QUISITIVE™

Fourth Quarter Report December 31, 2019

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019.

This management discussion and analysis ("MD&A") of Quisitive Technology Solutions, Inc. (the "Corporation", "Quisitive", "we" or "us") for the year ended December 31, 2019 should be read in conjunction with Quisitive Technology Solutions Inc. audited consolidated financial statements and the notes thereto for the years ended December 31, 2019 and 2018. We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Our consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in United States dollars unless otherwise indicated.

This MD&A is current as at April 28, 2020, the date of preparation, and may include certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified using forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Corporation to control or predict, that may cause the Corporation's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. These statements include, but are not limited to, statements with respect to proposed activities, consolidation strategy and future expenditures. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such factors include, among others the limited history of operations, lack of profitability, availability of financing, the need for additional financing, the timing and amount of expenditures, ability to successfully execute on consolidation strategies, the failure to find economically viable acquisition targets, funding for internally developed technology solutions, client retention and attrition, client demands, reliance on key personnel, economic spending in the IT industry and technological changes in the IT industry. The Corporation undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. This MD&A also contains certain industry related non-GAAP and additional GAAP measures that management uses to evaluate performance of the Corporation. These non-GAAP and additional GAAP measures are not standardized, and the Corporation's calculation may differ from other issuers. See "Definitions — IFRS, Additional GAAP and Non-GAAP Measures".

OVERVIEW OF THE CORPORATION AND STRUCTURE

Business Overview

Quisitive is a premier Microsoft solutions provider that helps enterprise organizations move, operate and innovate in the Microsoft cloud: Microsoft Azure, Microsoft Dynamics and Microsoft O365. Quisitive also provides proprietary Software as a Service ("SaaS") solutions, such as CRG emPerform™ and LedgerPay that complement the Microsoft platform. Quisitive serves clients globally with offices in Austin, TX; Dallas, TX; Denver, CO; Minneapolis, MN; Silicon Valley, CA; Washington, DC; Ottawa, ON; Toronto, ON; and Hyderabad, India.

Focused Mission:

Quisitive's mission is to build the premiere Microsoft partner in North America for Microsoft business solutions and cloud innovations. To accomplish this, the Corporation's strategy is focused on three primary activities:

1. Build the Microsoft Partner of the Future
2. Help enterprise customers move and innovate in the Microsoft cloud
3. Develop 1st party cloud-based SaaS solutions and products

Quisitive is uniquely comprised of experienced Microsoft partner leaders and technologists who share a deep understanding of market needs and the appropriate application of Microsoft cloud technology. The company's expertise with

Microsoft Azure, Microsoft 365 and Microsoft Dynamics™ platforms, which include Enterprise Resource Planning are helping industries such as financial services, manufacturing, oil and gas, and retail, drive innovation and solve complex business challenges.

In addition to organic growth, Quisitive has a focused M&A strategy that targets acquisition candidates based on several criteria.. First, geographic expansion in both the U.S. and Canada. This is critical to the ability to engage with Microsoft at a field sales execution level and expand touch and reach with large national customers. Second, diversification of Microsoft service capabilities. Quisitive's vision is to bring value to our customers through a full complement of Microsoft service capabilities across Microsoft cloud workloads. Third, skilled consultants that embrace Quisitive's culture and want to make an impact at our customers. Additionally, Quisitive's acquisition targets will ideally have developed a business model focused on servicing their customers on a monthly model, including managed services, licensing and other IP. This consolidation strategy will allow the corporation to quickly create scale to help Microsoft meet their customer demand for cloud expertise. Quisitive has a strong pipeline of acquisition targets and are in active dialogue with several companies.

Quisitive's second strategy will be to leverage developed proprietary tools to accelerate and optimize the customer's journey to the Microsoft cloud. This repeatable IP methodology was developed to educate and engage customers on the advantages and process of moving to the Microsoft cloud (Microsoft Azure, Microsoft 365 and Microsoft Dynamics). This includes establishing a roadmap outlining the steps to achieve their outcome within key Microsoft cloud workloads; a comprehensive ROI of what it will cost them to move and operate within the cloud; and a detailed migration plan that outlines the steps Quisitive will take to accomplish that and expedite their journey.

Quisitive's third strategy is the investment in product innovation and SaaS based solutions. The Corporation has formed a team that is focused on the development of industry solutions leveraging the Microsoft cloud and emerging technologies, such as, big data, artificial intelligence, machine learning and Internet of Things (IoT). With products like LedgerPay and CRG emPerform™, Quisitive is bringing the power and scale of the cloud to consumers and commercial customers in the retail and consumer goods space and first party IP solutions to enterprise customers. These IP solutions compliment the strategic technology and business consulting expertise and further establish Quisitive as the Microsoft partner of the future.

In June 2019 Quisitive expanded its Canadian business with the acquisition of Corporate Renaissance Group ("CRG") which was an important milestone for Quisitive in its overall strategy and vision. CRG's established Canadian and international customer base of over 4,000 companies helped Quisitive further establish their North American presence. Additionally, CRG's deep expertise in Microsoft Dynamics gave Quisitive full Microsoft cloud capability across all three Microsoft cloud platforms. Lastly, CRG also has expertise in talent and performance management for companies who consider people as their most important assets. CRG emPerform™ is CRG's proprietary performance management subscription software solution, being used by thousands of users across North America, the Caribbean and the U.K. The emPerform™ product along with the new Microsoft offering, Dynamics 365 for Talent, will allow Quisitive to provide a total solution to the Human Resources function of customers, empower the people asset in their business and grow recurring revenue for Quisitive.

On January 2, 2020 Quisitive completed the acquisition of Menlo Technologies, Inc. ("Menlo"). Menlo has depth across Microsoft's entire cloud platform including Microsoft Azure, Microsoft 365 and Microsoft Dynamics, as well as offshore capability. Based in Los Altos, California, the Menlo acquisition is a strong complement to the Company's acquisition of CRG. Quisitive has grown both organically and through acquisitions and now has eight regional locations in North America, an offshore development center in Hyderabad, India and over 300 employees.

Folding in the CRG and Menlo expertise and experience into the brand now give Quisitive the ability to service the C-Suite across both IT and Business leaders, positioning the company as the strategic Microsoft partner for the C-suite. Per Gartner™ (*Helen Huntley, The IT Services Scenario — It's a Changing World, presented at Gartner Tech Growth & Innovation Conference June 2019*), only 5% of Microsoft partners have this combined IT plus Business capability.

More recently, on March 24, 2020, Quisitive launched LedgerPay, a secure, Microsoft cloud-based payment processing and data insights product platform. Incubated under Quisitive, LedgerPay is a strong addition to Quisitive's growing product portfolio. LedgerPay extends traditional payments capabilities by leveraging data science, in partnership with the world's top consumer insights firms, to help merchants use their transaction data to provide a much richer and more relevant consumer shopping experience. Quickly following the launch, LedgerPay announced its first software licensing agreement with Rev19, a merchant services and financial technology company.

Structure

Quisitive Technology Solutions, Inc. (“Quisitive” or the “Corporation”), formerly Nebo Capital Corporation (“Nebo”), is the parent Corporation of Fusion Agiletech Partners, Inc. (formerly Fusion Martech Partners, Inc.) (“Fusion Canada”) which was incorporated on February 8th, 2017 under the Business Corporation Act (Ontario).

On August 8, 2018, a Qualifying Transaction occurred pursuant to a definitive Business Combination Agreement and was approved by the TSXV and proceeded by way of a three cornered amalgamation (the “Amalgamation”) pursuant to which Fusion Canada amalgamated with Nebo Acquisition Corp., a wholly owned subsidiary of Nebo incorporated under the laws of Ontario, and Nebo acquired all of the issued and outstanding common shares of Fusion Canada (the “Fusion Shares”), in exchange for Nebo’s shares on a 1:1 basis, such that Fusion Canada became a wholly owned subsidiary of Nebo. The Amalgamation also provided that all outstanding convertible securities to purchase Fusion Canada’s Shares were either exchanged in accordance with their terms, on a 1:1 basis, for economically equivalent securities of Nebo or became exercisable for equivalent securities of Nebo in lieu of securities of Fusion Canada and otherwise on the same terms and conditions.

The common shares of Quisitive are listed on the TSX Venture Exchange (the “TSXV”) under the symbol “QUIS”. The Corporation is a holding Corporation that has been incorporated to acquire IT service companies in the United States and Canada as well as develop SaaS solutions for business. The address of the Corporation’s registered office is 161 Bay Street, Suite 2325, Toronto, Ontario, M5J 2S1.

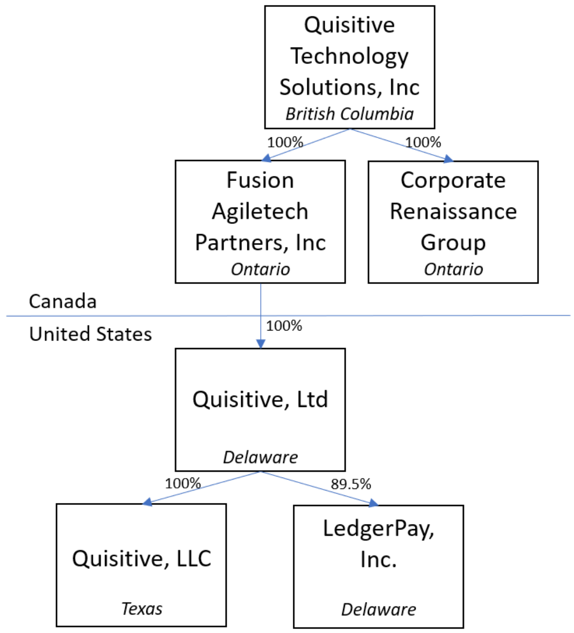
Quisitive Ltd. (formerly Fusion Agiletech Holdings Ltd.), a wholly owned subsidiary of Fusion Canada, was incorporated on December 22nd, 2017 under the General Corporate Law of the State of Delaware. Quisitive Ltd.’s registered office is 1675 South State Street, Suite B, Dover, Delaware, 19901.

Quisitive LLC, is a Texas Limited Liability Corporation, Quisitive LLC’s headquarters is 1431 Greenway Drive, Suite 1000, Irving, TX 75038. On January 22, 2018, Fusion Holdings entered into a definitive agreement to acquire the membership interests of Quisitive LLC. The transaction closed on January 23, 2018 and the operations of Quisitive LLC since January 24, 2018 have been reflected in the consolidated financial statements. Quisitive LLC is a wholly owned subsidiary of Quisitive through its subsidiaries.

LedgerPay, Inc, was incorporated on December 26th, 2017 under the General Corporate Law of the State of Delaware. LedgerPay’s principal activity is to develop, promote and sustain payments related software products. Quisitive Ltd owns 89.5% of LedgerPay at December 31, 2019. The address of the LedgerPay’s registered office is 1675 South State Street, Suite B, Dover, Delaware, 19901.

On June 1, 2019, the Corporation acquired the shares of Corporate Renaissance Group (“CRG”). Operations of CRG since June 1, 2019 have been reflected in the consolidated financial statements.

Figure 1: Corporate Structure Diagram of Quisitive.



OVERALL PERFORMANCE

The Corporation generates revenue by providing professional services implementing Microsoft cloud solutions and recurring revenue from its proprietary software solutions. The vision is to define the partner of the future powered by Microsoft and enable enterprise customers to transform their business leveraging Microsoft cloud platforms.

Quisitive fiscal 2019 business highlights:

- Quisitive completed the acquisition of Corporate Renaissance Group. The transaction solidified a major milestone for the Corporation strengthening its growth vision by expanding geographic base throughout Canada, United States and the Caribbean. The CRG business complements the Corporation's Microsoft Azure and Microsoft Office 365 cloud services by adding CRG's expertise in the implementation, customization and support of Microsoft Dynamics, as well as its recurring revenue model driven by the emPerform performance management solution.

- Quisitive announced it won the 2019 Microsoft Country Partner of the Year Award for the United States. The company was honored among a global field of top Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology.The Corporation achieved Microsoft Azure Cloud Solution Provider designation for Government customers in the United States.

- The Corporation launched a major initiative in partnership with Microsoft to drive the adoption of Microsoft Teams within major enterprise customers.

- The Corporation signed an agreement with Microsoft Consulting Services to become a Microsoft Enterprise Services Supplier. The designation enables Quisitive to support Microsoft Consulting Services (MCS) in pre-sales pursuits and jointly deliver projects incorporating Microsoft cloud solutions to U.S.-based enterprises to enable their digital transformation.

- Quisitive completed development of the first phase of the LedgerPay payment processor and payment tokinzation solution. LedgerPay is the only cloud-based payment processing platform to incorporate data collection and analysis with each transaction, thereby transforming payment transactions into beneficial, profitable, and actionable experiences for brick-and-mortar merchants such as grocers, quick serve restaurants and big box retailers and their customers.

Quisitive's customer wins and project momentum in 2019 included:

- The Corporation continues to have success with the Quisitive Azure Assessment program. This program was designed to guide customers through their Microsoft cloud adoption journey. During the year ending in December 31, 2019, Quisitive ran 99 assessments, completing 95. Since the inception of the program through December 31, 2019, the Corporation has converted 127 opportunities originating from assessment customers into consulting projects.

- The Corporation secured a strategic contract working with Caribbean based conglomerate in distribution, food services, retail and transportation with operations in four countries leveraging the CRG Level 7™ framework for consolidation reporting and analytics, organizational restructuring and design, and implementation of HRIS and talent management platforms.

- The Corporation released version 5.3 of its proprietary performance management system, CRG emPerform™ and added new customers in healthcare, banking, not for profit, advertising, engineering and software technology sectors.

- The Corporation successful delivered a digital transformation program for an Ontario based health services company that included implementation of Microsoft Dynamics 365 Customer Engagement and Business Central, as well as Azure modernization services to integrate Shopify.

- The Corporation completed a 15,000+ user migration for a major luxury retail brand, bringing over 7,500 store associates online with Exchange, Teams, OneDrive, and SharePoint to drive collaboration with the corporate support center. The Corporation partnered with the Microsoft retail stores to provide training and enablement services in the field to ensure adoption and reduce the impact of change.

- The Corporation became a Microsoft Direct Cloud Solution Provider (CSP), authorized to resell Microsoft cloud subscriptions within Azure, Office 365, and Dynamics and wrap with value-added managed services. At the close of 2019, Corporation was driving $74,000 a month of recurring subscription and license revenue.

- The Corporation delivered phased migrations of key application workloads in Azure for a major provider of pathology laboratory services. The Corporation secured a CSP relationship with the company to sell and manage Microsoft Azure, Office 365, and Dynamics 365 subscriptions and licenses.

Quisitive Q4 2019 business highlights:

- The Corporation secured a modern data warehouse project to assist a large public utility in developing a strategy and roadmap for migrating their data estate to Microsoft Azure.

- The Corporation completed a multi-phase migration of server and application workloads to Azure for a major provider of network management services.

- The Corporation partnered with Microsoft to launch OnRamp to Azure Data, a program dedicated to best-practice, automated deployment of a secure Azure data platform, coupled with guided migration of existing on-premises data assets to the cloud.

- The Corporation completed a migration to Microsoft 365 for a major manufacturer and implemented the OnRamp to Azure Data platform to rapidly deploy a best practice Enterprise Data Warehouse in Azure to provide enhanced business and executive reporting.

- The Corporation performed a Data Estate Assessment and roadmap for a major logistics and transportation company to jumpstart the migration of its data environment into Azure.

- The Corporation engaged with a major financial institution to develop and automated cloud provisioning platform to allow business units to quickly leverage Azure to drive business outcomes.

- The Corporation led the Adoption and Change Management efforts at a major furniture retailer to deploy and govern Microsoft Teams.

The following table summarizes annual results for of 2019 and 2018:

	2019	2018	% Change
Revenue	$18,525,288	$12,606,724	47%
Cost of Revenue	10,588,212	7,933,300	33%
Gross Margin	7,937,076	4,673,424	70%
Margin%	43%	37%	
Operating Expenses			
Sales and marketing	3,294,509	2,056,445	60%
General and administrative	3,236,831	3,569,533	−9%
Development	136,496	0	100%
Share-based compensation	289,604	403,864	−28%
Interest expense	1,624,398	734,544	121%
Amortization	2,423,368	1,488,101	63%
Depreciation	664,226	94,787	601%
Earn-out settlement loss	1,617,736	0	100%
Foreign exchange loss (gain)	(161,995)	0	100%
Acquisition related expenses	2,119,177	327,463	547%
Listing expenses	0	2,570,700	−100%
Loss Before Income Taxes	(7,307,274)	(6,572,013)	11%
Income tax expense — current	245,379	38,187	543%
Deferred income tax expense	(175,946)	0	100%
Net Loss for the Period	$(7,376,707)	$(6,610,200)	12%

Revenues for 2019 were $18,525,288 compared with $12,606,724 in 2018 which represents 47% year over year growth. The growth in the Corporation's revenues is due to the addition of the CRG acquisition in June of 2019 and organic growth within the Quisitive customer base for professional services and recurring revenues for license and managed services.

Cost of revenue is comprised of salaries and other personnel related costs, direct subcontractor and other costs associated with delivering the services. Cost of revenue for 2019 was $10,588,212 with gross margin of 43% of revenue. Cost of revenue improved from 2018 where cost of revenue was $7,933,300 or 37%. The increase in margins year over year is due to the addition of higher margin Saas offerings like emPerform™ to the revenue stream and the addition of service add-on engagements with existing clients where the depth of knowledge gained in initial engagements is leveraged into customizable solutions where more value is added at higher margins.

Operating expense is comprised of salaries, commissions, other personnel related costs, facilities, bad debt expenses, travel expenses, advertising programs, investor relations and other promotional activities associated with administrating the Corporation and selling and marketing our services.

Sales and marketing expense

The following table summarizes sales and marketing expenses in 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Sales and marketing expenses	$3,294,509	$2,056,445
As a percentage of revenue	17.8%	16.3%

Sales and marketing expense consist primarily of salary and personnel related costs including commissions. Additional expenses include marketing events, travel and efforts on proof of concept. Sales and marketing expense have increased in 2019 versus 2018 due to increased investment in expanding the Corporation's outreach on emerging technology projects and new service offerings as well as increasing our headcount to address the current available market and the addition of CRG expenses.

General and administrative expense

The following table summarizes General and administrative expense in 2019 and 2018:

	For the years ended December 31,	
	2019	2018
General and administrative expense	$3,236,831	$3,569,533
As a percentage of revenue	17.4%	28.3%

General and administrative expense consist primarily of salary and personnel related costs. Additional expenses include costs of obtaining and maintaining a public listing, professional fees, insurance, bad debt, occupancy costs and other office related expenses.

Amortization is attributable to intangible assets, including Microsoft relationship, customer agreements and relationships, brand and software acquired in the Quisitive LLC and CRG transactions. Intangibles assets with a finite life are amortized to income over their useful life. Intangible assets have increased significantly in 2020 due to the addition of $7,493,901 in intangible assets via the CRG acquisition and amortization has increased to $2,423,368 for 2019 compared with $1,488,101 in 2018.

As a result of earn-out targets having been achieved for Quisitive and CRG, an earn-out settlement loss of $1,617,736 was recorded for the year-ended December 31, 2019.

Interest expense for the year ended December 31, 2019 was $1,624,398 compared with $734,544 in 2018. Interest expense is primarily comprised of interest expense on the amount borrowed and outstanding on the note payable, the bank term loan, the purchase price note, the Menlo acquisition loan, the operating line of credit and factoring facility, and, in fiscal 2018, the leased equipment.

Stock based compensation is the value ascribed to the granting of stock incentives to employees and directors of the Corporation. Stock based compensation for the year ended December 31, 2019 was $289,604 compared with $403,864 for the year ended December 31, 2018. The reason for the decline in 2019 was forfeitures of stock options during the year.

Acquisition related expense includes all expenses associated with ongoing M&A activity. It is comprised of legal, accounting, valuation, taxation and other consulting expenses incurred directly related to acquiring businesses. Acquisition related expenses December 31, 2019 was $2,119,177 an increase from $327,463 for the year ended December 31, 2018. The Corporation has also completed the acquisition of CRG on June 1, 2019 and incurred the majority of the acquisition costs related to Menlo Technologies, Inc. which was completed on January 2, 2020 in fiscal 2019. In 2018, acquisition costs related to the acquisition of Quisitive LLC on January 23, 2018. The Corporation continues to explore target acquisitions to execute on its consolidation strategy of building the North America's premier Partner of the Future for Microsoft.

Depreciation expense December 31, 2019 was $664,226 compared with $94,787 in 2018. The increase in 2019 is related to the depreciation of the right of use — lease assets recognized in 2019 must be capitalized and depreciated.

Adjusted EBITDA

The Corporation prepare and release annual audited financial statements prepared in accordance with IFRS. It also disclose and discusses certain non-GAAP financial information, used to evaluate our performance, in this and other earnings releases and investor conference calls as a complement to results provided in accordance with IFRS. Management believes that current shareholders and potential investors in the Corporation's securities use non-GAAP financial measures, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues, in making investment decisions about the Corporation and measuring its operational results.

The term "Adjusted EBITDA" refers to a financial measure that we define as earnings before certain charges that management considers to be nonoperating expenses and which consist of interest, taxes, depreciation, amortization, foreign exchange, stock based compensation (for which the Corporation include related fees and taxes), acquisition related expense, settlement losses on earn-out liabilities and listing expense. Adjusted EBITDA as a percentage of revenues divides Adjusted EBITDA for a period by the revenues for the corresponding period and expresses the quotient as a percentage.

Management considers these nonoperating expenses to be outside the scope of Quisitive' ongoing operations and the related expenses are not used by management to measure operations. Accordingly, these expenses are excluded from Adjusted EBITDA, which is referenced to both measure the Corporation's operations and as a basis of comparison of its operations from period to period.

Annual Adjusted EBITDA reconciliation

	2019	2018
Net loss	(7,376,707)	(6,610,200)
Income Tax Expense	69,433	38,187
Interest Expense	1,624,398	734,544
Depreciation	664,226	94,787
Amortization	2,423,368	1,488,101
Foreign Exchange	(161,995)	—
Stock Based Compensation	289,604	403,864
Earn out settlement	1,617,736	—
Listing Expense	—	2,570,700
Acquisition related expenses	2,119,177	327,463
Adjusted EBITDA	1,269,240	(952,554)
Adjusted EBITDA as a percentage of revenue	6.9%	−7.6%

Adjusted EBITDA for the year ended December 31, 2019 was $1,269,240 or 6.9% of revenue compared with the the year ended December 31, 2018 where adjusted EBITDA was a loss of ($952,554) or (7.6%) of revenue. This is a significant improvement in operational performance and the Corporation is continuing to invest in its sales and marketing organization, consulting practice, emerging technologies, investor relations functions and acquisition strategy to drive future improvements.

Fourth quarter results

The following table summarizes condensed results for the three months ending December 31, 2019 and the three months ended December 31, 2018:

	For the three months ended December 31	
	2019	2018
Revenue	$5,404,860	$3,902,545
Cost of revenue	3,088,241	2,318,169
Gross margin	2,316,619	1,584,376
Margin%	43%	41%
Operating expenses		
Sales and marketing expense	945,186	907,532
General and administrative	985,341	877,149
Development	62,216	—
Stock based compensation	161,233	203,832
Interest expense	654,035	355,465
Amortization	748,223	1,460,961
Depreciation	175,264	2,324
Earn out settlement loss	1,617,736	—
Foreign exchange	(507,457)	—
Acquisition related expense	836,150	60,852
Listing expense	—	(210,461)
Loss before income taxes	(3,361,308)	(2,073,278)
Current income tax expense	44,344	30,387
Deferred income tax expense	(121,150)	(439,100)
Net loss	$(3,284,502)	$(1,664,565)

Revenue for the quarter ended December 31, 2019 was $5,404,860 compared with $3,902,545 for the quarter ended December 31, 2018 which represents a 38% quarter over quarter growth.

The growth in the Corporation's revenues is due to the addition of the CRG acquisition in June of 2019 and organic growth within the Quisitive customer base for professional services and recurring revenues for license and managed services.

Cost of revenue is comprised of salaries and other personnel related costs, direct subcontractor and other costs associated with delivering the services. Gross margin for quarter ended December 31, 2019 was $2,316,619 which is 43% of revenue.

Operating expense is comprised of salaries, commissions, other personnel related costs, facilities, bad debt expenses, travel expenses, advertising programs, investor relations and other promotional activities associated with administrating the Corporation and selling and marketing our services.

Sales and marketing expense

The following table summarizes sales and marketing expenses for the quarters ended December 31, 2019 and 2018:

	Three Months Ended December 31,	
	2019	2018
Sales and marketing expense	$945,186	$907,532
As a percentage of revenue	17.5%	23.3%

Sales and marketing expense consist primarily of salary and personnel related costs including commissions. Additional expenses include marketing events, travel and efforts on proof of concepts. Sales and marketing expense are consistent with the fourth quarter of 2018 with similar events and outreach taking place in the fourth quarter of 2019 versus 2018. Declines as a percentage of revenue in 2019 compared to 2018 are due to the increased revenue base.

General and administrative expense

The following table summarizes General and administrative expense for the year ended December 31, 2019 and 2018:

	Three Months Ended December 31,	
	2019	**2018**
General and administrative expense	$985,341	$877,149
As a percentage of revenue	18.2%	22%

General and administrative expense consist primarily of salary and personnel related costs. Additional expenses include professional fees, insurance, bad debt, occupancy costs and other office related expenses. General and administrative costs were $985,341 in the fourth quarter of 2019 compared to $877,149 in the fourth quarter of 2018. Increases due to additional personnel, professional and legal fees incurred in 2019 are partially offset by higher operating lease costs in 2018 which declined significantly in 2019 due to the adoption of IFRS 16.

Amortization is attributable to intangible assets, including Microsoft relationship, customer agreements and relationships, brand and software acquired in the Quisitive LLC and CRG transactions. Intangibles assets with a finite life are amortized to income over their useful life. The amount of amortization expense in a fiscal period is dependent on the Corporation's acquisition activities as well as the result of its asset impairment tests. Amortization of intangible assets was $748,223 for the quarter ended December 31, 2019 compared with $1,460,961 in the fourth quarter of 2018.

As a result of earn-out targets having been achieved for Quisitive and CRG, an earn-out settlement loss of $1,617,736 was recorded for the quarter ended December 31, 2019.

Interest expense for the quarter ended December 31, 2019 was $654,035 compared with $355,465 for the quarter ended December 31, 2018. Interest expense is primarily comprised of interest expense on the amount borrowed and outstanding on the note payable, the bank term loan, the purchase price note, the Menlo acquisition loan, the operating line of credit and factoring facility, and, in fiscal 2018, the leased equipment. The year over year increase reflects the additional service costs on new debt facilities entered into during 2019.

Stock based compensation is the value ascribed to the granting of stock incentives to employees and directors of the Corporation. Stock based compensation for the quarter ended December 31, 2019 was $161,213 compared with $203,832 in the fourth quarter of 2018.

Acquisition related expense includes all expenses associate with ongoing M&A activity. It is comprised of legal, accounting, valuation, taxation and other consulting expenses incurred directly related to acquiring businesses. Acquisition costs were $836,120 in the fourth quarter of 2019 which is a significant increase over the fourth quarter of 2018 where the Corporation incurred $60,852 in transaction expenses. The 2019 transaction costs include all of the costs incurred relating to the acquisition of Menlo Technologies Inc. which was closed on January 2, 2020.

Depreciation expense for the quarter ended December 31, of 2019 was $175,264 compared with $2,324 in the quarter ended December 31, 2018. The primary reason for the increase in 2019 is that, under the newly adopted IFRS 16 Lease standard, the right of use lease assets must be capitalized and depreciated.

Q4 Adjusted EBITDA reconciliation

	2019	**2018**
Net loss	(3,284,502)	(1,664,565)
Income Tax Expense	(76,806)	(408,713)
Interest Expense	654,035	355,465

Depreciation	175,264	2,324
Amortization	748,223	1,460,961
Foreign Exchange	(507,457)	(529,927)
Stock Based Compensation	161,233	203,832
Earn out settlement	1,617,736	—
Listing Expense	—	(210,461)
Acquisition related expenses	836,150	60,852
Adjusted EBITDA	323,876	(730,232)
Adjusted EBITDA as a percentage of revenue	6.0%	−18.7%

Adjusted EBITDA for the quarter ended December 31, 2019 was $323,876 or 6% of revenue. The adjusted EBITDA for Q4 would have been $784,211 or 14.5% of revenue excluding a discretionary bonus expense in the amount of $460,335 which was recorded in the quarter. This is a significant increase from the quarter ended December 31, 2018 where the adjusted EBITDA was a loss of ($730,232) or (18.7%) of revenue.

Quarterly Operating Results

Selected financial information for each of the most recently completed quarters of Quisitive are as follows:

	Quarter ended	Revenue ($)	Gross Margin ($)	Net loss ($)	Loss per share ($)	Loss per fully diluted share ($)	Adjusted EBITDA ($)
Q4 2019	31-Dec-19	5,404,860	2,316,619	(3,284,502)	(0.03)	(0.03)	323,876
Q3 2019	30-Sep-19	5,031,656	2,270,841	(976,631)	(0.01)	(0.01)	549,476
Q2 2019	30-Jun-19	4,079,937	1,745,136	(1,836,247)	(0.03)	(0.03)	157,586
Q1 2019	31-Mar-19	4,008,834	1,605,013	(656,656)	(0.01)	(0.01)	238,301
Q4 2018	31-Dec-18	3,902,545	1,584,376	(1,664,566)	(0.02)	(0.02)	(730,232)
Q3 2018	30-Sep-18	3,234,208	1,078,420	(3,723,275)	(0.05)	(0.05)	(699,111)
Q2 2018	30-Jun-18	3,056,458	1,043,713	(439,382)	(0.01)	(0.01)	(260,205)
Q1 2018	31-Mar-18	2,413,514	966,917	(782,977)	(0.02)	(0.02)	(23,676)

In connection with the completion of the annual consolidated financial statements for the year ended December 31, 2019, the Corporation identified certain immaterial errors in reported revenues and expenses for the three months ended March 31, 2019, the three and six months ended June 30, 2019, and the three and nine months ended September 30, 2019 as compared to the amounts previously reported. These differences, which are immaterial to each period, have been reflected in the underlying quarterly financial statements in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the condensed consolidated interim statements of financial position as at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
Working capital	$(11,802012)	$(6,366,658)

The Corporation has negative working capital at December 31, 2019 and is seeking to restructure and consolidate its balance sheet and raise additional financing on attractive terms in order to provide additional liquidity as well as funding to pursue its acquisition growth strategy. The Corporation is seeking to restructure and consolidate its debt structure in 2020 to extend the terms and lower the cost of its debt structure. There can be no assurance of the success of such financing endeavors in the future.

Sources and Uses of Cash

	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash used in operating activities	$(153,992)	$(2,421,917)
Cash used in investing activities	(3,222,454)	(3,421,530)
Cash provided by financing activities	11,883,254	6,116,894
Net increase (decrease) in cash and restricted cash	$8,456,808	$273,447

The net increase in cash in 2019 is primarily attributable to the proceeds of loan financing and extension of terms on the Corporation's factoring facility, the Corporation used $3,222,454 primarily in investing activities to acquire CRG. Cash used in operating activities of $153,992 is a significant improvement over 2018 where $2,421,917 was used in operating activities. The increase to nearly break-even is driven by the growth in revenues and EBITDA contribution in 2019.

All cash is held in interest bearing bank accounts with major US or Canadian financial institutions.

The Corporation believes that its cash position and expected future cash inflows from operations and financing will be sufficient to finance its operational and capital needs for at least 12 months. However, the Corporation's future cash requirements may vary materially from those now expected due to a number of factors including the effects of COVID19 across companies and industries which could potentially affect the Corporation's ability to operate, the ability of its clients to commit to contracts, liquidity and the ability to continue as a going concern. The Corporation is seeking to restructure and consolidate the balance sheet and raise additional financing on attractive terms in order to provide additional liquidity as well as funding to pursue its acquisition growth strategy. There can be no assurance that the Corporation will successfully raise funds or successfully achieve its restructuring goals. (see "Risk Factors")

TRANSACTIONS WITH RELATED PARTIES

(i) Note payable to related party

The Corporation entered into a promissory note agreement totaling $750,000CAD with a related company owned by a Director/Officer of the Corporation for the purpose of providing bridge loan for working capital of CRG. The note is unsecured and is positioned behind the bank term loan. It is interest free and can only be repaid once the bank term loan has been repaid in full. As this loan is to a related party, and the present value of this loan is less than the face value of the loan, the difference has been recorded directly to equity.

	December 31, 2019
Note payable — related party	$463,493

(ii) Purchase price note

In connection with the closing of the acquisition of CRG, the Corporation issued $6,500,000CAD purchase price notes to the vendors which are held directly or indirectly by Companies affiliated with a Director of the Corporation. Interest on the notes is payable at a rate of 10% per annum compounded on an annual basis and payable semiannually and is secured by a pledge over the shares of CRG acquired. The Company obtained a waiver to defer payment of the first interest installment of $325,000CAD due on December 1, 2019 to January 24, 2020. For the year ended December 31, 2019, the Company has accrued $379,167CAD in interest relating to the notes. The notes mature on June 1, 2021 with an option of the vendors to extend by one additional year or otherwise, subject to agreement by both parties.

(iii) Key management compensation

The Company's key management consist of executive officers and directors:

The compensation recorded to key management personnel during the years ended December 31, 2019 and 2018 was as follows:

	Year ended December 31,	
	2019	**2018**
Salaries and short term-employee benefits	$1,124,443	$471,917
Share based-compensation	$84,852	$109,380

(iv) Transactions with related entities

During the year, the Company had transactions with Software Integrators International, Inc. and Corporate Renaissance Group Solutions (PVT) Ltd. which are controlled by a Director/Officer of the Corporation. The transactions and balances for the period from acquisition to December 31, 2019 are set out in the table below.

	June 1 to December 31, 2019 (amounts in CAD)			
	Opening receivable (payable)	**Net repayment/ (Payments Received)**	**Sales provided**	**Closing payable**
Software Integrators International Inc.	(93,683)	(14,290)	16,147	(91,826)
Corporate Renaissance Group Solutions (PVT) Ltd.	37,018	106,285	(180,370)	(37,067)

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Quisitive has leased its three office facilities under separate noncancelable operating leases, of which two are capitalized under IFRS16.

Future minimum cash payments required under these leases are as follows:

	December 31, 2019
next 12 months	$516,614
thereafter	416,480
Total	$933,094

In addition, the Corporation has the following contractual obligations with payments set out below:

	under 3 months	3 months- 1 year	1-2 years	3-5 years
A/P and accrued	4,236,904	—		
Operating line of credit	1,840,630	—		
Income taxes payable	—	159,247		
Note payable	—	5,244,851		
Menlo acquisition loan	—	7,210,529		
Purchase price note	—		4,966,761	
Note payable to related party	—	—	—	463,493
Contingent consideration	4,168,207	—	—	4,169,106
Bank term Loan	238,315	476,631	714,946	2,692,915
Total	10,484,056	13,091,258	5,681,707	7,325,514

OUTSTANDING SHARE CAPITAL

As of December 31, 2019, there were 90,054,697 Common Shares issued and outstanding, 3,705,000 stock options, 31,783,644 common share purchase warrants, 1,677,711 broker compensation warrants, 4,325,301 restricted stock units and issued and outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

FINANCIAL INSTRUMENTS

The carrying values of the cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and operating line of credit approximate their fair values due to their short term to maturity. The carrying value of the notes payable, Menlo acquisition loan, purchase price notes and bank term loan approximate fair value as they were at market rates of interest.

The Corporation has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major Canadian financial institution and the Corporation's concentration of credit risk for cash and maximum exposure thereto is $8,730,256 (2018 — 273,448).

With respect to its accounts receivable, the Corporation assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Corporation's credit risk with respect to trade accounts receivable and maximum exposure thereto is $4,171,149 (2018 — $1,510,171). Accounts receivable are shown net of provision of credit losses of $206,550 (2018 — $157,985).

	under 30	30-60 days	over 60 days	Total
Accounts receivable ageing	$2,677,167	$600,836	$686,596	$3,964,599

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. At December 31, 2019, the Corporation has $1,419,756 (2018 — $273,448) of unrestricted cash and liabilities with noted in the commitments and contractual obligations section above.

The Corporation manages its liquidity risk by relying upon its revenues. In addition, recent events will impact the Company to varying degrees as the discrete effects of COVID-19 across companies and industries evolves. This could potentially impact our financing efforts, ability to operate, customer demand and the liquidity our clients, liquidity and ability to continue as a going concern.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(d) Interest rate risk

The Corporation is exposed to interest rate risk through the Menlo acquisition loan which bears interest at prime plus 8.05%. A 1% change in prime lending rate would lead to ±$75,000 in interest payable over 1 year.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Corporation's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Corporation is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Corporation are not denominated in its functional currency. The Corporation does not manage currency risk through hedging or other currency management tools.

As at December 31, 2019 and 2018, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	2019	2018
	CAD$	CAD$
Cash	$1,818,763	$312,543
Accounts payable and accrued liabilities	(750,194)	(606,815)
	1,068,569	(294,272)
United States dollar equivalent	$818,579	$(215,710)

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Corporation is not exposed to other price risk.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated annual financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Corporation reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. Significant accounting policies and estimates under IFRS are found in Note 2 of the Corporation's consolidated annual financial statements.

ACCOUNTING STANDARDS ISSUED ADOPTED DURING THE PERIOD

For the preparation of these condensed consolidated interim financial statements, the following new and amendments to Standards were adopted in 2019.

Adoption of IFRS 16 — Leases

IFRS 16 introduced a single, on balance sheet accounting approach for leases. Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach for recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings as January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Under the new standard the Corporation assesses whether at contract inception, such contract contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control or use an identified asset for a period of time in exchange for consideration.

The Corporation records a right of use asset and lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate. Payments included in the measurements of the liability include fixed payments and payments expected to be made where a renewal/extension option is reasonably certain to be exercised. The lease liability is subsequently increased by the interest cost and decreased by lease payments made. The liability is remeasured when there is a change in the future lease payments arising from the exercise of extension options, changes in the assessment of extension options reasonably expected to be excised, renegotiations with lessors and contract amendments, changes in the scope of a lease due to certain contract rights being exercised, and changes in assessments of termination options reasonably expected to be exercised.

The Corporation elected to record the right of use assets based on the corresponding lease liability. In addition, the Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial applications short term leases.

Impacts on Financial Statements

On initial transition, the Corporation has recognized right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Right of use assets and lease liabilities of $1,203,999 were recorded on January 1, 2019. There was no net impact on opening retained earnings on adoption.

The following is a table that reconciles the Corporation's operating lease obligations at December 31, 2018 as previously disclosed in the Corporation's 2018 Consolidated Financial Statements to the IFRS 16 lease liability recognized on January 1, 2019. The discount rate applied on transition was 5.3%.

Commitments, December 31, 2018	$1,507,950
Less: Non-lease commitments	210,549
Undiscounted lease obligation at January 1, 2019	1,297,401
Discount	(93,402)
Balance, right-of-use asset and lease liabilities January 1, 2019	$1,203,999

As a result of implementing the standard, going forward, there will be a decrease to operating costs and increases to finance costs associated with the interest accretion on the lease liability and depreciation expense related to the right of use asset.

IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017)

The Interpretation, applicable to annual periods beginning on or after January 1, 2019 (earlier application permitted), provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances. There has been no impact on the financial statements as a result of implementing this policy.

RISK FACTORS

The following risk factors should not be exhaustive and may not be all the risks that Quisitive may face. Management of the Corporation believes that these factors set out below could cause actual results to be different from expected and historical results,

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risk and uncertainties relevant to the Corporation, its operation and/or its financial results., This discussion is not exhaustive.

Profitability

There is no assurance that Quisitive or any of its Subsidiaries will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue Quisitive's business development and marketing activities. If Quisitive does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Impact of COVID-19 or other global pandemic conditions

The effects of COVID-19 or other global pandemic outbreaks across the global economy could impact the Corporation's ability to procure and deliver on new client contracts and engagements, generate new client leads, remain productive and deliver consulting services, attract new talent and maintain our assembled workforce. In addition, liquidity and capital resources could be impacted by increased counterparty credit risk, liquidity, and financing pressures driven by the onset of such conditions.

Since March of 2020, several measures and restrictions have been put into place in response to COVID-19. The Corporation continues to serve our customers by leveraging remote working technology solutions. The impact of COVID-19 is expected to be temporary, however, the current situation is fluid and the duration and impact of COVID-19 on the Corporation's business operations, results of operations, financial position and cashflows cannot be reasonably estimated at this time.

Availability of Financing

Quisitive has limited financial resources and there is no assurance that additional funding will be available to Quisitive or any of the Quisitive Subsidiaries for further operations or to fulfill their respective obligations under current agreements including agreements with lenders to the Corporation and/or its subsidiaries. There is no assurance that Quisitive or any of the Quisitive Subsidiaries can generate sufficient revenues to operate profitably, or provide a return on investment, or that they will successfully implement their plans.

The ability of Quisitive to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Quisitive and its Subsidiaries. There can be no assurance that Quisitive will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to Quisitive. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Quisitive may change and shareholders may suffer additional dilution. Similarly, future acquisitions may be funded in part by equity of a Quisitive Subsidiary or proposed acquisition target, in a manner similar to the arrangements comprising the Quisitive Employment Incentives or as otherwise may be determined by the Board of the Corporation from time to time. Any such arrangement could have a dilutive effect on the interest of shareholders in one or more operating subsidiaries of Quisitive.

If adequate funds are not available, or are not available on acceptable terms, Quisitive and Quisitive Subsidiaries may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Changes in the IT Industry

The IT industry is characterized by rapid technological innovation, changing client needs, evolving industry standards and frequent introductions of new products, product enhancements, services and distribution methods. The success of Quisitive depends on its ability to develop expertise with these new products, product enhancements, and services and to implement IT consulting and professional services, technology integration and managed services that anticipate and respond to rapid and continuing changes in technology, industry dynamics and client needs. The introduction of new products, product enhancements and distribution methods could decrease demand for current products/services or render them obsolete. Sales of products and services can be dependent on demand for specific product categories, and any change in demand for or supply of such services could have a material adverse effect on net sales, if Quisitive fails to adapt to such changes in a timely manner.

As client requirements evolve and competitive pressures increase, Quisitive will likely be required to modify, enhance, reposition or introduce new IT solutions and service offerings.

Quisitive may experience difficulties that could delay or prevent the successful development, introduction and marketing of services and solutions that respond to technological changes or evolving industry standards or fail to develop services and solutions that adequately meet the requirements of the marketplace or achieve market acceptance. Quisitive may not be successful in doing so in a timely, cost effective and appropriately responsive manner, or at all, which could adversely affect its competitive position and financial condition. All of these factors make it difficult to predict future operating results, which may impair Quisitive's ability to manage its business and its investors' ability to assess Quisitive's prospects.

Client Retention / Attrition

Once Quisitive's solutions and methodologies are deployed within its clients' IT infrastructure environments, the clients rely on Quisitive's support services to resolve any related issues. A high level of client support and service is important for the successful marketing and sale of the services and solutions of Quisitive. If Quisitive does not help its clients quickly resolve post deployment issues and provide effective ongoing support, Quisitive's ability to sell its IT solutions to existing clients would suffer and its reputation with prospective clients could be harmed.

Information Systems

Quisitive's information systems will be internally developed. They will contain external applications that are linked to the proprietary core. There are continued risks when various departments in Quisitive operate on different systems and Quisitive must rely on developed interfaces between these systems. There can be no assurance that these systems will continue to expand to meet the needs of the growth of Quisitive or that the interfaces will be robust enough as Quisitive grows.

Client Demand

Quisitive plans to significantly expand the number of clients it serves and the diversity of its client base thereby increasing revenues. Quisitive is working toward identifying and providing additional products and services that appeal to existing clients in an effort to increase its revenues. Quisitive's ability to attract new clients, as well as increase revenues from existing clients, is dependent on a number of factors including but not limited to offering high quality products and services at competitive prices, the strength of its competitors and the abilities of its sales and marketing teams. The failure of Quisitive to attract new clients or to obtain new business from existing clients may mean that Quisitive will not increase its revenues as quickly as is anticipated, if at all.

Attracting and Retaining Clients

Once Quisitive's solutions and methodologies are deployed within its client's environments, such clients will be reliant on Quisitive's support services to resolve any issues with such solutions and methodologies. A high level of support and service is important for the successful marketing and sale of Quisitive's services and solutions. Failure to help its clients quickly to resolve post deployment issues and provide effective ongoing support may adversely affect Quisitive's reputation with prospective clients and its ability to sell its solutions to existing clients.

Economic Conditions

Quisitive will be sensitive to the spending patterns of its clients, which are subject to economic and business conditions. It is difficult to estimate the level of growth for the economy as a whole. As all components of Quisitive's budgeting and forecasting will be dependent upon estimates of growth in the markets that Quisitive will serve and economic uncertainties make it difficult to estimate future income and expenditures. Downturns in the economy or geopolitical uncertainties may cause clients to reduce or cancel orders. Hence, economic factors could have an effect on Quisitive's business.

Quisitive's client base is predominantly in North America, and to the extent that capital investment in IT either declines or increases, Quisitive may be affected.

Ability to Successfully Execute Strategies

If Quisitive fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Quisitive has identified. Quisitive's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Quisitive must: (i) continue to attract and retain clients; (ii) hire, train and retain quality employees; and (iii) evolve Quisitive's business to gain advantages in a competitive environment.

Acquisitions

Quisitive intends to in the future acquire additional businesses in the future. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. In addition, there can be no assurance that Quisitive can complete any acquisition it pursues on favorable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. Furthermore, the potential funding of any such future acquisitions could require diversion of revenue or securing of debt or equity financings by Quisitive which could, in turn, result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of Quisitive to successfully manage this strategy could have a material adverse effect on Quisitive's business, results of operations and financial condition.

Seasonality of the Business

Quisitive's sales are subject to seasonal and quarterly variations that may cause significant fluctuations in operating results.

Sale Cycle

The timing of Quisitive's revenues may be difficult to predict. Clients typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. Quisitive will spend substantial time, effort and money on its sales efforts without any assurance that the efforts will produce any sales during a given period.

Reliance on Key Personnel

Quisitive is, and Quisitive will be, substantially dependent upon the services of its management team for the successful operation of its business. The loss of the services of any of these individuals could have a material adverse effect on the business of Quisitive. If Quisitive cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, Quisitive's ability to develop and manage its business will be impaired.

Management of Growth

Quisitive may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of Quisitive to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Quisitive to deal with this growth may have a material adverse effect on Quisitive's consolidated business, financial condition, results of operations and prospects.

Regulatory Risks

The activities of Quisitive or any of its Subsidiaries may become subject to regulation by governmental authorities, in jurisdictions where such companies may exist or conduct its business. Quisitive cannot predict the regulations it may be required to comply with, or the time required to secure all appropriate regulatory approvals, or the extent of information and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the consolidated business, results of operations and financial condition of Quisitive.

Quisitive and its Subsidiaries may incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of Quisitive's consolidated operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Quisitive's consolidated operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the consolidated business, results of operations and financial condition of Quisitive.

Changes in Laws, Regulations and Guidelines

While to the knowledge of management, Quisitive and its Subsidiaries are currently in compliance with all laws, any changes to laws, regulations, guidelines and policies due to matters beyond the control of Quisitive may cause adverse effects to its operations.

Reliance on Computer Systems

Quisitive's information technology and internal infrastructure is susceptible to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Significant disruption to the availability of information technology and internal infrastructure could cause delays in research and development work. Quisitive would incur liability and development of product candidates would be delayed if any disruption or security breach were to result in a loss of, or damage to, Quisitive's or any of Quisitive Subsidiaries' data.

Employee Regulations

Quisitive is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to Quisitive, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to Quisitive's consolidated business, results of operations or financial condition.

Foreign Currency Risk

Quisitive will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its clients and operations are located. While Quisitive will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Competition

The industry in which Quisitive operates is developing rapidly and related technology trends are constantly evolving. In this environment, Quisitive will face significant price competition from its competitors. There is no assurance that Quisitive will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates. Quisitive may be forced to reduce the prices of the products and services it sells in response to offerings made by its competitors. In addition, Quisitive may not be able to maintain the level of bargaining power that it has enjoyed in the past when negotiating the prices of its services.

Quisitive faces substantial competition from other national, multiregional, regional and local value added resellers and IT service providers, some of which may have greater financial and other resources than that of Quisitive or that may have more fully developed business relationships with clients or prospective clients than Quisitive. Many of Quisitive's competitors compete principally on the basis of price and may have lower costs or accept lower selling prices and, therefore, Quisitive may need to reduce its prices.

Quisitive's profitability is dependent on the rates it is able to charge for its products and services. The rates charged for products and services are affected by a number of factors, including but not limited to:

- clients' perceptions of Quisitive's ability to add value through its services;
- introduction of new services or products by Quisitive or its competitors;
- competitors' pricing policies;
- the ability to charge higher prices where market demand or the value of Quisitive's services justifies it;
- the ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over long contract periods;
- procurement practices of Quisitive's clients; and
- general economic and political conditions.

If Quisitive is not able to maintain favourable pricing for its products and services, its profit margin and profitability may suffer.

Litigation

Quisitive may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Quisitive becomes involved be determined against Quisitive such a decision could adversely affect Quisitive's ability to continue operating and the market price for the common shares and could use significant resources. Even if Quisitive is involved in litigation and wins, litigation can redirect significant Quisitive resources. Litigation may also create a negative perception of Quisitive's brand.

Protection of Intellectual Property Rights

The future success of Quisitive's consolidated business is dependent upon the intellectual property rights surrounding certain technology held by LedgerPay and the other Quisitive Subsidiaries from time to time, including trade secrets, know-how and continuing technological innovation. Although Quisitive and Quisitive Subsidiaries seek to protect proprietary rights, their actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. There can be no assurance that other companies are not investigating or developing other technologies that are similar to the technology of LedgerPay or other Quisitive Subsidiaries from time to time. In addition, effective intellectual property protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate designation of the applicable technology. Any of these claims, with or without merit, could subject Quisitive or Quisitive Subsidiaries to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of LedgerPay, other Quisitive Subsidiaries and other intangible assets may be diminished. Any of these events could have an adverse effect on Quisitive's consolidated business and financial results.

Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact currency trading and impede access to capital or increase the cost of capital, which would have an adverse effect on Quisitive's ability to fund its working capital and other capital requirements.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of Quisitive's Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the common shares unless they sell their shares of Quisitive for a price greater than that which such investors paid for them. Quisitive has no earnings or dividend record and may not pay any dividends on its common shares in the foreseeable future. Dividends paid by Quisitive could be subject to tax and, potentially, withholdings.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the annual consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the annual consolidated financial statements: and (ii) the annual consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented.

In contrast to the certificate required for non venture issuers under National Instrument 52109 Certification of Disclosure in issuers' Annual and Interim filings ("NI 52109"), the Venture Issuer Basic Certificate filed by the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52109. In particular, the certifying officers filling such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation: and

(ii) a process to provide reasonable assurance regarding the reliability of financial reposting and the preparation of the unaudited condensed interim consolidated financial statements for external purposed in accordance with the issuer's generally accepted accounting principles (IFRS).

The Corporation's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.