 3rd party license costs required to deliver the solution.

In conjunction with both professional and management services provided, we receive commissions or margins on license resale. The net margin or commission on resale is accrued to revenues as earned. The Company is acting as an agent in these arrangements.

Credit terms are extended to customers in the normal course of business. The Company performs ongoing credit evaluations of its customers based on payment history and willingness to pay and, generally, requires no collateral. Accounts receivable are recorded at their estimated net realizable value, net of expected credit losses. The Company's estimate of expected credit losses is based upon its evaluation of the current status of receivables, and forward looking information.

Professional Services

Services revenues are derived from professional services that include designing, developing, implementing, integrating, and training for digital commerce solutions and to support data management business requirements of our customers. Professional services revenues are recognized over time as services are rendered, using input methods to measure progress towards complete satisfaction of the service. Almost all of our projects are performed on a time and materials basis. For time and material projects, revenues are recognized by multiplying the number of hours our professionals incurred in the performance of the project by the hourly rate card contracted. For fixed fee contracts based on milestones and specific deliverables, revenues are recognized based on the completion of deliverables or in the case of fixed fee contracts based on term; revenue is recognized across the term based on the monthly fee set in the contract. Any unrecognized revenue is recorded in deferred revenue.

Certain costs incurred by the Company for subcontractors and other expenses that are recoverable directly from clients are billed to our clients and therefore included in revenue based on the revenue recognition method identified above. Costs associated with professional services revenue include all direct labour and subcontract costs and those indirect costs related to contract performance such as benefits, travel expenses and other expense reimbursements.

Share-Based Payments

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

Foreign Currency Exchange (“FX”) Rates

There are material transactions in U.S. dollars, given the operating structure of the business and the clients being serviced. Approximately 70% of our revenues and 50% of our expenses are incurred in U.S. dollars and this drives an impact to our financial results based on fluctuations in the U.S. dollar to Canadian dollar exchange rate. The average quarterly exchange rate for U.S. dollars to Canadian dollars for the three-month period ended September 30, 2021 was 1.2591, as compared to 1.3329 for the same period in the prior year. As a result, there was an unfavourable impact of \$0.65 million in total revenues and \$0.1 million in net income in the third quarter versus prior year. Adjusted for constant currency, this implies that total revenue increase in the third quarter versus prior year was 2.5% , as opposed to -1.4% as reported above. The following tables capture these impacts.

<u>Foreign Exchange (F/X) Rates</u>	<u>3-month Avg.</u>
Three months ended September 30, 2020	1.3329
Three months ended September 30, 2021	1.2591

	Three months ended September 30,			
	2020 (as reported)	2021 (as reported)	2021 F/X Impact	2021 (at prior period F/X rate)
	\$	\$	\$	\$
Revenue	16,242,578	16,008,806	644,444	16,653,250
Cost of revenue	7,866,894	8,883,247	230,552	9,113,799
Gross Profit	8,375,684	7,125,559	413,892	7,539,451
Operating expenses	9,729,840	10,508,740	307,976	10,816,716
Interest income	0	5,182	0	5,182
Taxes (Current and Deferred)	-346,500	-74,752	0	-74,752
Net Income/(Loss)	-1,007,656	-3,303,247	105,916	-3,197,331

Outstanding Share Information

The company is currently authorized to issue an unlimited number of Shares. As of the date hereof and inclusive of the subsequent event of the Offering, there are 25,189,725 Common Shares, 1,650,224 options, 37,959 DSUs, 44,214 RSUs and 54,425 issued and outstanding.