mdf commerce

Interim Condensed Consolidated Financial Statements for the three and nine-month periods ended December 31, 2020 and 2019

(Unaudited)

Interim Condensed Consolidated Statements of (Loss) Income

Unaudited

In thousands of Canadian dollars except number of shares and earnings per share amounts	Three-month periods ended December 31, 2020 $	2019 $	Nine-month periods ended December 31, 2020 $	2019 $
Revenues (Note 8)	**21,403**	18,072	**62,689**	56,511
Cost of revenues	**7,991**	5,344	**21,470**	15,355
Gross margin	**13,412**	12,728	**41,219**	41,156
Operating expenses				
General and administrative	**5,226**	4,096	**12,762**	9,849
Selling and marketing	**4,816**	4,120	**14,569**	12,241
Technology	**6,086**	6,265	**17,395**	16,297
	16,128	14,481	**44,726**	38,387
Operating (loss) profit	**(2,716)**	(1,753)	**(3,507)**	2,769
Foreign exchange loss	**(516)**	(316)	**(1,256)**	(400)
Loss on sale of a subsidiary	**-**	-	**-**	(83)
Financial expenses (Note 14b))	**(246)**	(312)	**(884)**	(905)
(Loss) profit before income taxes	**(3,478)**	(2,381)	**(5,647)**	1,381
(Recovery) income tax expense	**(625)**	(502)	**(914)**	375
(Loss) profit for the periods	**(2,853)**	(1,879)	**(4,733)**	1,006
(Loss) profit per share (Note 12)				
Basic and diluted	**(0.14)**	(0.13)	**(0.26)**	0.07
Weighted average number of shares outstanding				
Basic and diluted	**20,844,499**	14,912,768	**18,407,228**	14,870,186
Number of shares outstanding at end of periods (Note 10b))	**22,870,874**	15,051,779	**22,870,874**	15,051,779

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

Interim Condensed Consolidated Statements of Comprehensive Income

Unaudited

In thousands of Canadian dollars	Three-month periods ended December 31, 2020 $	2019 $	Nine-month periods ended December 31, 2020 $	2019 $
(Loss) profit for the periods	**(2,853)**	(1,879)	**(4,733)**	1,006
Items that may be reclassified subsequently in profit or loss				
Change in unrealized losses on foreign currency forward contracts, net of deferred taxes	**392**	196	**902**	248
Reclassification of realized losses on foreign currency forward contracts, net of deferred taxes	**20**	37	**223**	183
	412	233	**1,125**	431
Comprehensive (loss) income for the periods	**(2,441)**	(1,646)	**(3,608)**	1,437

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

Interim Condensed Consolidated Statements of Financial Position

Unaudited

In thousands of Canadian dollars	As at December 31, 2020 $	As at March 31, 2020 $
Assets		
Current assets		
Cash and cash equivalents	**38,752**	14,319
Cash held for the benefit of third parties	**501**	857
Accounts receivable	**8,275**	6,103
Income taxes receivable	**1,822**	1,491
Tax credits receivable	**9,204**	8,040
Prepaid expenses and deposits	**2,679**	3,725
Derivative financial instruments	**642**	-
	61,875	34,535
Non-current assets		
Deferred financing costs	**637**	-
Property and equipment	**2,110**	2,495
Right-of-use assets	**9,580**	10,924
Intangible assets	**6,743**	6,907
Acquired intangible assets	**13,351**	13,158
Goodwill	**100,820**	96,852
Deferred taxes	**5,982**	6,214
	201,098	171,085
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**11,476**	10,660
Other accounts payable	**501**	857
Income taxes payable	**645**	568
Deferred revenues	**18,286**	17,796
Derivative financial instruments	**-**	891
Current portion of long-term debt (Note 9)	**38**	26,975
Current portion of lease liability	**1,922**	1,618
	32,868	59,365
Non-current liabilities		
Long-term debt (Note 9)	**1,462**	-
Deferred taxes	**7,382**	8,702
Lease liabilities	**8,458**	10,179
	50,170	78,246
Shareholders' equity		
Share capital (Note 10)	**140,573**	79,251
Reserves	**4,060**	2,560
Retained earnings	**6,295**	11,028
	150,928	92,839
	201,098	171,085

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited

Nine-month period ended December 31, 2020

		Reserves					
	Share capital	Stock option plan	Cash flow hedging	Warrants	Total	Retained earnings	Total
In thousands of Canadian dollars	$	$	$	$	$	$	$
Balance as at March 31, 2020	79,251	3,213	(653)	-	2,560	11,028	92,839
Loss for the period	-	-	-	-	-	(4,733)	(4,733)
Other comprehensive income for the period, net of income taxes	-	-	1,125	-	1,125	-	1,125
Comprehensive loss for the period	-	-	1,125	-	1,125	(4,733)	(3,608)
Issuance of warrants as part of a bought deal offering (Note 10)	-	-	-	290	290	-	290
Exercise of warrants (Note 10)	1,039	-	-	(258)	(258)	-	781
Issuance of common shares as part of a bought deal offering – net of issuance costs (Note 10)	59,118	-	-	-	-	-	59,118
Deferred income tax related to share issuance costs (Note 10)	1,165	-	-	-	-	-	1,165
Compensation under the stock option plan (Note 11)	-	343	-	-	343	-	343
Balance as at December 31, 2020	**140,573**	**3,556**	**472**	**32**	**4,060**	**6,295**	**150,928**

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

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (cont.)

Unaudited

Nine-month period ended December 31, 2019

		Reserves				
In thousands of Canadian dollars	Share capital $	Stock option plan $	Cash flow hedging $	Total $	Retained earnings $	Total $
Balance as at March 31, 2019	78,051	3,213	(310)	2,903	19,750	100,704
Profit for the period	-	-	-	-	1,006	1,006
Other comprehensive income for the period, net of income taxes	-	-	431	431	-	431
Comprehensive income for the period	-	-	431	431	1,006	1,437
Issuance of common shares (Note 10)	1,200	-	-	-	-	1,200
Dividends declared on common shares (Note 10d))	-	-	-	-	(2,970)	(2,970)
Balance as at December 31, 2019	79,251	3,213	121	3,334	17,786	100,371

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

Interim Condensed Consolidated Statements of Cash Flows

Unaudited

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
	2020	2019	2020	2019
In thousands of Canadian dollars	$	$	$	$
CASH FLOWS RELATED TO				
Operating activities				
(Loss) profit for the periods	**(2,853)**	(1,879)	**(4,733)**	1,006
Adjustments for the following items:				
Amortization and depreciation (Note 13)	**2,421**	1,912	**7,161**	5,274
Amortization of deferred financing costs (Note 14b))	**58**	10	**78**	29
Financial expenses (Note 14b))	**168**	302	**806**	876
Compensation under the stock option plan	**156**	-	**343**	-
Foreign exchange	**329**	297	**1,216**	385
Deferred tax expense	**660**	(666)	**(631)**	(946)
Current income tax expense recognized in profit	**(1,285)**	164	**(283)**	1,321
Loss (gain) on sale of a subsidiary	**-**	-	**-**	83
Changes in non-cash working capital items (Note 14 a))	**2,631**	(596)	**(1,605)**	(4,371)
Interest paid	**(198)**	(347)	**(764)**	(877)
Income taxes paid, net of amounts received	**437**	(351)	**168**	(2,302)
	2,554	(1,154)	**1,786**	478
Investing activities				
Proceeds from sale of a subsidiary	**-**	-	**-**	18,434
Business combinations (Note 6)	**(6,860)**	(8,024)	**(6,860)**	(8,024)
Acquisition of property and equipment	**(101)**	(259)	**(408)**	(446)
Acquisition of intangible assets	**(447)**	(794)	**(2,107)**	(2,566)
	(7,408)	(9,077)	**(9,375)**	7,398
Financing activities				
Increase in long-term debt	**23,500**	14,474	**23,500**	14,474
Repayment of long-term debt	**(35,400)**	(3,628)	**(49,005)**	(17,827)
Deferred financing costs	**(685)**	-	**(685)**	-
Decrease in lease liabilities	**(361)**	(374)	**(1,209)**	(1,074)
Bought deal offering – net of issuance costs (Note 10)	**44,588**	-	**59,408**	-
Exercise of warrants (Note 10c))	**781**	-	**781**	-
Cash dividends paid on common shares (Note 10d))	**-**	(1,485)	**-**	(4,455)
	32,423	8,987	**32,790**	(8,882)
Net change in cash and cash equivalents for the periods	**27,569**	(1,244)	**25,201**	(1,006)
Impact of exchange rate changes on cash and cash equivalents	**(282)**	(230)	**(1,124)**	(338)
Cash and cash equivalents at beginning of periods	**11,966**	14,295	**15,176**	14,165
Cash and cash equivalents at end of periods	**39,253**	12,821	**39,253**	12,821
Cash and cash equivalents consist of the following statement of financial position items:				
Cash and cash equivalents	**38,752**	12,411	**38,752**	12,411
Cash held for the benefit of third parties	**501**	410	**501**	410

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

1 Incorporation and nature of operations

mdf commerce inc. (formerly "Mediagrif Interactive Technologies Inc.") (the "Corporation") provides e-business solutions to consumers 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 (the "TSX") under the ticker symbol "MDF." 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 February 10, 2021. 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 years ended March 31, 2020 and 2019. The annual financial statements of the Corporation are available on the SEDAR website at 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 significant 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 changes did not have a significant impact on the Corporation's financial statements.

IFRS 16, Leases

In July 2020, IFRS 16, *Leases* was amended to permit lessees not to assess whether 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 the above amendments, which were applied to all rent relief received. Rent relief totalling $26,021 was recognized in general and administrative expenses for the three and nine-month periods ended December 31, 2020.

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 interim condensed 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 profit or loss. 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 interim condensed consolidated financial statements.

5 Management's estimates and judgments

Risk and uncertainty related to COVID-19

The current global economic situation is highly unstable due to the coronavirus pandemic ("COVID-19"), declared on March 11, 2020 by the World Health Organization. COVID-19 uncertainty had no significant accounting impact for the nine-month period ended December 31, 2020 other than the Canada Emergency Wage Subsidy, as described in Note 13. 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: impairment of goodwill, impairment of intangible assets, expected losses from revenue contracts and expected credit losses.

6 Business combination

Description of the business combination

On November 18, 2020, the Corporation, through a subsidiary, acquired substantially all of the assets and assumed limited specific liabilities of Vendor Registry, Inc., ("Vendor Registry"), a provider of sourcing solutions in the U.S., for a cash consideration of $6,859,975 (US$5,250,000), subject to subsequent adjustments to working capital and deferred revenues assumed. This acquisition meets the definition of a business in IFRS 3, *Business Combinations*.

This acquisition will add U.S buyers and suppliers nationwide to the Corporation's strategic sourcing platform, thereby strengthening its position on the U.S. market.

Assets acquired and liabilities assumed at the acquisition date

In thousands of Canadian dollars	Preliminary allocation $
Assets	
Current assets	
Accounts receivable	49
Prepaid expenses and deposits	12
	61
Non-current assets	
Acquired intangible assets	
Client relationships	2,992
Total	3,053
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	15
Deferred revenues	139
Total	154
Identifiable net assets acquired	2,899
Goodwill	3,968
Total consideration	6,867

The purchase price allocation presented above is preliminary and based on management's best estimates as at December 31, 2020. The final purchase price allocation is expected to be completed within twelve months following the acquisition date and when management has gathered all the information available and considered necessary to finalize this allocation.

Total consideration

In thousands of Canadian dollars	$
Cash consideration transferred	6,860
Preliminary unfavourable adjustment relating to working capital and deferred revenues assumed	7
	6,867

Acquisition-related costs

The acquisition-related costs totalled $244,907, and they are included in General and administrative expenses in the Interim Condensed Consolidated Statements of (Loss) Income.

Determination of fair value

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at the acquisition-date fair value.

Accounts receivable, prepaid expenses and deposits and accounts payable and accrued liabilities arising from a business combination are recognized at their fair value, which is not substantially different from their gross contractual value and expected receipts and disbursements.

Deferred revenues from business combinations are recorded at fair value. This corresponds to the future costs to perform the services, the collection of which took place before the acquisition, plus a profit margin. This profit margin is the average margin the Corporation realizes for the delivery of the same kind of service.

The fair value of acquired intangible assets is determined as follows:

The multi-period excess earnings method is used to calculate the value of customer relationships. This method is primarily based upon future discounted cash flows according to currently available information, such as historical and projected revenues and expenses, the probability of renewal of each contract, and other relevant assumptions.

Goodwill is measured as the excess of the total consideration, over the net balance of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill arising from the business combination

The goodwill recognized from this business combination is deductible for tax purposes. Goodwill of $3,968,000 arises mainly from the synergies with other activities of the Corporation, the economic value of the expertise of the workforce acquired as well as intangible assets that do not meet the criteria for separate recognition.

Impact of the business combinations on the Corporation's financial performance

The following table presents the impact of the acquisition on the Corporation's revenues and net loss for the three and nine-month periods ended December 31, 2020:

In thousands of Canadian dollars	$
Revenues (including a negative fair value adjustment on deferred revenues at closing of $113,728)	77
Net loss	(237)

If this business combination had been completed on April 1, 2020, the Corporation's consolidated revenues for the nine-month period ended December 31, 2020 would have been as follows:

In thousands of Canadian dollars	$
Revenues (including a negative fair value adjustment on deferred revenues at closing of $388,700)	63,382
Net loss (including an additional amortization expense of $320,500 related to acquired intangible assets)	(6,560)

The Corporation considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a nine-month period. However, pro forma information does not account for synergies or historical transactions and is not necessarily indicative of the (loss) profit that the Corporation would have realized if the acquisition had actually occurred on April 1, 2020, nor of the (loss) profit that may be achieved in the future.

To determine the Corporation's pro forma consolidated revenues and (loss) profit if Vendor Registry had been acquired on April 1, 2020, the Corporation:

- calculated the amortization of other acquired intangible assets based on the fair value arising from initial recognition of the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements;
- calculated the revenues according to the fair value of deferred revenues at the acquisition date.

7 Segment information

The Corporation has only one reportable segment.

Geographical information is as follows:

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
In thousands of Canadian dollars	2020 $	2019 $	2020 $	2019 $
Revenues				
Canada	**9,397**	8,861	**29,953**	28,660
United States	**10,097**	8,467	**27,996**	25,536
Europe	**1,646**	348	**3,873**	1,117
Asia and other	**263**	396	**867**	1,198
	21,403	18,072	**62,689**	56,511

In thousands of Canadian dollars	As at December 31, 2020 $	As at March 31, 2020 $
Non-current assets		
Canada	**99,606**	104,010
United States	**32,998**	26,326
	132,604	130,336

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

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

8 Revenues

Revenues are detailed as follows:

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
	2020	2019	2020	2019
In thousands of Canadian dollars	$	$	$	$
Revenues from rights of use	**15,633**	13,507	**45,983**	41,799
Revenues from transaction fees	**2,191**	2,281	**6,425**	6,899
Revenues from advertising	**80**	128	**181**	1,028
Revenues from professional services	**3,107**	1,806	**8,980**	5,631
Revenues from maintenance and hosting services	**287**	274	**881**	871
Other	**105**	76	**239**	283
	21,403	18,072	**62,689**	56,511

9 Long-term debt

Long-term debt is detailed as follows:

In thousands of Canadian dollars	As at December 31, 2020 $	As at March 31, 2020 $
Previous Revolving Facility, repaid in full on October 15, 2020 (interest at the bankers' acceptance rate, plus 2.00% as at March 31, 2020)	-	27,005
Deferred financing costs incurred in connection with the previous credit agreement, repaid in full on October 15, 2020 [i]	-	(30)
Term Facility, bearing interest at the bankers' acceptance rate, plus 3.5%, maturing in October 2023	**1,500**	-
	1,500	26,975
Current portion	**38**	26,975
Long-term portion	**1,462**	-

[i] Deferred financing costs were fully amortized as at October 15, 2020, upon the reimbursement of the Previous Revolving Facility.

As at December 31, 2020

On October 14, 2020, the Corporation signed a new credit agreement (the "Credit Agreement") with two Canadian financial institutions under which the lenders have provided a three-year secured revolving facility of up to $35,000,000 (the "Revolving Facility") as well as a $25,000,000 accordion feature of the Revolving Facility subject to lenders' approval, and a term facility of up to $15,000,000 (the "Term Facility").

The Credit Agreement matures on October 15, 2023, and any unpaid amounts are due in full at maturity. As at December 31, 2020, no amounts were drawn on the Revolving Facility and the amount drawn on the Term Facility was $1,500,000. This amount is repayable in equal consecutive monthly payments based on an amortization rate of 15% per annum starting on November 15, 2021.

Revolving Facility

The maximum amount available under the Revolving Facility is calculated monthly using a percentage of the balance of less than 90-day accounts receivable, and on a multiple of the Corporation's recurring monthly revenue, up to a maximum amount of $35,000,000. As at December 31, 2020, the maximum borrowing capacity available under the Revolving Facility was $32,000,000.

Borrowings under the Revolving Facility can be made by way of the following options: i) prime rate loans; ii) bankers' acceptances; iii) U.S. prime rate loans; iv) LIBOR loans; and v) letters of credit for a maximum amount of $5,000,000 and for terms not exceeding one year.

Borrowings under the Revolving Facility bear interest at rates varying according to the chosen option, plus a margin that varies after the first anniversary of the Credit Agreement based on the rate of use of the Revolving Facility. Moreover, the unused portion of the Revolving Facility bears interest at rates from 0.35% and 0.45% starting on October 15, 2021 as standby fees.

Term Facility

The Credit Agreement includes a Term Facility of up to $15,000,000. At each drawdown, the maximum amount available of the Term Facility must be calculated using a multiple of earnings before interest, taxes and amortization ("EBITDA") for the last 12 months, as described in the Credit Agreement. The multiple differs depending on whether the drawdown is intended either to finance working capital or to finance business acquisitions. According to this calculation, the maximum amount available was $13,500,000, of which $1,500,000 was drawn by the Corporation as at December 31, 2020.

Loans under the Term Facility can be in the form of variable rate loans in Canadian or U.S. dollars.

The loans under the Term Facility bear interest at a rate based either on the bankers' acceptance rate or LIBOR, plus a margin of 3.5%. In addition, the unused portion of the Term Facility bears interest at 0.4% as standby fees.

All obligations under the Credit Agreement are secured by a first-ranking lien on substantially all of the Corporation's assets, tangible and intangible, present and future.

The Credit Agreement contains certain covenants and certain events of default customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures and distributions. The Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at December 31, 2020, the Corporation was in compliance with the financial ratios prescribed under the restrictive covenants set out in the Amended Credit Agreement.

Deferred financing costs

Deferred financing costs in the amount of $637,000 essentially include legal and consulting fees, regulatory filing fees and other financing costs incurred in connection with the Credit Agreement expiring on October 15, 2023.

As at March 31, 2020

On December 18, 2015, the Corporation renewed its credit agreement, which was entered into on November 10, 2011, (the "Previous 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 "Previous Credit Facility") and an accordion loan of $40,000,000 subject to lenders' acceptance. The amount available for borrowing under the Previous 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 Previous Credit Agreement was amended (the "Previous Amended Credit Agreement") in order to temporarily suspend the application of a restrictive covenant set out in the Previous 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 Previous Amended Credit Agreement was further amended to temporarily suspend application of one of the covenants in the Previous Amended Credit Agreement for the reference period applicable to the quarter ended December 31, 2020.

The Previous Credit Facility bore interest at a rate based either on Canadian prime rate, CDOR, or the bankers' acceptance rate plus a margin in each case. This margin varied according to the ratio of total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") as described in the Previous Credit Agreement.

The Previous Amended Credit Agreement was repaid in full on October 15, 2020 after the Corporation entered into a new credit agreement (balance of $26,975,116 as at March 31, 2020).

10 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:

	Nine-month periods ended December 31,			
	2020		2019	
In thousands	Shares	$	Shares	$
Balance at beginning of periods	**15,052**	**79,251**	14,849	78,051
Issuance of common shares	**7,690**	**63,806**	203	1,200
Issuance costs	**-**	**(4,688)**	-	-
Exercise of warrants	**129**	**1,039**	-	-
Deferred taxes on share issuance costs	**-**	**1,165**	-	-
Balance at end of periods	**22,871**	**140,573**	15,052	79,251

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 $14,530,163, net of fees of $1,469,838.

On November 6, 2020, the Corporation completed a bought deal offering under which a total of 4,780,550 common shares of the Corporation were sold at a price of $10.00 per common share for aggregate gross proceeds of $47,805,500, including common shares issued following the full exercise of the underwriters' option granted to the underwriters (the "Investment"). The net proceeds of the investment amounted to $44,587,548, net of fees of $3,217,952.

c) Warrants

On May 21, 2020, 145,454 broker warrants were granted to the subscribers in exchange for services rendered as part of the bought deal offering (the "Broker Warrants"). Each Broker Warrant allows for one common share to be acquired at a price of $6.04, expiring one year after the grant date.

The number of warrants outstanding changed as follows:

	Nine-month periods ended December 31,			
	2020		2019	
In thousands	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of periods	-	-	-	-
Warrants granted	145	6.04	-	-
Warrants exercised	(129)	6.04	-	-
Outstanding at end of periods	16	6.04	-	-

On November 16, 2020, 30,545 shares were issued after a subscriber exercised warrants for a total amount of $184,370. On December 21, 2020, 98,909 shares were issued after a subscriber exercised warrants for a total amount of $597,015.

The warrants granted during the nine-month period ended December 31, 2020 have a fair value of $1.99 per warrant using the Black-Scholes option pricing model based on the following assumptions:

	Nine-month periods ended December 31,	
	2020	2019
Risk-free interest rate	0.29%	Nil
Expected share yield	Nil	Nil
Expected share price volatility [i)]	96.00%	Nil
Expected life of the options	1 year	Nil

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

As at December 31, 2020, issued and outstanding warrants were detailed as follows:

Exercise price	Number of warrants (in thousands)	Remaining weighted average contractual life (in years)	Weighted-average exercise price
6.04	16	0.39	6.04

d) Dividends declared

Nine-month period ended December 31, 2020

No dividend was declared or paid.

Nine-month period ended December 31, 2019

On August 6, 2019, the Corporation announced the payment of a cash dividend of $0.10 per share, paid 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, paid on July 15, 2019, to shareholders of record on July 2, 2019.

11 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 nine-month periods ended December 31, 2020, the compensation expense under the stock option plan amounted to $156,081 and $342,969, respectively (nil for the three and nine-month periods ended December 31, 2019).

The number of options outstanding changed as follows:

	Nine-month periods ended December 31,			
	2020		2019	
In thousands	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of periods	700	5.81	-	-
Options granted	369	7.36	-	-
Options cancelled	(50)	5.81	-	-
Outstanding at end of periods	1,019	6.37	-	-

None of the 1,019,000 options outstanding were exercisable as at December 31, 2020.

On July 8 and September 23, 2020, the Corporation granted 50,000 and 294,000 stock options respectively to employees and administrators at an exercise price of $5.85 and $7.43 per share. Of these stock options, 314,000 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.

On October 12 and November 20, 2020, the Corporation granted 15,000 and 10,000 stock options respectively to employees at exercise prices of $9.89 and $8.97 per share. The 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 weighted average fair value of the options granted during the nine-month period ended December 31, 2020 was estimated at $3.59 per option (nil during the nine-month period ended December 31, 2019) using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine-month periods ended December 31,	
	2020	2019
Risk-free interest rate	**0.43%**	Nil
Expected share yield	**Nil**	Nil
Expected share price volatility [i)]	**41.31%**	Nil
Expected life of the options	**7.2 years**	Nil

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

As at December 31, 2020, issued and outstanding stock options were detailed as follows:

Exercise price	Number of options (in thousands)	Remaining weighted average contractual life (in years)	Weighted-average exercise price
5.81 – 5.85	700	6.17	5.81
7.43	294	7.04	7.43
8.97	10	6.89	8.97
9.89	15	6.78	9.89
Total	1 019	6.44	6.37

12 (Loss) 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 and warrants, which are excluded from the calculation in periods during which they are anti-dilutive.

For the three and nine-month periods ended December 31, 2020, 1,019,000 options and 16,000 warrants were excluded from the calculation of the diluted loss per share since the impact would have been anti-dilutive (nil for the three and nine-month periods ended December 31, 2019). As a result, diluted (loss) earnings per share are equal to basic (loss) earnings per share.

13 Expenses by type

Operating (loss) profit includes the following items:

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
	2020	2019	2020	2019
In thousands of Canadian dollars	$	$	$	$
Amortization and depreciation				
Property and equipment	**251**	233	**793**	685
Intangible assets	**870**	564	**2,271**	1,525
Acquired intangible assets	**885**	680	**2,799**	1,882
Right-of-use assets	**415**	435	**1,298**	1,182
Total	**2,421**	1,912	**7,161**	5,274
Employee benefit expenses				
Salaries and employee benefits [i]	**14,777**	12,203	**41,187**	34,798
Compensation under the stock option plan	**156**	-	**343**	-
Termination benefits	**789**	1,121	**878**	1,267
	15,722	13,324	**42,408**	36,065
Tax credits	**(1,246)**	(886)	**(3,732)**	(2,904)
Total	**14,476**	(12,438)	**38,676**	33,161

[i] 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 nine-month periods ended December 31, 2020, salaries and benefits were presented net of the CEWS in the amount of $786,770 and $2,727,710, respectively, i.e., were applied against the related costs (nil for the three and nine-month periods ended December 31, 2019).

14 Supplementary statements of income and cash flow information

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

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
	2020	2019	2020	2019
In thousands of Canadian dollars	$	$	$	$
Decrease (increase) in:				
Accounts receivable	**427**	285	**(2,077)**	2,154
Tax credits receivable	**(900)**	377	**(1,303)**	34
Prepaid expenses and deposits	**545**	(503)	**986**	(500)
Increase (decrease) in:				
Accounts payable and accrued liabilities	**2,294**	929	**794**	(2,309)
Other accounts payable	**235**	(815)	**(356)**	(1,704)
Deferred revenues	**30**	(869)	**351**	(2,046)
	2,631	(596)	**(1,605)**	(4,371)

During the nine-month period ended December 31, 2020, the Corporation reclassified an amount of $139,000 ($773,046 as at December 31, 2019) from Tax credits receivable to Income taxes payable because the Corporation expects to use these tax attributes against income taxes payable during the upcoming fiscal year.

b) Financial expenses consist of the following:

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
	2020	2019	2020	2019
In thousands of Canadian dollars	$	$	$	$
Amortization of deferred financing costs	**58**	10	**78**	29
Interest on lease liabilities	**93**	91	**290**	275
Interest on long-term debt	**95**	210	**516**	600
	246	311	**884**	904