Management's Discussion and Analysis

For the second quarter ended September 30, 2021

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Basis of presentation

This Management's Discussion Analysis ("MD&A"), dated November 10, 2021, presents an analysis of the financial position and operating results of **mdf commerce** inc. (formerly "Mediagrif Interactive Technologies Inc.") ("mdf" or the "Corporation") as at September 30, 2021 and for the second quarters ended September 30, 2021 and September 30, 2020. The MD&A should be read in conjunction with the unaudited interim condensed financial statements for the three-month and six-month periods ended September 30, 2021 and 2020 as well as the Corporation's annual MD&A for the year ended March 31, 2021, the audited consolidated financial statements and notes thereto, for the years ended March 31, 2021 and March 31, 2020. This management's discussion and analysis compares performance for the quarters ended September 30, 2021 and 2020. This MD&A was approved by the Board of Directors of the Corporation.

The 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). The interim condensed consolidated financial statements do not include all of the information required for complete financial statements under IFRS, including the notes.

This document and the interim condensed consolidated financial statements are expressed in Canadian dollars unless otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding.

The Corporation presents non-IFRS financial performance measures and key performance indicators to assess operating performance. The Corporation presents Adjusted profit (loss), Adjusted profit (loss) per share[2], net profit (loss) before interest, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA[1], Adjusted EBITDA Margin, and certain Revenues presented on a constant currency basis[3] as non-IFRS measures and Monthly Recurring Revenues ("MRR")[4] as a key performance indicator. These non-IFRS measures and key performance indicators do not have standardized meanings under IFRS and are not likely to be comparable to similarly designated measures reported by other corporations. The reader is cautioned that these measures are being reported in order to complement, and not replace, the analysis of financial results in accordance with IFRS. Management uses both measures that comply with IFRS and non-IFRS measures, in planning, overseeing and assessing the Corporation's performance.

[1] Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. In the fourth quarter of fiscal 2021, the definition of Adjusted EBITDA was amended, and certain comparative figures have been restated to conform with the current presentation. Refer to the "Non-IFRS Financial Measures and Key Performance Indicators" section.

[2] Adjusted profit (loss) and Adjusted profit (loss) per share (basic and diluted) are non-IFRS financial measures. Refer to the "Non-IFRS Financial Measures and Key Performance Indicators" section.

[3] Certain revenue figures and changes from prior period are analyzed and presented on a constant currency basis and are obtained by translating revenues from the comparable period of the prior year denominated in foreign currencies at the foreign exchange rates of the current period. Refer to the "Non-IFRS Financial Measures and Key Performance Indicators" section.

[4] Recurring revenue (MRR)is a key performance indicator and is composed of subscription and support revenues that are recurring in nature. Therefore, they exclude onetime fees and professional fees and other types of non-recurring revenues. Refer to the "Non-IFRS Financial Measures and Key Performance Indicators" section.

The terms and definitions associated with non-IFRS measures as well as a reconciliation to the most comparable IFRS measures, and key performance indicators are presented in the section "Non-IFRS Financial Measures and Key Performance Indicators" in this Management's Discussion and Analysis. In the fourth quarter of fiscal 2021, the Corporation amended the definition of Adjusted EBITDA[1], and comparative figures have been reclassified to conform with the current period presentation. Refer to the section "Non-IFRS Financial Measures and Key Performance Indicators".

Forward-Looking Statements

In this MD&A, “mdf commerce”, the “Corporation” or the words “we”, “our” and “us” refer, depending on the context, either to mdf commerce inc. or to mdf commerce inc. together with its subsidiaries and entities in which it has an economic interest. All dollar amounts refer to Canadian dollars, unless otherwise expressly stated.

This MD&A is dated November 10, 2021 and, unless specifically stated otherwise, all information disclosed herein is provided as at September 30, 2021, the end of the most recent quarter of the Corporation.

Certain statements in this MD&A and in the documents incorporated by reference herein constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause mdf commerce’s, or the Corporation’s industry’s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any of the Corporation’s statements. Such factors may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the “Risk Factors and Uncertainties” section of the Corporation’s Annual Information Form as at March 31, 2021. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “could”, “expects”, “plans”, “anticipates”, “intends”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negatives of these terms or other comparable terminology. These statements are only predictions. Forward-looking statements are based on management’s current estimates, expectations and assumptions, which management believes are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and are accordingly subject to changes after such date. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date. Actual events or results may differ materially. We cannot guarantee future results, levels of activity, performance or achievement. We disclaim any intention, and assume no obligation, to update these forward-looking statements, except as required by applicable securities laws.

Corporation Profile

mdf commerce inc. (formerly "Mediagrif Interactive Technologies Inc.") (TSX: MDF) enables the flow of commerce by providing a broad set of software as a service (SaaS) solutions that optimize and accelerate commercial interactions between buyers and sellers. Our platforms and services empower businesses around the world, allowing them to generate billions of dollars in transactions on an annual basis. Our eprocurement (formerly Strategic Sourcing), ecommerce, Supply Chain Collaboration and emarketplaces solutions are supported by a strong and dedicated team of approximately 800 employees based in Canada, the United States, Denmark, Ukraine and China.

Mission Statement

Our mission is to *Enable the Flow of Commerce*.

Overview

We continue to transform the Corporation into a high-growth, cloud-based, SaaS commerce technology business, with a focus on our two core platforms, Unified Commerce and eprocurement. As the global economy and society in general is starting to recover from the multiple waves of COVID-19, transaction volumes for our ecommerce platforms remain higher than before the onset of the pandemic. Although these volumes remain higher, the ongoing global supply chain crisis is having a negative impact on this growth, especially in the retail environment and in some cases also affecting the grocery vertical.

The second quarter of fiscal 2022 was transformational and represented significant forward progression in the execution of our growth plan. The acquisition of Periscope on August 31, 2021 allowed us to expand both our geographic footprint and technology offering for our Strategic Sourcing platform, which we have rebranded to eprocurement. After a little more than two months since the acquisition, our integration efforts are on track. We are now the platform of record for over 6,000 government agencies with a network of 500,000+ active suppliers, with the ability to offer a full end-to-end eprocurement solution. This transformation now positions us as a North American leader in public eprocurement, with the ability to service all types of government agencies. Growth for the platform will be focused on driving transactional revenues via our innovative transaction fee model, which allows us to earn revenue on procurement transactions relating to everyday needs such as office and medical supplies, legal services, gas and electricity, to more complex construction and infrastructure projects. We believe that this innovative model is highly scalable and has the potential to generate significant upside. As planned, this acquisition, along with last year's acquisition of Vendor Registry has provided us with the required scale to effectively grow our eprocurement market share in North America.

For Unified Commerce, which includes the ecommerce and Supply Chain Collaboration solutions, the focus for growth is organic and primarily in ecommerce as this market is accelerating significantly, with businesses implementing new or upgraded ecommerce infrastructure at an accelerated pace. For this platform, our focus is on investing in our sales capabilities for both direct sales as well as sales via our growing partner network and product innovation to maximize our scalability, which should allow us over time, to generate higher sales, onboard new clients more efficiently while ensuring seamless quality customer service support.

We continue to onboard new clients especially in the retail and grocery verticals, though transaction volumes are being impacted by the ongoing supply chain challenges and their impact on the overall economy.

During the quarter, we continued our investments on scalability, on eliminating friction points on our ability to accelerate growth. These investments include the expansion of our sales & marketing capabilities, product innovation, cloud migration and optimization, ongoing improvements to security as well as overall employee compensation to retain key talent. These foundational upgrades position us more favorably as we continue to capitalize on emerging market conditions.

Led by a senior product and IT team, the transfer of services to the AWS cloud is progressing and should result in accelerated product development cycles, product innovation and monetization of existing assets while providing opportunities to optimize costs in the coming quarters.

In terms of our customer acquisition strategy, ongoing efforts to strengthen our sales organization are starting to yield growth in our leads pipeline for ecommerce, and a steady onboarding of public agencies and suppliers for eprocurement. We believe that the implementation of our solutions for new and future customers will continue to be positively impacted by our technology investments, helping us to deploy and manage new contracts more efficiently and improving our gross margins over time.

From a talent and productivity perspective, the Corporation has implemented various recruitment strategies in response to the scarcity of tech and sales resources which has accelerated since early calendar 2021. Our hiring strategy is to prioritize new hires based on positions with a direct impact on revenue generation. In the first quarter of fiscal 2022, we adjusted our pay scales to remain competitive in the marketplace and to attract and retain key talent.

As we scale, the timing of client contracts, professional services, and transaction volumes could continue to create variances in sequential revenue and gross margin growth trajectories. We believe that the investments that we are making now will contribute positively to our financial performance in future quarters.

For the second quarter of fiscal 2022, total revenue was $25.1 million, compared to $20.8 million in the second quarter of prior year, a growth rate of 20.8%. This growth was positively impacted with the recognition of one month of revenue from the Periscope acquisition. Based on constant currency[3], total revenue increased by $4.7 million or 23.2% compared to the second quarter in fiscal 2021.

Outlook

In the short-term, we are focused on integrating Periscope, and to leverage its unique business model throughout our eprocurement platform. We will continue to devote additional resources to optimize our operational infrastructure to help improve the scalability and profitability of our operations as we onboard new customers and cross-sell to existing clients in both of our core growth platforms. Given calendar year-to-date performance and high near-term visibility for contracted revenue and pipeline developments, Management remains confident that Periscope can achieve revenues of approximately US$33 million in calendar year 2021, compared to US$23.1 million in calendar year 2020. The Corporation is benefiting from this performance as of the acquisition date. Management also continues to estimate annual revenue synergies of at least $15 million and annual cost synergies of approximately $5 million within 3 years of the August 31, 2021 acquisition date.

For Unified Commerce, our focus is on organic growth, and continued efforts and investments will be made to improve scalability. It is also where a vast majority of our professional services revenue will be focused as we deploy more large enterprise client systems over time. Although we are actively managing our professional services expenses, at times, gross margin contribution could be compressed by elevated professional services expenses related to large deployments, which generate right of use services recurring revenue. Exiting the pandemic, we believe that the accelerated market adoption of ecommerce solutions presents a "long-tail" market opportunity, as retailers are implementing or upgrading their ecommerce infrastructure. We plan on continuing to capitalize on these opportunities going forward, and we believe that the foundational enhancements that we are investing in now will help us to convert our sales pipeline faster, deploy more efficiently, and focus on growing higher margin recurring revenues going forward.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The pandemic has created a period of unprecedented volatility and uncertainty with regards to global economic and market conditions.

The Corporation continues to monitor the financial impact of the COVID-19 pandemic and related market risks on its business, financial conditions, and results of operations, should the duration, spread or intensity of the pandemic further develop. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 both in the short and long term. Government and central bank interventions and the timing of the transition to a fully reopened economy is uncertain.

The Corporation maintains sufficient liquidity to satisfy all its financial obligations for the foreseeable future. Despite this liquidity, the Corporation may see an impact to the cost of capital in the future as a result of disrupted credit markets if the timing and pace of economic recovery is slow. Furthermore, a sustained period of significant market volatility could negatively impact the Corporation.

In response to this extraordinary situation, the Corporation was proactive and quickly implemented a business continuity plan. The Corporation also acted to ensure that all of its employees were able to continue their activities remotely, thereby placing the health and safety of all at the heart of its concerns. This quick reorganization enabled us to provide our customers with uninterrupted and high-quality support.

Although COVID-19 created a climate of uncertainty during fiscal 2021 and in the first half of fiscal 2022 the Corporation experienced growth in its ecommerce and eprocurement activities, benefiting from accelerated digitalization in the retail and grocery verticals as well as in public procurement. Our legacy emarketplaces and supply chain platforms were negatively impacted and experienced a decline in revenues. The platforms most impacted by COVID-19 benefited from the Canadian Federal government's assistance programs.

The medium and long-term economic effects of the COVID-19 pandemic remain unknown and could affect our future results. However, the Corporation believes that the transformation to ecommerce and digital technology will continue or accelerate and that we will be able to benefit from this trend through our main platforms. Our business solutions and industry expertise put us in a strong position to continue supporting our customers, as they stabilize their organizations, and optimize their business transactions in these unprecedented times.

- On August 31, 2021, the Corporation, through a U.S. subsidiary, acquired all the issued and outstanding shares of Periscope Intermediate Corporation ("Periscope"), a government 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 consideration was $232.7 million (US$184.4 million), and subject to certain customary closing and post-closing adjustments.

  In connection with the Periscope acquisition:

- On August 31, 2021, the Corporation completed a bought deal public offering under which a total of 8,480,000 common shares of the Corporation were sold at a price of $8.00 per common share for aggregate gross proceeds of $67.8 million.
- On August 31, 2021, 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 $52.6 million.
- On August 31, 2021, the Corporation issued 509,438 common shares at a price of $7.52 per common share for total of $3.8 million as partial consideration for the purchase price to the seller.
- On August 31, 2021, the Corporation and a wholly-owned U.S. 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 $50.0 million with an accordion amount on the Revolving Facility up to $20.0 million subject to lender's approval, and a non-revolving credit facility (the "Term Facility") of up to US$16.0 million. The Credit Agreement matures on August 31, 2024. All amounts due under the previous credit agreement entered into on October 14, 2020 were reimbursed on August 31, 2021.

Financial Highlights – Second Quarter Ended September 30, 2021 ("Second quarter of fiscal 2022")

Total revenues and Recurring Revenues (MRR)[4]

- Total revenues for second quarter of fiscal 2022 reached $25.1 million, an increase of $4.3 million or 20.8% compared to $20.8 million for second quarter of fiscal 2021. On a constant currency[3] basis, total revenue increased by $4.7 million or 23.2% compared to the second quarter of fiscal 2021. Revenues for the second quarter of fiscal 2022 were reduced by $1.0 million, relating to a fair value adjustment on Periscope deferred revenues at the closing date of the acquisition.
- Recurring revenue[4] represents $20.0 million or 76.8% of total revenues for second quarter of fiscal 2022 compared to $15.9 million or 76.4% of total revenues for second quarter of fiscal 2021.
- The eprocurement platform generated revenues of $11.3 million, an increase of $3.2 million or 40.1% compared to $8.0 million in second quarter of fiscal 2021. The US-based eprocurement network, which includes revenues from Periscope for one month post-acquisition, contributed positively to revenue growth with an increase in total revenues of $3.2 million or 84.2%, compared to second quarter of fiscal 2021. Revenues for the second quarter of fiscal 2022 were reduced by $1.0 million, relating to a fair value adjustment on Periscope deferred revenues at the closing date of the acquisition.
- Recurring revenue[4] for the eprocurement platform represented 93.1% of platform revenues for second quarter of fiscal 2022 compared to 93.0% for second quarter of fiscal 2021.
- The Unified Commerce platform, which includes both ecommerce and Supply Chain Collaboration solutions, generated revenues of $10.0 million for second quarter of fiscal 2022, an increase of $1.0 million or 10.7% compared to revenues of $9.1 million for the second quarter of fiscal 2021. A combination of organic growth and increased transactions volumes on the platforms from existing clients contributed to an increase in revenues of $0.6 million for the Orckestra solution, $0.3 million for k-ecommerce solution and $0.1 million for the Supply Chain Collaboration solution.
- Recurring revenue[4] for the Unified Commerce platform represented 57.4% of platform revenues for second quarter of fiscal 2022 compared to 58.4% for second quarter of fiscal 2021.
- The emarketplaces platform generated revenues of $3.8 million for second quarter of fiscal 2022, an increase of $0.1 million or 3.5% compared to revenues of $3.7 million for second quarter of fiscal 2021. The net increase is primarily due to Jobboom, contributing $0.2 million in revenue in the second quarter of fiscal 2022, primarily due to an active Canadian job market.
- As we focus on strengthening our market position in the Corporation's two core platforms, in eprocurement and Unified Commerce, it is expected that overall emarketplaces revenues will continue to have less impact on the Corporation's future financial performance.

Loss and Adjusted EBITDA[1]

- For second quarter of fiscal 2022, total operating expenses increased by $9.2 million or 63.6% compared to second quarter of fiscal 2021, from $13.9 million to $23.1 million, primarily in general and administrative expenses, which includes the Periscope operations and $4.6 million in acquisition-related costs for the Periscope acquisition and restructuring costs of $0.6 million.
- Higher operating expenses for the quarter include one month of Periscope's operations and higher year-over-year expenditures to support the Corporation's revenue growth and transformation strategy. These expenses included higher salary costs, mainly from additional headcount in sales and marketing and technology and higher professional fee expenses. During the second quarter, the Corporation granted 527,273 stock options to employees and directors increasing total stock-based compensation expense to $0.3 million compared to $0.1 million in the second quarter of fiscal 2021. Compared to the same quarter of fiscal 2021, salary subsidies related to federal wage subsidy in the context of COVID-19 decreased by $1.4 million.
- Net loss was $6.3 million, or $0.19 loss per share (basic and diluted) for second quarter of fiscal 2022, compared to a net loss of $0.6 million, or $0.04 loss per share (basic and diluted) for second quarter of fiscal 2021.
- Net loss for the quarter includes $4.6 million in acquisition-related costs and $0.6 million in restructuring costs related to the Periscope acquisition. Amortization of acquired intangible assets is $0.4 million higher in the second quarter of fiscal 2022 compared to the corresponding quarter of fiscal 2021.
- During the second quarter of fiscal 2022, the Corporation issued 15,566,827 common shares, 15,057,389 relating to financing the Periscope acquisition and 509,438 shares were issued to the seller of Periscope as partial settlement of the purchase consideration.
- Adjusted EBITDA[1] loss was $0.4 million for second quarter of fiscal 2022, compared to Adjusted EBITDA of $2.5 million for second quarter of fiscal 2021. Adjusted EBITDA decreased compared to the second quarter of fiscal 2021, due to foundational investments in operations, sales and marketing, R&D, and professional services expenses to support the Corporation in implementing its strategic initiatives, transformation plan and to support large deployment contracts.

Consolidated (Loss) Profit and Selected Financial Information

In thousands of Canadian dollars, except number of shares and per share amounts	Three-month periods ended September 30 **2021** **$**	 **2020** **$**	 **2019** **$**
Revenues	**25,080**	20,752	18,211
Gross margin	**14,267**	13,837	13,497
Operating expenses			
General and administrative	**10,421**	3,829	2,941
Selling and marketing	**6,545**	4,731	3,710
Technology	**6,123**	5,370	4,838
Total operating expenses	**23,089**	13,930	11,489
Operating (loss) profit	**(8,822)**	(93)	2,008
Gain on sale of a subsidiary	**-**	-	174
Foreign exchange (loss) gain	**1,397**	(310)	280
Finance expenses	**(254)**	(274)	(239)
Income tax (recovery) expense	**(1,371)**	(34)	389
Net (loss) profit	**(6,308)**	(643)	1,834
Adjusted (loss) profit [2]	**(6,308)**	(643)	1,660
Adjusted EBITDA[1]	**(402)**	2,451	3,894
(Loss) profit per share – basic and diluted	**(0.19)**	(0.04)	0.12
Adjusted (loss) profit [2] per share – basic and diluted	**(0.19)**	(0.04)	0.11
Declared dividends per share	-	-	0.10
Weighted average number of shares outstanding Basic and diluted	**33,536,037**	17,960,870	14,848,779

	Sept. 30, 2021 **$**	**March 31, 2021** **$**	**March 31, 2020** **$**
Total assets	**466,032**	276,400	171,085
Long-term debt	**47,698**	1,500	26,975
Other liabilities	**82,055**	50,333	51,271
Total liabilities	**129,753**	51,833	78,246
Shareholders' equity	**336,279**	224,567	92,839

Second quarter ended September 30, 2021 versus Second quarter ended September 30, 2020

Revenues

- Revenues for the second quarter ended September 30, 2021 reached $25.1 million, compared to $20.8 million for second quarter ended September 30, 2020 representing a $4.3 million, or 20.8%, increase. On a constant currency[3] basis, total revenue increased by $4.7 million or 23.2% compared to the second quarter in fiscal 2021. Revenues for the second quarter of fiscal 2022 were reduced by $1.0 million, relating to a fair value adjustment on Periscope deferred revenues at the closing date of the acquisition.
- Revenues by nature includes right of use revenue that reached $17.8 million for second quarter of fiscal 2022, an increase of $2.8 million or 18.8% over $15.0 million for second quarter of fiscal 2021. Revenue from professional services increased by $1.1 million or 35.4% from $3.2 million to $4.4 million. Revenues from transaction fees, maintenance and hosting services, and other comprise the remaining $2.9 million of second quarter of fiscal 2022 revenues representing an increase of $0.4 million compared to the second quarter of fiscal 2021.
- The Corporation's eprocurement platform solutions as well as those in the ecommerce platform saw the highest revenue growth in second quarter of fiscal 2022 which is explained as follows:
- Revenue from the eprocurement platform, including one month of revenue since the Periscope acquisition on August 31, 2021, was $11.3 million, contributing revenue growth of $3.2 million or 40.1% compared to $8.0 million in the second quarter of fiscal 2021. The US-based eprocurement solutions, which includes Bidnet and Periscope, contributed $7.0 million, compared to $3.8 million in the second quarter of fiscal 2021, an increase of 84.2%. Periscope revenues for one month, totalled $2.4 million, net of a $1.0 million negative fair value adjustment for the quarter on deferred revenues at the closing date of the Periscope transaction. Revenue from the Corporation's US-based eprocurement solutions benefited from the acquisition of Periscope and from an organic increase in revenues from new buying agencies, and an increase in paying suppliers.

  The COVID-19 pandemic has accelerated the adoption of eprocurement solutions within the public sector, as it faces a pressing need to digitally transform the procurement process to ensure business continuity. Cloud-based, end-to-end solutions are becoming part of governments critical infrastructure, all of which presents a solid growth opportunity for our eprocurement platform.
- Revenue from the Unified Commerce platform, including ecommerce and Supply Chain Collaboration solutions, was $10.0 million, a 10.7% increase over $9.1 million reported for the same quarter last year.
- ecommerce, which consists of Orckestra and k-eCommerce solutions, represented $6.7 million of Unified Commerce revenue in the second quarter of fiscal 2022, up $0.8 million or 14.5% from $5.8 million reported in the corresponding quarter last year.

- The Orckestra solution contributed $0.6 million or 14.1% increase in revenue compared to second quarter of fiscal 2021. Right of use revenues accounted for $0.3 million of the increase while professional services revenues increased by $0.2 million or 9.2%.
- The k-eCommerce solution, added $0.3 million or 15.4% growth in revenues in the second quarter of fiscal 2022, compared to the second quarter of fiscal 2021 due to an increase in right of use revenues.
- The Corporation's Supply Chain Collaboration solution, part of our Unified Commerce platform, had a $0.1 million or 4.0% increase in revenue compared to the second quarter revenues of fiscal 2021.
- Revenues from the emarketplaces platform totalled $3.8 million, increasing by $0.1 million or 3.5% from the second quarter of fiscal 2021. Jobboom revenues increased by $0.2 million or 38.3% reaching $0.9 million for the second quarter of fiscal 2022, primarily due to an active Canadian job market. Revenues from Carrus Technologies, Power Source Online and Reseau Contact decreased slightly compared to the second quarter of fiscal 2021, partially offsetting the net revenue growth for this platform.

Cost of Revenues

Cost of revenues totalled $10.8 million in second quarter of fiscal 2022, $3.9 million higher compared to $6.9 million in second quarter of fiscal 2021. As compared to the second quarter of fiscal 2021, total salaries and related expenses increased by $2.4 million, hosting and licenses costs together increased by $0.8 million directly related to the Corporation's transition to a cloud-based and professional services costs increased by $0.7 million primarily due to implementation costs to support client deployments. The second quarter of fiscal 2021 included $0.4 million of federal wage subsidy in the context of COVID-19.

Gross Margin

Gross margin for the second quarter of fiscal 2022 was $14.3 million or 56.9% compared to $13.8 million or 66.7% for second quarter of fiscal 2021. The decrease in the gross margin percentage is due to the increased cost of revenues mainly from higher headcount, higher salaries and increased professional fees to support customer implementations and deployments which have lower margins than right of use revenues, and higher hosting and licenses costs directly related the Corporation's transition to a cloud-based strategy.

Operating Expenses

For the second quarter of fiscal 2022 total operating expenses were $23.1 million, compared to $13.9 million in second quarter of fiscal 2021.

- General and administrative expenses totalled $10.4 million in second quarter of fiscal 2022, $6.6 million higher compared to $3.8 million in second quarter of fiscal 2021. The increase in professional fees of $5.1 million includes $4.6 million acquisition-related costs for the acquisition of Periscope. Salary and related expenses increased by $0.8 million, share-based compensation expense was $0.2 million higher related to the Corporation's stock-option plan and licenses costs increased by $0.1 million.

- Selling and marketing expenses totalled $6.5 million during second quarter of fiscal 2022, $1.8 million higher compared to $4.7 million in second quarter of fiscal 2021. The increase is mainly attributable to increased salary and related expenses of $0.8 million, to higher amortization expenses of $0.5 million mostly related to Periscope acquisition, to higher transaction-based fees of $0.2 million and to an increase of $0.1 million in promotional activities costs.
- Technology expenses totalled $6.1 million during second quarter of fiscal 2022, $0.8 million higher compared to $5.4 million in the second quarter of fiscal 2021. The increase is mainly attributable to an increase of $1.4 million in salary and related expenses and to higher professional services costs of $0.3 million. These increases are partly offset by higher capitalized internally developed software and e-business tax credits of $0.8 million and to a $0.2 million decrease in amortization expense.

Operating Loss

The Corporation recorded an operating loss of $8.8 million during second quarter of fiscal 2022, compared to operating loss of $0.1 million in second quarter of fiscal 2021. Acquisition-related costs for the acquisition of Periscope and restructuring costs respectively totalled $4.6 million and $0.6 million. Lower quarter-over-quarter gross margin and higher operating expenses are mainly due to an increase in salary and related expenses, and an increase in professional fees to support growth as part of the strategic plan. Operating expenses for the second quarter of the previous year included a federal wage subsidy in the context of COVID-19 of $1.4 million.

Foreign Exchange

The foreign exchange gain was $1.4 million in second quarter of fiscal 2022, driven by the appreciation of the U.S. dollar versus the Canadian dollar, compared to a $0.3 million foreign exchange loss in second quarter of fiscal 2021.

Finance expense

Finance expenses reported on a net basis, amounted to $0.3 million during both the second quarters of fiscal 2022 and fiscal 2021. Finance expense consists of interest income, expenses and standby fees on long-term debt, interest expense on lease liabilities and amortization of deferred financing costs.

Income Tax Recovery

For second quarter of fiscal 2022, the Corporation recorded an income tax recovery of $1.4 million, representing an effective tax rate of 17.9%, compared to the statutory rate of 26.5%. For second quarter of fiscal 2021, the income tax recovery was $0.03 million, and the effective tax rate was at 5.0%.

The difference between the statutory rate of 26.5% and the effective tax rate of 17.9% mainly results from the fact that certain expenses recognized are not deductible for tax purposes, including the foreign exchange loss on the translation of the financial statements of foreign subsidiaries.

Net Loss

Net loss was $6.3 million or $0.19 net loss per share basic and diluted in second quarter of fiscal 2022, compared to a net loss of $0.6 million or $0.04 net loss per share basic and diluted in second quarter of fiscal 2021.

During the second quarter of fiscal 2022, the Corporation issued 15,566,827 common shares, 15,057,389 relating to financing the Periscope acquisition and 509,438 shares were issued to the seller of Periscope as partial settlement of the purchase consideration. The weighted average number of shares outstanding (basic and diluted) is 33.5 million, compared to 18.0 million shares as at September 30, 2020.

Adjusted EBITDA[1]

Adjusted EBITDA[1] loss was $0.4 million for the second quarter of fiscal 2022 compared to an Adjusted EBITDA[1] of $2.5 million reported for second quarter of fiscal 2021. Adjusted EBITDA[1] decreased compared to the second quarter of fiscal 2021 due to foundational investments in operations, sales and marketing, R&D, and professional services to support the Corporation in implementing its strategic initiatives, transformation plan and to support large deployment contracts.

First semester ended September 30, 2021 versus First semester ended September 30, 2020

Revenues

Revenues reached $47.7 million for the first semester ended September 30, 2021, compared to $41.3 million for the first semester ended September 30, 2020 representing a $6.4 million, or 15.4%, increase. On a constant currency[3] basis, total revenue increased by $7.2 million or 17.8% compared to the first semester of fiscal 2021.

- Revenues by nature includes revenue from right of use which reached $34.3 million for the first semester of fiscal 2022, an increase of $3.9 million or 12.9% over $30.3 million for the first semester of fiscal 2021. Revenue from professional services increased by $2.1 million or 35.0% from $5.9 million to $7.9 million. Revenues from transaction fees, maintenance and hosting services, and other comprise the remaining $5.5 million of first semester of fiscal 2022 revenues and increased by $0.4 million in total compared to the first semester of fiscal 2021.
- The Corporation's two core platforms, eprocurement and ecommerce saw the highest revenue growth in the first semester of fiscal 2022 compared to the same period in the prior year, which is explained as follows:
- Revenue from the eprocurement platform was $20.1 million, contributing $4.4 million or 27.7% of revenue growth from $15.8 million in the first semester of fiscal 2021. With revenues of $11.5 million year-to-date fiscal 2022, an increase of $4.3 million or 59.4% over the same period of prior year, the Corporation's US-based eprocurement saw the largest growth from both the acquisition of Periscope and from an organic increase in revenues driven by new buying agencies, which drove an increase in paying suppliers. The COVID-19 pandemic has accelerated the adoption of electronic procurement solutions within the public sector, as it faced a pressing need to digitally transform the procurement process to ensure business continuity. Cloud-based, end-to-end eprocurement solutions are becoming part of governments critical infrastructure, all of which presents a solid growth opportunity for our eprocurement platform.

- Revenue from the Unified Commerce platform, including ecommerce and Supply Chain Collaboration solutions, was $19.9 million, a $1.8 million or 9.7% increase over $18.2 million reported for the same period last year.
- ecommerce, which consists of Orckestra and k-eCommerce solutions, represented $13.3 million of Unified Commerce revenue in the first semester of fiscal 2022, up $1.7 million or 14.9% from $11.6 million reported in the corresponding quarter last year.
- Orckestra, had a $1.0 million or 12.3% increase compared to first semester of fiscal 2021. Professional services revenues increased by $1.0 million or 22.0% mainly from large customer deployments.
- k-eCommerce, an ecommerce solution, added $0.7 million or 20.9% growth in revenues in the first semester of fiscal 2022, mostly in right of use revenues, compared to the same period of fiscal 2021.
- The Corporation's Supply Chain Collaboration solution, part of our Unified Commerce platform, remained stable at $6.6 million compared to the first semester revenues of fiscal 2021.
- Revenues from the emarketplaces platform was $7.6 million, increasing by $0.2 million or 3.2% growth from the first semester of fiscal 2021 mostly related to Jobboom, with an increase in revenues of $0.6 million due to an active Canadian job market. Combined revenues from the other solutions, including Carrus Technologies, Reseau Contact and Power Source Online decreased slightly, by $0.1 million compared to the same period of fiscal 2021.

Cost of Revenues

Cost of revenues totalled $20.1 million in the first semester of fiscal 2022 compared to $13.5 million for the same period of fiscal 2021, an increase of $6.6 million driven mainly by the increase in salaries and related expenses of $4.0 million, professional services costs of $1.4 million primarily due to implementation costs to support new client deployments, and hosting and licenses costs of $1.2 million directly related to the Corporation's migration to a cloud-based strategy.

Gross Margin

The gross margin for first semester of fiscal 2022 was $27.5 million or 57.7% compared to $27.8 million or 67.4% for first semester of fiscal 2021. This decrease in the gross margin percentage is mainly due to higher salaries, higher headcount and higher professional fees to support customer implementations and deployments with lower margins than right of use revenues, and higher hosting and licenses costs directly related to the Corporation's migration to a cloud-based strategy.

Operating Expenses

For the first semester of fiscal 2022 operating expenses totalled $40.6 million, compared to $28.6 million in first semester of fiscal 2021.

- General and administrative expenses totalled $15.4 million in first semester of fiscal 2022, $7.9 million higher compared to $7.5 million in first semester of fiscal 2021. The increase is mainly attributable to higher professional fees of $5.5 million including $4.6 million of acquisition-related costs for the acquisition of Periscope. The Corporation incurred higher salary and related expenses of $1.3 million from higher year-over-year headcount and salaries. Recruiting and training costs increased by $0.4 million to support the implementation of strategic and foundational initiatives and stock-based compensation expense increased by $0.2 million.

- Selling and marketing expenses totalled $12.7 million during first semester of fiscal 2022, $2.9 million higher compared to $9.8 million in first semester of fiscal 2021. Salary and related expenses increased by $1.3 million, higher costs of promotional activities and increased professional services expenses of both $0.5 million. The Corporation also incurred higher amortization expenses of $0.5 million directly related to the acquisition of Periscope.
- Technology expenses totalled $12.6 million during first semester of fiscal 2022, $1.3 million higher compared to $11.3 million in the first semester of fiscal 2021. The increase is mainly attributable to a $1.5 million increase in salary and related expenses and to higher professional services costs of $0.7 million. These increases were slightly offset by higher capitalized internally developed software and e-business tax credits of $0.6 million and by a $0.3 million decrease in depreciation and amortization expense.

Operating Loss

The Corporation recorded an operating loss of $13.1 million during first semester of fiscal 2022, compared to operating loss of $0.8 million in first semester of fiscal 2021, primarily due to lower semester-over-semester gross margin, from higher operating expenses mainly due to an increase in salary and related expenses, including market competitive salary increases starting in the first quarter of fiscal 2022 for retention and additional headcount, and an increase in professional fees to support growth as part of the strategic plan. These costs were partially offset by a federal wage subsidy in the context of COVID-19 of $0.8 million in the first semester of fiscal 2022, compared to $1.9 million in the first semester of fiscal 2021.

Foreign Exchange

The foreign exchange gain was $0.6 million in first semester of fiscal 2022, driven by the appreciation of the U.S. dollar versus the Canadian dollar, compared to a $0.7 million foreign exchange loss in first semester of fiscal 2021.

Finance expense

Finance expenses reported on a net basis, amounted to $0.2 million during first semester of fiscal 2022 compared to an expense of $0.6 million during first semester of fiscal 2021. They consist primarily of interest income, expenses and standby fees on long-term debt, of interest expense on lease liabilities and of amortization of deferred financing costs.

Income Tax Recovery

For first semester of fiscal 2022, the Corporation recorded an income tax recovery of $2.2 million, representing an effective tax rate of 17.2%, compared to the statutory rate of 26.5%. For first semester of fiscal 2021, the income tax recovery was $0.3 million, and the effective tax rate was at 13.3%.

The difference between the statutory rate of 26.5% and the effective tax rate of 17.2% mainly results from the fact that certain expenses recognized are not deductible for tax purposes, including the foreign exchange loss on the translation of the financial statements of foreign subsidiaries.

Net Loss

Net loss was $10.6 million or $0.34 net loss per share basic and diluted in first semester of fiscal 2022, compared to a net loss of $1.9 million or $0.11 net loss per share basic and diluted in first semester of fiscal 2021.

During the first semester of fiscal 2022, the Corporation issued 15,566,827 common shares, 15,057,389 relating to financing the Periscope acquisition and 509,438 shares were issued to the seller of Periscope as partial settlement of the purchase consideration. The weighted average number of shares outstanding (basic and diluted) is 31.0 million, compared to 17.2 million shares as at September 30, 2020.

In fiscal 2021, 13.4 million treasury shares were issued primarily from bought deal offerings, resulting in an increase of weighted average number of shares outstanding as at September 30, 2020.

Adjusted EBITDA[1]

Adjusted EBITDA[1] loss was $1.9 million for the first semester of fiscal 2022 compared to an Adjusted EBITDA[1] of $4.5 million reported for first semester of fiscal 2021. Adjusted EBITDA[1] decreased compared to the first semester of fiscal 2021 due to foundational investments in operations, sales and marketing, R&D, and professional services to support the Corporation in implementing its strategic initiatives, transformation plan and large deployment contracts.

Summary of quarterly results

Selected quarterly financial information for the eight most recently completed quarterly periods is as follows:

In thousands of Canadian dollars, except per share amounts.	**2022** **Q2** **Sept. 30, 2021** **$**	**Q1** **June 30 2021** **$**	**2021** **Q4** **Mar. 31 2021** **$**	**Q3** **Dec. 31 2020** **$**	**Q2** **Sept.30 2020** **$**	**Q1** **June 30 2020** **$**	**2020** **Q4** **Mar.31 2020** **$**	**Q3** **Dec.31 2019** **$**
Revenues	**25,080**	22,573	22,030	21,403	20,752	20,534	18,917	18,072
Operating (loss) profit	**(8,822)**	(4,289)	(3,284)	(2,716)	(93)	(698)	(2,210)	(1,753)
(Loss) profit	**(6,308)**	(4,285)	(2,858)	(2,853)	(643)	(1,237)	(6,758)	(1,879)
Adjusted (loss) profit [2]	**(6,308)**	(4,285)	(2,858)	(2,853)	(643)	(1,237)	(1,451)	(1,879)
(Loss) earnings per share – basic and diluted	**(0.19)**	(0.15)	(0.12)	(0.14)	(0.04)	(0.08)	(0.45)	(0.13)
Adjusted (loss) profit [2] per share – basic and diluted	**(0.19)**	(0.15)	(0.12)	(0.14)	(0.04)	(0.08)	(0.10)	(0.13)
Weighted average number of shares outstanding	**33,536**	28,404	23,874	20,844	17,961	16,394	15,052	14,913
Adjusted EBITDA (loss)[1]	**(402)**	(1,511)	221	1,021	2,451	2,053	660	1,643

Quarters of Fiscal 2022

- Second quarter ended September 30, 2021: Revenues for the second quarter of fiscal 2022 totalled $25.1 million compared to $22.6 million for the first quarter of fiscal 2022, an increase of $2.5 million or 11.1% mainly due to Periscope revenues for one month, which totalled $2.4 million, net of a $1.0 million negative fair value adjustment for the quarter on deferred revenues at the closing date of the Periscope transaction.

  Cost of revenues totalled $10.8 million in second quarter of fiscal 2022 compared to $9.3 million in the first quarter of fiscal 2022, an increase of $1.5 million mainly attributable to the increase in salaries and related expenses of $0.6 million, to higher hosting and professional services costs respectively of $0.4 million and $0.3 million.

  Operating expenses increased by $5.6 million during the second quarter of fiscal 2022, compared to the first quarter of fiscal 2022. The increase is mainly attributable to the acquisition-related costs of the Periscope transaction which amounted to $4.6 million.

  The Corporation recorded an operating loss of $8.8 million during second quarter of fiscal 2022, compared to operating loss of $4.3 million in first quarter of fiscal 2022.

  Net loss was $6.3 million or $0.19 net loss per share basic and diluted in second quarter of fiscal 2022, compared to a net loss of $4.3 million or $0.15 net loss per share basic and diluted in first quarter of fiscal 2022.

  Adjusted EBITDA[1] loss was $0.4 million for second quarter of fiscal 2022, compared to Adjusted EBITDA[1] loss of $1.5 million reported for first quarter of fiscal 2022.

- First quarter ended June 30, 2021: Revenues for the first quarter of fiscal 2022 totalled $22.6 million compared to $22.0 million for the fourth quarter of fiscal 2021, an increase of $0.6 million or 2.5%.

  Cost of revenues totalled $9.3 million in first quarter of fiscal 2022 compared to $8.6 million in the fourth quarter of fiscal 2021, an increase of $0.8 million driven mainly by the increase in salaries and related expenses of $0.4 million and professional services costs which increased by $0.3 million primarily due to implementation costs to support new client deployments.

  Operating expenses increased by $0.8 million during the first quarter of fiscal 2022, compared to the fourth quarter of fiscal 2021. The increase is mainly attributable lower R&D and e-business tax credits as well as lower capitalized internally developed software during the first quarter of fiscal 2022, compared to the fourth quarter of fiscal 2021.

  The Corporation recorded an operating loss of $4.3 million during first quarter of fiscal 2022, compared to operating loss of $3.3 million in fourth quarter of fiscal 2021.

  Net loss was $4.3 million or $0.15 net loss per share basic and diluted in first quarter of fiscal 2022, compared to a net loss of $2.9 million or $0.12 net loss per share basic and diluted in fourth quarter of fiscal 2021.

  Adjusted EBITDA[1] loss was $1.5 million for first quarter of fiscal 2022, compared to Adjusted EBITDA[1] $0.2 million reported for fourth quarter of fiscal 2021. Adjusted EBITDA[1] decreased sequentially due to increased foundational investments on operations, sales and marketing, R&D and professional services to support the Corporation in implementing its strategic initiatives, transformation plan and large deployment contracts.

Quarters of Fiscal 2021

- Fourth quarter ended March 31, 2021: Revenues for the fourth quarter of fiscal 2021 totalled $22.0 million compared to $21.4 million for the third quarter of fiscal 2021, an increase of $0.6 million or 2.9%. Revenues from the Unified Commerce platform increased by $0.2 million driven mainly by customer implementations, and in the eprocurement platform, particularly for US-based Bidnet of $0.3 million, primarily due to the impact of new agencies added to the platform in fiscal 2021, which increase the eprocurement revenues from sellers.

  Operating loss was $3.3 million in fourth quarter of fiscal 2021 compared to an operating loss of $2.7 million in the third quarter, an increase of $0.6 million.

  Cost of revenues and operating expenses, combined increased by $1.2 million during the fourth quarter of fiscal 2021, compared to the third quarter. General and administrative expenses were stable sequentially, while selling and marketing costs increased by $1.0 million sequentially, due to increased salesforce, advertising and promotional activities to drive revenue growth. Technology expenses decreased by $0.5 million as costs were partly offset by an increase in R&D and e-business tax credits, capitalized internally developed software, lower amortization expense and $0.3 million in federal subsidies received in the context of the COVID-19 pandemic.

  Considering the above-mentioned items, Adjusted EBITDA[1] totalled $0.2 million during the fourth quarter of fiscal 2021 compared to 1.0 million for the third quarter of fiscal 2021.

  Sequentially, net loss stood at $2.9 million as compared to the third quarter. Loss per share for the fourth quarter of fiscal 2021 was $0.12 per share (basic and diluted) compared to $0.14 per share (basic and diluted) for the third quarter of fiscal 2021.

  During the fourth quarter, 5.5 million treasury shares (4.9 million in the third quarter of fiscal 2021) were issued primarily from a bought deal offering, increasing the weighted average number of shares outstanding as at March 31, 2021, to 1.0 million shares, compared to 2.9 million shares as at December 31, 2020.

- Third quarter ended December 31, 2020: Compared to the second quarter of fiscal 2021 ended September 30, 2020, revenues were up by $0.7 million, mainly due to a $0.6 million total increase in revenues from BidNet and Orckestra.

  Operating expenses increased by $3.3 million during the third quarter of fiscal 2021, compared to the second quarter of fiscal 2021. This increase was due to salary and related expenses of $2.5 million, including $0.8 million in termination benefits as well as a $0.6 million decrease in federal subsidies received in the context of the COVID-19 pandemic.

  Also, during the third quarter of fiscal 2021, professional services costs increased by $0.4 million, mainly due to transaction costs incurred for the acquisition of Vendor Registry.

  Considering the above-mentioned items, Adjusted EBITDA[1] totalled $1.0 million during the third quarter of fiscal 2021 compared to $2.5 million for the second quarter of fiscal 2021. The operating loss totalled $2.7 million for the third quarter of fiscal 2021 compared to a $0.1 million loss for the second quarter ended September 30, 2020.

Net loss for the third quarter of fiscal 2021 totalled $2.9 million compared to a loss of $0.6 million for the second quarter ended September 30, 2020.

- Second quarter ended September 30, 2020: Compared to the first quarter of fiscal 2021 ended June 30, 2020, revenues were up by $0.2 million, mainly due to a $0.4 million total increase in revenues from BidNet and k-eCommerce. These increases were partly offset by a $0.1 million decrease in revenues from Orckestra.

  Operating expenses decreased by $0.4 million during the second quarter of fiscal 2021, compared to the first quarter of fiscal 2021. The decrease in operating expenses stems mainly from the recording of federal subsidies in the context of COVID-19, representing a net additional amount of $0.8 million, net of the $0.2 million reduction in tax credits during the second quarter.

  Also, during the second quarter of fiscal 2021, professional services costs increased by $0.5 million, due to a higher volume of activity for some subsidiaries.

  Considering the above-mentioned items, Adjusted EBITDA[1] increased by $0.4 million to reach $2.5 million while the operating loss totalled $0.1 million for the second quarter of fiscal 2021 compared to a $0.7 million loss for the first quarter ended June 30, 2020.

  Net loss for the second quarter of fiscal 2021 totalled $0.6 million compared to a loss of $1.2 million for the first quarter ended June 30, 2020.

- For the first quarter ended June 30, 2020: Compared to the fourth quarter of fiscal 2020 ended March 31, 2020, revenues were up $1.6 million, mainly due to greater use of the Orckestra platform given the context of the COVID-19 pandemic and that resulted in an additional amount of $1.6 million. The $0.2 million total increase in revenues from BidNet, ASC and k-eCommerce was offset by the $0.3 million total decrease in revenues from Carrus and InterTrade.

  Operating expenses increased by $0.3 million during the first quarter of fiscal 2021 due to a $0.8 million increase in service costs mainly related to a higher volume of activity on the Corporation's platforms, $0.2 million in additional professional services costs for administrative fees, and $0.2 million in an allowance for doubtful accounts. Technology expenses decreased by $0.4 million mainly due to additional tax credits compared to the quarter ended March 31, 2020.

  Also, during this first quarter, the Corporation recorded an amount of $0.5 million in federal subsidies in the context of the COVID-19 pandemic.

  Considering the above-mentioned items, Adjusted EBITDA[1] increased by $1.4 million to reach $2.1 million while the operating loss totalled $0.7 million for the first quarter of fiscal 2021 compared to a $2.2 million loss for the fourth quarter ended March 31, 2020.

  Net loss for the first quarter of fiscal 2021 totalled $1.2 million compared to a loss of $6.8 million for the quarter ended March 31, 2020. During the quarter ended March 31, 2020, the Corporation had recorded a net of tax $5.3 million impairment charge on non-monetary assets related to the Jobboom and Réseau Contact B2C platforms.

Quarters of Fiscal 2020

- Fourth quarter ended March 31, 2020: Compared to the third quarter of fiscal 2020 ended December 31, 2019, revenues increased mainly due to the addition of k-eCommerce revenues totalling $1.2 million (including a negative fair value adjustment on acquisition-deferred revenue in the amount of $0.3 million). This increase was partly offset by a $0.2 million decrease in B2C platform revenues and the $0.2 million decrease in revenues for Advanced Software Concepts.

  When higher revenues and the addition of k-eCommerce costs totalling $1.4 million are taken into account, Adjusted EBITDA[1] reached $0.7 million decreasing by $0.9 million.

  The operating loss increased slightly mainly due to an additional amortization expense from tangible and intangible assets in the amount of $0.5 million including the addition of k-eCommerce depreciation.

  Net loss for the fourth quarter of fiscal 2020 totalled $6.8 million, which includes a non-monetary amortization expense of $7.2 million, less a deferred income tax recovery of $1.9 million relating to the Jobboom and Réseau Contact B2C platforms.

- Third quarter ended December 31, 2019: Compared to the second quarter of fiscal 2020 ended September 30, 2019, revenues decreased slightly by $0.1 million. The addition of k-eCommerce revenues totalling $0.4 million was cancelled by the $0.3 million decrease in Jobboom revenues and the decline in Orckestra and ASC revenues representing a combined amount of $0.2 million.

  Adjusted EBITDA[1] decreased by $2.3 million to reach $1.6 million, mainly due to professional services costs in the amount of $0.4 million essentially relating to the acquisition of k-eCommerce and a $0.8 million increase in salaries and benefits. The Corporation has also recorded tax credits and internally developed websites and software capitalized for $0.3 million less than in the second quarter of fiscal 2020.

  Also related to third quarter results, k-eCommerce operations generated a $0.2 million loss whereas lower Jobboom, Orckestra and ASC revenues also had a negative impact on the Adjusted EBITDA[1] for the quarter.

  As a result of the above-mentioned factors, operating loss totalled $1.8 million, in line with the decrease in Adjusted EBITDA[1] for the quarter. Consequently, the net loss for the third quarter of fiscal 2020 totalled $1.9 million, or $0.13 per share.

Second quarter ended September 30, 2021 versus First quarter ended June 30, 2021

Revenues

Second quarter ended September 30, 2021 revenues reached $25.1 million, compared to $22.6 million for the first quarter ended June 30, 2021 representing a $2.5 million, or 11.1% increase. On a constant currency[3] basis, there were no significant differences regarding reported revenues. Revenue variances are explained as follows:

- Revenue by nature includes revenue from right of use which reached $17.8 million for second quarter of fiscal 2022, an increase of $1.4 million or 8.5% over $16.4 million for the first quarter of fiscal 2022. Revenues from professional services for the second quarter of fiscal 2022 were $4.4 million, an increase of $0.8 million or 23.9% compared to the first quarter of fiscal 2022. These professional services are mainly in the ecommerce platform to support large deployments. Revenues from transaction fees, maintenance and hosting and other, comprise the remaining $2.9 million of second quarter of fiscal 2022 revenues and increased by $0.3 million compared to the first quarter of fiscal 2022.
- eprocurement platform revenue was $11.3 million for the second quarter of fiscal 2022, representing an increase of $2.4 million or 26.9% compared to the first quarter of fiscal 2022. The increase is mainly due the US-based eprocurement which includes Periscope revenues for one month, which totalled $2.4 million, net of a $1.0 million negative fair value adjustment for the quarter on deferred revenues at the closing date of the Periscope transaction.
- The Unified Commerce platform, including ecommerce solutions and Supply Chain Collaboration revenue was $10.0 million for the second quarter of fiscal 2022 compared to $9.9 million for the first quarter of fiscal 2022. Orckestra and k-eCommerce, ecommerce solutions, had combined revenue of $6.7 million for the second quarter of fiscal 2022, remained stable quarter over quarter, while Supply Chain Collaboration revenues increased by $0.1 million.
- Total emarketplaces platform revenues represented a $3.8 million for second quarter of fiscal 2022 and remained stable compared to first quarter of fiscal 2022.

Cost of Revenues

- Cost of revenues totalled $10.8 million in second quarter of fiscal 2022 compared to $9.3 million in the first quarter of fiscal 2022, an increase of $1.5 million driven mainly by the addition of salaries and related expenses of $0.6 million, the increase in hosting and professional services costs respectively of $0.4 million and $0.3 million.

Gross Margin

The gross margin for second quarter of fiscal 2022 was $14.3 million or 56.9% compared to $13.2 million or 58.7% for first quarter of fiscal 2022.

Operating Expenses

- General and administrative expenses totalled $10.4 million in second quarter of fiscal 2022, $5.4 million higher compared to $5.0 million in first quarter of fiscal 2022. The increase is mainly attributable to higher professional fees of $4.7 million which includes $4.6 million of acquisition-related costs for the Periscope transaction and the addition of salary and related expenses of $0.4 million.
- Selling and marketing expenses totalled $6.5 million during second quarter of fiscal 2022, an increase of $0.4 million compared to $6.1 million in first quarter of fiscal 2022. The increase is mainly attributable to the addition of $0.5 million in amortization expenses directly related to the Periscope acquisition.
- Technology expenses totalled $6.1 million during second quarter of fiscal 2022, $0.3 million lower compared to $6.4 million in first quarter of fiscal 2022. The decrease is mainly attributable to higher capitalized internally developed software and e-business tax credits together representing $0.8 million partly offset by higher salary and related expenses of $0.4 million.

Operating Loss

The Corporation recorded an operating loss of $8.8 million during second quarter of fiscal 2022, compared to operating loss of $4.3 million in first quarter of fiscal 2022. The increase is mainly due to $4.6 million of acquisition-related costs and to an increase in amortization expense on acquired intangibles of $0.5 million.

Net Loss

Net loss was $6.3 million or $0.19 net loss per share basic and diluted in second quarter of fiscal 2022, compared to a net loss of $4.3 million or $0.15 net loss per share basic and diluted in first quarter of fiscal 2022. The decrease is mainly explained by $4.6 million in acquisition-related costs and $0.6 million in restructuring costs related to the Periscope acquisition during the second quarter of fiscal 2022.

Adjusted EBITDA[1]

Adjusted EBITDA[1] loss was $0.4 million for second quarter of fiscal 2022 compared to Adjusted EBITDA[1] loss of $1.5 million reported for first quarter of fiscal 2022. Adjusted EBITDA[1] increased sequentially due to higher revenues and additional capitalized internally developed software and e-business tax credits partly offset by increased foundational investments in operations, sales and marketing, R&D, and professional services to support the Corporation in implementing its strategic initiatives, transformation plan and large deployment contracts.

Liquidity and Capital Resources

The Corporation's capital management objective is to ensure it has sufficient liquidity to pursue its organic growth strategy, to make selective acquisitions, and to provide an appropriate return on investment to its shareholders.

Based on current projections, the Corporation has sufficient capital resources available to maintain its capacity to meet working capital requirements, to support the Corporation's planned growth, fund the activities of its business plan, and maintain an appropriate level of capital spending.

When necessary, the Corporation may borrow on its Revolving Facility (Refer to the "Financing Activities – Credit Agreement" section) or issue new shares to fund its additional cash requirements and business acquisitions.

As at September 30, 2021, the Corporation had cash and cash equivalents of $8.9 million (excluding cash held for the benefit of third parties).

Summary of the Consolidated Statements of cash Flows

	Three-month periods ended September 30,		**Six-month periods ended September 30,**	
In thousands of Canadian dollars.	**2021 $**	**2020 $**	**2021 $**	**2020 $**
Net cash (outflow) inflow related to operating activities	(13,695)	(1,569)	(12,811)	(768)
Net cash (outflow) inflow related to investing activities	(228,743)	(1,042)	(229,577)	(1,967)
Net cash (outflow) inflow related to financing activities	148,818	(5,001)	148,336	367
Net (decrease) increase 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

Cash from Operating Activities

Net cash outflow from operating activities were $13.7 million, compared to net cash outflow of $1.6 million in the second quarter of fiscal 2021.

During the second quarter of fiscal 2022, the use in non-cash working capital items was $9.8 million, compared to $3.3 million used in the second quarter of fiscal 2021. The August 31, 2021 acquisition of Periscope resulted in an increase in the use of net non-cash working capital, mainly from an increase in unbilled receivables, an increase in accounts payable and accrued liabilities.

The net loss for the second quarter of fiscal 2022 is $5.7 million higher than the second quarter of fiscal 2021, which is mainly attributable to the acquisition-related costs related to the Periscope acquisition.

For the first semester of fiscal 2022, net cash outflow from operating activities increased to $12.8 million, compared to net cash outflow of $0.8 million in first semester of fiscal 2021. During the first semester of fiscal 2022, the use of non-cash working capital items was $6.1 million, compared to $4.2 million used in the first semester of fiscal 2021. The net loss in the first semester of fiscal 2022 is $8.7 million higher than the first semester of fiscal 2021 mainly because of acquisition-related costs of the Periscope acquisition.

Investing Activities

For the second quarter of fiscal 2022, the Periscope acquisition resulted in cash outflows from investing activities of $227.2 million, which is comprised of the cash purchase consideration of $228.2 million less $1.0 million paid for the cash and cash equivalents acquired. During the second quarter of fiscal 2022, cash used for purchases of equipment and intangible assets together totalled $1.6 million, compared to $1.0 million used during second quarter of fiscal 2021.

Total purchase consideration for the Periscope acquisition was $232.7 million, which includes the cash consideration of $228.2 million, shares issued with a fair value of $3.8 million and contingent consideration of $0.7 million both of which are non-cash consideration.

In accordance with the stock purchase agreement, immediately following the closing, certain unpaid transaction costs and long-term debt, totaling $23.5 million, were paid by the Corporation, allowing the Corporation to acquire Periscope on a debt-free basis.

For the first semester of fiscal 2022, cash flows used in investing activities totalled $229.6 million, including $227.2 million for the acquisition of Periscope. The remaining cash outflow of $2.4 million was for the purchase of equipment and intangible assets compared to $2.0 million in the same period of fiscal 2021.

Financing Activities

Cash inflows from financing activities was $148.8 million in second quarter of fiscal 2022 compared to $5.0 million cash outflows during second quarter of fiscal 2021, representing a net increase in cash from financing activities of $153.8 million compared to the second quarter of fiscal 2021.

In the second quarter of fiscal 2022, the Corporation increased its long-term debt of $55.6 million and repaid long-term debt of $20.0 million, which includes $11.0 million of Periscope's long-term debt repaid immediately after closing of the acquisition, $1.5 million repayment of the term loan under the previous credit agreement dated October 14, 2020, and partial reimbursement of $7.5 million on the Revolving Facility. This compares to a $4.6 million repayment of long-term debt in the second quarter of fiscal 2021. (Refer to section "Long-Term Debt"). The remaining uses of cash for financing activities relate to lease payments of $0.5 million and cash paid for deferred financing costs of $0.4 million.

In the second quarter of fiscal 2022, the Corporation received the gross proceeds from the issuance of common shares from a bought deal offering of $67.8 million and issuance costs of $4.8 million, gross proceeds from the issuance of a private placement from two investors of $52.6 million and issuance costs of $1.4 million. These transactions closed on August 31, 2021.

Cash inflows generated from financing activities was $148.3 million in first semester of fiscal 2022 compared to $0.4 million financing cash flows generated during first semester of fiscal 2021, representing a net increase of $148.0 million over the first semester of fiscal 2021.

In the first semester of fiscal 2021, the Corporation received the proceeds from the issuance of common shares from a bought deal offering which closed on May 21, 2020 of $14.8 million, net of issuance costs. This was partially offset by net repayment of long-term debt of $13.6 million and lease payments of $0.8 million.

No dividends were paid in first semester of fiscal 2022 or 2021. The Corporation's current policy is to reinvest excess cash in the business strategy aimed at increasing the Corporation's growth and future development.

Long-term Debt

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 million with an accordion amount on the Revolving Facility up to $20 million subject to the lender's approval and a non-revolving credit facility (the "Term Facility") of up to US$16 million. 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 million. As at September 30, 2021, the maximum borrowing base under the Revolving Facility was $50 million.

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 million 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 million 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, $7.2 million was drawn on the Revolving Facility in Canadian dollars and CA$20.9 million (US$16.4 million) 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$16.0 million (CA$20.4 million).

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 $1.0 million 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.

Financial Position

The Corporation has a strong financial position and is able to meet its financial obligations. As at September 30, 2021, excluding cash held for the benefit of third parties, the Corporation had cash and cash equivalents of $8.9 million ($109.6 million as at March 31, 2021). The change in cash balance from March 31, 2021 is primarily due to the cash used to pay for the August 31, 2021 acquisition of Periscope.

As at September 30, 2021, total assets were $466.0 million compared to $276.4 million as at March 31, 2021, and total liabilities were $129.8 million as at September 30, 2021 compared to $51.8 million as at March 31, 2021. The change in total assets and total liabilities from March 31, 2021 to September 30, 2021 is primary from the net assets acquired and net liabilities assumed on the acquisition of Periscope, and the increase in total liabilities from the borrowings on long-term debt to partially finance the purchase consideration for the acquisition of Periscope.

The following table presents selected information from the interim condensed consolidated statement of financial position.

Selected information from the Consolidated Statements of Financial Position

In thousands of Canadian dollars.	**September 30, 2021 $**	**March 31, 2021 $**
Cash and cash equivalents	**8,915**	109,637
Trade and other receivables	**12,976**	10,602
Unbilled receivables	**14,259**	-
Tax credits receivable	**11,202**	9,653
Derivative financial instruments asset	**119**	645
Acquired intangible assets	**104,068**	12,335
Goodwill	**270,939**	101,029
Other	**43,554**	32,499
Total assets	**466,032**	276,400
Accounts payable and accrued liabilities	**18,259**	12,212
Deferred revenue	**25,386**	20,310
Long-term debt	**47,698**	1,500
Lease liabilities	**11,052**	10,522
Other	**27,358**	7,289
Total liabilities	**129,753**	51,833
Shareholders' equity	**336,279**	224,567

The main changes in the Corporation's Consolidated Statements of Financial Position between September 30, 2021 and March 31, 2021 are explained as follows:

- Cash and cash equivalents (excluding cash held for the benefit of third parties) totalled $8.9 million as at September 30, 2021 compared to $109.6 million as at March 31, 2021. The use of cash relates mainly to the acquisition of Periscope on August 31, 2021. Refer to the "Liquidity and Capital resources" section for details.
- Trade and other receivables totalled $13.0 million as at September 30, 2021, an increase of $2.4 million compared to $10.6 million as at March 31, 2021. This increase is mainly due to the addition of Periscope receivables totalling $3.1 million.
- Unbilled receivables totalled $14.3 million as at September 30, 2021 and are related to the activities of Periscope.
- Tax credit receivable, including R&D and e-business tax credits receivable totalled $11.2 million as at September 30, 2021 compared to $9.7 million as at March 31, 2021. This increase is related to the additional credits recognized in fiscal 2022.
- Goodwill totalled $270.9 million as at September 30, 2021 compared to $101.0 million as at March 31, 2021, an increase of $169.9 million attributable to the acquisition of Periscope.
- Derivative financial instruments asset totalled $0.1 million as at September 30, 2021 compared to $0.6 million as at March 31, 2021 (Refer to the "Derivative financial instruments" section).
- Accounts payable and accrued liabilities amounted to $18.3 million, an increase of $6.0 million compared to $12.2 million as at March 31, 2021, mainly related to Periscope which totalled $6.4 million.

- Deferred revenue totalled $25.4 million as at September 30, 2021 compared to $20.3 million as at March 31, 2021. The increase is primarily attributable to the addition of Periscope deferred revenues totalling $3.2 million.
- Lease liabilities totalled $11.1 million as at September 30, 2021 compared to $10.5 million as at March 31, 2021. The increase is mainly attributable to Periscope's lease liabilities totalling $0.8 million for two U.S.-based offices.
- Long-term debt totalled $47.7 million as at September 30, 2021 compared to $1.5 million as at March 31, 2021. The Corporation used long-term debt available under a new credit agreement dated August 31, 2021 that includes a revolving facility and a term loan. Borrowings of $1.5 million drawn under the previous credit agreement dated October 14, 2020 were reimbursed on August 31, 2021. (Refer to the "Long-term debt" section).
- Shareholders' equity totalled $336.3 million as at September 30, 2021, compared to $224.6 million as at March 31, 2021.

Derivative Financial Instruments

In the normal course of business, the Corporation is exposed to certain financial risks. The Corporation uses derivative financial instruments to manage its exposure to risks and not for speculative purposes. The nature and the extent of the risks arising from the financial instruments and their related risk management are described in Note 26 to the Corporation's audited consolidated financial statements for the year ended March 31, 2021.

In thousands of Canadian dollars	**September 30, 2021 $**	**March 31, 2021 $**
Notional amount US$	8,825	9,300
Weighted-average foreign exchange rate (USD/CAD)	1.2812	1.3261
Maturity dates (fiscal years)	2022-2023	2022-2023

As at September 30, 2021, the Corporation has open foreign currency forward contracts with a notional amount of US$8.8 million, a weighted-average (US$/CA$) foreign exchange rate of 1.2812 with contractual maturity dates between fiscal years 2022 and 2023. As at March 31, 2021, the Corporation had open foreign currency forward contracts with a notional amount of US$9.3 million, a weighted-average foreign exchange rate of 1.3261 with contractual maturity dates between fiscal years 2022 and 2023.

During the second quarter of fiscal 2022, there was no significant changes to the nature of risks arising from financial instruments, related risk management and classification of financial instruments. Furthermore, there was no change in the methodology used in determining the fair value of the financial instruments measured at fair value in the Corporation's Interim Condensed Consolidated Statements of Financial Position for the three-month and six-month periods ended September 30, 2021.

Risk Factors and Uncertainties

The Corporation is confident of its long-term prospects. However, in order to ensure that its strategy and growth objectives are met, the Corporation seeks to diminish the risks and uncertainties created by potentially unfavourable situations in its industry sector or its liquidity. The risk that the Corporation faces is technological, operational or financial in nature or is inherent to its business activities or its acquisition strategies. Other than the risks and uncertainties relating to COVID-19 described in the "COVID-19" section and the risks relating to the Acquisition (as defined below) described below, the description of these risks and uncertainties has not changed as compared to the MD&A and the Annual Information Form for the year ended March 31, 2021.

Possible Failure to Realize Anticipated Benefits of the Acquisition of Periscope

The Corporation believes that the Periscope Acquisition (the "Acquisition") will provide certain benefits to the Corporation. Achieving the benefits of the Acquisition depends in part on successfully consolidating functions, integrating and leveraging operations, procedures and personnel in a timely and efficient manner, as well as mdf's ability to realize the opportunities from combining the Periscope's businesses and operations with those of mdf. The integration of Periscope's business with mdf's operations, which includes the combination of operational, financial and management systems and personnel of the two companies, is currently in progress. The integration requires the dedication of substantial management effort, time and resources, which may divert the management's focus and resources from other strategic opportunities and from operational matters during this process. The Corporation incurred $4.6 million of acquisition-related costs during the second quarter of fiscal 2022 in connection with the acquisition of Periscope's. At September 30, 2021, no significant business integration costs with mdf's operations had occurred. The Corporation anticipates that certain integration costs may be incurred during the remainder of fiscal 2022. The integration process may result in the disruption of ongoing business, customer and employee relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of the Acquisition, including the ability to realize the anticipated cost synergies, revenue synergies and other synergies from combining the two entities. A variety of factors may also adversely affect the ability of the anticipated benefits of the Acquisition to materialize or to occur within the time periods anticipated by the Corporation. In addition, the overall integration of the two companies may result in unanticipated operational problems, costs, expenses, liabilities, loss of contracts and customers and business disruption (including, without limitation, difficulties in maintaining relationships with employees or customers) and, consequently, the failure to realize, in whole or in part, the anticipated benefits of the Acquisition.

With the acquisition of Periscope, the Corporation has increased in size and now has approximately 800 employees based in Canada, the U.S., Denmark, Ukraine and China. The Corporation must effectively communicate and manage its culture, values, standards and policies throughout the larger organization, which poses challenges and requires time for the members of management and employees involved. The Corporation may not be able to achieve its strategic objectives if it does not overcome the challenges associated with its new size. In addition, the Corporation may not be able to retain key management or employees of mdf and of Periscope, which could have a significant impact on mdf's operations, specifically if such departures were to occur in positions or roles which require significant technical and operational knowledge and for which qualified replacement personnel is scarce.

Potential Undisclosed Liabilities Associated with the Acquisition

In connection with the Acquisition, there may be liabilities that the Corporation failed to discover at this stage or was unable to quantify in the due diligence conducted prior to closing of the Acquisition and which could have a material and adverse effect on the business, prospects, financial condition and operating results of the Corporation.

Increased Indebtedness

The Acquisition led to material increase in mdf's consolidated indebtedness and, as a result, increased mdf's leverage.

The Corporation's degree of leverage could have important consequences for investors, including the following:

- it may limit the Corporation's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- certain of the Corporation's borrowings are at variable rates of interest and expose the Corporation to the risk of increased interest rates;
- it may limit the Corporation's ability to adjust to changing market conditions and place the Corporation at a competitive disadvantage compared to its competitors that are less leveraged;
- the Corporation may be vulnerable in a downturn in general economic conditions; and
- the Corporation may be unable to make capital expenditures that are important to its growth and strategies.

If any of these circumstances arise in the future, this could have a material adverse effect on the Corporation's business and financial condition. Moreover, mdf may not be able to achieve its strategic growth objectives where the required capital resources are not available to fund growth strategy.

In addition, non-compliance with financial covenants set out by the lenders in the Credit Agreement could lead to financial losses, increased costs or cross defaults, which in turn could have a material adverse impact on mdf's business and financial condition.

Under the terms of the Credit Agreement, the Corporation is permitted to incur additional debt in certain circumstances. However, doing so could increase the risks described above. The Credit Agreement contains certain financial covenants including compliance with an interest coverage ratio and leverage ratio. The Credit Agreement contains covenants restricting the Corporation's ability to incur liens on its assets, incur additional debt or effect acquisitions or dispositions or fundamental changes in its business. Such covenants limit the Corporation's discretion in the operation of its business.

Client Concentration Risk

Periscope derives a significant portion of its revenue from the services it provides to various U.S. states and local government agencies, a small number of which who have adopted Periscope's transaction fee model represents a large and growing portion of Periscope's revenue. We expect that this will continue for the foreseeable future while Periscope increases the number of U.S. states and other government agencies adopting this revenue model. While these customers enter into long-term arrangements with Periscope and there is "stickiness" to the relationship, there can, however, be no assurance that each such U.S. state and other government agency will continue to utilize Periscope's services to the same extent, or at all in the future. In the event that a significant U.S. state or other government agency were to limit, reduce or eliminate the business it awards to Periscope, Periscope might be unable to recover the lost revenue with work from other U.S. state or other government agencies or other clients, and, as a result, the business, prospects, financial condition and operating results of the Corporation could be materially and adversely affected.

Uncertainties Presented by Business with Government Customers

Periscope derives a significant portion of its revenue from government contracts. Government contracts generally can present risks and challenges not present in private commercial agreements. For instance, Periscope may be subject to government audits and investigations relating to these contracts, could be suspended or debarred as a governmental contractor, could incur civil and criminal fines and penalties, and in certain circumstances government contracts may be rescinded. Some agreements may allow a government to terminate without cause and provide for higher liability limits for certain losses. Some contracts may be subject to periodic funding approval, reductions, or delays which could adversely impact public-sector demand for our products and services. These events could negatively impact the results of operations, financial condition and reputation of the Corporation.

Non-IFRS Financial Measures and key Performance Indicators

Non-IFRS Financial Measures

The non-IFRS measures provide investors with additional insight into our operating and financial performance. The Corporation considers non-IFRS measures to be key additional measures assessing operating and financial performance since they highlight trends in our main business activities that may not otherwise be apparent when relying solely on IFRS measures. Securities analysts, investors and other interested parties frequently use non-IFRS measures to assess entities, many of which present non-IFRS measures when reporting their results. Management also uses non-IFRS measures to facilitate comparisons of operating and financial performance between periods in order to prepare annual budgets and assess our ability to repay our debt and capital expenditures, as well as meet our working capital needs.

Non-IFRS measures are not recognized under IFRS. They do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other corporations. These non-IFRS measures have significant limitations as analytical tools and the reader should not consider them alone or as a substitute in analyzing the Corporation's results as reported in accordance with IFRS. Due to these limitations, we are relying primarily on our results as reported in accordance with IFRS and are only using non-IFRS measures to provide additional information.

EBITDA is calculated as profit (loss) before interest, taxes, depreciation and amortization ("EBITDA").

Adjusted EBITDA

In the fourth quarter of fiscal 2021, the Corporation amended the definition of Adjusted EBITDA to adjust for acquisition-related costs and restructuring costs. Comparative figures prior to March 31, 2021, for Adjusted EBITDA have been restated to be consistent with the current presentation. Adjusted EBITDA is calculated as net profit (loss) before interest, taxes, depreciation, and amortization (EBITDA), adjusted for foreign exchange gain (loss), gain (loss) on the sale of a subsidiary, share-based compensation, acquisition-related costs and restructuring costs.

The Corporation believes that Adjusted EBITDA is a meaningful measurement since it allows us to assess our operating performance between periods without the variances created by the impact of the above-noted items. The Corporation's main business activities consist in providing software as a service (SaaS) solutions. The losses or gains on the sale of the subsidiary and share-based compensation are considered to relate to non-core activities. Acquisition-related costs are legal and other professional fees associated with business combinations that are not representative of continuing operational costs or part of core operating activities. Restructuring costs relate to corporate reorganizations, following business combinations or other transactions, and include legal, professional fees, and termination and other salary-related expenses associated with these activities which are not representative of continuing operational costs or core business activities. The Corporation believes that the exclusion of acquisition-related and restructuring costs will also better aid readers of the financial statements in the understanding and comparability of the Corporation's operating results and underlying trends. The Corporation does not include these items because they affect the comparability of financial results between periods and may potentially distort the analysis of performance trends for the Corporation's ordinary activities. Excluding these items does not necessarily mean that they are non-recurring.

Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenues.

Adjusted profit (loss) refers to profit (loss), adjusted for the gain (loss) on the sale of a subsidiary and impairment on assets net of related taxes. Adjusted profit (loss) per share (basic) represents adjusted profit (loss) divided by the weighted average number of shares outstanding during the period. Adjusted profit (loss) per share (diluted) represents adjusted profit (loss) divided by the diluted weighted average number of shares outstanding during the period. The Corporation believes that adjusted profit (loss) and adjusted profit (loss) per share (basic and diluted) are meaningful measurements since they make it possible to assess the Corporation's overall performance between periods without the variances caused by the impacts of the above-noted items. The Corporation does not include these items because they affect the comparability of financial results between periods and may distort the analysis of performance trends. Excluding these items does not necessarily mean that they are non-recurring.

Constant currency basis

Certain revenue figures and changes from prior period are analyzed and presented on a constant currency basis and are obtained by translating revenues from the comparable period of the prior year denominated in foreign currencies at the foreign exchange rates of the current period. The Company believes that this Non-IFRS financial measure is useful to compare its performance that excludes certain elements prone to volatility.

Non-IFRS measures are reconciled with the most comparable IFRS measures in the tables below.

Reconciliation of Adjusted EBITDA and loss (profit)

	2022		2021					2020				
	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
In thousands of Canadian dollars.	Sept. 30, 2021 $	June 30 2021 $	$	Mar. 31 2021 $	Dec. 31 2020 $	Sept. 30 2020 $	June 30 2020 $	$	Mar. 31 2020 $	Dec. 31 2019 $	Sept. 30 2019 $	June 30 2019 $
(Loss) profit	**(6,308)**	(4,285)	(7,591)	(2,858)	(2,853)	(643)	(1,237)	(5,752)	(6,758)	(1,879)	1,834	1,051
Impairment loss of assets charge	**-**	-	-	-	-	-	-	7,221	7,221	-	-	-
Income tax (recovery) expense	**(1,371)**	(826)	(1,618)	(704)	(625)	(34)	(255)	(1,515)	(1,890)	(502)	389	488
Depreciation of property and equipment and amortization of intangible assets	**1,019**	900	4,217	1,155	1,121	1,019	922	3,474	1,264	797	734	679
Amortization of acquired intangible assets	**1,337**	882	3,815	1,014	885	910	1,006	2,816	934	680	601	601
Amortization of right of use assets	**506**	489	1,735	437	415	419	464	1,665	483	435	397	350
Amortization of deferred financing costs	**158**	57	135	57	58	10	10	39	10	10	10	9
Interest on lease liability	**173**	91	381	91	93	98	99	380	105	91	93	91
Interest on long-term debt	**135**	14	536	9	106	166	255	892	291	211	136	254
Other finance costs	**131**	-	-	-	-	-	-	-	-	-	-	
Interest income	**(343)**	(167)	(61)	(50)	(11)	-	-	-	-	-	-	-
EBITDA	**(4,563)**	(2,845)	1,549	(849)	(811)	1,945	1,264	9,220	1,660	(157)	4,194	3,523
Foreign exchange loss (gain)	**(1,397)**	827	1,427	171	516	310	430	(788)	(1,188)	316	(280)	364
Loss (gain) on sale of a subsidiary	**-**	-	-	-	-	-	-	83	-	-	(174)	257
Share-based compensation	**319**	200	467	124	156	80	107	-	-	-	-	-
Restructuring costs	**611**	228	1,966	723	932	116	195	1,400	97	1,158	145	-
Acquisition-related costs	**4,628**	79	337	52	228	-	57	426	91	326	9	-
Adjusted EBITDA	**(402)**	(1,511)	5,746	221	1,021	2,451	2,053	10,341	660	1,643	3,894	4,144

Reconciliation of (loss) profit and adjusted (loss) profit

	2022		2021					2020				
In thousands of Canadian dollars, except per share amounts	**Q2 Sept. 30, 2021 $**	**Q1 June 30 2021 $**	**Total $**	**Q4 Mar. 31 2021 $**	**Q3 Dec. 31 2020 $**	**Q2 Sept. 30 2020 $**	**Q1 June 30 2020 $**	**Total $**	**Q4 Mar. 31 2020 $**	**Q3 Dec. 31 2019 $**	**Q2 Sept. 30 2019 $**	**Q1 June 30 2019 $**
(Loss) profit	**(6,308)**	(4,285)	(7,591)	(2,858)	(2,853)	(643)	(1,237)	(5,752)	(6,758)	(1,879)	1,834	1,051
Loss (gain) on sale of a subsidiary	**-**	-	-	-	-	-	-	83	-	-	(174)	257
Impairment of assets, net of related taxes	**-**	-	-	-	-	-	-	5,307	5,307	-	-	-
Adjusted (loss) profit	**(6,308)**	(4,285)	(7,591)	(2,858)	(2,853)	(643)	(1,237)	(362)	(1,451)	(1,879)	1,660	1,308
Weighted average number of shares outstanding:												
Basic and diluted	**33,536**	28,404	19,752	23,874	20,844	17,961	16,394	14,915	15,052	14,913	14,849	14,849
(Loss) earnings per share – basic and diluted	**(0.19)**	(0.15)	(0.38)	(0.12)	(0.14)	(0.04)	(0.08)	(0.39)	(0.45)	(0.13)	0.12	0.07
Adjusted (loss) profit per share – basic and diluted	**(0.19)**	(0.15)	(0.38)	(0.12)	(0.14)	(0.04)	(0.08)	(0.03)	(0.10)	(0.13)	0.11	0.09

Reconciliation of revenues on a constant currency basis

Second quarter ended September 30, 2021 versus Second quarter ended September 30, 2020

In thousands of Canadian dollars	**Quarter ended September 30, 2021**	**Quarter ended September 30, 2020**	**VAR $**	**VAR %**
Revenues	25,080	20,752	4,328	20.9%
Constant Currency Impact	-	(394)	-	-
Revenues in Constant Currency	**25,080**	**20,358**	4,722	23.2%

Second quarter ended September 30, 2021 versus First quarter ended June 30, 2021

In thousands of Canadian dollars	**Quarter ended September 30, 2021**	**Quarter ended June 30, 2021**	**VAR $**	**VAR %**
Revenues	25,080	22,573	2,507	11.1%
Constant Currency Impact	-	5	-	-
Revenues in Constant Currency	**25,080**	**22,578**	2,501	11.1%

Six-month period ended September 30, 2021 versus six-month period ended September 30, 2020

In thousands of Canadian dollars	**Six months ended September 30, 2021**	**Six months ended September 30, 2020**	**VAR $**	**VAR %**
Revenues	47,653	41,286	6,367	15.4%
Constant Currency Impact	-	(847)	-	-
Revenues in Constant Currency	**47,653**	**40,439**	7,214	17.8%

Key Performance Indicators

The Corporation refers to certain key performance indicators described below in this MD&A and other communications. These performance indicators are not likely to be comparable to similar indicators presented by other corporations. The reader is advised that these indicators are being presented to complement, rather than replace, the analysis of financial results in accordance with IFRS. Management uses both IFRS and non-IFRS measures to plan, monitor and assess the Corporation's performance.

Recurring revenue and Monthly Recurring Revenue (MRR) are composed of revenues in respect of which subscriptions, licensing, maintenance, and hosting services provide access to goods and services with cyclical billing frequencies. Recurring revenue is a subset of total revenues as determined in accordance with IFRS. The recurring revenue portion of the Corporation's revenues is generally stable.

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.

Internal Controls and Procedures

The President and Chief Executive Officer and the Chief Financial Officer, together with management, are responsible for establishing and maintaining adequate Disclosure Controls and Procedures and Internal Controls over financial reporting, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (National Instrument 52-109), issued by the Canadian Securities Administrators.

During the quarter ended September 30, 2021, there were no changes to the Corporation's internal control over financial reporting that have affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management's evaluation and conclusion regarding the design of internal controls over financial reporting exclude the controls, agreements and procedures of Vendor Registry, which was acquired on November 18, 2020 and of Periscope, which was acquired on August 31, 2021. The Corporation has a period of one year from the date of acquisition to perform this assessment and to implement internal controls deemed necessary.

Additional Information

This report has been prepared as of November 10, 2021.

The authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, all without par value. As at November 10, 2021, there were 43,970,943 common shares issued and outstanding and no preferred shares outstanding.

Additional information about the Corporation, including the Corporation's most recent audited consolidated annual financial statements and Annual Information Form, is available on SEDAR at www.sedar.com.

Market and Ticker Symbol

The Corporation's common shares trade on the Toronto Stock Exchange (the "TSX") under the ticker symbol "MDF."

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Corporate Director

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California, United States
Consultant, Neolync Holdings Ltd.

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Interim President, ecommerce
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Mary-Ann Bell, ASC
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