Interim condensed consolidated financial statements for the three-month and six-month periods ended September 30, 2021 and 2020

(Unaudited)

Interim Condensed Consolidated Statements of Loss

Unaudited

In thousands of Canadian dollars except number of shares and loss per share amounts	Three-month periods ended September 30, 2021 $	Three-month periods ended September 30, 2020 $	Six-month periods ended September 30, 2021 $	Six-month periods ended September 30, 2020 $
Revenues (Note 7)	**25,080**	20,752	**47,653**	41,286
Cost of revenues	**10,813**	6,915	**20,145**	13,479
Gross margin	**14,267**	13,837	**27,508**	27,807
Operating expenses				
General and administrative	**10,421**	3,829	**15,402**	7,536
Selling and marketing	**6,545**	4,731	**12,657**	9,753
Technology	**6,123**	5,370	**12,560**	11,309
	23,089	13,930	**40,619**	28,598
Operating loss	**(8,822)**	(93)	**(13,111)**	(791)
Foreign exchange gain (loss)	**1,397**	(310)	**570**	(740)
Finance expenses (Note 13b))	**(254)**	(274)	**(249)**	(638)
Loss before income taxes	**(7,679)**	(677)	**(12,790)**	(2,169)
Income tax expense (recovery)	**(1,371)**	(34)	**(2,197)**	(289)
Loss for the periods	**(6,308)**	(643)	**(10,593)**	(1,880)
Loss per share				
Basic and diluted	**(0.19)**	(0.04)	**(0.34)**	(0.11)
Weighted average number of shares outstanding				
Basic and diluted	**33,536,037**	17,960,870	**30,970,076**	17,181,933
Number of shares outstanding at end of period (Note 9b))	**43,970,943**	17,960,870	**43,970,943**	17,960,870

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

Interim Condensed Consolidated Statements of Comprehensive Loss

Unaudited

In thousands of Canadian dollars	Three-month periods ended September 30, 2021 $	Three-month periods ended September 30, 2020 $	Six-month periods ended September 30, 2021 $	Six-month periods ended September 30, 2020 $
Loss for the periods	**(6,308)**	(643)	**(10,593)**	(1,880)
Other comprehensive loss items:				
Items that may be reclassified subsequently to loss				
Change in unrealized gains (losses) on foreign currency forward contracts, net of deferred taxes of $57 for the three-month period and $32 for the six-month period (respectively $19 and $147 in 2020)	**(158)**	50	**(88)**	404
Reclassification of realized gains (losses) on foreign currency forward contracts, net of deferred taxes of $54 for the three-month period and $108 for the six-month period (respectively $68 and $113 in 2020)	**(151)**	186	**(299)**	309
Foreign exchange differences on translation of foreign operations	**2,509**	-	**2,509**	-
Total other comprehensive income	**2,200**	236	**2,122**	713
Comprehensive loss for the periods	**(4,108)**	(407)	**(8,471)**	(1,167)

Interim Condensed Consolidated Statements of Financial Position

Unaudited

In thousands of Canadian dollars	**As at September 30, 2021 $**	**As at March 31, 2021 $**
Assets		
Current assets		
Cash and cash equivalents	**8,915**	109,637
Cash held for the benefit of third parties	**7,485**	1,145
Trade and other receivables	**12,976**	10,602
Current portion of unbilled receivables	**6,259**	-
Income taxes receivable	**3,886**	1,989
Tax credits receivable	**11,202**	9,653
Prepaid expenses and deposits	**3,685**	3,483
Derivative financial instruments	**119**	645
	54,527	137,154
Non-current assets		
Unbilled receivables	**8,000**	-
Deferred financing costs	**-**	580
Property and equipment	**2,369**	2,097
Right-of-use assets	**10,230**	9,765
Intangible assets	**7,837**	7,172
Acquired intangible assets	**104,068**	12,335
Goodwill	**270,939**	101,029
Deferred tax assets	**8,062**	6,268
	466,032	276,400
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**18,259**	12,212
Other accounts payable	**7,485**	1,145
Income taxes payable	**-**	224
Deferred revenues	**25,386**	20,310
Current portion of long-term debt (Note 8)	**510**	94
Current portion of lease liabilities	**2,289**	1,882
	53,929	35,867
Non-current liabilities		
Long-term debt (Note 8)	**47,188**	1,406
Deferred tax liabilities	**19,873**	5,920
Lease liabilities	**8,763**	8,640
	129,753	51,833
Shareholders' equity		
Share capital (Note 9)	**336,640**	216,975
Reserves	**6,795**	4,155
Retained earnings (deficit)	**(7,156)**	3,437
	336,279	224,567
	466,032	276,400

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited

Six-month periods ended September 30, 2021

In thousands of Canadian dollars	Share capital $	Reserves: Stock option plan $	Reserves: Accumulated other comprehensive loss $	Reserves: Total $	Retained earnings (Deficit) $	Total $
Balance as at March 31, 2021	216,975	3,680	475	4,155	3,437	224,567
Loss for the period	-	-	-	-	(10,593)	(10,593)
Other comprehensive income items for the period, net of income taxes	-	-	2,122	2,122	-	2,122
Comprehensive income (loss) for the period	-	-	2,122	2,122	(10,593)	(8,471)
Issuance of common shares – net of issuance costs (Note 9b))	117,997	-	-	-	-	117,997
Deferred income tax related to share issuance costs (Note 9b))	1,668	-	-	-	-	1,668
Compensation under the stock option plan (Note 10)	-	518	-	518	-	518
Balance as at September 30, 2021	**336,640**	**4,198**	**2,597**	**6,795**	**(7,156)**	**336,279**

Six-month periods ended September 30, 2020

In thousands of Canadian dollars	Share capital $	Reserves: Stock option plan $	Reserves: Accumulated other comprehensive loss $	Reserves: Total $	Retained earnings $	Total $
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 9b))	14,820	-	-	-	-	14,820
Deferred income tax related to share issuance costs (Note 9b))	313	-	-	-	-	313
Compensation under the stock option plan (Note 10)	-	187	-	187	-	187
Balance as at September 30, 2020	94,384	3,400	60	3,460	9,148	106,992

Interim Condensed Consolidated Statements of Cash Flows

Unaudited

In thousands of Canadian dollars	Three-month periods ended September 30, 2021 $	2020 $	Six-month periods ended September 30, 2021 $	2020 $
CASH FLOWS RELATED TO				
Operating activities				
Loss for the periods	**(6,308)**	(643)	**(10,593)**	(1,880)
Adjustments for the following items:				
Amortization and depreciation (Note 12)	**2,862**	2,348	**5,133**	4,740
Amortization of deferred financing costs (Note 13b))	**158**	10	**215**	20
Interest (revenue) expense (Note 13b))	**(35)**	274	**(97)**	638
Stock-based compensation (Note 10)	**319**	80	**518**	187
Unrealized foreign exchange	**590**	230	**726**	887
Deferred income tax recovery	**(461)**	(747)	**(992)**	(1,291)
Current income tax (recovery) expense recognized in loss	**(909)**	713	**(1,205)**	1,002
Changes in non-cash working capital items (Note 13a))	**(9,769)**	(3,328)	**(6,097)**	(4,236)
Interest received (paid)	**171**	(232)	**247**	(566)
Income taxes paid, net of amounts received	**(313)**	(274)	**(666)**	(269)
Net cash outflow from operating activities	**(13,695)**	(1,569)	**(12,811)**	(768)
Investing activities				
Business combinations (Note 5)	**(227,192)**	-	**(227,192)**	-
Acquisition of property and equipment	**(129)**	(119)	**(229)**	(307)
Acquisition of intangible assets	**(1,422)**	(923)	**(2,156)**	(1,660)
Net cash outflow from investing activities	**(228,743)**	(1,042)	**(229,577)**	(1,967)
Financing activities				
Increase in long-term debt	**55,600**	-	**55,600**	-
Repayment of long-term debt	**(20,010)**	(4,600)	**(20,010)**	(13,605)
Interest paid on long-term debt	**(10)**	-	**(24)**	-
Deferred financing costs	**(439)**	-	**(439)**	-
Lease payments	**(489)**	(401)	**(957)**	(848)
Issuance of common shares – net of issuance costs (Note 9b))	**114,166**	-	**114,166**	14,820
Net cash inflow (outflow) from financing activities	**148,818**	(5,001)	**148,336**	367
Net increase (decrease) in cash and cash equivalents for the periods	**(93,620)**	(7,612)	**(94,052)**	(2,368)
Effect of foreign exchange rate changes on cash and cash equivalents	**(203)**	(216)	**(330)**	(842)
Cash and cash equivalents at beginning of periods	**110,223**	19,794	**110,782**	15,176
Cash and cash equivalents at end of periods	**16,400**	11,966	**16,400**	11,966
Cash and cash equivalents consist of the following statements of financial position items:				
Cash and cash equivalents	**8,915**	11,700	**8,915**	11,700
Cash held for the benefit of third parties	**7,485**	266	**7,485**	266

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 Corporation's Board of Directors approved the interim condensed consolidated financial statements for the three-month and six-month periods ended September 30, 2021 and 2020 on November 10, 2021.

2 Basis of presentation

The accounting policies applied in these interim condensed consolidated financial statements are based on IFRS issued and effective as at September 30, 2021, and are the same as the accounting policies applied in the preparation of the annual consolidated financial statements of the Corporation for the year ended March 31, 2021 and 2020, except as set out below. The Corporation has prepared and presented these interim condensed consolidated financial statements in Canadian dollars.

Basis of preparation

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, 2021 and 2020. The annual financial statements of the Corporation are available on SEDAR at www.sedar.com.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars using exchange rates prevailing at the end of the reporting period. Revenue and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used.

Exchange differences arising from the translation process of foreign operations are recognized as foreign currency translation adjustments in other comprehensive income (loss) and accumulated in equity.

Unbilled Receivables

Unbilled receivables represent amounts for which the Corporation has recognized revenue, pursuant to its revenue recognition policy, for services already performed, but are to be billed in arrears and for which the Corporation believes it has an unconditional right to payment. The Corporation must make assumptions and estimates of future cash flows to determine the current portion of unbilled receivables and judgment must therefore be exercised.

3 New and revised IFRS, issued but not yet effective

IAS 1, Presentation of Financial Statements

On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements regarding the classification of liabilities as current or non-current. These amendments clarify that the classification of liabilities as either current or non-current should be based on the entity's rights at the end of the reporting period and make clear the link between the settlement of the liability and the outflow of the entity's resources. These amendments are effective for fiscal years beginning on or after January 1, 2023 and should be applied retrospectively. The Corporation does not intend to early adopt these amendments and is assessing their impact on its consolidated financial statements.

IFRS 3, Business Combinations

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. 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 37, Provisions, Contingent Liabilities and Contingent Assets

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. 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 and equipment of any proceeds from selling items produced before the asset is available for use. The proceeds from selling this property 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 consolidated financial statements.

4 Management's significant estimates and judgments

In preparing interim condensed consolidated financial statements in accordance with IFRS, management must make estimates and assumptions that affect the reported amounts of revenues and expenses during the period, the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the reporting date. Management reviews its estimates regularly, and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the period being reviewed and future periods. Actual results may differ from these estimates.

Estimates

In preparing interim condensed consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and rely on assumptions and estimates that affect the amounts of the assets, liabilities, revenues, and expenses reported in these consolidated financial statements and on the contingent liability and contingent asset information provided. The actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

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 impact for the three-month and six-month periods ended September 30, 2021 other than the Canada Emergency Wage Subsidy (refer to Note 12). 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 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.

5 Business combination

Description of the business combination

On August 31, 2021, the Corporation, through a U.S. subsidiary, acquired all the issued and outstanding shares of Periscope Intermediate Corporation ("Periscope"), a public eProcurement platform in the U.S. The acquisition will allow the Corporation to strengthen its position in the North American public eProcurement market.

The purchase price consideration was $232.7 million (US$184.4 million), subject to closing and post-closing cash, indebtedness, unpaid transaction costs and working capital adjustments. The purchase price was settled by available cash on hand of $54.4 million, borrowing on the Term facility (Note 8) of $20.2 million (US$16.0 million), borrowings on the Revolving Facility in U.S dollars of $20.7 million (US$16.5 million) and $12.5 million in Canadian dollars, a bought deal public offering with gross proceeds of $67.8 million, private placements with gross proceeds of $52.6 million and the issuance to the seller of $3.8 million newly issued shares of the Corporation. Total purchase consideration includes contingent consideration estimated at $0.7 million (US$0.6 million), payable to the seller of Periscope, under certain conditions.

The acquisition meets the definition of a business in accordance with IFRS 3, *Business Combinations*.

Assets acquired and liabilities assumed at the acquisition date

In thousands of Canadian dollars	**Preliminary allocation** **$**
Assets	
Current assets	
Cash and cash equivalents	1,043
Trade and other receivables	2,971
Current portion of unbilled receivables	5,175
Income taxes receivable	37
Prepaid expenses and deposits	1,166
	10,392
Non-current assets	
Unbilled receivables	8,000
Property and equipment	459
Right-of-use assets	779
Acquired intangible assets	93,038
Total	112,668
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities[1]	18,411
Deferred revenues	3,167
Current portion of long-term debt[1]	11,010
Current portion of lease liabilities	439
	33,027
Non-current liabilities	
Deferred tax liabilities	14,846
Lease liabilities	341
	48,214
Identifiable net assets acquired	64,454
Goodwill	168,256
Net assets acquired	**232,710**

[1] Immediately after closing, certain acquisition-related transaction costs included in accounts payable and accrued liabilities totalling $12.5 million as well as the current portion of long-term debt of $11.0 million were repaid by the Corporation.

The purchase price allocation presented above is preliminary and based on management's best estimates as at September 30, 2021.

The acquired intangible assets include customer lists, technology and tradename and the initial fair value will be finalized once all necessary information is received. 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 purchase consideration

In thousands of Canadian dollars	**$**
Cash consideration transferred	228,235
Preliminary favourable adjustment relating to cash, indebtedness and working capital assumed	(55)
Shares issued	3,831
Contingent consideration	699
	232,710

The acquisition includes contingent consideration with an estimated fair value of $0.7 million at the acquisition date. The contingent consideration varying between nil and $4.1 million (US$3.25 million) is payable in cash to the seller upon achievement of pre-determined conditions over the 7-month and 19-month periods following the closing of the transaction.

Related to the acquisition, an amount of $3.3 million (US$2.6 million) is payable in cash to certain employees if they are employed by the Corporation or its affiliates at two milestones of March 31, 2022 and March 31, 2023. This amount has not been included in the consideration transferred, as it represents compensation for future services; it will therefore be recognized as an expense during the 7-month and 19-month periods following the closing of the transaction.

Acquisition-related costs

Acquisition-related costs of $4.6 million, that were not directly attributable to the issue of shares or long-term debt are included in General and Administrative expenses in the Interim Condensed Consolidated Statements of Loss and in operating cash flows in the Interim Condensed Consolidated Statements of Cash Flows in the periods in which they were incurred.

Determination of fair value

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

Trade and other receivables, unbilled receivables, 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 or expected 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 expected to be realized for the delivery of the same kind of service.

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

The acquired technology and the tradename is evaluated at fair value based on the relief-from-royalty method. The multiperiod excess earnings method is used to calculate the value of customer relationships. The relief-from-royalty method and the multiperiod excess earnings method are all primarily based upon anticipated discounted cash flows according to currently available information, such as historical and projected revenues and expenses, the renewal probability of each contract, and certain 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 not deductible for tax purposes. Goodwill of $168.3 million 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 six-month periods ended September 30, 2021:

In thousands of Canadian dollars	**$**
Revenues (including a negative fair value adjustment on deferred revenues at closing of $1,030)	2,412
Net income (loss)	343

If this business combination had been completed on April 1, 2021, the Corporation's consolidated revenues for the six-month period ended September 30, 2021 would have been as follows:

In thousands of Canadian dollars	**$**
Revenues (including a negative fair value adjustment on deferred revenues at closing of $4,198)	55,528
Net loss (including an additional amortization expense of $3,152 related to acquired intangible assets)	(15,646)

The Corporation considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a six-month period.

However, pro forma information does not account for synergies or historical transactions and is not necessarily indicative of the profit that the Corporation would have realized if the acquisition had actually occurred on April 1, 2021, nor of the profit that may be achieved in the future.

To determine the Corporation's pro forma consolidated revenues and profit as if Periscope had been acquired on April 1, 2021, the Corporation:

- calculated the amortization of acquired intangible assets based on the fair value arising from the initial recognition of the business combination rather than on the carrying amounts recognized in the pre-acquisition financial statements;
- calculated the depreciation of the right-of-use assets based on the fair value at acquisition;
- calculated revenues including the fair value adjustment of deferred revenues at the acquisition date;
- calculated the borrowing costs on the Corporation's net indebtedness as at the date of the business combination;
- calculated the effect of the fair value adjustment on the contingent consideration;
- calculated the employee compensation expense related to the employee retention bonus;
- calculated an additional income tax recovery to reflect the pro forma adjustments described above.

6 Segment information

The Corporation has determined that there is only one reportable segment, e-commerce services.

Geographical information is as follows:

	Three-month periods ended September 30,		**Six-month periods ended September 30,**	
	2021	**2020**	**2021**	**2020**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Revenues				
United States	**12,303**	9,032	**22,004**	17,899
Canada	**10,665**	10,022	**21,443**	20,556
Europe	**1,706**	1,407	**3,482**	2,227
Asia and other	**406**	291	**724**	604
	25,080	20,752	**47,653**	41,286

In thousands of Canadian dollars	**As at September 30, 2021 $**	**As at March 31, 2021 $**
Non-current assets		
United States	**305,043**	33,022
Canada	**98,308**	99,376
Asia and other	**92**	-
	403,443	132,398

Revenues are attributed to countries based on the location of customers.

The total non-current assets, other than financial instruments and deferred taxes include unbilled receivables, property and equipment, right-of-use assets, intangible assets, acquired intangible assets and goodwill.

As at September 30, 2021, non-current assets presented above exclude deferred financing cost of nil ($580,237 as at March 31, 2021), and deferred tax assets of $8,062,011 ($6,268,000 as at March 31, 2021).

7 Revenues

Revenues are detailed as follows:

	Three-month periods ended September 30,		**Six-month periods ended September 30,**	
	2021	**2020**	**2021**	**2020**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Revenues from rights of use	**17,839**	15,017	**34,274**	30,350
Revenues from professional services	**4,387**	3,240	**7,927**	5,873
Revenues from transaction fees	**2,311**	2,110	**4,573**	4,234
Revenues from maintenance and hosting services	**99**	292	**141**	594
Other	**444**	93	**738**	235
	25,080	20,752	**47,653**	41,286

Contract assets and liabilities

Below are the receivables, unbilled receivables, contract assets, and contract liabilities recognized in the Consolidated Statements of Financial Position:

In thousands of Canadian dollars	**As at September 30, 2021 $**	**As at March 31, 2021 $**
Receivables (included in trade and other receivables)	**10,849**	8,922
Unbilled receivables	**14,259**	-
Contract assets (included in trade and other receivables)	**1,524**	1,680
Deferred revenues	**25,386**	20,310

There were no impairment losses recognized on receivables and contract assets arising from contracts with customers during the three and six-month periods ended September 30, 2021 and 2020. As at September 30, 2021, the Corporation did not provide for an allowance for doubtful accounts on unbilled amounts, as amounts were deemed collectible.

8 Long-term debt

Long-term debt is detailed as follows:

In thousands of Canadian dollars	**As at September 30, 2021 $**	**As at March 31, 2021 $**
Previous Term Facility, bearing interest at the bankers' acceptance rate, plus 3.0%, maturing in October 2023, repaid in full on August 31, 2021	**-**	1,500
Term Facility denominated in USD bearing interest at the LIBOR rate, plus 3.50%, maturing on August 31, 2024	**20,386**	-
Revolving Facility, CAD borrowing, bearing interest at the bankers' acceptance rate, plus 2.0% as at September 30, 2021	**7,221**	-
Revolving Facility, USD borrowing, bearing interest at the LIBOR rate, plus 2.0% as at September 30, 2021	**20,895**	-
	48,502	1,500
Less: Deferred financing fees	**(804)**	-
	47,698	1,500
Current portion	**510**	94
Long-term portion	**47,188**	1,406

On August 31, 2021, the Corporation and Tim USA Inc., a wholly-owned subsidiary of the Corporation, entered into a new credit agreement (the "Credit Agreement") with a Canadian financial institution under which the lender has provided a three-year secured revolving facility (the "Revolving Facility") of up to $50,000,000 with an accordion amount on the Revolving Facility up to $20,000,000 subject to the lender's approval, and a non-revolving credit facility (the ''Term Facility'') of up to US$16,000,000. The Credit Agreement matures on August 31, 2024, and any unpaid amounts are due in full at maturity.

Revolving Facility

The maximum amount available under the Revolving Facility is calculated monthly using a percentage of the balance of eligible accounts receivable (as defined in the Credit Agreement), and a multiple of the Corporation's monthly recurring revenue (as defined in the Credit Agreement), up to a maximum amount of $50,000,000. As at September 30, 2021, the maximum borrowing base under the Revolving Facility was $50,000,000.

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

Borrowings under the Revolving Facility bear interest at rates varying according to the chosen option, plus a margin based on the rate of use of the Revolving Facility. Moreover, starting on August 31, 2021, the unused portion of the Revolving Facility bears interest at rates from 0.35% to 0.45% as standby fees.

Term Facility

The Term Facility of US$16,000,000 is available by way of a single borrowing on the closing date of the acquisition of Periscope. As at September 30, 2021, the borrowing under the Term facility is at the full available amount.

Loans under the Term Facility can be made by way of the following options: i) U.S. dollar base rate loans; ii) LIBOR.

The Term Facility bears interest at a rate based either on the U.S. base rate plus a margin of 2.25% or bankers' acceptance and LIBOR, plus a margin of 3.50%.

The Term Facility is repayable in equal consecutive monthly payments based on an amortization rate of 10% per annum starting on September 30, 2022.

As at September 30, 2021, $7,221,000 was drawn on the Revolving Facility in Canadian dollars and CA$20,895,000 (US$16,400,000) on the Revolving Facility in U.S. dollars. As at September 30, 2021, the amount drawn on the Term Facility in U.S. dollars was US$16,000,000 (CA$20,386,000).

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

The Credit Agreement contains certain financial and restrictive covenants customary for loans of this nature, including certain limitations to the amounts of investments, acquisitions, dispositions or sale of assets or equity interest in subsidiaries, debt, capital expenditures and distributions. As at September 30, 2021, the Corporation was in compliance with the financial ratios and restrictive covenants prescribed as set out in the Credit Agreement.

Deferred financing costs

Deferred financing costs in the amount of $987,000 include legal and consulting fees, regulatory filing fees and other financing costs incurred in connection with the Credit Agreement expiring on August 31, 2024. These costs are amortized over the term of the Credit Agreement.

Previous Credit Agreement

All amounts due under the previous credit agreement entered into on October 14, 2020 were reimbursed on August 31, 2021 including the repayment of the term loan of $1.5 million plus accrued interest.

9 Share capital and accumulated other comprehensive loss

a) Authorized and paid, unlimited number of:

- 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 six-month periods ended September 30:

	2021		**2020**	
In thousands	**Shares**	**$**	**Shares**	**$**
Balance at beginning of periods	**28,404**	**216,975**	15,052	79,251
Issuance of common shares	**15,567**	**124,290**	2,909	16,000
Issuance costs	**-**	**(6,293)**	-	(1,180)
Deferred taxes on share issuance costs	**-**	**1,668**	-	313
Balance at end of periods	**43,971**	**336,640**	17,961	94,384

On August 31, 2021, the Corporation completed a bought deal offering on a private placement basis in relation to the acquisition of Periscope (Note 5).

Under the bought deal offering, a total of 8,480,000 common shares of the Corporation were sold at a price of $8.00 per common share for an aggregate gross proceed of $67,840,000. The net proceeds of the investment amounted to $63,004,654, net of fees of $4,835,346.

On August 31, 2021, in relation to the acquisition of Periscope, the Corporation completed a private placement with *Fonds de solidarité FTQ* and *Investissement Québec*, under which a total of 6,577,389 common shares of the Corporation were sold at a price of $8.00 per common share for aggregate gross proceeds of $52,619,112. The net proceeds of the investment amounted to $51,179,082, net of fees of $1,440,030.

On August 31, 2021, the Corporation issued 509,438 common shares at a price of $7.52 per common share for total of $3,830,974 as partial consideration for the purchase price for the acquisition of Periscope (Note 5) $18,045 of share issuance costs were recorded relating to this share issuance.

On May 21, 2020, the Corporation completed a bought deal offering on a private placement basis, 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. The net proceeds of the investment amounted to $14,820,163, net of fees of $1,179,838.

c) Dividends declared

No dividends were declared or paid during the six-month periods ended September 30, 2021 and 2020.

d) Accumulated other comprehensive loss

The components of accumulated other comprehensive loss included as at September 30:

	2021	**2020**
	$	**$**
Cash flow hedges	**88**	60
Foreign exchange differences on translation of foreign operations	**2,509**	-
	2,597	60

10 Share-based payment

For the three-month and six-month periods ended September 30, 2021, the compensation expense under the stock option plan amounted to $319,184 and $518,342, respectively ($80,280 for the three-month period and $186,888 for the six-month period ended September 30, 2020).

Issued and outstanding stock options changed as follows during the six-month periods ended September 30:

	2021		2020	
	Number of options (*in thousands*)	Weighted-average exercise price	Number of options (*in thousands*)	Weighted-average exercise price
Outstanding at beginning of periods	**1,027**	**7.46**	700	5.81
Options granted	**527**	**7.44**	294	7.43
Options forfeited	**(82)**	**6.92**	-	-
Outstanding at end of periods	**1,472**	**7.48**	994	6.29

Of the options outstanding as at September 30, 2021, 25,000 were exercisable (nil as at September 30, 2020).

On September 15, 2021, the Corporation granted 30,000 stock options to members of the Board of Directors at an exercise price of $7.14 per share. These stock options expire ten years after the grant date and vest on September 1, 2022.

On September 10, 2021, the Corporation granted 497,273 stock options to employees and members of the Board of Directors at an exercise price of $7.46 per share with various service commencement dates between April 1, 2021 and September 30, 2021. Of these stock options, 496,023 expire seven years after the grant date (or after the commencement date, if it precedes the grant date) and one third of the options will vest on each of the 3rd, 4th and 5th anniversaries of the grant date (or after the commencement date, if it precedes the grant date). The remaining 1,250 stock options expire ten years after the grant date and vest over a period of one year.

The weighted average fair value of the options granted during the six-month period ended September 30, 2021 was $1,788,304 or $3.39 per option ($1,087,800 or $3.70 per option for 2020) using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six-month periods ended September 30,	
	2021	**2020**
Risk-free interest rate	**0.86%**	0.43%
Expected dividend yield	**Nil**	Nil
Expected share price volatility	**50.78%**	41.31%
Expected term of the options	**5.4 years**	5.0 years

The expected volatility is based on the historical volatility of the Corporation's share price traded in the market. The risk-free rate interest rate is equal to the yield available on government of Canada bonds at the grant date with a term that approximates the expected terms of the options.

As at September 30, 2021, 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	550	5.43	5.81
7.14 - 9.89	799	6.67	7.50
12.29 - 15.15	123	6.48	14.80
Total	**1,472**	**6.19**	**7.48**

11 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the net loss attributable to shareholders of the Corporation by the weighted average number of common shares outstanding that would have been outstanding for the period assuming the conversion of all 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-month and six-month periods ended September 30, 2021, 1,471,690 stock options were excluded from the calculation of the diluted loss per share since the impact would have been anti-dilutive (994,000 for the three and six months ended September 30, 2020). As a result, diluted loss per share is equal to basic loss per share.

12 Expenses by type

Operating loss includes the following items:

	Three-month periods ended September 30,		Six-month periods ended September 30,	
	2021	**2020**	**2021**	**2020**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Amortization and depreciation				
Property and equipment	**224**	290	**428**	542
Intangible assets	**795**	731	**1,491**	1,401
Acquired intangible assets	**1,337**	908	**2,219**	1,914
Right-of-use assets	**506**	419	**995**	883
Total	**2,862**	2,348	**5,133**	4,740
Employee benefit expenses				
Salaries and employee benefits [i)]	**17,321**	12,592	**33,798**	26,410
Stock-based compensation	**319**	80	**518**	187
Termination benefits	**166**	5	**283**	89
	17,806	12,677	**34,599**	26,686
Tax credits	**(1,541)**	(1,123)	**(2,709)**	(2,486)
Total	**16,265**	11,554	**31,890**	24,200

i) Due to the COVID-19 pandemic, the Corporation and some of its subsidiaries qualified for the Canada Emergency Wage Subsidy ("CEWS"). For the three-month and six-month periods ended September 30, 2021, salaries and benefits were presented net of the CEWS in the amount of $nil and $808,683 ($1,426,386 and $1,940,941 in 2020).

13 Supplementary statements of Loss and cash flow information

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

	Three-month periods ended September 30,		Six-month periods ended September 30,	
	2021	**2020**	**2021**	**2020**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Decrease (increase) in:				
Trade and other receivables	**17**	758	**684**	(2,504)
Unbilled receivables	**(949)**	-	**(949)**	-
Tax credits receivable	**(1,446)**	(1,004)	**(1,756)**	(403)
Prepaid expenses and deposits	**391**	(119)	**975**	441
Increase (decrease) in:				
Accounts payable and accrued liabilities	**(12,434)**	(1,827)	**(13,265)**	(1,500)
Other accounts payable	**4,962**	(163)	**6,340**	(591)
Deferred revenues	**(310)**	(973)	**1,874**	321
	(9,769)	(3,328)	**(6,097)**	(4,236)

During the six-month periods ended September 30, 2021 and 2020, the Corporation reclassified amounts of $302,000 and $118,000 respectively from Tax credits receivable to Income taxes payable because the Corporation expects to be able to use these tax attributes against income taxes payable during the upcoming fiscal year.

During the six-month period ended September 30, 2021, the Corporation issued shares for a fair value of $3,830,974 related to the settlement of a business combination (Notes 5 and 9b).

b) Finance expenses consists of the following:

	Three-month periods ended September 30,		Six-month periods ended September 30,	
	2021	**2020**	**2021**	**2020**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Amortization of deferred financing costs	**158**	10	**215**	20
Interest on lease liabilities	**173**	98	**264**	197
Interest on long-term debt	**135**	166	**149**	421
Interest income	**(343)**	-	**(510)**	-
Other finance costs	**131**	-	**131**	-
	254	274	**249**	638