



PIVOTREE INC.
Interim Condensed Consolidated Financial Statements
For the three month and nine months ended September 30, 2022
and 2021
(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****As at September 30, 2022 and December 31, 2021**

(Expressed in Canadian dollars)

(Unaudited)

	Notes	September 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash		13,844,455	24,570,287
Accounts receivable	3	19,387,694	16,183,727
Prepaid expenses and other current assets	4	2,070,061	2,586,374
		35,302,210	43,340,388
Property and equipment	5	3,491,542	3,678,467
Right-of-use assets	6	1,581,327	1,391,550
Intangible assets	7	12,359,814	17,974,519
Goodwill	8	28,017,034	27,794,484
Total Assets		80,751,927	94,179,408
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	9,146,628	9,063,830
Income taxes payable		1,729,198	927,833
Deferred revenue		3,473,116	2,722,455
Current portion of lease liabilities	10	1,102,858	1,413,904
Current portion of earnouts payable on acquisitions		1,592,636	7,988,318
		17,044,436	22,116,340
Non-current liabilities			
Lease liabilities	10	939,077	886,741
Deferred income tax liability		652,518	1,670,668
Non-current portion of earnouts payable on acquisitions		-	1,626,960
Total liabilities		18,636,031	26,300,709
Shareholders' Equity			
Share capital	12	94,298,596	90,393,390
Contributed surplus		3,176,314	2,905,890
Deficit		(36,297,935)	(25,748,954)
Accumulated other comprehensive income (loss)		938,921	328,373
		62,115,896	67,878,699
Total Liabilities & Shareholders' Equity		80,751,927	94,179,408

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, 2022 and 2021**

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2022 \$	September 30, 2021 \$	September 30, 2022 \$	September 30, 2021 \$
Revenues	16	24,598,974	16,008,806	75,530,446	45,363,323
Cost of sales	14	13,557,811	8,883,247	42,180,819	25,238,978
Gross profit		11,041,163	7,125,559	33,349,627	20,124,345
EXPENSES					
General and administration	15	4,093,095	2,175,767	11,620,762	6,145,232
Research and development	15	1,220,113	562,275	3,467,496	1,445,436
Information technology and operations	15	3,897,298	4,030,137	11,760,607	11,894,411
Sales and marketing	15	2,588,978	1,739,279	7,407,178	4,297,919
Amortization and depreciation		2,275,105	1,152,529	7,254,902	3,346,042
Stock based compensation	13	245,374	310,057	798,832	876,807
Interest	15	72,910	67,882	232,353	230,074
Loss (gain) on foreign exchange		(312,747)	(384,405)	(531,386)	32,680
Restructure and other	15	1,144,505	855,219	1,329,636	1,062,697
Total expenses		15,224,631	10,508,740	43,340,380	29,331,298
Operating (loss) income before interest income and taxes		(4,183,468)	(3,383,181)	(9,990,753)	(9,206,953)
Interest income		20,161	5,182	64,694	145,745
Income (loss) before income taxes		(4,163,307)	(3,377,999)	(9,926,059)	(9,061,208)
Income tax expense (recovery) - current		(138,107)	42,083	1,599,399	(20,917)
Deferred taxes		(452,886)	(116,835)	(976,477)	(318,773)
Net loss for the period		(3,572,314)	(3,303,247)	(10,548,981)	(8,721,518)
Other comprehensive income (loss):					
Items that may be reclassified subsequently to income:					
Foreign currency translation adjustment		1,052,239	781,795	610,548	338,991
Comprehensive income (loss) for the period		(2,520,075)	(2,521,452)	(9,938,433)	(8,382,527)
Loss per share - basic and diluted		(0.09)	(0.10)	(0.38)	(0.34)
Weighted Average Number of Common Shares Outstanding					
		26,627,008	24,865,612	26,038,970	24,787,160

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 nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)
(Unaudited)

	Number of common shares	Capital Stock \$	Contributed Surplus \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Total \$
Balance, December 31, 2020	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)	-	-	-
Equity issuance for acquisition	194,459	1,261,300	-	-	-	1,261,300
Share issuances	-	460,122	-	-	-	460,122
Share based compensation	-	-	876,807	-	-	876,807
Foreign exchange translation	-	-	-	-	338,991	338,991
Net loss for the period	-	-	-	(8,721,518)	-	(8,721,518)
Balance, September 30, 2021	25,189,725	90,744,029	2,665,041	(22,877,823)	387,281	70,918,528
Balance, December 31, 2021	25,278,853	90,393,390	2,905,890	(25,748,954)	328,373	67,878,699
Options exercised	778,750	1,424,711	(533,042)	-	-	891,669
Equity issuance on earnout	572,466	2,539,463	-	-	-	2,539,463
Share based compensation	-	-	798,832	-	-	798,832
Share repurchase	(16,100)	(58,968)	4,634	-	-	(54,334)
Foreign exchange translation	-	-	-	-	610,548	610,548
Net loss for the period	-	-	-	(10,548,981)	-	(10,548,981)
Balance, September 30, 2022	26,613,969	94,298,596	3,176,314	(36,297,935)	938,921	62,115,896

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, 2022 and 2021
(Expressed in Canadian dollars)
(Unaudited)

	Nine months ended	
	September 30, 2022	September 30, 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the period	(10,548,981)	(8,721,518)
Items not affecting cash:		
Amortization and depreciation	7,254,902	3,346,043
Share-based compensation	798,832	876,807
Revaluation of earnout	(545,871)	-
Deferred income tax	(1,018,150)	(318,773)
Changes in non-cash working capital balances:		
Accounts receivable	(3,988,917)	(563,693)
Prepaid expenses and other current assets	516,313	(81,232)
Accounts payable and accrued liabilities	133,763	(1,239,030)
Income taxes payable (receivable)	801,365	(438,690)
Deferred revenue	750,661	(360,811)
Cash flows provided by operating activities	(5,846,083)	(7,500,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(529,022)	(434,416)
Additions of intangible property	(117,232)	(124,424)
Acquisition of subsidiaries, net of cash	-	(4,500,208)
Earnout payments, less amounts settled from working capital adjustments	(4,010,789)	-
Cash flows used in investing activities	(4,657,043)	(5,059,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease repayment	(1,060,041)	(1,064,110)
Purchase of treasury stock	(54,334)	-
Proceeds from share issuance, net of share issue costs	891,669	437,434
Cash flows provided by financing activities	(222,706)	(626,676)
Net increase (decrease) in cash	(10,725,832)	(13,186,621)
Cash, beginning of period	24,570,287	53,942,263
Cash, end of period	13,844,455	40,755,642

Supplemental cash flow information (Note 21)

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, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS

Pivotree 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”), principal place of business is its headquarters at 16th floor, 250 Yonge Street, Toronto, Ontario, Canada M5B 2L7. The Company designs, integrates, deploys, and manages digital platforms in Commerce, Data Management and Supply Chain for major retail and branded manufacturers throughout the world. Pivotree provides the technical skills necessary to enable the effective use of technologies combined with the business context to leverage a solution to solve clients' business challenges. Pivotree strives to fill the gaps in available technology with its own intellectual property to reduce the barriers to adoption. Pivotree’s portfolio of products, managed and professional services help provide B2B2C digital businesses with end-to-end service to manage complex digital commerce platforms, along with ongoing support from strategic planning through product selection, deployment, and hosting, to data and supply chain management.

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, 2021. 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, 2021. These financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on November 22, 2022.

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, 2022. 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 earnouts related to acquisitions.

(b) Basis of consolidation

The consolidated financial statements include the accounts of Pivotree Inc. and its wholly owned subsidiaries.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

PIVOTREE INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Functional and presentation currency*

The consolidated financial statements are presented in Canadian dollars, which is The Company's functional currency.

(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, fair value measurements for financial instruments and share-based payments, and the recoverability and measurement of deferred tax balances. 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; and
- the calculation of income taxes require judgement in interpreting tax rules and regulations.

3. ACCOUNTS RECEIVABLE

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Trade receivables	17,842,741	14,676,939
Other receivables	1,607,753	1,536,415
Less: expected credit loss provision	(62,800)	(29,627)
Net accounts receivable	<u>19,387,694</u>	<u>16,183,727</u>

PIVOTREE INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2022 and 2021**

(Expressed in Canadian dollars)

(Unaudited)

3. ACCOUNTS RECEIVABLE (Continued)

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Opening balance	29,627	609,388
Additions	33,173	121,808
Less: write-offs	-	(701,569)
Ending balance	<u>62,800</u>	<u>29,627</u>

For the nine months ended September 30, 2022 the Company recorded an expected credit loss provision of \$33,173 (September 30, 2021 — \$113,216).

4. PREPAID EXPENSES

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Software subscriptions	1,414,649	1,264,823
Rent deposits	239,593	239,159
Insurance	172,071	471,525
Professional fees	58,425	56,369
Other	185,323	554,498
Balance, Ending	<u>2,070,061</u>	<u>2,586,374</u>

5. PROPERTY AND EQUIPMENT

	Computer Equipment*	Furniture and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$
COST				
Balance, December 31, 2021	22,654,195	1,234,662	434,529	24,323,386
Additions	529,022	-	-	529,022
Balance, September 30, 2022	<u>23,183,217</u>	<u>1,234,662</u>	<u>434,529</u>	<u>24,852,408</u>
ACCUMULATED DEPRECIATION				
Balance, December 31, 2021	19,399,655	926,340	318,924	20,644,919
Additions	665,671	47,301	16,229	729,201
Effect of foreign currency translation	(13,254)	-	-	(13,254)
	<u>20,052,072</u>	<u>973,641</u>	<u>335,153</u>	<u>21,360,866</u>
Net book value December 31, 2021	<u>3,254,540</u>	<u>308,322</u>	<u>115,605</u>	<u>3,678,467</u>
Net book value September 30, 2022	<u>3,131,145</u>	<u>261,021</u>	<u>99,376</u>	<u>3,491,542</u>

*Included in computer equipment is equipment under capital lease and accounted for as a Right-of-use-Asset pursuant to IFRS 16 (see note 6).

PIVOTREE INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2022 and 2021**

(Expressed in Canadian dollars)

(Unaudited)

6. RIGHT-OF-USE ASSETS

The Company leases certain office premises and computer equipment. Leases typically run for a period of 3 to 4 years with an option to renew the lease after that date. Premise lease payments are renegotiated within one year of expiry to reflect market rentals.

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

	Premise Leases	Computer Equipment	Total
	\$	\$	\$
Balance, December 31, 2021	1,391,550	1,780,502	3,172,052
Additions	857,340	-	857,340
Depreciation expense	(607,816)	(313,134)	(920,950)
Effects of foreign exchange	(59,747)	-	(59,747)
Balance, September 30, 2022	1,581,327	1,467,368	3,048,695

7. INTANGIBLE ASSETS

	Software Technologies	Brand and Trademark	Non- Compete	License	Customer List	Total
	\$	\$	\$	\$	\$	\$
COST						
Balance, December 31, 2021	5,683,836	86,093	368,533	1,798,738	21,174,430	29,111,630
Additions	117,232	-	-	-	-	117,232
Effect of foreign currency translation	3,571	-	(9,961)	(42,376)	1,167,693	1,118,927
Balance, September 30, 2022	5,804,639	86,093	358,572	1,756,362	22,342,123	30,347,789
ACCUMULATED AMORTIZATION						
Balance, December 31, 2021	4,468,723	18,285	20,367	345,682	6,284,054	11,137,111
Amortization	636,595	-	92,663	111,292	5,077,335	5,917,885
Effect of foreign currency translation	58,152	-	(3,138)	(1,843)	879,808	932,979
	5,163,470	18,285	109,892	455,131	12,241,197	17,987,975
Net book value December 31, 2021	1,215,113	67,808	348,166	1,453,056	14,890,376	17,974,519
Net book value September 30, 2022	641,169	67,808	248,680	1,301,231	10,100,926	12,359,814

8. GOODWILL

	September 30, 2022	December 31, 2021
Balance, Opening	27,794,484	10,051,218
Acquisition of companies	-	17,723,143
Foreign exchange movement	222,550	20,123
Balance, Closing	28,017,034	27,794,484

PIVOTREE INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2022 and 2021**

(Expressed in Canadian dollars)

(Unaudited)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	September 30, 2022	December 31, 2021
Accounts payable	2,336,678	2,252,417
Payroll accruals	4,063,623	2,734,517
Accrued liabilities	2,746,327	4,076,896
	9,146,628	9,063,830

10. LEASE LIABILITIES

	September 30, 2022	December 31, 2021
Obligation under lease contracts for computer equipment	438,914	869,400
Obligation under lease contracts for office space	1,603,022	1,431,245
Less: current portion	(1,102,858)	(1,413,904)
	939,078	886,741

11. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel: during the three and nine month periods ended September 30, 2022 and 2021 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries (including benefits)	431,101	303,667	1,231,947	1,023,009
Stock based compensation	85,001	94,993	275,432	222,034
	516,102	398,660	1,507,379	1,245,043

12. SHARE CAPITAL

During the nine month period ended September 30, 2022 the Company issued:

778,750 common shares upon the exercise of stock options in exchange for \$889,963

572,466 common shares as payment of earnout on acquisitions for \$2,539,463

During the nine month period ended September 30, 2022 the Company repurchased and retired 16,100 shares for \$54,334 under a normal course issuer bid (NCIB).

PIVOTREE INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

13. STOCK OPTIONS & RESTRICTED SHARES

(a) Stock Options

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, 2022 and the year ended December 31, 2021:

	September 30, 2022		December 31, 2021	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Oustanding, beginning of period	1,538,822	1.71	1,893,900	1.41
Granted	491,346	4.09	57,066	9.29
Exercised	(778,750)	(1.10)	(372,113)	(1.45)
Expired/Forfeited	(89,033)	(3.71)	(40,031)	(2.95)
Oustanding, end of period	1,162,385	2.96	1,538,822	1.71

For the nine month period ended September 30, 2022 and 2021 the Company recognized share based compensation related to stock options of \$181,756 (2021- \$585,865).

(a) Restricted Shares

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

During the nine month period ended September 30, 2022 and the year ended December 31, 2021 the Company granted 245,617 RSUs (2021 – 117,769), and 39,645 (2021 - 6,634) were forfeited. A total of 15,722 RSUs vested (2021 – nil). As at September 30, 2022 and December 31, 2021, the Company had a total of 317,107 (December 31, 2021 - 111,135) RSUs outstanding. For the nine month period ended September 30, 2022 and 2021 the Company recognized share based compensation related to RSUs of \$248,311 (2021 – \$28,773).

PIVOTREE INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2022 and 2021**

(Expressed in Canadian dollars)

(Unaudited)

13. STOCK OPTIONS & RESTRICTED SHARES (Continued)*(b) Deferred Shares*

During the nine month period ended September 30, 2022 and the year ended December 31, 2021 the Company granted 130,128 DSUs (2021 – 57,791) and nil were converted to shares (2021 – 3,158). For the nine month period ended September 30, 2022 and 2021 the Company recognized share based compensation related to DSUs of \$275,431 (2021 - \$247,034). The DSUs were measured at their grant date fair value, which is equal to the fair value of the Company's common shares.

(c) Performance Shares

During the nine month period ended September 30, 2022 and the year ended December 31, 2021 the Company granted 20,392 performance share units ("PSUs") (2021 – 43,592), and 19,622 (2021 – nil) were forfeited. 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 month period ended September 30, 2022 and 2021, the Company recognized share based compensation related to PSUs of \$93,334 (2021 - \$15,135). 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 period ended September 30, 2022 reflects the probability of achieving the revenue per share and EBITDA percentage targets which was 54% at September 30, 2022.

14. COST OF SALES

	Three months ended		Nine months ended September	
	September 30,		30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Data center costs and software usage rights	4,447,207	3,910,401	13,577,042	12,367,482
Salaries and benefits	8,983,242	4,873,034	28,216,735	12,590,695
Other direct costs	127,362	99,812	387,042	280,801
	13,557,811	8,883,247	42,180,819	25,238,978

PIVOTREE INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three and nine months ended September 30, 2022 and 2021**

(Expressed in Canadian dollars)

(Unaudited)

15. EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Sales and Marketing				
Salaries and benefits	2,087,197	1,355,890	6,138,843	3,674,228
Advertising and marketing	301,317	207,107	763,313	474,557
Travel and other expenses	200,464	176,282	505,022	149,134
	2,588,978	1,739,279	7,407,178	4,297,919
Information Technology and Operations				
Salaries and benefits	3,135,464	3,503,920	9,631,710	10,407,451
Internet and software costs	544,721	385,044	1,508,510	1,044,483
Other expenses	217,113	141,173	620,387	442,477
	3,897,298	4,030,137	11,760,607	11,894,411
General and Administrative				
Salaries and benefits	3,135,251	1,571,729	8,905,440	4,264,675
Professional fees	342,252	276,950	1,029,517	715,244
Travel, rent and general office	615,592	327,088	1,685,805	1,165,313
	4,093,095	2,175,767	11,620,762	6,145,232
Research and Development				
Salaries and benefits	1,060,666	546,606	3,063,088	1,407,861
Software and other expenses	159,447	15,669	404,408	37,575
	1,220,113	562,275	3,467,496	1,445,436
Restructure and Other				
Acquisition	68,178	733,429	401,582	738,973
Restructure*	1,226,617	8,492	1,443,617	82,276
Other	(150,290)	113,298	(515,563)	241,448
	1,144,505	855,219	1,329,636	1,062,697
Interest				
Loans, borrowings and standby fees	39,450	37,411	138,857	104,373
Interest on lease obligations - office space	25,158	11,453	58,620	38,940
Interest on lease obligations - equipment	8,301	19,018	34,876	86,761
	72,910	67,882	232,353	230,074

*Included in restructure is \$1,211,616 in estimated severance costs.

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16. SEGMENT INFORMATION

The Company has two operating segments based upon types of revenue, professional and managed services. For the purpose of segment reporting, the Executive Leadership Team is the Chief Operating Decision Maker. The determination of the Company's operating segment is based on its organization structure and how the information is reported to the Executive Leadership Team on a regular basis. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

Approximately 91% (2021 – 92%) of the Company's revenue is generated from its customers in North America. All the Company's assets reside in North America, Europe and India. Important to note that geography should not be an indicator of currency.

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance as management believes this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Cash held at the Pivotree parent entity is assigned to managed services consistently and could be leveraged to manage both professional and managed services.

		Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue	Managed services	10,270,862	8,975,809	30,043,639	27,320,632
	Professional services	14,328,112	7,032,997	45,486,807	18,042,691
Total		24,598,974	16,008,806	75,530,446	45,363,323
Revenue by location	Canada	7,638,927	5,812,547	19,791,349	17,316,145
	United States	15,585,825	8,795,705	49,582,637	24,402,898
	Other	1,374,222	1,400,554	6,156,460	3,644,280
Total		24,598,974	16,008,806	75,530,446	45,363,323
Gross Profit	Managed services	5,090,490	4,745,765	15,264,712	14,757,888
	Professional services	5,950,673	2,379,794	18,084,915	5,366,457
		11,041,163	7,125,559	33,349,627	20,124,345
	Interest income	20,161	5,182	64,694	145,745
	Expenses	(15,224,631)	(10,508,740)	(43,340,380)	(29,331,298)
Loss before taxes		(4,163,307)	(3,377,999)	(9,926,059)	(9,061,208)
Segment assets	Managed services	28,816,961	73,765,146	28,816,961	73,765,146
	Professional services	51,934,966	14,945,824	51,934,966	14,945,824
Total		80,751,927	88,710,970	80,751,927	88,710,970
Segment liabilities	Managed services	9,530,596	8,186,068	9,530,596	8,186,068
	Professional services	9,105,435	9,606,374	9,105,435	9,606,374
Total		18,636,031	17,792,442	18,636,031	17,792,442

17. EARNINGS PER SHARE

To the extent that the Company's results of operations are a loss, potentially dilutive shares relating to preferred shares, deferred common shares, stock options and RSU's as set-out below have been excluded from the calculation of the diluted number of shares as the impact would be anti-dilutive.

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17. EARNINGS PER SHARE (Continued)

	Nine months ended	
	September 30, 2022	September 30, 2021
RSU's, DSU's, and PSU's	562,408	134,598
Stock options	1,162,385	1,650,224
	<u>1,724,793</u>	<u>1,784,822</u>

18. 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 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.

In December 2020, the Company entered into a single revolving facility (the "BMO Facility") for up to \$25,000,000 of revolving credit, with the ability to access an additional \$1,000,000 treasury risk line of credit to be used at the direction of BMO for hedging agreements and a \$250,000 line of credit in respect of corporate MasterCard to be issued to Company employees for corporate purposes.

The BMO Facility may be drawn by way of Canadian dollar loans, US dollar loans or the issuance of letters of credit and will mature on October 31, 2023 and will carry an interest rate of the Prime Rate plus 1.5% per annum and is subject to a general security agreement creating a First-Ranking Security interest in all present and future property of the Company and its subsidiaries. A condition of this Facility is that the Company must maintain, on a consolidated basis, a minimum of \$5,000,000 on the closing date and at the end of each subsequent fiscal quarter. As of September 30, 2022 and December 31, 2021 the Company has not drawn on the BMO Facility.

19. 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.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The following table summarizes the Company's financial instruments measured at fair value at September 30, 2022 and December 31, 2021, by categorization in the fair value hierarchy level:

	Fair value hierarchy	September 30, 2022 \$	December 31, 2021 \$
Earnouts payable	Level 3	(1,592,636)	(9,615,278)
		(1,592,636)	(9,615,278)

Earnouts payable

The fair value of earnouts at September 30, 2022 and December 31, 2021 was determined using a probability weighted model based on the likelihood of achieving certain revenue and gross margin targets. A discount range of 12-18% was used to determine the present value of the liabilities.

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 \$13,844,455 (2021 — \$24,570,287).

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 \$17,842,741 (2021 — \$14,676,939). Accounts receivable are shown net of provision of credit losses of \$62,800 (2021 — \$29,627).

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, 2022, the Company has liabilities with the following due dates:

	Under 3 months \$	3 months - 1 year \$	1 -2 years \$	2 - 5 years \$	Total \$
A/P and accrued liabilities	9,146,628	-	-	-	9,146,628
Earnouts payable	1,592,636	-	-	-	1,592,636
Income taxes payable	-	1,729,198	-	-	1,729,198
Leases payable	425,673	677,185	612,448	326,629	2,041,935
	11,164,937	2,406,383	612,448	326,629	14,510,397

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.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**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 which have been expressed in Canadian dollars throughout these financial statements, and the exchange rate (Canadian dollars per unit of foreign currency) used at the balance sheet date are as follows:

Instrument	Currency		September 30, 2022	December 31, 2021
Cash	U.S. dollar	\$	8,515,619	7,047,867
Cash	Euro	€	97,822	437,450
Cash	Indian Rupee	₹	18,536,040	12,550,081
Accounts receivable	U.S. dollar	\$	11,043,073	9,808,633
Accounts receivable	Euro	€	372,997	180,761
Accounts receivable	Great British Pound	£	59,436	3,688
Accounts payable and accrued liabilities	U.S. dollar	\$	1,285,884	1,439,403
Accounts payable and accrued liabilities	Euro	€	19,641	112,557
Accounts payable and accrued liabilities	Great British Pound	£	1,875	-
Accounts payable and accrued liabilities	Indian Rupee	₹	3,449,769	24,853

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

Currency		September 30, 2022	December 31, 2021
U.S. dollar	\$	1.3692	1.2781
Euro	€	1.3326	1.4475
Great British Pound	£	1.4968	1.7244
Indian Rupee	₹	0.0168	0.0170

The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At September 30, 2022 and December 31, 2021, the Company had net assets denominated in USD of \$25,019,129 [USD \$18,272,808] [2021 – net assets of \$19,704,592 or USD \$15,417,097]. A 10% variation in USD, and if all other variables remain constant, would have a pre-tax impact of \$1,827,281 during 2022 [2021 – \$1,970,459]. Operating activities denominated in Euro, Great British Pound and Indian Rupee have a minimal impact on the Company.

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20. BUSINESS COMBINATIONS**Bridge Solutions Group**

On September 1, 2021, the Company purchased 100% of the outstanding shares 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.

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

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

	\$
Cash	1,689,732
Receivables	2,682,063
Other current assets	126,234
Right-of-use asset	859,463
Property, plant and equipment	17,273
Intangible assets	4,432,208
Accounts payable and accrued liabilities	(1,369,432)
Lease liability	(859,463)
Deferred revenue	(737,718)
Net identifiable assets acquired	6,840,360
Add: Goodwill	6,054,404
Net assets acquired	<u><u>12,894,764</u></u>

Purchase consideration:

Cash consideration	6,913,598
Shares	797,651
Contingent consideration payable	5,183,515
Total consideration	<u><u>12,894,764</u></u>

Contingent consideration

Contingent consideration is based upon the potential earnout of Bridge Solutions Group and is measured at fair value using a projection model for the business unit for determining the consideration under the terms of the purchase agreement. The determination of the fair value of the contingent consideration payable is primarily based on the Company’s expectations of the amount of gross margin to be achieved by the business unit within a specified time period based on the purchase agreement. Refer to Note 19 for further discussion surrounding the fair value of the contingent consideration.

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20. BUSINESS COMBINATIONS (Continued)

The balance of contingent consideration is as follows:

Contingent consideration recognized on acquisition	5,183,515
Effects of movement in foreign exchange	69,043
Carrying value of contingent consideration, December 31, 2021	<u>5,252,558</u>
Cash payments of contingent consideration	(1,173,945)
Equity issuance of contingent consideration	(1,682,342)
Amounts settled against balances due from sellers	(416,219)
Revaluation of contingent consideration	(422,222)
Effects of movement in foreign exchange	34,806
Carrying value of contingent consideration, September 30, 2022	<u>1,592,636</u>

An election under IRC 338(h)(10) has been made, as such goodwill is deductible for tax purposes. Transaction costs related to the acquisition of the assets amounted to \$104,277 (2021 - 7,548) in the nine month period ended September 30, 2022, and 2021 and have been expensed in operating expenses as restructure & other.

(a) Codifyd Inc.

On November 1, 2021, the Company purchased 100% of the outstanding shares of Codifyd Inc., with certain conditions finalized on November 4, 2021. Codifyd Inc. is a leading Data Services and Master Data Management firm. The acquisition scales and enhances Pivotree's capability in the data management business as a foundational component of the company's frictionless commerce strategy.

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

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

	<u>\$</u>
Cash	3,506,188
Receivables	4,871,357
Other current assets	43,619
Property, plant and equipment	131,212
Intangible assets	6,896,831
Accounts payable and accrued liabilities	(1,792,631)
Deferred revenue	(847,081)
Deferred tax liability	<u>(2,264,658)</u>
Net identifiable assets acquired	10,544,837
Add: Goodwill	11,668,739
Net assets acquired	<u>22,213,576</u>

Purchase consideration:

Cash consideration	17,983,980
Contingent consideration payable	<u>4,229,596</u>
Total consideration	<u>22,213,576</u>

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20. BUSINESS COMBINATIONS (Continued)*Contingent consideration*

Contingent consideration is based upon the potential earnout of Codifyd and is measured at fair value using a projection model for the business unit for determining the consideration under the terms of the purchase agreement. The determination of the fair value of the contingent consideration payable is primarily based on the Company's expectations of the amount of revenue to be achieved by the business unit within a specified time period based on the purchase agreement. Refer to Note 19 for further discussion surrounding the fair value of the contingent consideration.

The balance of contingent consideration is as follows:

Contingent consideration recognized on acquisition	4,229,596
Effects of movement in foreign exchange	133,124
Carrying value of contingent consideration, December 31, 2021	4,362,720
Cash payments of contingent consideration	(2,836,844)
Equity issuance of contingent consideration	(857,121)
Amounts settled against balances due from sellers	(368,732)
Revaluation of contingent consideration	(123,650)
Effects of movement in foreign exchange	(176,373)
Carrying value of contingent consideration, September 30, 2022	-

The goodwill from the acquisition will not be deductible for tax purposes. Transaction costs related to the acquisition of the assets amounted to \$195,200 (2021 - nil) in the nine month period ended September 30, 2022 and 2021 and have been expensed in operating expenses as restructure & other.

21. SUPPLEMENTAL CASH FLOW INFORMATION

The following are non-cash investing and financing activities that occurred during the nine month period ended September 30, 2022 and 2021:

	2022	2021
	\$	\$
Non-cash accretion of interest included in finance cost	77,738	125,697