



**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

As at and for the three and six months ended June 30, 2022 and 2021
(expressed in United States dollars unless otherwise noted)

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Unaudited Condensed Consolidated Interim Financial Statements
June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

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QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
June 30, 2022 and December 31, 2021
(Expressed in thousands of United States Dollars)

<u>As at</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Assets current		
Cash	\$ 9,202	\$ 13,516
Accounts receivable and contract assets (Note 4)	29,579	23,631
Current income tax receivable	76	69
Work in progress	1,528	1,783
Prepaid expenses	2,901	2,600
	43,286	41,599
Non-current assets		
Property and equipment, net (Note 5)	5,900	6,793
Intangible Assets (Note 6)	88,974	95,816
Goodwill	197,271	197,309
Deposits with sponsor banks (Note 13)	350	350
Total Assets	\$ 335,781	\$ 341,867
Liabilities current		
Accounts payable and accrued liabilities	\$ 17,632	\$ 16,789
Current income tax payable	1,751	655
Current portion of Loan agreement (Note 7)	8,128	8,128
Current portion of Deferred revenue	4,347	3,925
Current portion of Lease liability (Note 9)	1,162	1,189
Current portion of Contingent consideration	15,652	15,616
	48,672	46,302
Non-current liabilities:		
Loan agreement (Note 7)	66,429	70,427
Contingent consideration	4,751	5,788
Lease liability (Note 9)	3,195	3,806
Deferred tax liability	12,621	14,842
Total Liabilities	135,668	141,165
Shareholders' equity		
Share capital (Note 10)	237,909	237,398
Warrants (Note 10)	—	416
Contributed surplus (Note 10)	5,732	4,319
Deficit	(41,992)	(40,405)
Accumulated other comprehensive income	(876)	(810)
Equity attributable to owners of the Corporation	200,773	200,918
Non-Controlling Interest (Note 14)	(660)	(216)
	200,113	200,702
Total Liabilities and Shareholders' Equity	\$ 335,781	\$ 341,867

Subsequent events (Note 17)

Approved on behalf of the Board:

“Mike Reinhart”

Mike Reinhart, CEO

“David Guebert”

David Guebert, Director and Chair of Audit Committee

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

QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars except per share and share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue (Note 15)	\$ 47,619	\$ 22,994	\$ 92,547	\$ 35,622
Cost of Revenue	28,297	14,695	55,317	23,033
Gross Margin	19,322	8,299	37,230	12,589
Operating Expenses				
Sales and marketing expense	3,789	1,452	7,302	2,480
General and administrative	8,686	3,247	16,699	5,324
Development	106	92	206	403
Share-based compensation (Note 10)	819	73	1,241	462
Interest expense (Note 7 (ii))	930	1,196	1,893	1,475
Grant Income	—	(19)	—	—
Amortization (Note 6)	4,311	2,612	8,581	3,490
Earn-out settlement loss	—	—	72	—
Acquisition related compensation (Note 3)	725	253	1,490	253
Depreciation (Note 5)	509	328	1,021	581
Foreign exchange loss (gain)	(201)	48	109	326
Acquisition-related, transaction and other expenses (Note 3)	197	3,222	559	3,678
Loss Before Income Taxes	(549)	(4,205)	(1,943)	(5,883)
Income tax expense — current	1,083	461	2,320	891
Deferred income tax expense (recovery)	(1,052)	(1,731)	(2,233)	(1,892)
Net Loss for the Period	<u>\$ (580)</u>	<u>\$ (2,935)</u>	<u>\$ (2,030)</u>	<u>\$ (4,882)</u>
Comprehensive Loss:				
Items that may be reclassified subsequently to income:				
Foreign currency translation adjustment	(124)	(239)	(66)	(142)
Comprehensive loss	<u>\$ (704)</u>	<u>\$ (3,174)</u>	<u>\$ (2,096)</u>	<u>\$ (5,024)</u>
Net Loss Attributed to:				
Non controlling interest (Note 14)	(249)	(53)	(444)	(107)
Owners of the Corporation	(331)	(2,882)	(1,586)	(4,775)
	<u>\$ (580)</u>	<u>\$ (2,935)</u>	<u>\$ (2,030)</u>	<u>\$ (4,882)</u>
Basic and Diluted Loss per share (Note 11)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.02)
Weighted Average Number of Common Shares Outstanding	<u>357,204,982</u>	<u>274,368,357</u>	<u>356,964,576</u>	<u>235,326,837</u>

The accompanying Notes are an integral part of these consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
For the six months ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars except share amounts)

	Share Capital		Contributed Surplus	Warrants	Deficit	AOCI	Non- Controlling Interest	Total
	Number	Amount						
Balance December 31, 2020	193,585,013	45,781	3,300	2,463	(24,090)	(865)	272	26,861
Shares issued with acquisition of Mazik (Note 3)	6,254,020	7,516						7,516
Shares issued with acquisition of BankCard USA (Note 3)	50,000,000	77,739						77,739
Bought deal and concurrent private placement	41,743,333	46,770						46,770
Private Placement	16,000,000	14,836						14,836
Exercise of RSU's	745,059	135	(135)					—
Exercise of stock options	15,000	16	(13)					3
Stock based compensation			462					462
Shares issued as repayment of contingent consideration	1,664,539	1,478						1,478
Exercise of broker compensation units and warrants	11,894,296	12,433		(1,960)				10,473
Expiration of warrants			41	(41)				—
Change in cumulative impact of foreign currency						(142)		(142)
Net income (loss) for the period					\$ (4,775)		\$ (107)	\$ (4,882)
Balance June 30, 2021	321,901,260	\$206,704	\$ 3,655	\$ 462	\$ (28,865)	\$(1,007)	\$ 165	\$ 181,114
Balance December 31, 2021	356,314,879	\$237,398	\$ 4,319	\$ 416	\$ (40,405)	\$ (810)	\$ (216)	\$ 200,702
Exercise of RSU's	873,740	245	(245)					—
Net settlement of tax liabilities on RSU's	(270,672)	(286)						(286)
Stock based compensation			1,241					1,241
Shares issued as payment of contingent consideration	664,504	552						552
Expiration of warrants			416	(416)				—
Change in cumulative impact of foreign currency						(66)		(66)
Net income (loss) for the period					\$ (1,586)		\$ (444)	\$ (2,030)
Balance June 30, 2022	357,582,451	\$237,909	\$ 5,731	\$ —	\$ (41,991)	\$ (876)	\$ (660)	\$ 200,113

The accompanying Notes are an integral part of these consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

	Six Months Ended	
	June 30, 2022	June 30, 2021
Operating Activities		
Net loss for the period	\$ (2,030)	\$ (4,882)
Items not involving cash		
Amortization	8,581	3,490
Depreciation	1,021	581
Unrealized foreign exchange	(47)	(368)
Share based compensation	1,241	462
Interest expense and accretion	1,893	1,475
Acquisition related compensation	1,490	253
Disposal of equipment	116	—
Earnout settlement loss	72	—
Deferred income tax recovery	(2,233)	(1,892)
	<u>10,104</u>	<u>(881)</u>
Changes in non-cash working capital		
Accounts receivables and contract assets	(5,948)	442
Work in progress	255	(1,427)
Prepaid and expenses	(301)	(809)
Accounts payable and accrued liabilities	(835)	3,131
Income tax payable (receivable), net	1,089	8
Deferred Revenue	422	(269)
Cash Provided by Operating Activities	<u>4,786</u>	<u>195</u>
Investing Activity		
Purchase of property and equipment	(263)	(450)
Purchase of intangible assets	(1,689)	(866)
Purchase of Mazik Global (net of cash acquired)	—	(7,680)
Purchase of BankCard USA (net of cash acquired)	—	(102,082)
Cash Used in Investing Activities	<u>(1,952)</u>	<u>(111,078)</u>
Financing Activities		
Proceeds from share issuance, net of issuance costs	—	46,770
Proceeds from private placement, net of issuance costs	—	14,836
Proceeds from exercise of warrants	—	10,473
Repayment Loan Agreement	(4,064)	(16,110)
Interest paid	(1,609)	(892)
Lease payments	(638)	(515)
Proceeds of Loan Agreement	—	65,564
Financing costs incurred	—	(697)
Payment of contingent consideration	(552)	(2,060)
Net settlement of RSU's employee stock options	(285)	—
Proceeds from the exercise of stock options	—	4
Cash (Used in) / Provided by Financing Activities	<u>(7,148)</u>	<u>117,373</u>
Inflow (Outflow) of Cash	<u>(4,314)</u>	<u>6,490</u>
Cash and restricted cash, Beginning of period	<u>13,516</u>	<u>10,983</u>
Cash and restricted cash, End of period	<u>\$ 9,202</u>	<u>\$ 17,473</u>

The accompanying Notes are an integral part of these consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

1. NATURE OF OPERATIONS

(a) Nature of operations

Quisitive Technology Solutions, Inc. (the “Corporation”) is a premier Microsoft solutions provider that helps enterprise organizations move, operate and innovate in the Microsoft cloud: Quisitive provides Microsoft Azure, Microsoft Dynamics business applications and Microsoft O365 as well as proprietary Software as a Service (“SaaS”) solutions such as CRG emPerform™, LedgerPay, and business solutions from other technology partners that complement the Microsoft platform.

On May 7, 2021, Quisitive purchased BankCard USA Merchant Services, Inc (“Bankcard”) which is a registered and full-acquiring ISO/MSP, that is party to sponsorship agreements with several member banks (“Sponsoring Banks”) to process and settle bankcard transactions for merchant customers.

Following the acquisition of Bankcard, the Corporation re-evaluated its assessment of operating segments based on information reviewed by the Chief Operating Decision Maker and determined that the operations of Bankcard and LedgerPay, Inc. represent a separate operating segment (Payment Solutions) from the Corporation’s Cloud Solutions segment (Note 16).

With a legacy of deep technical and business expertise, Quisitive is empowering the enterprise to navigate the ever-changing technology climate their business relies upon. Quisitive helps customers harness the power of the Microsoft cloud and innovative technologies such as, artificial intelligence, machine learning, the Internet of Things (IoT) and blockchain through customized solutions.

(b) Structure of Business

The Corporation has the following subsidiaries:

Entity name	Country	Ownership percentage at June 30, 2022	Ownership percentage at December 31, 2021
		%	%
Bankcard USA Merchant Services, Inc	USA	100	100
Catapult Systems LLC	USA	100	100
Corporate Renaissance Group Inc,	Canada	100	100
LedgerPay, Inc	USA	80	80
Menlo Technologies, Inc	USA	100	100
Mazik Global Inc	USA	100	100
Menlo Software India Private Limited	India	100	100
MidTech Software Solutions, Inc	USA	100	100
Quisitive Ltd	USA	100	100
Quisitive LLC	USA	100	100
Quisitive Payment Solutions, Inc	USA	100	100
Support Solutions, Inc	USA	100	100

The Corporation on October 28, 2021 resolved to amalgamate Fusion Agiletech Partners, Inc. The amalgamation has been completed and Fusion Agiletech Partners, Inc. capital is now the capital of Quisitive Technology Solutions, Inc.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

2. BASIS OF PRESENTATION

(a) Basis of presentation

These unaudited interim condensed consolidated financial statements ("financial statements") were prepared using the same accounting policies and methods as those used in the Corporation's consolidated financial statements for the year ended December 31, 2021. These interim condensed consolidated financial statements have been prepared in compliance with IAS 34 - Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2021.

These financial statements were authorized for issue by the Board of Directors on August 18, 2022.

(b) COVID-19

The outbreak of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Corporation's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

(c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(d) Functional and reporting currency

These consolidated financial statements are presented in USD\$. The functional currency of the Corporation and each of the Corporations' controlled subsidiaries is USD\$ with the exception of Corporate Renaissance Group, Inc. which uses Canadian dollars as its functional currency.

(e) Basis of consolidation

The consolidated financial statements include the Corporation and its subsidiaries. Subsidiaries are entities that the Corporation has control and are fully consolidated from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

2. BASIS OF PRESENTATION (Continued)

(f) Use of Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates include:

(i) Share-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over the vesting period of each award. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumptions on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

(ii) Useful lives of intangible assets — Following initial recognition, the Corporation carries the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

(iii) The amount of goodwill initially recognized as a result of a business combination, the fair value estimate of any contingent consideration and the determination of the fair value of the identifiable assets acquired and liabilities assumed is based, to a considerable extent, on management's estimate of future cash flows expected to be derived from the assets acquired and the discount rates applied.

(iv) Recoverability of the carrying value of non-financial assets requires management to use valuation methodologies to determine the greater of value in use and fair value less costs at disposal. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, estimated future cash flows, terminal growth rates and discount rates.

(v) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.

(vi) The Corporation records an allowance for doubtful accounts related to accounts receivable that are considered to be uncollectible. The allowance is based on the Corporation's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to those factors could impact the estimated allowance and the provision for bad debts.

(vii) Inventories are carried at specific identification of cost. When the value of inventory is less than cost inventory is adjusted to net realizable value.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

2. BASIS OF PRESENTATION (Continued)

Significant areas requiring the use of judgments include:

(i) The determination of cash generating units (“CGU”) and the allocation of goodwill for the purpose of impairment testing.

(ii) The determination of the functional currency for the Corporation and each of its subsidiaries is based on management’s judgment of the underlying transactions, events and conditions relevant to each entity.

(iii) Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Corporation’s forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Corporation has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Corporation may materially affect the consolidated financial statements.

(iv) Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash outflow required to settle the obligation. The Corporation is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

(v) Contingent consideration and the allocation of fair value of assets acquired. Management has applied judgment with respect to the probability of the contingent consideration being earned and the discount rate. The determination of fair value of assets acquired requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets acquired require the most judgment and include estimates of future cash flows.

(vi) The assessment of the Corporation’s operating segments.

3. BUSINESS COMBINATIONS

(i) Catapult Systems LLC

On November 22, 2021, the Corporation, through its subsidiaries purchased all of the shares of Catapult Systems, LLC (“Catapult”), an Austin, Texas based Microsoft-focused digital solutions and services provider to obtain control. The aggregate consideration paid by the Corporation to acquire Catapult is comprised of the following: (i) \$51,500 paid in cash at closing; (ii) Net working capital adjustment estimated at the acquisition date of \$389.

The Corporation has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

3. BUSINESS COMBINATIONS (Continued)

The fair values shown for Catapult are final. An adjustment was made in intangible assets value, deferred tax asset and goodwill from the preliminary values as disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

	USD Fair value recognized on acquisition \$
Cash and cash equivalents	\$ 1,200
Trade receivable and other current assets	7,866
Property and equipment, net	428
Right-of-use-assets	2,320
Intangibles	15,150
Deferred tax asset	1,941
Goodwill	28,631
Accounts payable and accrued liabilities	(1,884)
Taxes payable	(35)
Lease liability	(453)
Other current liabilities	(64)
Lease liability — LT	(1,867)
Deferred revenue	(1,344)
Fair value of assets acquired and liabilities assumed	<u>\$ 51,889</u>
Cash	\$ 51,500
Working capital adjustment	389
Total Consideration	<u>\$ 51,889</u>

The Trade receivable and other current assets balance is not materially different from the fair value on acquisition.

The Corporation incurred \$1,462 in acquisition costs related to the acquisition, which was recorded in the year ended December 31, 2021.

The goodwill recognized in connection with the acquisition of Catapult Systems LLC, a global modern digital solutions and services firm that uses technology to solve complex business challenges and deliver exceptional value to several industries, is attributable to the support and synergies gained by the support of Quisitive services. Goodwill also includes other intangibles such as an assembled workforce that do not qualify for a separate recognition under IFRS.

The goodwill is not tax deductible and has been allocated to the cloud services cash generating unit. The acquired intangible assets are being amortized over their estimated useful lives as follows:

Brand	2 years
Developed Technology	4 years
Customer Relationships	5 years

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

3. BUSINESS COMBINATIONS (Continued)

(ii) Bankcard USA Merchant Services Inc.

On May 7, 2021, the Corporation, through its subsidiaries purchased all of the shares of Bankcard to obtain control. The aggregate consideration paid by the Corporation to acquire Bankcard is comprised of the following: (i) \$100,523 paid in cash at closing; (ii) 50,000,000 common shares valued at \$77,739; (iii) Contingent consideration with a fair value of \$9,253; and, (iv) Net working capital adjustment estimated at the acquisition date of \$1,925.

Contingent consideration of up to \$5,000 in cash and up to \$5,000 of common shares of the Corporation (“Shares”) per annum is payable at the end of each of the two twelve-month periods post acquisition (the “Earnout”). If Bankcard’s year one annual revenue exceeds \$38,900 the maximum cash payout is \$5,000 in cash and \$5,000 in Shares, and if year two annual revenue exceeds \$44,700 the maximum payout is \$5,000 in cash and \$5,000 in Shares. The vendors of Bankcard can also achieve the Earnout opportunity if the revenue earned exceeds \$83,580 over the 24-month Earnout period post acquisition. The maximum aggregate Earnout payment over the two years is \$10,000 in cash and \$10,000 in Shares. The Corporation has estimated the contingent consideration at present value at the date of acquisition to be approximately \$9,253.

The goodwill recognized in connection with the acquisition of BankCard by Qusitive is primarily attributable to the anticipated cost savings synergies expected to be realized as a result of the migration of payment processing services from third party providers to the proprietary software developed by Qusitive and the application of Qusitive’s best practices to improve the operations of BankCard. Goodwill also includes other intangibles such as assembled workforce that do not qualify for separate recognition under IFRS.

The Corporation has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date.

The fair values shown for BankCard are final. There was no change compared to the Preliminary PPA as disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

3. BUSINESS COMBINATIONS (Continued)

	USD Fair value recognized on acquisition \$
Cash	\$ 919
Processing and trade receivables	4,229
Property and equipment	840
Right of use asset	1,781
Indemnification asset	659
Intangibles	66,234
Other assets	393
Goodwill	135,326
Trade and other payables	(2,918)
Deferred tax liability	(15,583)
US payroll protection plan loan	(659)
Lease liability	(1,781)
Fair value of assets acquired and liabilities assumed	<u>\$ 189,440</u>
Cash	\$ 100,523
Quisitive common shares	77,739
Working capital adjustment	1,925
Contingent consideration	9,253
Total Consideration	<u>\$ 189,440</u>

The gross processing and trade receivable balance is not materially different from the fair value on acquisition.

The Corporation incurred \$3,188 in acquisition costs related to the acquisition, which has been expensed as transaction-related expenses in the consolidated statement of comprehensive loss in the year ended December 31, 2021.

The goodwill is not tax deductible and has been allocated to the payment solutions cash generating unit. The acquired intangible assets are being amortized over their estimated useful lives as follows:

Brand	3 years
Developed Technology	9 years
Customer Relationships	8 years

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Continued)
Three And Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of United States Dollars)

3. BUSINESS COMBINATIONS (Continued)

(iii) Mazik Global, Inc.

On April 1, 2021, the Corporation, through its subsidiaries purchased all of the shares of Mazik Global, Inc. (“Mazik”) to obtain control. The aggregate consideration paid by the Corporation to acquire Mazik is comprised of the following: (i) \$7,000 paid in cash at closing; (ii) 6,254,020 common shares valued at \$7,516; and (iii) Net working capital adjustment estimated at the acquisition date of \$1,339.

In addition, the agreement included contingent consideration per annum of \$2,100, \$2,000 and \$1,900 for the years ended March 31, 2022, March 31, 2023 and March 31, 2024, respectively contingent on the legacy Mazik business achieving revenue targets of \$15,000 from April 1, 2022 to June 30, 2022, \$18,500 from April 1, 2022 to March 31, 2023 and \$22,000 from April 1, 2023 to March 31, 2024. Additional growth earn-outs of \$650, \$650 and \$700 are payable contingent on achieving license revenue targets of \$3,500, \$5,000, and \$6,500 for the years ended March 31, 2022, March 31, 2023 and March 31, 2024, respectively. The contingent consideration includes a requirement for the shareholders to remain employed with Qusitive at the applicable calculation date. As such, the earn-out payments have been accounted for as compensation for post-combination services, and not consideration in the business combination. Any amounts owing will be expensed in the applicable fiscal years as earned. For the three and six months ended June 30, 2022, the Corporation recorded \$525 and \$1,025 (2021 - \$253 and \$253) of acquisition-related compensation expense.

The goodwill recognized in connection with the acquisition of Mazik, an independent software vendor that helps companies deploy Microsoft Dynamics CRM, Cloud, and ERP solutions to the healthcare, public sector, education, and manufacturing industries by Qusitive is primarily attributable to the support of Qusitive services. Goodwill also includes other intangibles such as assembled workforce that do not qualify for separate recognition under IFRS.

The Corporation has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date.

The fair values shown below for Mazik are final. There were no changes compared to the Preliminary PPA as disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2021.

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3. BUSINESS COMBINATIONS (Continued)

	USD Fair value recognized on acquisition \$
Cash	\$ 609
Trade and other receivables	1,782
Work in Progress	1,267
Right-of-use asset	31
Indemnification asset	829
Intangibles	7,070
Goodwill	9,330
Trade and other payables	(1,120)
Deferred revenue	(1,402)
Deferred tax liability	(1,641)
US payroll protection plan loan	(869)
Lease liability	(31)
Fair value of assets acquired and liabilities assumed	<u>\$ 15,855</u>
Cash	\$ 7,000
Quisitive common shares	7,516
Working capital adjustment	1,339
Total Consideration	<u>\$ 15,855</u>

The trade and other receivables balance is not materially different from the fair value on acquisition.

The Corporation incurred \$965 in acquisition costs related to the acquisition, which has been expensed as transaction-related expenses in the consolidated statement of comprehensive loss which was recorded in the year ended December 31, 2021.

The goodwill is not tax deductible and has been allocated to the cloud services cash generating unit. The acquired intangible assets are being amortized over their estimated useful lives as follows:

Brand	3 years
Developed Technology	3 years
Customer Relationships	8 years

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4. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

The Corporation's accounts receivable is comprised of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Trade receivable	\$ 21,737	\$ 16,943
Processing receivable	4,032	3,374
Allowance for doubtful accounts	(702)	(422)
Contract assets	1,499	1,499
Other receivables	3,013	2,237
Net accounts receivable and contract assets	<u>\$ 29,579</u>	<u>\$ 23,631</u>

For the three and six months ended June 30, 2022, the Corporation recorded bad debt expense of \$284 and \$335 (June 30, 2021 — \$30 and \$31). Contract assets of \$1,499 relate to performance under a first party license sale contract that has not been billed at June 30, 2022 (December 31, 2021 — \$1,499).

5. PROPERTY AND EQUIPMENT

	<u>Computers and Network Equipment</u>	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Software</u>	<u>Right of Use Asset</u>	<u>Total</u>
Cost						
Balance December 31, 2021	\$ 1,067	\$ 742	\$ 868	\$ 195	\$ 7,274	\$ 10,146
Additions	150	42	71	—	—	263
Dispositions	(7)	(94)	(15)	—	—	(116)
Reclassifications	—	42	(42)	—	—	—
Effect of Foreign Currency Translation	(8)	(4)	(7)	—	—	(19)
Balance at June 30, 2022	<u>\$ 1,202</u>	<u>\$ 728</u>	<u>\$ 875</u>	<u>\$ 195</u>	<u>\$ 7,274</u>	<u>\$ 10,274</u>
Accumulated Depreciation						
Balance, December 31, 2021	\$ 320	\$ 464	\$ 141	\$ 73	\$ 2,355	\$ 3,353
Depreciation	148	50	117	31	684	1,030
Dispositions	(3)	—	(15)	—	—	(18)
Effect of Foreign Currency Translation	(7)	(4)	8	—	12	9
Balance at June 30, 2022	<u>\$ 458</u>	<u>\$ 510</u>	<u>\$ 251</u>	<u>\$ 104</u>	<u>\$ 3,051</u>	<u>\$ 4,374</u>
Carrying Value						
Balance December 31, 2021	\$ 747	\$ 278	\$ 727	\$ 122	\$ 4,919	\$ 6,793
Balance June 30, 2022	<u>\$ 744</u>	<u>\$ 218</u>	<u>\$ 624</u>	<u>\$ 91</u>	<u>\$ 4,223</u>	<u>\$ 5,900</u>

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6. INTANGIBLE ASSETS

Intangible assets with a finite life are amortized into operating expenses over their useful lives.

	<u>Software</u>	<u>Website Development</u>	<u>Microsoft Relationship</u>	<u>Customer Relationship</u>	<u>Brand</u>	<u>Total</u>
Cost						
Balance December 31, 2021 . . .	\$ 11,012	\$ 320	\$ 3,860	\$ 92,567	\$ 6,992	\$ 114,751
Additions	1,689	—	—	—	—	1,689
Catapult Acquisition Valuation Adjustments	(50)	—	—	100	—	50
Balance June 30, 2022	<u>\$ 12,651</u>	<u>\$ 320</u>	<u>\$ 3,860</u>	<u>\$ 92,667</u>	<u>\$ 6,992</u>	<u>\$ 116,490</u>
Accumulated Amortization						
Balance December 31, 2021 . . .	\$ 1,763	\$ 171	\$ 3,036	\$ 11,571	\$ 2,394	\$ 18,935
Amortization	939	19	386	6,184	1,053	8,581
Adjustment	—	—	—	—	—	—
Balance June 30, 2022	<u>\$ 2,702</u>	<u>\$ 190</u>	<u>\$ 3,422</u>	<u>\$ 17,755</u>	<u>\$ 3,447</u>	<u>\$ 27,516</u>
Carrying Value						
Balance December 31, 2021 . . .	\$ 9,249	\$ 149	\$ 824	\$ 80,996	\$ 4,598	\$ 95,816
Balance June 30, 2022	<u>\$ 9,949</u>	<u>\$ 130</u>	<u>\$ 438</u>	<u>\$ 74,912</u>	<u>\$ 3,545</u>	<u>\$ 88,974</u>

7. BORROWING

The following table sets out the Corporation's borrowings:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
BMO Loan Agreement (i)	74,557	78,555
Balance — end of period	<u>\$ 74,557</u>	<u>\$ 78,555</u>
Current	\$ 8,128	\$ 8,128
Non-current	66,429	70,427
	<u>\$ 74,557</u>	<u>\$ 78,555</u>

(i) BMO Loan agreement and predecessor loan agreements

On August 27, 2021, the Corporation entered a new credit facility with a syndicate led by Bank of Montreal (“BMO”) pursuant to the terms of a loan agreement entered between the Corporation, certain material subsidiaries of the Corporation, as guarantors, BMO, as administrative agent and the lenders party thereto (the “Lenders”) (the “BMO Loan Agreement”). The proceeds from the BMO Loan Agreement were used to repay and retire the Corporation’s existing Loan Agreement, with the balance expected to be used to finance future permitted acquisitions. The proceeds from the Revolving Facility are expected to be used by the Corporation to fund working capital requirements in the ordinary course.

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7. BORROWING (Continued)

The BMO Loan Agreement provides for a five-year term loan of US\$70,000 (the “Term Loan”) and a revolving loan facility of up to US\$5,000 (the “Revolving Facility”), with all debts, liabilities, and obligations of the Corporation and guarantors under the Term Loan and Revolving Facility collaterally secured by a first ranking security interest in all of the present and future undertaking, property and assets of the Corporation and its material subsidiaries. The Term Loan has an accordion feature by which the Corporation may request increases in principal under the Term Loan up to a maximum amount of US\$35,000. On, November 18, 2021, \$15,000 was drawn under the accordion to provide funds to complete the Catapult acquisition.

The Term Loan is available by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, Canadian dollar CDOR loans and U.S. dollar LIBOR loans. Interest on the Term Loan is payable monthly based on a price grid which ranges, depending on the Corporation’s total senior debt to EBITDA ratio, from the Bank’s Canadian prime rate or U.S. base rate plus 0.25% to 1.50% and from the CDOR rate or LIBOR rate plus 1.75% to 3.00%. The Term Loan amortizes over 10 years and advances under the Term Loan are repayable in equal quarterly installments over the loan term with a final payment of any amounts then outstanding due at maturity. The Loan Agreement contains standard compliance requirements as well as ongoing debt service and coverage covenants. The Corporation was in compliance with all covenants on June 30, 2022, however there can be no assurances that compliance will be achieved throughout the remaining term of the agreement. The Revolving Facility is repayable with monthly interest consistent with the Term Loan rates.

Total finance costs incurred in relation to the Term Loan agreement of \$1,098 were deferred and are being amortized using the effective interest rate method over the life of the loan. The Operating Line is repayable with monthly interest consistent with the Term Loan rates.

Interest expense on the BMO Loan Agreement during the three and six months ended June 30, 2022, was \$799 and \$1,609 (2021 — \$0 and \$0).

(ii) Finance Costs

The Corporation’s finance costs comprise the following:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest on borrowings	\$ 799	\$ 1,189	\$ 1,609	\$ 1,340
Amortization of debt issuance costs	27	—	65	—
Accretion expense	43	(19)	94	88
Net finance costs on leases	61	26	125	47
Total finance costs	\$ 930	\$ 1,196	\$ 1,893	\$ 1,475

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8. RELATED PARTY TRANSACTION AND BALANCE

(i) *Key management compensation*

The Corporation's key management consist of executive officers and directors.

The compensation recorded to key management personnel during the quarter ended June 30, 2022 and 2021 were as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Salaries and short term benefits	\$ 551	\$ 213	\$ 829	\$ 422
Share Based Compensation	\$ 674	\$ 3	\$ 756	\$ 312

In addition, the Corporation has contingent consideration to related parties through acquisition purchases. On June 28, 2022, following one of the Corporation's Board members not standing for reappointment, transactions with certain entities affiliated with that Director ceased to be related party transactions.

9. LEASE LIABILITIES

(i) Future minimum cash payments required under the property leases held by the Corporation are as follows:

	June 30, 2022
2022	\$ 657
2023	1,377
2024	1,188
2025	656
2026+	1,032
Total	\$ 4,910
Discounting	(553)
	\$ 4,357

(ii) Property lease payments including variable lease payments for the quarter ended June 30, 2022 and 2021 were as follows:

Year Ended December 31 2021	Six months ended June 30,	
	2022	2021
Total Short-Term Lease Expense	\$ 95	\$ 6
Variable Lease Expense	160	93
	\$ 255	\$ 99

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9. LEASE LIABILITIES(continued)

(iii) continuity of fair value of lease obligations is as follows:

Opening balance January 1, 2022	\$ 4,995
Payments (net of accretion)	(638)
New leases	—
Present value of lease liability June 30, 2022	<u>\$ 4,357</u>

10. SHARE CAPITAL

(a) Share Issuances

The Corporation is authorized to issue an unlimited number of common shares. As at June 30, 2022, 357,582,451 common shares were issued and outstanding as fully paid and non-assessable (December 31, 2021 — 356,314,879).

For the six months ended June 30, 2022, the Corporation issued 873,740 and 0 shares in connection with the exercise of RSU's and stock options, respectively (June 30, 2021 745,059 and 315,000). For the period ended June 30, 2022, the corporation issued 0 common shares on exercise of broker compensation options and warrants and 0 common shares on exercise of warrants for total proceeds of \$0 (June 30, 2021 985,488 and 10,008,808) Note 10(b).

On May 9, 2022, The Corporation issued 664,504 common shares in relation to performance earn-out targets which were achieved during the year ended December 31, 2021 with the remaining balance settled in cash.

(b) Warrants Issued

Pursuant to the terms of the warrant indenture between Computershare Trust Company of Canada and the Corporation dated June 26, 2020, if the volume weighted average trading price of the Corporation's common shares on the TSX Venture Exchange exceeds \$1.60 for a period of 10 consecutive trading days the Corporation was entitled to accelerate the expiry date of the warrants to the date that is not less than 30 days following the date notice of such acceleration. The Corporation had no outstanding warrants at June 30, 2022. On June 26, 2022 - 160,433 compensation units options and the associated warrant's expired.

(c) Stock Options

The Corporation has a stock and incentive plan in place to promote the interests of the Corporation and its shareholders by aiding the Corporation in attracting and retaining employees, officers, consultants, advisors and directors capable of assuring the future success of the Corporation, to offer such persons incentives to put forth maximum efforts for the success of the Corporation's business and to compensate such persons through various stock and cash-based arrangements and provide them with opportunities for stock ownership in the Corporation, thereby aligning the interests of such persons with the Corporation's shareholders.

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10. SHARE CAPITAL

The plan sets out the framework for determining eligibility as well as the terms of any stock based compensation granted. In 2019, the Corporation adopted an Omnibus plan which includes the full scope of governance on stock options, RSU's, PSU's, stock appreciation rights, and incentive stock options. On June 29, 2022, the Corporation made an amendment to the Omnibus plan moving from a fixed plan to a 10% rolling plan.

	<u>Number of options</u>	<u>Weighted average exercise price (CAD)</u>
Outstanding at December 31, 2021	3,480,000	\$ 0.45
Granted	100,000	0.81
Cancelled/Forfeited	(16,666)	0.20
Outstanding at June 30, 2022	<u>3,563,334</u>	<u>\$ 0.46</u>

For the three and six months ended June 30, 2022, the Corporation recognized share based compensation from stock options of \$26 and \$61 (June 30, 2021 — \$8 and \$17).

The following options were issued and outstanding as at June 30, 2022:

<u>Grant Date</u>	<u>Expiry Date</u>	<u>Ex price (CAD)</u>	<u>Number of options</u>	<u>Exercisable</u>
10-Apr-18	April 9, 2023	0.35	605,000	605,000
30-Apr-18	April 30, 2023	0.35	100,000	100,000
30-Aug-18	August 31, 2023	0.35	200,000	200,000
20-Nov-18	November 19, 2023	0.35	950,000	950,000
24-Dec-19	December 23, 2024	0.20	983,334	666,660
03-Jan-20	January 2, 2025	0.25	200,000	200,000
07-Jul-21	July 7, 2026	1.60	325,000	108,333
02-Aug-21	August 2, 2026	1.52	100,000	33,334
01-Mar-22	February 28, 2027	0.81	100,000	—
			<u>3,563,334</u>	<u>2,863,327</u>

The weighted average contractual life for the remaining options at June 30, 2022 is 1.22 years.

(d) Restricted Stock Units

- i. The Corporation granted restricted stock units (RSU's) to employees. The RSU's vest over 0-3 years. Each RSU entitles the employee to either one share of the Corporation or the cash equivalent of one share of the Corporation at the option of the Corporation at the exercise date. The fair value of restricted stock awards is estimated using the market price of the Corporation's common stock at the date of grant. Restricted stock activity during the period ending June 30, 2022 is as follows:

	<u># of RSU's</u>
Opening balance December 31, 2021	6,702,966
Granted	2,427,500
Exercised	(873,740)
Forfeited	(105,000)
Closing balance June 30, 2022	<u>8,151,726</u>

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10. SHARE CAPITAL (Continued)

- ii. The Corporation granted performance based restricted stock units (PSU's) to employees. The PSU's are contingent on the achievement of preestablished performance metrics. The PSU's vest on an annual basis and are amortized over the performance period. Each PSU entitles the employee to either one share of the Corporation or the cash equivalent of one share of the Corporation at the option of the Corporation at the exercise date. The fair value of performance based restricted stock awards is estimated using the market price of the Corporation's common stock at the date of grant. Performance based restricted stock activity during the period ending June 30, 2022 is as follows:

	# of PSU
Opening balance December 31, 2021	—
Granted at \$0.94	3,721,090
Exercised	—
Forfeited	(118,866)
Closing balance June 30, 2022	3,602,224

For the three and six months ended June 30, 2022, the Corporation recognized share based compensation related to RSU's and PSU's of \$786 and \$1167, (June 30, 2021 — \$57 and \$432).

(e) Stock appreciation rights

The Corporation granted 116,500 stock appreciation rights (SAR's) to employees in the first quarter of 2021. The SAR's vest over three years. Each SAR entitles the employee to receive the increase in the value between the exercise price of \$1.27 and the market price of one common share on the vesting date. The payment upon exercise of a SAR will be in cash or common shares at the option of the Corporation. The grant date fair value of the SAR's of \$97 was estimated using the Black Scholes option pricing model with the following assumptions:

Annualized volatility 99.15%

Risk free interest rate 2%

Expected life 3 years

The fair value will be recorded as a charge to income and included in stock based compensation expense over the vesting period with \$7 and \$13 charged to income for the three and six months ended June 30, 2022. (June 30, 2021, \$8 and \$13).

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11. NET LOSS PER SHARE

The computation for basic and diluted net income (loss) per share for the three and six months ended June 30, 2022 and 2021 are as follows:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Net loss attributable to common shareholders	\$ (331)	\$ (2,882)	\$ (1,586)	\$ (4,775)
Weighted average number of shares outstanding, basic	357,204,982	274,368,357	356,964,576	235,326,837
Basic and Diluted Income (Loss) Per Share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.02)

Potentially dilutive shares relating to warrants, compensation unit options broker warrants, stock options and RSU's as set-out below have been excluded from the calculation of the diluted number of shares as the impact would be anti-dilutive.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Broker compensation options	—	160,433
Broker warrants	—	419,928
Stock options	3,563,334	3,355,000
RSU's and PSU's	11,753,950	5,452,061
	<u>15,317,284</u>	<u>9,387,422</u>

12. 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 Loan Agreements 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 US and Canadian financial institutions and the Corporation's concentration of credit risk for cash and maximum exposure thereto is at June 30, 2022 is \$9,202 (December 31, 2021 — \$13,516).

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 processing receivable and maximum exposure thereto is \$25,067 (December 31, 2021 — \$19,895). Accounts receivable are shown net of provision of credit losses of \$702 (December 31, 2021 — \$422).

	<u>under 30</u>	<u>30-60 days</u>	<u>over 60 days</u>	<u>Total</u>
Trade receivable and processing receivable aging	\$ 22,018	\$ 1,048	\$ 2,001	\$ 25,067

The Corporation has no customers that constitute greater than 10% at June 30, 2022 or December 31, 2021.

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12. FINANCIAL INSTRUMENTS(continued)

(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 June 30, 2022, the Corporation has \$9,202 (December 31, 2021 — \$13,516) of unrestricted cash and liabilities with the following due dates at their carrying values:

	<u>under 3 months</u>	<u>3 months-1 year</u>	<u>1-2 years</u>	<u>3-5 years</u>
Accounts payable and accrued liabilities	\$ 16,413	719	\$ 500	
Income taxes payable		1,751		
Contingent consideration	15,652		4,751	
Loan agreement		8,128	8,128	58,301
Total	<u>\$ 32,065</u>	<u>\$ 10,598</u>	<u>\$ 13,379</u>	<u>\$ 58,301</u>

The Corporation manages its liquidity risk by relying upon its revenues. In addition, recent events will impact the Corporation 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 and the Corporations liquidity.

(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 Loan Agreement loan which bears interest at Bankers Acceptance plus a percentage determined by the results of the corporation collocated on a hailing twelve month basis. A 1% change in Bankers Acceptance rate would lead to +/- \$725 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.

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12. FINANCIAL INSTRUMENTS(continued)

As at June 30, 2022 and December 31, 2021, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	June 30, 2022	December 31,
	CAD\$	2021
	CAD\$	CAD\$
Cash	\$ 286	\$ 336
Accounts payable and accrued liabilities	(972)	(895)
	(686)	(559)
United States dollar equivalent	\$ (532)	\$ (441)

(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.

13. BANK SPONSORING AGREEMENTS

Under VISA and MasterCard program rules, only member banks are allowed to directly process bankcard transactions through their network as the Corporation's Sponsoring Banks are member banks. The Sponsoring Bank agreements generally expire either annually or every two years and are subject to automatic renewal for one- or two-year terms, respectively, unless canceled by either party. The agreement permits the funds to be routed under the Sponsoring Bank's control and identification numbers to clear credit bank card transactions through Visa and MasterCard. The sponsorship agreement also enables the Corporation to settle funds between cardholders and merchants by delivering funding files to the Sponsoring Bank, which in turn transfers settlement funds to the merchants' bank accounts. These restrictions place the settlement assets and obligations under the control of the Sponsoring Bank.

The sponsorship agreement requires, among other things, that the Corporation abide by the by-laws and regulations of the Visa and MasterCard networks. In addition, the agreement requires the Corporation maintain a reserve account. For the quarter ended June 30, 2022, the Corporation has \$350 in deposits with sponsoring banks.

Under the terms of the agreement, in the event that one of the Corporation's merchant customers is unable to settle chargebacks, resulting from valid customer disputes, the Corporation is required to fulfill any remaining obligation, up to the gross amount paid by the customer. As the Corporation's customer base consists predominantly of small retail merchants that fulfill obligations at the time of payment, the Corporation's cost of fulfilling this obligation has not historically been material. The Corporation further mitigates this risk by withholding a percentage of amounts due to high risk merchants that collect significant amounts of customer funds in advance of delivery or performance. Costs of fulfilling customer chargeback obligations are accrued when such amounts become probable and estimable.

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14. NON-CONTROLLING INTEREST

The Corporation owns 80% of its subsidiary LedgerPay.

On January 22, 2018, the Corporation, through its subsidiaries, executed an employment agreement with an executive, and issued 5% or 500,000 shares of LedgerPay to him that are convertible to 1,062,500 shares in the Corporation, at the holder's option. Those shares are not currently converted.

On March 5, 2018, the Corporation, through its subsidiaries, executed an employment agreement with an executive and granted an award of restricted stock equal to five percent (5%) or 500,000 of the issued and outstanding voting stock of LedgerPay. The award vested over the initial term at a rate of 12.5% every three-month period following the effective date provided the executive remains employed by the Corporation as of the end of each such three-month period. The award is now fully vested and is convertible into 1,062,500 the Corporation common shares at the holder's choice. Those shares are currently not converted.

In 2019, the Corporation entered into two employment agreements that granted an award of restricted stock equal to five percent or 1,000,000 of the issued and outstanding voting stock of LedgerPay. The shares of LedgerPay are convertible into Common Shares of the Corporation based on the ratio of 1:2.124 per share. The awards are fully vested at December 31, 2021 and this results in a dilution in the Corporation's interest in LedgerPay to 80%.

For the three and six months ended June 30, 2022 the Corporation recorded non-controlling interest of \$249 and \$444 (June 30, 2021: \$53 and \$165).

15. REVENUE

(i) The following table sets out the Corporation's revenues by type.

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Cloud Solutions Professional Services . . .	\$ 24,572	\$ 13,177	\$ 48,181	\$ 22,518
Cloud Solutions Maintenance, License and third party licenses and support	10,690	3,824	20,832	7,111
Payment Processing Solutions	12,357	5,993	23,534	5,993
	<u>\$ 47,619</u>	<u>\$ 22,994</u>	<u>\$ 92,547</u>	<u>\$ 35,622</u>

The Corporation is not exposed to concentration risk relating to any one customer greater than 10% of revenue for the three and six months June 30, 2022 or 2021.

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
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16. SEGMENT INFORMATION

The Corporation’s operating business segments include strategic units that offer different products and services. The Corporation has two operating business segments: Global Cloud Solutions (Cloud Solutions) and Global Payment Processing Solutions (Payment Solutions).

The Corporation’s cloud solutions segment is a full-service digital technology consulting firm whose mission is to acquire and integrate companies to become the leading provider of Microsoft professional services in North America. The Corporation is a premier, global Microsoft partner that harnesses the Microsoft platform and complementary technologies, including custom solutions and first-party offerings, to generate meaningful impact for enterprise customers. The Corporation’s cloud solutions business focuses on helping enterprises move to, operate within, and innovate via modern development in the three Microsoft clouds (Azure, M365 and Dynamics 365).

The Corporation’s Payment Solutions segment has a diverse portfolio of merchant accounts on which it provides scalable processing solutions, payment processing equipment and software corresponding to each card solution, with complimentary support services designed to best meet each new and existing merchant’s specific needs and online age verification software offered through the Corporation’s AgeChecker.net platform.

The Corporation evaluates each segment’s performance based on Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization (“Adjusted EBITDA”). The Corporation defines Adjusted EBITDA as earnings before certain charges that management considers to be non-operating expenses and which consist of interest, taxes, depreciation, amortization, foreign exchange, share-based compensation, transaction related expenses, acquisition related compensation, settlement gains and losses on earn-out liabilities, changes in fair value of the derivative liability, loan forgiveness, grant income and non-recurring development costs associated with obtaining bank sponsorship and operational certifications required to complete LedgerPay.

Segment	Six months ended					
	June 30, 2022			June 30, 2021		
	Global Cloud Solutions	Global Payment Solutions	Consolidated	Global Cloud Solutions	Global Payment Solutions	Consolidated
Revenue	\$ 69,013	\$ 23,534	\$ 92,547	\$ 29,276	\$ 6,346	\$ 35,622
Expenses	59,657	19,615	79,272	26,101	4,736	30,837
EBITDA (Adjusted)	9,356	3,919	13,275	3,175	1,610	4,785
All Other Expenses			15,305			9,667
Net Loss			<u>\$ (2,030)</u>			<u>\$ (4,882)</u>

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16. SEGMENT INFORMATION(continued)

Segment	Three months ended					
	June 30, 2022			June 30, 2021		
	Global Cloud Solutions	Global Payment Solutions	Consolidated	Global Cloud Solutions	Global Payment Solutions	Consolidated
Revenue	\$ 35,262	\$ 12,357	\$ 47,619	\$ 17,031	\$ 5,963	\$ 22,994
Expenses	30,387	10,378	\$ 40,765	14,652	4,742	19,394
EBITDA (Adjusted)	4,875	1,979	6,854	2,379	1,221	3,600
All Other Expenses			7,434			6,535
Net Loss			<u>\$ (580)</u>			<u>\$ (2,935)</u>

17. SUBSEQUENT EVENTS

On August 3, 2022, the Corporation amended the BMO Loan Agreement that provides for, among other things, a new US\$9.5 million non-revolving, five year term loan. Once exercised, the proceeds from the new loan are expected to be used to fund earn-out obligations on previously completed acquisitions and for general corporate purposes. As part of the amendment, the Corporation's total senior debt to EBITDA ratio was increased to 3.25:1.00 through December 31, 2022, and the Corporation also transitioned its interest rate benchmark from the London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR).

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