



**Interim condensed consolidated financial statements  
for the three and six months ended  
September 30, 2020, and 2019**

(Unaudited and not reviewed by independent auditors)

Refer to the Notes to the consolidated financial statements



## Interim Condensed Consolidated Statements of Income

Unaudited and not reviewed by independent auditors

|   | Three months ended<br>September 30, |            | Six months ended<br>September 30, |            |
|---|-------------------------------------|------------|-----------------------------------|------------|
|   | 2020                                | 2019       | 2020                              | 2019       |
| <i>In thousands of Canadian dollars<br/>except earnings per share amounts</i> | \$                                  | \$         | \$                                | \$         |
| <b>Revenues (Note 7)</b>  | 20,752                              | 18,211     | 41,286                            | 38,439     |
| <b>Cost of revenues</b>   | 6,915                               | 4,714      | 13,479                            | 10,011     |
| <b>Gross margin</b>   | 13,837                              | 13,497     | 27,807                            | 28,428     |
| <b>Operating expenses</b>   |                                     |            |                                   |            |
| General and administrative  | 3,829                               | 2,941      | 7,536                             | 5,753      |
| Selling and marketing   | 4,731                               | 3,710      | 9,753                             | 8,121      |
| Technology  | 5,370                               | 4,838      | 11,309                            | 10,032     |
|   | 13,930                              | 11,489     | 28,598                            | 23,906     |
| <b>Operating profit (loss)</b>  | (93)                                | 2,008      | (791)                             | 4,522      |
| Foreign exchange gain (loss)  | (310)                               | 280        | (740)                             | (84)       |
| Gain (loss) on sale of a subsidiary   | -                                   | 174        | -                                 | (83)       |
| Financial expenses (Note 13b))  | (274)                               | (239)      | (638)                             | (593)      |
| <b>Profit (loss) before income taxes</b>                                      | (677)                               | 2,223      | (2,169)                           | 3,762      |
| Income tax expense (recovery)   | (34)                                | 389        | (289)                             | 877        |
| <b>Profit (loss) for the period</b>   | (643)                               | 1,834      | (1,880)                           | 2,885      |
| <b>Profit (loss) per share (Note 11)</b>                                      |                                     |            |                                   |            |
| Basic and diluted   | (0.04)                              | 0.12       | (0.11)                            | 0.19       |
| <b>Weighted average number of shares<br/>outstanding</b>                      |                                     |            |                                   |            |
| Basic and diluted   | 17,960,870                          | 14,848,779 | 17,181,933                        | 14,848,779 |
| <b>Number of shares outstanding at end of period</b>                          | 17,960,870                          | 14,848,779 | 17,960,870                        | 14,848,779 |

Refer to the Notes to the consolidated financial statements



## Interim Condensed Consolidated Statements of Comprehensive Income

*Unaudited and not reviewed by independent auditors*

|   | Three months ended    |       | Six months ended |       |
|---|-----------------------|-------|------------------|-------|
|   | September 30,<br>2020 | 2019  | 2020             | 2019  |
| <i>In thousands of Canadian dollars</i>   | \$                    | \$    | \$               | \$    |
| <b>Profit (loss) for the period</b>   | (643)                 | 1,834 | (1,880)          | 2,885 |
| Items that may be reclassified subsequently<br>in profit or loss                                    |                       |       |                  |       |
| Change in unrealized losses on foreign currency<br>forward contracts, net of deferred taxes         | 50                    | (129) | 404              | 52    |
| Reclassification of realized losses on foreign currency<br>forward contracts, net of deferred taxes | 186                   | 57    | 309              | 146   |
|   | 236                   | (72)  | 713              | 198   |
| <b>Comprehensive income (loss) for the period</b>   | (407)                 | 1,762 | (1,167)          | 3,083 |

Refer to the Notes to the consolidated financial statements



## Interim Condensed Consolidated Statements of Financial Position

Unaudited and not reviewed by independent auditors

|  | As at<br>September 30,<br>2020<br>\$ | As at<br>March 31,<br>2020<br>\$ |
|--|--------------------------------------|----------------------------------|
| <i>In thousands of Canadian dollars</i>    |                                      |                                  |
| <b>Assets</b>                              |                                      |                                  |
| <b>Current assets</b>                      |                                      |                                  |
| Cash and cash equivalents                  | 11,700                               | 14,319                           |
| Cash held for the benefit of third parties | 266                                  | 857                              |
| Accounts receivable                        | 8,607                                | 6,103                            |
| Income taxes receivable                    | 1,513                                | 1,491                            |
| Tax credits receivable                     | 8,325                                | 8,040                            |
| Prepaid expenses and deposits              | 3,212                                | 3,725                            |
| Derivative financial instruments           | 82                                   | -                                |
|  | 33,705                               | 34,535                           |
| <b>Non-current assets</b>                  |                                      |                                  |
| Property, plant and equipment              | 2,260                                | 2,495                            |
| Right-of-use assets                        | 10,041                               | 10,924                           |
| Intangible assets                          | 7,166                                | 6,907                            |
| Acquired intangible assets                 | 11,244                               | 13,158                           |
| Goodwill                                   | 96,852                               | 96,852                           |
| Deferred taxes                             | 6,136                                | 6,214                            |
|  | 167,404                              | 171,085                          |
| <b>Liabilities</b>                         |                                      |                                  |
| <b>Current liabilities</b>                 |                                      |                                  |
| Accounts payable and accrued liabilities   | 9,160                                | 10,660                           |
| Other accounts payable                     | 266                                  | 857                              |
| Income taxes payable                       | 1,200                                | 568                              |
| Deferred revenues                          | 18,117                               | 17,796                           |
| Derivative financial instruments           | -                                    | 891                              |
| Current portion of long-term debt (Note 8) | 13,390                               | 26,975                           |
| Current portion of lease liability         | 1,906                                | 1,618                            |
|  | 44,039                               | 59,365                           |
| <b>Non-current liabilities</b>             |                                      |                                  |
| Long-term debt (Note 8)                    | -                                    | -                                |
| Deferred taxes                             | 7,454                                | 8,702                            |
| Lease liability                            | 8,919                                | 10,179                           |
|  | 60,412                               | 78,246                           |
| <b>Shareholders' equity</b>                |                                      |                                  |
| Share capital (Note 9)                     | 94,384                               | 79,251                           |
| Reserves                                   | 3,460                                | 2,560                            |
| Retained earnings                          | 9,148                                | 11,028                           |
|  | 106,992                              | 92,839                           |
|  | 167,404                              | 171,085                          |

Refer to the Notes to the consolidated financial statements

Approved by the Board of Directors,

(signed) Jean-François Sabourin, Director (signed) Luc Filiatreault, Director  
Jean-François Sabourin Luc Filiatreault



# Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited and not reviewed by independent auditors



## Six months ended September 30, 2020

|  | Reserves      |                                  |                   |              |                   |                |
|--|---------------|----------------------------------|-------------------|--------------|-------------------|----------------|
|  | Share capital | Equity-settled employee benefits | Cash flow hedging | Total        | Retained earnings | Total          |
| <i>In thousands of Canadian dollars</i>  | \$            | \$                               | \$                | \$           | \$                | \$             |
| Balance as at March 31, 2020   | 79,251        | 3,213                            | (653)             | 2,560        | 11,028            | 92,839         |
| Loss for the period  | -             | -                                | -                 | -            | (1,880)           | (1,880)        |
| Other comprehensive income for the period, net of income taxes                               | -             | -                                | 713               | 713          | -                 | 713            |
| Comprehensive income (loss) for the period   | -             | -                                | 713               | 713          | (1,880)           | (1,167)        |
| Issuance of common shares as part of a bought deal offering – net of issuance costs (Note 9) | 14,820        | -                                | -                 | -            | -                 | 14,820         |
| Deferred income tax related to share issuance costs (Note 9)                                 | 313           | -                                | -                 | -            | -                 | 313            |
| Compensation under the stock option plan (Note 10)   | -             | 187                              | -                 | 187          | -                 | 187            |
| <b>Balance as at September 30, 2020</b>  | <b>94,384</b> | <b>3,400</b>                     | <b>60</b>         | <b>3,460</b> | <b>9,148</b>      | <b>106,992</b> |

## Six months ended September 30, 2019

|  | Reserves      |                                  |                   |              |                   |                |
|--|---------------|----------------------------------|-------------------|--------------|-------------------|----------------|
|  | Share capital | Equity-settled employee benefits | Cash flow hedging | Total        | Retained earnings | Total          |
| <i>In thousands of Canadian dollars</i>                        | \$            | \$                               | \$                | \$           | \$                | \$             |
| Balance as at March 31, 2019                                   | 78,051        | 3,213                            | (310)             | 2,903        | 19,750            | 100,704        |
| Profit for the period  | -             | -                                | -                 | -            | 2,885             | 2,885          |
| Other comprehensive income for the period, net of income taxes | -             | -                                | 198               | 198          | -                 | 198            |
| Comprehensive income for the period                            | -             | -                                | 198               | 198          | 2,885             | 3,083          |
| Dividends declared on common shares (Note 9)                   | -             | -                                | -                 | -            | (2,970)           | (2,970)        |
| <b>Balance as at September 30, 2019</b>                        | <b>78,051</b> | <b>3,213</b>                     | <b>(112)</b>      | <b>3,101</b> | <b>19,665</b>     | <b>100,817</b> |

Refer to the Notes to the consolidated financial statements



## Interim Condensed Consolidated Statements of Cash Flows

Unaudited and not reviewed by independent auditors

|   | Three months ended |                | Six months ended |               |
|---|--------------------|----------------|------------------|---------------|
|   | September 30,      |                | September 30,    |               |
|   | 2020               | 2019           | 2020             | 2019          |
| <i>In thousands of Canadian dollars</i>   | \$                 | \$             | \$               | \$            |
| <b>CASH FLOWS RELATED TO</b>  |                    |                |                  |               |
| <b>Operating activities</b>   |                    |                |                  |               |
| Profit (loss) for the period  | (643)              | 1,834          | (1,880)          | 2,885         |
| Adjustments for the following items:  |                    |                |                  |               |
| Amortization and depreciation (Note 12)   | 2,348              | 1,732          | 4,740            | 3,362         |
| Amortization of deferred financing costs  | 10                 | 10             | 20               | 19            |
| Financial expenses  | 274                | 229            | 638              | 574           |
| Stock-based compensation  | 80                 | -              | 187              | -             |
| Foreign exchange  | 230                | (274)          | 887              | 88            |
| Deferred tax expense  | (747)              | 85             | (1,291)          | (280)         |
| Current income tax expense recognized in profit   | 713                | 304            | 1,002            | 1,157         |
| Loss (gain) on sale of a subsidiary   | -                  | (174)          | -                | 83            |
| Changes in non-cash working capital items (Note 13 a))                                    | (3,328)            | (2,314)        | (4,236)          | (3,775)       |
| Interest paid   | (232)              | (238)          | (566)            | (530)         |
| Income taxes paid, net of amounts received  | (274)              | (608)          | (269)            | (1,951)       |
|   | (1,569)            | 586            | (768)            | 1,632         |
| <b>Investing activities</b>   |                    |                |                  |               |
| Proceed from sale of a subsidiary   | -                  | 484            | -                | 18,434        |
| Acquisition of property, plant and equipment  | (119)              | (60)           | (307)            | (187)         |
| Acquisition of intangible assets  | (923)              | (802)          | (1,660)          | (1,772)       |
|   | (1,042)            | (378)          | (1,967)          | 16,475        |
| <b>Financing activities</b>   |                    |                |                  |               |
| Repayment of long-term debt   | (4,600)            | (2,400)        | (13,605)         | (14,199)      |
| Payment of lease liability  | (401)              | (342)          | (848)            | (700)         |
| Bought deal offering – net of issuance costs (Note 9)                                     | -                  | -              | 14,820           | -             |
| Cash dividends paid on common shares (Note 9)   | -                  | (1,485)        | -                | (2,970)       |
|   | (5,001)            | (4,227)        | 367              | (17,869)      |
| <b>Net change in cash and cash equivalents for the period</b>                             | <b>(7,612)</b>     | <b>(4,019)</b> | <b>(2,368)</b>   | <b>238</b>    |
| <b>Impact of exchange rate changes on cash and cash equivalents</b>                       | <b>(216)</b>       | <b>142</b>     | <b>(842)</b>     | <b>(108)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                                   | <b>19,794</b>      | <b>18,172</b>  | <b>15,176</b>    | <b>14,165</b> |
| <b>Cash and cash equivalents at end of period</b>   | <b>11,966</b>      | <b>14,295</b>  | <b>11,966</b>    | <b>14,295</b> |
| Cash and cash equivalents consist of the following statement of financial position items: |                    |                |                  |               |
| Cash and cash equivalents   | 11,700             | 13,500         | 11,700           | 13,500        |
| Cash held for the benefit of third parties  | 266                | 795            | 266              | 795           |

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## **Notes to the Interim Condensed Consolidated Financial Statements for the three and six months ended September 30, 2020, and 2019**

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### **1 Incorporation and nature of operations**

**mdf commerce** inc. (formerly “Mediagrif Interactive Technologies Inc.”) (the “Corporation”) provides e-business solutions to consumer and businesses. It operates its activities through its wholly-owned subsidiaries. The Corporation’s shareholders approved the name change from Mediagrif Interactive Technologies to **mdf commerce** on September 23, 2020.

The Corporation, incorporated on February 16, 1996 under the *Canada Business Corporations Act*, is listed on the Toronto Stock Exchange. Its head office is located at 1111 St-Charles West, East Tower, Suite 255, Longueuil, Quebec, Canada.

The Board of Directors approved the interim condensed consolidated financial statements on November 11, 2020. Amounts are expressed in Canadian dollars, unless indicated otherwise.

### **2 Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*, through the application of accounting principles that are compliant with International Financial Reporting Standards (IFRS).

These interim condensed consolidated financial statements do not include all of the information required for complete financial statements under IFRS, including the notes, and should be read in conjunction with the annual consolidated financial statements of the Corporation for the year ended March 31, 2020. The annual financial statements of the Corporation are available on the SEDAR website at the following address: [www.sedar.com](http://www.sedar.com).

### **3 IFRS adopted during the current fiscal year**

#### **IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors**

In October 2018, IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* were amended to clarify the definition of “material” and how it should be applied to ensure that it is consistent across all IFRS standards. The changes did not have a material impact on the Corporation’s financial statements.

#### **IFRS 3, Business Combinations**

In October 2018, IFRS 3, *Business Combinations* was amended to clarify the definition of a “business,” with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments did not have an impact on the Corporation’s financial statements.



## **Notes to the Interim Condensed Consolidated Financial Statements for the three and six months ended September 30, 2020, and 2019**

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### **IFRS 16, Leases**

In July 2020, IFRS 16, *Leases* was amended to permit lessees not to assess whether particular COVID-19-related rent concessions are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendments to IFRS 16 provide specific disclosure requirements regarding COVID-19-related rent concessions. The amendments apply to the Corporation for fiscal years beginning on or after June 1, 2020. The Corporation early adopted these amendments, which did not have a material impact on its financial statements.

## **4 New and revised IFRS, issued but not yet effective**

### **IAS 37, Provisions, Contingent Liabilities and Contingent Assets**

In September 2020, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* was amended to specify the costs to be included when the entity determines the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply to the Corporation for fiscal years beginning on or after January 1, 2022. While early application is permitted, the Corporation has not early adopted these amendments and is currently assessing the impact of these changes on its consolidated financial statements.

### **IAS 16, Property, Plant and Equipment**

In September 2020, IAS 16, *Property, Plant and Equipment* was amended to prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced before the asset is available for use. The proceeds from selling this property, plant and equipment, as well as the related costs, will instead be recognized in net income. The amendments apply to the Corporation for fiscal years beginning on or after January 1, 2022. While early application is permitted, the Corporation has not early adopted these amendments and is currently assessing the impact of these changes on its consolidated financial statements.





## Notes to the Interim Condensed Consolidated Financial Statements for the three and six months ended September 30, 2020, and 2019

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### 5 Management's estimates and judgements

#### COVID-19

The current global economic situation is currently highly unstable due to the coronavirus pandemic ("COVID-19"), declared on March 11, 2020 by the World Health Organization. The duration and impact of the COVID-19 pandemic are still unknown. The Corporation continues to review the potential impact of the pandemic on its financial position and profitability should the duration, spread or intensity of the pandemic develop further. It is impossible to predict with certainty the duration and full extent of the economic impact of COVID-19 in the short and long term. A prolonged period of economic downturn could affect the estimates and judgments used in preparing the interim condensed consolidated financial statements, including, but not limited to, the following items: goodwill, impairment of intangible assets and expected credit losses.

### 6 Segment information

The Corporation has only one reportable segment.

Geographical information is as follows:

| <i>In thousands of Canadian dollars</i> | Three months ended |        | Six months ended |        |
|---|--------------------|--------|------------------|--------|
|   | September 30,      |        | September 30,    |        |
|   | 2020               | 2019   | 2020             | 2019   |
|   | \$                 | \$     | \$               | \$     |
| <b>Revenues</b>                         |                    |        |                  |        |
| Canada                                  | 10,022             | 8,915  | 20,556           | 19,799 |
| United States                           | 9,032              | 8,584  | 17,899           | 17,069 |
| Europe                                  | 1,407              | 313    | 2,227            | 769    |
| Asia and other                          | 291                | 399    | 604              | 802    |
|   | 20,752             | 18,211 | 41,286           | 38,439 |



**Notes to the Interim Condensed Consolidated Financial Statements  
for the three and six months ended September 30, 2020, and 2019**

*Unaudited and not reviewed by independent auditors*

|   | As at<br>September<br>30,<br>2020 | As at<br>March 31,<br>2020 |
|---|-----------------------------------|----------------------------|
| <i>In thousands of Canadian dollars</i> | \$                                | \$                         |
| <b>Non-current assets</b>               |                                   |                            |
| Canada                                  | 101,372                           | 104,010                    |
| United States                           | 26,191                            | 26,326                     |
| Asia and other                          | -                                 | -                          |
|   | 127,563                           | 130,336                    |

Revenues are attributed to geographic areas based on the location of customers.

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, acquired intangible assets and goodwill.

**7 Revenues**

Revenues are detailed as follows:

|  | Three months ended |        | Six months ended |        |
|--|--------------------|--------|------------------|--------|
|  | September 30,      |        | September 30,    |        |
|  | 2020               | 2019   | 2020             | 2019   |
| <i>In thousands of Canadian dollars</i>        | \$                 | \$     | \$               | \$     |
| Revenues from rights of use                    | 15,017             | 13,577 | 30,350           | 28,292 |
| Revenues from transaction fees                 | 2,110              | 2,304  | 4,234            | 4,618  |
| Revenues from advertising                      | 52                 | 119    | 101              | 900    |
| Revenues from professional services            | 3,240              | 1,795  | 5,873            | 3,825  |
| Revenues from maintenance and hosting services | 292                | 288    | 594              | 597    |
| Other  | 41                 | 128    | 134              | 207    |
|  | 20,752             | 18,211 | 41,286           | 38,439 |



## **Notes to the Interim Condensed Consolidated Financial Statements for the three and six months ended September 30, 2020, and 2019**

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### **8 Long-term debt**

On December 18, 2015, the Corporation renewed its credit agreement, which was entered into on November 10, 2011, (the "Credit Agreement") with three Canadian financial institutions pursuant to which lenders made available to the Corporation an \$80,000,000 secured revolving five-year credit facility (the "Credit Facility") and an accordion loan of \$40,000,000 subject to lenders' acceptance. The amount available for borrowing under the Credit Facility was reduced at the request of the Corporation on May 25, 2020, to a total amount of \$40,000,000. In addition, on June 25, 2020, the Credit Agreement was amended (the "Amended Credit Agreement") in order to temporarily suspend the application of a restrictive covenant set out in the Credit Agreement requiring a certain financial ratio to be maintained for the reference periods applicable to the quarters ended March 31, 2020 and June 30, 2020, respectively. On October 14, 2020, the Amended Credit Agreement was further amended to temporarily suspend application of one of the covenants in the Amended Credit Agreement for the reference period applicable to the quarter ended September 30, 2020.

The Amended Credit Agreement expires on December 18, 2020, and any unpaid amounts are due in full at maturity. Amounts under the Amended Credit Agreement are repayable before maturity without penalty. As at September 30, 2020, the Credit Facility stood at \$13,400,000 (\$26,975,116 as at March 31, 2020) and the amount is due in full during the fiscal year ending March 31, 2021.

The Credit Facility bears interest at a rate based either on Canadian prime rate, CDOR, or the bankers' acceptance rate plus a margin in each case. This margin varies according to the ratio of total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as described below. As at September 30, 2020, the actual rate was 2.45% (1.25% as at March 31, 2020) and the applicable margin was 1.00% (2.00% as at March 31, 2020). In addition, the unused portion of the Credit Facility bears interest at 0.40% (0.40% as at March 31, 2020) as standby fees.

All obligations under the Amended Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Corporation's assets, tangible and intangible, present and future.

The Amended Credit Agreement contains certain restrictive covenants and events of default customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures, and distributions. The Amended Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at September 30, 2020, the Corporation was in compliance with the financial ratios prescribed under the restrictive covenants set out in the Amended Credit Agreement.

Fixed charges, total debt, and EBITDA, which are used to calculate the financial ratios set out in the Amended Credit Agreement, are more specifically defined therein.

Financial ratios are calculated using the financial information of the twelve-month period ending on the date the ratio is calculated.



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As at September 30, 2020, considering that the Amended Credit Agreement will expire within the next 12 months, the outstanding amount is presented in current liabilities in the consolidated statement of financial position.

The following table provides the long-term debt information:

|  | As at<br>September<br>30,<br>2020<br>\$ | As at March<br>31,<br>2020<br>\$ |
|--|---|----------------------------------|
| <i>In thousands of Canadian dollars</i>  |   |                                  |
| Revolving credit facility, bearing interest at Canada prime rate plus a margin of 1.00% (the bankers' acceptance rate, plus 2.00% as at March 31, 2020), maturing in December 2020 | 13,400                                  | 27,005                           |
| Deferred financing costs i)  | (10)                                    | (30)                             |
|  | 13,390                                  | 26,975                           |
| Current portion  | 13,390                                  | 26,975                           |
| Long-term portion  | -                                       | -                                |

i) The deferred financing costs are amortized using the effective interest rate method.



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**9 Share capital**

a) Authorized and paid, unlimited number:

- Common shares
- Preferred shares, issuable in series with terms, conditions and dividends to be determined by the Board of Directors upon issuance

b) The following table summarizes common share activity for the last two periods:

| <i>In thousands</i>                    | Six months ended<br>September 30, |         |        |        |
|--|-----------------------------------|---------|--------|--------|
|  | 2020                              |         | 2019   |        |
|  | Shares                            | \$      | Shares | \$     |
| <b>Balance at beginning of period</b>  | 15,052                            | 79,251  | 14,849 | 78,051 |
| Issuance of common shares              | 2,909                             | 16,000  | -      | -      |
| Issuance costs                         | -                                 | (1,180) | -      | -      |
| Deferred taxes on share issuance costs | -                                 | 313     | -      | -      |
| <b>Balance at end of period</b>        | 17,961                            | 94,384  | 14,849 | 78,051 |

On May 21, 2020, the Corporation completed a bought deal offering under which a total of 2,909,091 common shares of the Corporation were sold at a price of \$5.50 per common share for aggregate gross proceeds of \$16,000,000, including common shares issued following the partial exercise of the underwriters' option granted to the underwriters (the "Investment"). The net proceeds of the investment amounted to \$14,820,163, net of fees of \$1,179,838.

c) Dividends declared

**Six months ended September 30, 2020**

No dividend was declared or paid.

**Six months ended September 30, 2019**

On August 6, 2019, the Corporation announced the payment of a cash dividend of \$0.10 per share, payable on October 15, 2019, to shareholders of record on October 1, 2019.

On June 11, 2019, the Corporation announced the payment of a cash dividend of \$0.10 per share, payable on July 15, 2019, to shareholders of record on July 2, 2019.



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**10 Stock option plan**

On September 23, 2020, the stock option plan was approved by the Corporation's shareholders during the annual general meeting. For the three and six months ended September 30, 2020, the stock-based compensation expense amounted to \$80,280 and \$186,888, respectively (nil for the three and six months ended September 30, 2019).

The number of options outstanding changed as follows:

|   | Six months ended<br>September 30 |   |                      |   |
|---|----------------------------------|---|----------------------|---|
|   | 2020                             |   | 2019                 |   |
| <i>In thousands</i>                       | Number of<br>options             | Weighted-<br>average<br>exercise<br>price | Number of<br>options | Weighted-<br>average<br>exercise<br>price |
| <b>Outstanding at beginning of period</b> | 700,000                          | 5.81                                      | -                    | -   |
| Options granted                           | 294,000                          | 7.43                                      | -                    | -   |
| <b>Outstanding at end of period</b>       | 994,000                          | 6.29                                      | -                    | -   |

None of the 994,000 options outstanding as at September 30, 2020 are currently exercisable.

On September 23, 2020, the Corporation granted 294,000 stock options to employees and administrators at an exercise price of \$7.43 per share. Of these stock options, 264,000 options expire seven years after the grant date and a first, second and last third of the options will vest over a period of three, four and five years, respectively. The remaining 30,000 stock options expire 10 years after the grant date and will vest over a period of one year. The weighted average fair value of the options granted during the six months ended September 30, 2020 was estimated at \$3.70 per option (nil during the six months ended September 30, 2019) using the Black-Scholes option pricing model with the following weighted average assumptions:

|   | Six months ended<br>September 30, |      |
|---|-----------------------------------|------|
|   | 2020                              | 2019 |
| Risk-free interest rate                       | 0.43%                             | Nil  |
| Expected share yield                          | Nil                               | Nil  |
| Expected share price volatility <sup>i)</sup> | 41.31%                            | Nil  |
| Expected life of the options                  | 7.3 years                         | Nil  |

i) The expected volatility is based on the historical volatility of the Corporation's shares traded in the market.



**Notes to the Interim Condensed Consolidated Financial Statements  
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*Unaudited and not reviewed by independent auditors*

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As at September 30, 2020, issued and outstanding stock options were detailed as follows:

| <b>Exercise price</b> | <b>Number of options</b> | <b>Remaining weighted average contractual life (in years)</b> | <b>Weighted-average exercise price</b> |
|-----------------------|--------------------------|---|--|
| 5,81                  | 700,000                  | 6.39  | 5.81                                   |
| 7,43                  | 294,000                  | 7.29  | 7.43                                   |
| <b>Total</b>          | <b>994,000</b>           | <b>6.66</b>   | <b>6.29</b>                            |

**11 Earnings per share**

Basic earnings per share are calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the net income attributable to shareholders of the Corporation and the weighted average number of common shares outstanding for the year by the effects of any dilutive instruments. The Corporation's potentially dilutive instruments include stock options, which are excluded from the calculation in periods during which they are anti-dilutive.

For the three and six months ended September 30, 2020, 994,000 options were excluded from the calculation of the diluted loss per share since the impact would have been anti-dilutive (nil for the three and six months ended September 30, 2019). As a result, diluted earnings (loss) per share are equal to basic earnings (loss) per share.



**Notes to the Interim Condensed Consolidated Financial Statements  
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**12 Expenses by type**

Operating profit (loss) includes the following items:

|  | Three months ended |              | Six months ended |               |
|--|--------------------|--------------|------------------|---------------|
|  | September 30,      |              | September 30,    |               |
|  | 2020               | 2019         | 2020             | 2019          |
| <i>In thousands of Canadian dollars</i>      | \$                 | \$           | \$               | \$            |
| Amortization and depreciation                |                    |              |                  |               |
| Property, plant and equipment                | 290                | 211          | 542              | 452           |
| Intangible assets                            | 731                | 523          | 1 401            | 961           |
| Acquired intangible assets                   | 908                | 601          | 1 914            | 1 202         |
| Right-of-use assets                          | 419                | 397          | 883              | 747           |
| <b>Total</b>                                 | <b>2 348</b>       | <b>1 732</b> | <b>4 740</b>     | <b>3 362</b>  |
| Employee benefit expenses                    |                    |              |                  |               |
| Salaries and employee benefits <sup>i)</sup> | 12 592             | 10 814       | 26 410           | 22 595        |
| Stock-based compensation                     | 80                 | -            | 187              | -             |
| Termination benefits                         | 5                  | 145          | 89               | 146           |
|  | 12 677             | 10 959       | 26 686           | 22 741        |
| Tax credits                                  | (1 123)            | (985)        | (2 486)          | (2 018)       |
| <b>Total</b>                                 | <b>11 554</b>      | <b>9 974</b> | <b>24 200</b>    | <b>20 723</b> |

<sup>i)</sup> Due to the COVID-19 pandemic, the Corporation and some of its subsidiaries qualify for the Canada Emergency Wage Subsidy ("CEWS"). For the three and six months ended September 30, 2020, salaries and benefits were presented net of the CEWS in the amount of \$1,426,386 and \$1,940,941, respectively i.e., were applied against the related costs (nil in 2019).





**Notes to the Interim Condensed Consolidated Financial Statements  
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*Unaudited and not reviewed by independent auditors*

**13 Supplementary statements of income and cash flow information**

a) Changes in non-cash working capital items are as follows:

| <i>In thousands of Canadian dollars</i>  | Three months ended |         | Six months ended |         |
|--|--------------------|---------|------------------|---------|
|  | September 30,      |         | September 30,    |         |
|  | 2020               | 2019    | 2020             | 2019    |
|  | \$                 | \$      | \$               | \$      |
| Decrease (increase) in:                  |                    |         |                  |         |
| Accounts receivable                      | 758                | 1,897   | (2,504)          | 1,869   |
| Tax credits receivable                   | (1,004)            | (985)   | (403)            | (343)   |
| Prepaid expenses and deposits            | (119)              | (152)   | 441              | 3       |
| Increase (decrease) in:                  |                    |         |                  |         |
| Accounts payable and accrued liabilities | (1,827)            | (397)   | (1,500)          | (3,238) |
| Other accounts payable                   | (163)              | (1,149) | (591)            | (889)   |
| Deferred revenues                        | (973)              | (1,528) | 321              | (1,177) |
|  | (3,328)            | (2,314) | (4,236)          | (3,775) |

During the six months ended September 30, 2020, the Corporation has reclassified an amount of \$118,000 (\$773,046 as at September 30, 2019) from Tax credits receivable to Income taxes payable because the Corporation expects to use these tax attributes against income taxes payable during the next fiscal year.

b) Financial expenses consist of the following:

| <i>In thousands of Canadian dollars</i>  | Three months ended |      | Six months ended |      |
|--|--------------------|------|------------------|------|
|  | September 30,      |      | September 30,    |      |
|  | 2020               | 2019 | 2020             | 2019 |
|  | \$                 | \$   | \$               | \$   |
| Amortization of deferred financing costs | 10                 | 10   | 20               | 19   |
| Interest on lease liability              | 98                 | 93   | 197              | 184  |
| Interest on long-term debt               | 166                | 136  | 421              | 390  |
|  | 274                | 239  | 638              | 593  |



## **Notes to the Interim Condensed Consolidated Financial Statements for the three and six months ended September 30, 2020, and 2019**

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### **14 Subsequent events**

#### **Bought deal offering**

On October 19, 2020, the Corporation entered into an agreement with a syndicate of underwriters, pursuant to which they have agreed to purchase on a bought deal basis 4,157,000 common shares of the Corporation at a price of \$10.00 per common share for gross proceeds of \$41,570,000.

The underwriters have also been granted an option exercisable in whole or in part and from time to time, at any time until 30 days after the closing date of the offering, to purchase from the Corporation up to an additional 623,550 common shares at the offering price for additional gross proceeds of up to \$6,235,500 to the Corporation.

On November 6, 2020, the Corporation announced the closing of the bought deal offering of an aggregate of 4,780,550 common shares at a purchase price of \$10.00 per common share for aggregate gross proceeds of \$47,805,500, which includes the exercise in full by the underwriters of their option to purchase up to 623,550 additional common shares.

#### **Bank refinancing**

On October 15, 2020, the Corporation secured credit facilities of up to \$50,000,000 by entering into a senior credit agreement with The Bank of Nova Scotia and Roynat Capital Inc. (“New Credit Agreement”).

The New Credit Agreement provides for a three-year committed revolving credit facility from The Bank of Nova Scotia providing up to \$35,000,000 in credit based primarily on the monthly recurring revenues (MRR) of the Corporation. The New Credit Agreement also provides for a three-year committed term credit facility from Roynat Capital Inc. in an amount of up to \$15,000,000.

The New Credit Agreement contains the usual representations, guarantees and covenants associated with a financing transaction of this nature.

The revolving credit facility under the New Credit Agreement was used, at closing on October 15, 2020, to repay all amounts due under the existing credit facility maturing on December 18, 2020.

#### **Acquisition of Vendor Registry**

On November 2, 2020, the Corporation entered into an agreement, through a subsidiary, to acquire substantially all of the assets of Vendor Registry, Inc. (“Vendor Registry”), a provider of strategic sourcing solutions in the United States.



**Notes to the Interim Condensed Consolidated Financial Statements  
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This acquisition represents a total consideration of US\$5,250,000, payable in cash, subject to certain purchase price adjustments. The closing of the acquisition is subject to certain standard conditions and is expected to take place on or around November 16, 2020.