Boardwalktech Software Corp.
(formerly Wood Composite Technologies Inc.)
Consolidated Financial Statements
As at and for the years ended March 31, 2019 and 2018

Stated in United States dollars

Independent Auditor's Report

To the Shareholders of Boardwalktech Software Corp. (formerly Wood Composite Technologies Inc.):

Opinion

We have audited the consolidated financial statements of Boardwalktech Software Corp. (formerly Wood Composite Technologies Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that during the year ended March 31, 2019, the Company generated a net loss of $20,859,096 and negative cash flows from operating activities of $4,438,548. As at March 31, 2019, the Company has an accumulated deficit of $32,412,152 and a working capital deficit of $2,122,939. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 23 in the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

MNP LLP

July 25, 2019

Chartered Professional Accountants

MNP

Boardwalktech Software Corp.

(formerly Wood Composite Technologies Inc.)

Consolidated Statements of Financial Position

(United States dollars)

As at March 31	2019	2018	As at April 1 2017
		Restated – Note 23	Restated – Note 23
ASSETS			
Current assets			
Cash	**195,464**	92,282	155,355
Trade and other receivables (Note 6)	**811,644**	551,143	787,652
Prepaid expenses and deposits	**164,501**	102,040	64,250
Deferred financing costs (Note 15)	**–**	805,094	–
Total current assets	**1,171,609**	1,550,559	1,007,257
Non-current assets			
Property and equipment	**15,002**	4,855	4,760
Total assets	**1,186,611**	1,555,414	1,012,017
LIABILITIES and SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities (Note 7)	**874,661**	1,259,988	233,419
Deferred revenue (Note 8)	**1,179,342**	1,542,955	1,475,030
Deferred compensation (Note 13)	**224,728**	270,495	–
Current portion of term loan (Note 9)	**1,015,817**	3,286,251	2,150,456
Total current liabilities	**3,294,548**	6,359,689	3,858,905
Non-current liabilities			
Term loan (Note 9)	**2,518,016**	–	–
Derivative liabilities (Note 10)	**–**	3,267,174	3,167,421
Total liabilities	**5,812,564**	9,626,863	7,026,326
Shareholders' deficiency			
Share capital (Note 15)	**22,174,957**	562,887	562,887
Contributed surplus	**5,610,633**	2,919,199	138,698
Accumulated other comprehensive income	**1,088**	–	–
Deficit	**(32,412,152)**	(11,553,056)	(6,715,415)
Total deficiency attributed to shareholders	**(4,625,474)**	(8,070,970)	(6,013,830)
Non-controlling interest	**(479)**	(479)	(479)
Total shareholders' deficiency	**(4,625,953)**	(8,071,449)	(6,014,309)
Total liabilities and shareholders' deficiency	**1,186,611**	1,555,414	1,012,017

Going concern (Note 1)
Commitments (Note 21)
Subsequent events (Note 22)

Approved by the Board of Directors:

(signed) *"Andrew T. Duncan"* (signed) "*Steve Bennet*"

Boardwalktech Software Corp.

(formerly Wood Composite Technologies Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(United States dollars)

For the years ended March 31	2019	2018
		Restated – Note 23
Revenue (Note 11)	**4,917,314**	4,355,866
Cost of sales	**561,455**	472,068
Gross margin	**4,355,859**	3,883,798
Expenses		
Salaries, wages and benefits	**4,723,054**	3,379,890
Share-based payments (Note 17)	**1,783,825**	2,385,701
General and administration (Note 12)	**1,255,401**	675,416
Consulting	**806,123**	588,348
Deferred compensation (Note 13)	**300,358**	270,495
Professional fees	**495,097**	343,312
Allowance for credit losses (Note 6)	**–**	77,099
Amortization	**6,828**	4,272
Total expenses	**9,370,686**	7,724,533
Operating loss before other expenses	**(5,014,827)**	(3,840,735)
Other expenses		
Listing expense on reverse takeover (Note 5)	**1,032,535**	–
Transaction costs (Note 5)	**1,230,122**	–
Interest on term loan (Note 9)	**762,195**	750,450
Financing costs (Note 9)	**2,784,498**	1,100,105
Fair value adjustment of derivative liability (Note 10)	**10,009,363**	(853,649)
Total other expenses	**15,818,713**	996,906
Loss before taxes	**(20,833,540)**	(4,837,641)
Tax expense (Note 14)	**25,556**	–
Net loss for the year	**(20,859,096)**	(4,837,641)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of subsidiary companies	**1,088**	–
Net loss and comprehensive loss for the year	**(20,858,008)**	(4,837,641)
Net loss per share (Note 18)		
Basic and diluted	**(2.11)**	(0.51)

Boardwalktech Software Corp.

(formerly Wood Composite Technologies Inc.)

Consolidated Statements of Changes in Shareholders' Deficiency

(United States dollars)

For the years ended March 31	**2019**	2018 Restated – Note 23
Share capital (Note 15)		
Balance, beginning of year as previously reported	**2,968,804**	2,968,804
Restatement (Note 23)	**(2,405,917)**	(2,405,917)
Balance, beginning of year as restated	**562,887**	562,887
Issuance of common shares	**8,403,571**	–
Exercise of common share warrants	**376,628**	–
Exercise of stock options	**49,641**	–
Reverse takeover	**863,447**	–
Conversion of preferred shares	**9,346,400**	–
Conversion of preferred share warrants	**3,930,137**	–
Share issue costs	**(1,357,754)**	–
Balance, end of year	**22,174,957**	562,887
Contributed surplus		
Balance, beginning of year	**2,919,199**	138,698
Agent options (Note 17)	**(44,800)**	394,800
Exercise of common share warrants	**(243,222)**	–
Transaction costs (Note 16)	**1,216,120**	–
Share-based payments (Note 17)	**1,783,825**	2,385,701
Exercise of stock options (Note 17)	**(20,489)**	–
Balance, end of year	**5,610,633**	2,919,199
Accumulated other comprehensive income		
Balance, beginning of year	**–**	–
Exchange differences on translation of subsidiary companies	**1,088**	–
Balance, end of year	**1,088**	–
Deficit		
Balance, beginning of year as previously reported	**(10,769,619)**	(6,403,455)
Restatement (Note 23)	**(783,437)**	(311,960)
Balance, beginning of year as restated	**(11,553,056)**	(6,715,415)
Net loss for the year	**(20,859,096)**	(4,837,641)
Balance, end of year	**(32,412,152)**	(11,553,056)
Non-controlling interest		
Balance, beginning and end of year	**(479)**	(479)
Total shareholders' deficiency	**(4,625,953)**	(8,071,449)

Boardwalktech Software Corp.

(formerly Wood Composite Technologies Inc.)

Consolidated Statements of Cash Flows

(United States dollars)

For the years ended March 31	**2019**	2018 Restated – Note 23
Cash provided by (used in) the following activities:		
Operating activities		
Net loss for the year	**(20,859,096)**	(4,837,641)
Amortization	**6,828**	4,272
Share-based payments (Note 17)	**1,783,825**	2,385,701
Listing expense on reverse takeover (Note 5)	**1,032,535**	–
Transaction costs (Note 5)	**1,230,122**	–
Interest on term loan	**762,195**	750,450
Financing costs (Note 9)	**2,784,498**	1,100,105
Fair value adjustment of derivative liabilities (Note 10)	**10,009,363**	(853,649)
Unrealized foreign exchange	**626**	–
Changes in non-cash working capital:		
Trade and other receivables	**(251,458)**	236,509
Prepaid expenses and deposits	**(62,461)**	(37,790)
Accounts payable and accrued liabilities	**(466,145)**	1,026,569
Deferred revenue	**(363,613)**	67,925
Deferred compensation	**(45,767)**	270,495
Cash flows used in operating activities	**(4,438,548)**	112,946
Financing activities		
Proceeds from term loan (Note 9)	**–**	1,051,881
Term loan financing fees (Note 9)	**(215,244)**	(62,789)
Repayment of term loan (Note 9)	**(2,321,672)**	–
Interest on term loan (Note 9)	**(762,195)**	(750,450)
Proceeds from common share issuance, net of issue costs (Note 15)	**7,869,436**	–
Deferred financing costs (Note 7)	**–**	(410,294)
Cash flows provided by financing activities	**4,570,325**	(171,652)
Investing activities		
Cash acquired in reverse takeover (Note 5)	**1,920**	–
Transaction costs (Note 5)	**(14,002)**	–
Purchases of property and equipment	**(15,438)**	(4,367)
Cash flows used in investing activities	**(27,520)**	(4,367)
Increase (decrease) in cash	**104,257**	(63,073)
Foreign exchange effect on cash held in foreign currencies	**(1,075)**	–
Cash, beginning of the year	**92,282**	155,355
Cash, end of the year	**195,464**	92,282
Taxes paid (Note 15)	**25,556**	–

1. Description of Business

Wood Composite Technologies Inc. ("Wood") was incorporated pursuant to the Business Corporations Act of Alberta. On June 4, 2018, Wood acquired all of the issued and outstanding shares of Boardwalktech, Inc. ("Boardwalktech"), a company organized in 2004 under the laws of the state of California. As consideration, Wood issued 9,454,228 common shares to the shareholders of Boardwalktech, resulting in Boardwalktech's shareholders controlling Wood. The acquisition of Boardwalktech by Wood has been accounted for as a reverse takeover transaction (the "RTO"). See Note 5.

In conjunction with the RTO, Wood changed its name to Boardwalktech Software Corp. ("BWSC" or the "Company"). The Company operates from locations in the United States and India and provides enterprise blockchain software products and services to global customers.

The Company designs and sells collaborative enterprise digital ledger data management technology offered as either a cloud-based platform service that runs industry, or customer specific applications, Boardwalk Application Engine ("BAE") or Boardwalk Enterprise Blockchain ("BEB") platforms.

The address of the Company's corporate and registered office is 10050 N Wolfe Road, Cupertino, CA, 95014 USA.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the year ended March 31, 2019, the Company generated a net loss of $20,859,096 (2018 – $4,837,641 as restated in Note 23) and negative cash flows from operating activities of $4,438,548 (2018 – positive cash flows of $112,946 as restated in Note 23). As at March 31, 2019, the Company has an accumulated deficit of $32,412,152 (2018 – $11,553,056 as restated in Note 23) and a working capital deficit of $2,122,939 (2018 – $4,809,130 as restated in Note 23). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to increase the number of licensed customers and continue with expansion in the digital ledger market.

Subsequent to March 31, 2019, the Company closed two tranches of a unit private placement for gross proceeds of $487,865 and executed an Amended and Restated Loan and Security Agreement (Note 22).

The ability of the Company to be successful in obtaining additional future financing, if required, cannot be predicted at this present time. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are in effect at April 1, 2018.

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on July 25, 2019.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries which are consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation.

These consolidated financial statements include the accounts of the following entities:

Name of entity	Principle activity	Place of business and operations	Legal ownership
BWSC	Legal parent	Canada	–
Boardwalktech	Accounting parent and operating company	United States	100% owned by BWSC
Boardwalktech Solutions Private Limited (“BWSPL”)	Research and development company	India	98% owned by Boardwalktech

Functional and presentation currency

The functional currency of BWSC is the Canadian dollar (“CAD”), the functional currency of Boardwalktech is the United States dollar (“USD”) and the functional currency of BWSPL is the Indian Rupee (“INR”). The presentation currency of the Company is the USD.

3. Significant Accounting Policies

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, trade and other receivables, accounts payable and accrued liabilities, deferred compensation and term loan. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are classified based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 Financial Instruments (“IFRS 9”) contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVTPL”). The classification categories are as follows:

- A financial asset is measured at amortized cost: Financial assets held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method. Cash and trade and other receivables are classified as financial assets measured at amortized cost.
- Financial assets at FVOCI: Financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at FVTPL: Financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income. Transaction costs of financial assets measured at FVTPL are expensed in profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: Financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of loss and comprehensive loss. Accounts payable and accrued liabilities, deferred compensation and term loan are classified as financial liabilities measured at amortized cost.
- Financial liabilities measured at FVTPL: Financial liabilities measured a fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of loss and comprehensive loss.

Derivative financial instruments

Preferred shares that may be redeemed with cash or another financial asset or are convertible into a variable number of common shares (as in the case of anti-dilution provisions) are classified as a derivative financial liability, measured at fair value on the date of issuance.

Warrants issued to the lender in connection with term loan agreements are classified as a derivative financial liability. Such warrants are measured at fair value on the date of issuance and accounted for as a directly attributable transaction cost with a corresponding amount recognize as a derivative liability.

These derivative liabilities are subsequently classified as FVTPL. Upon the exercise or conversion of warrants or preferred shares to common shares, the related fair value of the derivative liability is transferred to share capital as consideration for the common shares issued, along with cash consideration, if any.

Impairment of financial assets

Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9 rather than the incurred loss model under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). ECLs are a probability-weighted estimate of credit losses. The Company calculated lifetime ECLs based on consideration of customer-specific factors, actual credit loss experience and forecasted economic conditions. Management considers historical default rates generally represent a reasonable approximation of future expected defaults and as a percentage of revenue, the Company's actual credit loss experience has been minor.

Cash

Cash consists of bank balances with financial institutions in the United States, Canada and India.

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

The financial results of operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on translation are recognized as other comprehensive income (loss).

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recorded to recognize the cost of assets over their useful lives, using the straight-line method over three to seven years. When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, limited such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Business combination

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The identifiable assets acquired and liabilities and contingent liabilities assumed that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for, deferred income taxes, employee benefit arrangements, share-based compensation, and assets held for sale, which are measured in accordance with their applicable IFRS. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs, other than those associated with the issuance of debt or equity, are recognized in profit or loss as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income (loss). If the contingent consideration is classified as equity, it shall not be re-measured and its final settlement shall be accounted for within equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense as incurred.

In the event that lease incentives, such as deferral of cash payments, are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Revenue recognition

The Company's revenue is generated from two primary sources: (1) software subscriptions and services and (2) professional services.

Software subscriptions and services

Software licensing and services revenue consists primarily of licensing agreements for software ("License and Software Service Agreements") written by the Company. This includes the Company's collaborative enterprise digital ledger data management technology offered as either a cloud-based platform service that runs industry, or customer specific applications, BAE or BEB platforms. Customers typically pay a lump-sum upfront for the use of the Company's software licenses and services over a specified term. These revenues are deferred and recognized monthly on the first day of the month that the contract commences over the term of the License and Software Service Agreement. License and Software Service Agreements generally have automatic renewals and do not offer the unilateral right to terminate or cancel the contract and receive a cash refund.

License and Software Service Agreements can also include dedicated server hosting revenue for customers who choose to prepay server hosting fees for 12 months and the related revenues are deferred and recognized monthly on the first day of the month that the contract commences over the term of the dedicated server hosting contract.

In addition, maintenance services are typically included in License and Software Service Agreements. However, in some cases, customers pay for supplemental or additional maintenance services under a separate contract. In these cases, customers prepay maintenance fees for 12 months and the related maintenance revenues are deferred and recognized monthly on the first day of the month that the contract commences over the term of the maintenance contract. Maintenance contracts include the right to unspecified upgrades on a when-and-if available basis, and ongoing support.

Revenue from software subscriptions and services is recognized upon transfer of control of promised services to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. The Company's contracts often include a number of promised services such as software licenses and services, dedicated server hosting and maintenance services. The Company's services are generally distinct and accounted for as separate performance obligations. A service is distinct if the customer can benefit from it on its own or together with other readily available resources, and the Company's promise to transfer the service is separately identifiable from other promises in the contractual arrangement with the customer.

Professional services

Professional services revenue consists of consulting, training and contract customization activities, and ad hoc engagements where the Company's experts consult and write specific applications that run on the BAE platform or the BEB platform, enabling and automating business collaboration and multi-party information exchange. These arrangements can be executed through various means including a statement of work ("SOW") or period-based agreements as hours or services are incurred. Revenue from professional services is recognized at a point in time when the distinct and separate professional and consulting services are rendered to and accepted by the customer.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer of the services to which the asset relates. The amortization period includes anticipated contract renewals where there is either no renewal commission or a renewal commission that is not commensurate with the initial commission. The Company applies the practical expedient available under IFRS and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. The Company does not have any incremental costs meeting capitalization criteria.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Amounts billed and collected in accordance with customer contracts but not yet earned are recorded and presented as deferred revenue.

Cost of sales

Cost of sales includes direct costs and labour related to the rendering of services. The Company's data centre related costs are expensed to cost of sales per service contracts with cloud hosting partners. Fees are paid monthly and the services can be cancelled at any time with advance notice.

Employee benefits

Short-term benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is recognized as share-based payment expense, with a corresponding increase in equity, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair value of restricted share units (“RSUs”) is estimated based on the market value of the Company’s shares on the date of grant.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive loss or directly in equity respectively.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

Newly adopted accounting standards

The Company has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* effective April 1, 2018.

<u>IFRS 9 Financial Instruments</u>

The Company adopted IFRS 9 using the retrospective approach. IFRS 9 replaces IAS 39 and includes new requirements for the classification and measurement of financial assets, a new credit loss impairment model and new model to be used for hedge accounting for risk management contracts. The Company does not currently have any risk management contracts. The adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements except as disclosed in Note 23.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at April 1, 2018.

	Measurement Category (1) (2)	
Financial instrument	IAS 39	IFRS 9
Cash	FVTPL	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Term loan	Other financial liabilities	Amortized cost
Derivative liabilities	FVTPL	FVTPL

(1) There were no adjustments to the carrying amounts of financial instruments as a result of the classification change from IAS 39 to IFRS 9.

(2) The Company has no contract assets or debt investments measured at FVOCI.

<u>IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and related interpretations. The Company adopted IFRS 15 effective April 1, 2018 using the modified retrospective method. Accordingly, information presented for the year ended March 31, 2018 has not been restated.

The Company's revenue consists of software subscriptions and services and professional services. The Company has determined that there is no material impact to the timing of recognition or measurement of revenue under IFRS 15. The Company enters into contracts with customers that have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year of less, or for performance where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to customer in the Company's performance to date.

Accounting standards not yet adopted

The IASB issued IFRS 16 *Leases* in January 2016. The new standard replaces IAS 17 *Leases*. Under the new standard, more leases will be recognized on the statement of financial position for lessees, with the exception of leases with a term not greater than 12 months and "small value" leases. Lease accounting for lessors remains substantially the same as existing guidance.

The standard is effective for years beginning on or after January 1, 2019, IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. The Company plans to use the modified retrospective approach for its adoption of IFRS 16 effective April 1, 2019.

At March 31, 2019, the Company's IFRS 16 transition project consists of three key phases: project scoping, impact analysis, and implementation phase. The Company anticipates the adoption of IFRS 16 will have a material impact on the consolidated statement of financial position primarily due to the capitalization of real estate leases (rent) which are currently recognized as operating leases in the consolidated statement of loss and comprehensive loss. This expected impact is not due to a new obligation but rather the impact from the treatment, under IFRS 16 implementation, of existing lease obligations.

On initial adoption, the Company intends to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at April 1, 2019 as short-term leases;

- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of low dollar value; and,
- Use hindsight in determining the lease term where a contract contains terms to extend or terminate the lease.

A process for identifying potential leases under IFRS 16 has been established and the Company is currently implementing changes to policies, internal controls, information systems, and business and accounting processes.

4. Accounting Estimates and Judgments

In the application of the Company's accounting policies, management is required to make judgments and estimates that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit losses

The Company's trade and other receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime ECL based on a probability-weighted matrix. The Company measures loss allowances based customer-specific factors, historical default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Revenue recognition

Where the outcome of performance obligations for contracts can be estimated reliably, revenue is recognized. Where the outcome of performance obligations for sales contracts cannot be reliably measured, contract revenue is recognized in the current year to the extent that costs have been incurred until such time that the outcome of the performance obligations can be reasonably measured. Significant estimation assumptions are required to estimate total contract costs, which are recognized as expenses in the year in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Derivative liabilities

Determining the fair value of derivative liabilities requires estimate as to the appropriate valuation model (Black-Scholes pricing model) and the inputs for the model require assumptions including the expected life of the instrument, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards granted as stock options requires estimate as to the appropriate valuation model (Black-Scholes pricing model) and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends. RSUs are valued based on the market price of the Company's shares at the time of grant.

Purchase price allocations

The acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property and equipment, other assets and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

5. Reverse Takeover

Pursuant to a merger agreement (the "Merger Agreement"), on June 4, 2018, Wood and Boardwalktech completed the RTO whereby Wood acquired all of the issued and outstanding shares of Boardwalktech. As consideration, the shareholders of Boardwalktech received 9,454,228 common shares of Wood.

Prior to completion of the RTO, Wood completed a share consolidation of 410:1 resulting in a reduction of its share capital from 87,011,141 common shares to 212,208 common shares outstanding. Following the RTO, the former shareholders of Boardwalktech owned approximately 98% of the voting shares of Wood and as a result, the transaction was accounted for as a reverse takeover with Boardwalktech deemed to be the acquirer and accounting parent. These consolidated financial statements are considered to be a continuation of Boardwalktech, the deemed acquirer and accounting parent company, except with regards to the authorized and issued share capital which is that of the legal parent, Wood. The accounting information and results of Wood have been included in these consolidated financial statements from the date of the RTO.

The fair value of the consideration was determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Wood upon completion of the RTO. This value represents the fair value of the number of shares that Boardwalktech would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the Merger Agreement had taken the legal form of Boardwalktech acquiring 100% of the shares of Wood. The fair value of the RTO is based on the private placement completed by Boardwalktech in conjunction with the RTO (Note 15(a)).

The following summarizes the fair value of Wood's net assets acquired on June 4, 2018:

Net assets acquired:	
Cash	1,920
Non-cash working capital deficit	(171,008)
Listing expense on reverse takeover	1,032,535
	863,447
Consideration paid:	
Common shares of Wood	863,447

The public company listing expense on reverse takeover is deemed to be the difference between the consideration paid for Wood shares and the net assets of Wood.

The Company recognized $1,230,122 of transaction costs in the consolidated statement of loss and comprehensive loss comprised of $1,216,120 for the fair value of common share warrants (Note 16) and $14,002 of other expenses.

6. Trade and Other Receivables

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. Trade and other receivables credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the consulting and technology industries and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date.

The Company's maximum exposure to credit risk at March 31, 2019 is in respect of $811,644 (2018 – $551,143) of trade and other receivables. The Company's trade and other receivables consist of:

As at March 31	2019	2018
Trade receivables	487,878	384,594
Receivables from contracts with customers	315,000	150,000
Other	8,766	16,549
	811,644	551,143

As at March 31, 2019, two customers accounted for 37% of trade and other receivables (2018 – four customers; 70%), each with balances greater than 10%.

The Company's trade and other receivables are aged as follows:

As at March 31	2019	2018
Current	736,878	322,648
31 – 60 days past due	40,000	228,495
61 – 90 days past due	10,000	–
Past due for greater than 90 days	24,766	–
	811,644	551,143

At March 31, 2019, the Company evaluated the collectability of trade and other receivables and lifetime expected credit losses and recognized $nil (2018 – $77,099) of bad debt expense and allowance for credit losses due to doubts of collectability.

7. Accounts Payable and Accrued Liabilities

As at March 31	2019	2018
		Restated – Note 23
Accounts payable	753,781	532,794
Accrued liabilities	120,880	727,194
	874,661	1,259,988

Included in accrued liabilities at March 31, 2019 is $53,467 (2018 – $69,760) of deferred rent (Note 23(c)). Included in accrued liabilities at March 31, 2018 was $410,294 of deferred financing costs related to the Company's private placement completed in June 2018 (Note 15(a)).

8. Deferred Revenue

The following table represents changed in deferred revenue for the years ended March 31, 2019 and 2018:

Balance, March 31, 2017	1,475,030
Invoiced in the period, excluding amount recognized as revenue	2,713,368
Amount recognized as revenue	(2,645,443)
Balance, March 31, 2018	1,542,955
Invoiced in the period, excluding amount recognized as revenue	2,439,960
Amount recognized as revenue	(2,803,573)
Balance, March 31, 2019	1,179,342

9. Term Loan

A continuity of the Company's term loan is as follows:

	2019	2018 Restated – Note 23
Balance, beginning of year	3,286,251	2,150,456
Advances	–	1,051,881
Financing fees	(215,244)	(62,789)
Derivative liability (Note 10(b))	–	(953,402)
Principal repayments	(2,321,672)	–
Accretion of financing fees, warrant derivative liability and de-recognition charges	707,169	1,280,807
Gain on de-recognition of term loan	(1,580,552)	(180,702)
Success fee	3,657,881	–
Balance, end of year	3,533,833	3,286,251
Current portion	(1,015,817)	(3,286,251)
Long-term portion	2,518,016	–

February 1, 2016 to March 31, 2017

Beginning on February, 2016, the Company entered into a series of term loans from SQN Venture Income Fund LP ("SQN"). Between February 1, 2016 and May 20, 2016, the Company received loan proceeds totalling $2,000,000 bearing interest at 12.5% per annum and maturing on July 1, 2019. These term loans required monthly interest-only payments until February 1, 2017 at which time monthly blended principal and interest payments of $77,969 were to commence. In connection with term loan agreements signed during this time, the Company issued to SQN a total of 156,802 warrants exercisable into Series A-1 preferred shares of the Company ("Series A-1 preferred share warrants") at $1.2755 per share, of which 78,401 warrants were exercisable until January 29, 2026 and 78,401 warrants were exercisable until May 20, 2026.

On February 2, 2017, the term loan agreements were amended (the "February 2017 Agreement") to increase the interest rate to 25% per annum and require monthly interest-only payments until the new maturity date, January 31, 2018, at which time the principal amount of loans were due in full. An additional $600,000 of term loan proceeds were advanced on February 2, 2017 with the same terms. In connection with the February 2017 Agreement, SQN purchased, from a prior lender of the Company, 310,662 warrants exercisable into Series A preferred shares of the Company ("Series A preferred share warrants") at $0.89 per share exercisable until February 2, 2027.

April 1, 2017 to March 31, 2018

On September 25, 2017 and November 16, 2017, the Company received $200,000 and $326,881, respectively, of loan proceeds from SQN under the same terms as the February 2017 Agreement, increasing the total principal amount of term loans to $3,126,881. The Company incurred $39,381 of related financing fees.

On December 13, 2017, the Company and SQN signed a Forbearance and Second Amendment Agreement (the "December 2017 Agreement"), pursuant to which the maturity date of the term loan was extended to April 30, 2018 and an additional $525,000 of term loan proceeds were advanced. The Company incurred $23,408 of related financing fees.

On December 13, 2017, the Company recognized a $180,702 gain on de-recognition for the difference between the then carrying amount of the $3,126,881 principal amount of term loan and the present value of cash flows based on the terms of the December 2017 Agreement.

In connection with the December 2017 Agreement, the Company issued 500,550 warrants exercisable into Series A-2 preferred shares of the Company ("Series A-2 preferred share warrants") at $1.6741 per share until December 14, 2027. The 500,550 Series A-2 preferred share warrants have been classified as a derivative liability for which the fair value was estimated to be $953,402 (Note 10) on the issue dates.

The December 2017 Agreement also provided that SQN would receive a one-time success fee, equal to the outstanding balance of the term loan upon a change-of-control.

April 1, 2018 to March 31, 2019

The RTO completed on June 4, 2018 (Note 5) constituted a change of control and triggered a $3,657,881 success fee which was added to the outstanding term loan balance, increasing the term loan to $7,309,762. In connection with the RTO, all Series A, A-1 and A-2 preferred share warrants were converted to common shares (Notes 10 and 15). The success fee was recognized as a non-cash expense in the consolidated statement of loss and comprehensive loss.

Pursuant to an Amended and Restated Loan and Security Agreement executed on June 15, 2018 (the "June 2018 Agreement"), maturity date of the term loan was extended to December 1, 2021, the interest rate was reduced from 25% to 14.5% per annum. In addition, the Company made a $1,500,000 principal payment, reducing the principal amount of the term loan to $5,809,762 secured by all current and future property of the Company including intellectual property. The Company incurred $215,244 of related financing fees.

Other key terms of the June 2018 Agreement are as follows:

Blended principal and interest payments

Following a $354,402 payment made on June 18, 2018, of which $284,201 was applied against the loan principal and $70,201 to interest, monthly blended principal and interest payments were set at $171,695 from August 1, 2018 to December 1, 2021.

Loan prepayment option

The Company has the option to prepay the term loan in whole or in part in $500,000 increments, If the Company prepays any increment or the balance of the loan, a prepayment fee is payable to SQN and is calculated as follows:

- For a prepayment made before June 15, 2019, a fee equal to five percent (5.0%) of the amount so prepaid;
- For a prepayment made after June 15, 2019 but before June 15, 2020, a fee equal to four percent (4.0%) of the amount so prepaid; and,
- For a prepayment made after June 15, 2020, a fee equal to three percent (3.0%) of the amount so prepaid.

Loan covenant

The Company must maintain minimum trailing three-month revenues of not less than $1,200,000, beginning October 1, 2018. The Company was in compliance with this covenant as at March 31, 2019.

On June 15, 2018, the Company recognized a $1,474,384 gain on de-recognition for the difference between the then carrying amount of the $3,351,881 principal amount of term loan and the present value of cash flows based on the terms of the June 2018 Agreement.

Pursuant to an Amended and Restated Loan and Security Agreement and Amendment No. 2 to the June 15, 2018 Agreement signed on March 6, 2019 (the "March 2019 Agreement"), the Company is required to make interest-only payments in the amount of $60,273 per month from January 1, 2019 to March 31, 2019 followed by monthly blended principal and interest payments of $204,293 from April 1, 2019 until the extended maturity date of August 31, 2019.

On January 1, 2019, the Company recognized a $106,168 gain on de-recognition for the difference between the then carrying amount of the $4,988,090 principal amount of term loan and the present value of cash flows based on the terms of the March 2019 Agreement.

The carrying amount of the term loan is comprised of the following:

As at March 31	2019	2018
		Restated – Note 23
Principal amount of term loan	4,988,090	3,651,881
Unamortized balance of financing fees, warrant derivative liability and de-recognition charges	(1,454,256)	(365,630)
	3,533,833	3,286,251
Current portion	(1,015,817)	(3,286,251)
Long-term portion	2,518,016	–

Financing costs and interest expense recognized in the consolidated statement of loss and comprehensive loss relate to the term loan and are comprised of the following:

For the years ended March 31	2019	2018
Financing costs		Restated – Note 23
Accretion	707,169	1,280,807
Gain on de-recognition of term loan	(1,580,552)	(180,702)
Success fee	3,657,881	–
	2,784,498	1,100,105
Interest expense	762,195	750,450

The term loan was further amended in June 2019 (Note 22(b)).

10. Derivative Liabilities

	Preferred shares	Preferred share warrants	Total
Balance, March 31, 2017 (Note 23)	2,405,917	761,504	3,167,421
Issue of Series A-2 preferred share warrants (Note 9)	–	953,402	953,402
Fair value adjustment	(846,322)	(7,327)	(853,649)
Balance, March 31, 2018 (Note 23)	1,559,595	1,707,579	3,267,174
Fair value adjustment prior to conversion	7,786,805	2,222,558	10,009,363
Conversion of preferred share and warrants (Note 15)	(9,346,400)	(3,930,137)	(13,276,537)
Balance, end of year	–	–	–

The fair values of the derivative liabilities for preferred shares and preferred share warrants were estimated at various dates using the Black-Scholes pricing model based on the following assumptions:

	Preferred shares	Preferred share warrants	
	March 31 2018	December 2017 Issue Date	March 31 2018
Measurement date share price	$1.6741	$1.99	$2.00
Exercise price	$0.89 – $1.6741	$1.6741	$0.89 – $1.6741
Expected volatility	140%	177%	133% – 139%
Expected life	0.18 years	5 years	3.9 – 4.9 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	1.26%	2.14%	1.18% – 2.12%
Weighted-average fair value per preferred share	$0.64	$1.90	$1.76

The fair values of the derivative liabilities for preferred shares and preferred share warrants immediately prior to their conversion to common shares on June 4, 2018 was based on the market price of the Company's common shares on that date, being $4.06 (CAD 5.25) (Note 15(a)).

11. Revenue

The following table presents the Company's revenue disaggregated by type:

For the years ended March 31	2019	2018
Software subscriptions and services	2,742,885	2,573,472
Professional services	2,174,429	1,782,394
Total revenue	4,917,314	4,355,866

The Company's revenue is generated in the United States. For the year ended March 31, 2019, 19.5% of the Company's revenue was earned through sales to one major customer (2018 – 13.4% of revenue to one major customer). As at March 31, 2019, trade and other receivables included $63,934 of receivables from software subscriptions and services customers (2018 – $150,000) and $487,878 of receivables from professional services customers (2018 – $384,594) (Note 6).

12. Nature of Expenses

The nature of the Company's general and administrative expenses is as follows:

For the years ended March 31	2019	2018
		Restated – Note 23
Marketing	447,692	64,038
Rent	340,635	338,849
Travel and lodging	291,714	108,047
Office	104,776	61,670
Utilities	51,471	20,715
Other	19,113	82,097
	1,255,401	675,416

13. Related Party Transactions and Balances

Key management personnel compensation

The Company defines key management personnel as being the Chief Executive Officer, Chief Financial Officer, and Chief Technical Officer. For the year ended March 31, 2019, key management personnel compensation included $733,139 (2018 – $240,000) in salaries, wages and benefits expense and $188,255 (2018 – $nil) in share-based payments expense.

Deferred compensation

Deferred compensation of $300,358 (2018 – $270,495) was recognized, of which $224,728 was payable at March 31, 2019 (2018 – $270,495).

14. Taxes

The tax provision recorded in the consolidated financial statements differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rates to loss before tax as follows:

For the years ended March 31	2019	2018
		Restated – Note 23
Loss before taxes	(20,833,540)	(4,837,641)
Statutory income tax rate (%)	22%	35%
Expected recovery at statutory rate	(4,583,379)	(1,693,636)
Increase (decrease) in taxes resulting from:		
Non-deductible items	2,935,494	1,009,267
Impact of tax rate changes	–	1,299,405
Effect of tax return filings	(650,524)	–
Taxable intercompany advances	173,174	194,680
Deferred tax benefits not recognized	2,150,791	(809,716)
Tax expense	25,556	–

The Company's deferred tax assets (liabilities) are as follows:

	2019	2018
Tax difference on account versus cash tax reporting	(1,600)	(845,400)
Net operating losses utilized	1,600	845,400
Net deferred tax liability	–	–

The Company has not recognized a differed tax asset in respect of the following deductible temporary differences:

	2019	2018
Net operating losses – United States	16,284,000	10,301,000
Non-capital losses – Canada	13,775,000	–
Total deductible temporary differences	30,059,000	10,301,000

The Company has net operating losses of approximately $16,284,000 and non-capital losses of approximately $13,775,000 (CAD 18,381,000) which are available to reduce future years' taxable income in the United States and Canada, respectively. The net operating losses will commence to expire in fiscal 2028 while the non-capital losses will commence to expire in 2024 if not utilized. Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, no deferred tax asset has been recorded.

15. Share Capital

Authorized:

As at March 31, 2018:

10,000,000 voting common shares
1,287,456 Series A voting, convertible preferred shares ("Series A preferred shares")
1,097,577 Series A-1 voting, convertible preferred shares ("Series A-1 preferred shares")
1,410,003 Series A-2 voting, convertible preferred shares ("Series A-2 preferred shares")

Series A, A-1 and A-2 preferred shares (collectively, "preferred shares")

Conversion: Preferred shares are convertible, at the option of the holder, into a number of fully paid and non-assessable common shares as determined by the then effective conversion rate. The conversion rate in effect at any time is determined by dividing the original issue price of the series of preferred share by the conversion price of the series in effect at that time. The conversion and original issue price is $0.89 for Series A preferred shares, $1.2755 for Series A-1 preferred shares and $1.6741 for Series A-2 preferred shares, subject to anti-dilution provisions. Preferred shares automatically convert to common shares upon the closing of a public offering of the Company's common shares provided the offering price per share is not less than $3.82 and aggregate gross proceeds are greater than $30,000,000 or will be automatically converted upon the vote of the majority of preferred shareholders to convert.

Dividends: The holders of the preferred shares are entitled to receive dividends when and if declared by the Board of Directors. Dividends on preferred shares are not cumulative. The dividend rate is $0.0534 for Series A preferred shares, $0.0765 for Series A-1 preferred shares and $0.1004 for Series A-2 preferred shares.

Liquidation preference: In the event of any liquidation, dissolution or winding up of the Company, the holders of the preferred shares are entitled to receive prior to, and in preference to, any distribution to the common shareholders, an amount equal a liquidation rate per share plus declared but unpaid dividends. In the event that upon liquidation or dissolution, the assets and funds of the Company are insufficient to permit the payment to preferred shareholders of the full preferential amounts, then the entire assets and funds of the Company legally available for distribution are to be distributed ratably among the preferred shareholders in proportion to the full preferential amount each is otherwise entitled to receive. The liquidation rate is $0.89 for Series A preferred shares, $1.2755 for Series A-1 preferred shares and $1.6741 for Series A-2 preferred shares.

After the distributions described above have been paid in full, the remaining assets of the Company available for distribution shall be distributed pro-rata to the common shareholders.

As at June 4, 2018 (following the completion of the RTO (Note 5)):

Unlimited number of voting common shares

Issued:	Number of Shares	Amount ($)
Common shares		Restated – Note 23
Balance, March 31, 2017 and 2018	4,047,197	53,077
Shares issued	57,987	5,800
Conversion of subscription receipts (a)	1,925,729	7,794,074
Conversion of Series A, A-1 and A-2 preferred shares (b)	2,427,638	9,856,210
Conversion of preferred share warrants (c)	968,014	3,930,137
Shares exchanged to effect RTO (Note 5)	(9,454,228)	–
Issued to effect the RTO (Note 5)	9,454,228	–
Wood shares (Note 5)	212,208	863,447
Issued to settle Wood debt (d)	26,857	108,697
Exercise of common share warrants (Note 16)	79,884	376,628
Exercise of stock options (e)	130,700	49,641
Unit private placement (f)	1,005,302	495,000
Share issue costs (a)(f)	–	(1,357,754)
Balance, March 31, 2019	10,881,516	22,174,957
Series A preferred shares		
Balance, March 31, 2017 and 2018 (Note 10)	976,834	–
Converted to common shares (b)	(976,834)	–
Balance, March 31, 2019	–	–
Series A-1 preferred shares		
Balance, March 31, 2017 and 2018 (Note 10)	940,775	189,254
Converted to common shares (b)	(940,775)	(189,254)
Balance, March 31, 2019	–	–
Series A-2 preferred shares		
Balance, March 31, 2017 and 2018 (Note 10)	510,029	320,556
Converted to common shares (b)	(510,029)	(320,556)
Balance, March 31, 2019	–	–
Totals		
Balance, March 31, 2018	6,474,835	562,887
Balance, March 31, 2019	10,881,516	22,174,957

(a) In conjunction with the RTO completed on June 4, 2018, the Company completed a private placement of 1,925,729 subscription receipts (the "Offering") for gross proceeds of $7,794,074 ($4.06 per receipt (CAD 5.25)). Each subscription receipt was automatically converted into one common share of the Company upon closing of the RTO.

In connection with the Offering, the Company incurred $1,325,684 of share issue costs comprised of $293,070 of legal and other expenses, $682,614 of Agent commissions and expenses and $350,000 in respect of 134,801 compensation options ("Agent Option"). Each Agent Option is exercisable for one common share of the Company at CAD 5.25 for a period of 24 months following the closing of the Offering. The $350,000 fair value of the Agent Options was determined using the Black-Scholes pricing model for which a preliminary estimate of $394,800 was included in deferred financing costs at March 31, 2018, resulting in a $44,800 corresponding adjustment to contributed surplus on the closing date.

(b) Under the terms of the Merger Agreement, all Series A, Series A-1 and Series A-2 preferred shares were converted to common shares on a one-for-one basis immediately prior to the completion of the RTO. These share conversions were accounted for at the fair value of the related derivative liability on June 4, 2018 (Note 10).

(c) Under the terms of the Merger Agreement, 968,014 preferred share warrants were converted to common shares immediately prior to the completion of the RTO.

(d) Under the terms of the Merger Agreement, certain indebtedness of Wood totalling $108,697 was settled through the issuance of 26,857 common shares.

(e) During the year ended March 31, 2019, at total of 130,700 stock options were exercised (Note 17) for gross cash proceeds of $29,152 plus a pro-rata portion of related fair value $20,489 reclassified from contributed surplus.

(f) On February 22, 2019, the Company closed the first tranche of a non-brokered private placement of units (each, a "Unit") for 1,005,302 Units at CAD 0.65 per Unit, for gross proceeds of $495,000 (CAD 653,446). Each Unit is comprised of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant is exercisable at a price of CAD 1.10 per share for a period of 24 months following the closing and will be subject to early redemption by the Company if the trading price of the Company's common shares is greater than CAD 1.75 for 10 consecutive trading days. The Company paid aggregate finder's fees of $15,891 plus $16,179 of other issuance costs.

The issue date fair value of the common share warrants was estimated to be $42,700 using the Black-Scholes pricing model based on the following assumptions:

Issue date share price	CAD 0.44	Expected dividend yield	0%
Exercise price	CAD 1.10	Risk-free interest rate	2.55%
Expected volatility	99%	Forfeiture rate	0%
Expected life	1 year	Fair value per common share warrant	$0.09 (CAD 0.11)

Non-voting and escrowed common shares:

Under the terms of the Merger Agreement, 3,400,622 of the 9,454,228 common shares issued to effect the RTO that were previously referred to as preferred shares in the Company's condensed interim consolidated financial statements for the June 30, 2018, September 30, 2018 and December 31, 2018 periods are herein referred to as non-voting common shares. The 3,400,622 non-voting common shares have the same rights and privileges as other common shares, including the same dividend rights, except for the purpose of electing the Company's directors, in which case they are not entitled to vote. These non-voting common shares obtain voting rights to elect the Company's directors upon the Company's receipt of written notice by the non-voting common shareholders to convert the share status to voting common shares following their release from escrow as described below.

In connection with the RTO, 1,144,579 common shares and 3,400,622 non-voting common shares were escrowed and are subject to release as follows: 10% on June 7, 2018, the date of the final TSX Venture Exchange Bulletin (the "Final TSXV Bulletin"), and 15% on each six-month anniversary date of the Final TSXV Bulletin, with the final 15% released on the third anniversary, June 7, 2021. As at March 31, 2019, there were 858,434 common shares and 2,550,467 non-voting common shares escrowed under these release terms.

Of the 10% of escrowed shares released on June 7, 2018, 86,752 common shares and 331,635 non-voting common shares were re-deposited into escrow subject to release as follows: 15% on the date of the Final TSXV Bulletin and each six-month anniversary thereafter up to the 36-month anniversary, with the remaining 25% released on June 7, 2021. As at March 31, 2019, there were 73,739 common shares and 281,890 non-voting common shares escrowed under these release terms.

16. Warrants

	Number of Warrants	Weighted Average Exercise Price
Common share warrants		
Balance, March 31, 2017 and 2018 (Restated – Note 23(g))	–	–
Issued (a)	399,424	1.67
Issued (Note 15(f)	502,651	0.84
Exercised (a)	(79,884)	(1.67)
Balance, March 31, 2019	822,191	1.16
Preferred share warrants		
Balance, March 31, 2017 (Restated – Note 23(h))	467,464	1.02
Issued (Note 9)	500,550	1.67
Balance, March 31, 2018	968,014	1.36
Converted to common shares pursuant to RTO (Note 15(c))	(968,014)	(1.36)
Balance, March 31, 2019	–	–
Totals		
Balance, March 31, 2018	467,464	1.02
Balance, March 31, 2019	822,191	1.15

(a) The Company signed a consulting agreement on December 29, 2017 pursuant to which the consulting service provider would receive compensation comprised of 399,424 common share warrants immediately prior to the completion by the Company of transaction such as an initial public offering or an RTO of a company listed on a qualifying stock exchange.

Immediately prior to the completion of the RTO on June 4, 2018 (Note 5), the Company issued 399,424 common share warrants exercisable at $1.67 per share until June 4, 2023. The common share warrants are exercisable in five equal tranches between June 4, 2018 and June 4, 2019.

The issue date fair value of the common share warrants was estimated to be $1,216,120 using the Black-Scholes pricing model based on the following assumptions:

Issue date share price	$4.06 (CAD 5.25)	Expected dividend yield	0%
Exercise price	$1.67	Risk-free interest rate	2.14%
Expected volatility	99%	Forfeiture rate	0%
Expected life	2.5 years	Fair value per common share warrant	$1.23

The Company recognized the $1,216,120 fair value of the common share warrants as transaction costs (Note 5) in the consolidated statement of loss and comprehensive loss with a corresponding charge to contributed surplus.

On June 4, 2018, the first exercisable tranche of common share warrants (79,884 warrants) was exercised for cash proceeds of $133,406 a pro-rata portion of related fair value $243,222 reclassified from contributed surplus.

Information about common share warrants outstanding and exercisable at March 31, 2019 is as follows:

Expiry Date	Number	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
February 22, 2021	502,651	0.82 [(1)]	1.90
December 21, 2027	319,540	1.67	8.73
	822,191	1.15	4.56

(1) CAD 1.10 (Note 15(f)) at the March 31, 2019 CAD to USD exchange rate.

17. Share-Based Payments

The Company has established an equity incentive plan (the "Equity Incentive Plan") administered by the Company's Board of Directors (the "Board") which provides for the grant of incentive stock awards, including incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and other awards based on common stock. Under the Equity Incentive Plan, these awards are available to employees, consultants, and directors of the Company. All awards granted under the Equity Incentive Plan are governed by an award agreement and vest in accordance with the vesting schedule set forth in such award agreement, which may be accelerated upon a change of control. The exercise price for awards granted under the Equity Incentive Plan shall be fixed by the Board and shall not be less than the Discounted Market Price (as defined in the policies of the TSX Venture Exchange (the "TSXV")), or such other price as permitted pursuant to a waiver obtained from the TSXV, of common shares on the effective date of grant; provided however, that no award granted to a participant holding 10% or more of the Company's common shares shall have an exercise price per common share that is less than one hundred ten percent (110%) of the market price of the Company's common shares on the effective date of grant. The term of each award shall be fixed by the Board, but no award shall be exercisable more than ten years after the date the award is granted. In the case of an award that is granted to a participant who, on the grant date, owns 10% of the voting power of all classes of the Company's shares, the term of such award shall be no more than five years from the date of grant.

Stock options:

On February 10, 2018, the Company granted 587,500 stock options at an exercise price of $2.00 per share exercisable until February 10, 2028. The options vested immediately. The grant date fair value of the options was estimated to be $2,366,800 using the Black-Scholes pricing model based on the following assumptions:

Grant date share price	$4.07 (CAD 5.25)	Expected dividend yield	0%
Exercise price	$2.00	Risk-free interest rate	2.83%
Expected volatility	150%	Forfeiture rate	0%
Expected life	10 years	Fair value per option	$4.03

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year ended March 31, 2019, the Company recognized $nil of share-based payment expense related to stock options. During the year ended March 31, 2018, the Company recognized $2,385,701 of share-based payment expense of which $2,366,800 related to stock options granted in 2018 and $18,901 related to stock options granted in previous years.

A continuity of the Company's stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2017 (Restated – Note 23(h))	570,818	0.21
Granted	587,500	2.00
Expired	(198,703)	0.10
Balance, March 31, 2018	959,615	1.41
Exercised (Note 15(g))	(130,700)	(0.22)
Balance, March 31, 2019	828,915	1.55

Information about stock options outstanding and exercisable as at March 31, 2019, is summarized in the following table:

Expiry Date	Number	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
December 3, 2023	183,915	0.44	4.68
December 3, 2025	10,000	0.44	6.68
January 28, 2026	40,000	0.44	6.64
April 26, 2026	7,500	0.44	7.08
February 10, 2028	587,500	2.00	8.87
	828,915	1.55	7.80

Agent options:

	Number	Weighted Average Exercise Price
Balance, March 31, 2017	–	–
Issued (Note 15(a))	134,801	3.94
Balance, March 31, 2018 and 2019	134,801	3.94

(1) CAD 5.25 at the March 31, 2019 CAD to USD exchange rate.

Agent options are exercisable until June 4, 2020.

As at March 31, 2019, the maximum number of common shares which are reserved and set aside for issuance upon the grant or exercise of awards under the Equity Incentive Plan is be 1,935,661 common shares. This number is subject to adjustment in the event of a stock split, stock dividend or other changes in the Company's capitalization.

RSUs:

	Number
Balance, March 31, 2017 and 2018	–
Issued June 4, 2018	875,000
Balance, March 31, 2019	875,000

RSUs entitle participants the conditional right to receive one common share of the Company for each share unit. RSUs typically vest in three equal tranches on the first, second and third anniversaries of the grant date. RSUs automatically convert to common shares on the vesting date.

The Company granted 875,000 RSUs on June 4, 2018 that vest in three equal tranches on June 4, 2019, 2020 and 2021. The fair value of these RSUs was determined to be $3,553,350 based on the $4.06 (CAD 5.25) market price of the Company's common shares on the grant date, of which $1,783,825 was recognized as share-based payment expense in the year ended March 31, 2019. As at March 31, 2019, the remaining unvested balance of share-based payments was $1,769,525.

18. Per Share Amounts

For the years ended March 31	2019	2018
		Restated – Note 23
Net loss	(20,859,096)	(4,837,641)
Basic and diluted weighted average number of shares	9,880,944	9,454,228
Basic and diluted net loss per share	(2.11)	(0.51)

In accordance with RTO accounting guidance, for the purpose of computing per share amounts for the year ended March 31, 2019, the number of shares outstanding for the period from the beginning of the year to the date of the RTO shall be deemed to be the number of shares issued by the legal parent, Wood. For the period from the date of the RTO to the end of year, the number of shares to be used in per share calculations is the actual number of shares of the legal parent outstanding in that period. Per share amounts for the comparative year ended March 31, 2018 are computed based on based on the number of shares issued by Wood, the legal parent, to effect the RTO.

For the years ended March 31, 2019 and 2018, all preferred shares, warrants, stock options, agent options and RSUs were excluded from the diluted per share amounts as their effect is anti-dilutive.

19. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks. The Company is exposed to credit risk and liquidity risk because of holding certain financial instruments. The Company is not exposed to market risk (interest rate, or other price) as it does not hold financial instruments that expose the Company to market risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management, with oversight governance by the Board of Directors.

Fair Value

The Company's financial instruments consist of cash, trade and other receivable, accounts payable and accrued liabilities, deferred compensation, term loan and derivative liabilities. The carrying amounts of the current financial instrument items approximate their fair value due to their short period to maturity. Derivative liabilities reported at fair value based on their re-measurement at reporting date. The fair value of the term loan at March 31, 2019 is $4,988,090 based on the present value of future cash flows discounted at 14.5% which is a rate that approximates the Company's market rate of interest.

IFRS establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities included in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair value of assets and liabilities in Level 2 are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair value of assets and liabilities in Level 3 are determined based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Credit risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and trade and other receivables. The credit risk relating to cash balances is limited because the counterparties are large commercial banks in the United States, Canada and India. The amounts reported for trade and other receivables in the consolidated statement of financial position is net of allowances for credit losses and bad debts and the net carrying value represents the Company's maximum exposure to credit risk.

Trade and other receivables (Note 6) credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the consulting and technology industries and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from operations, acquisitions and/or equity financing to provide sufficient liquidity to meet budgeted operating requirements. Maturities of the Company's financial liabilities are as follows:

As at March 31, 2019	Carrying Amount	Contractual cash flows	2020	2021	2022
Accounts payable and accrued liabilities	874,661	874,661	874,661	–	
Deferred compensation	224,728	224,728	224,728	–	
Term loan	3,533,833	4,988,090	1,855,931	2,143,666	988,493
Term loan interest	–	954,664	603,139	315,405	36,120
	4,633,222	7,042,143	3,558,459	2,459,071	1,024,613

The Company has current assets of $1,171,609 to satisfy its financial liabilities and therefore will have to generate sources of cash through positive operating cash flows, acquisitions and/or equity financing (Note 22) to satisfy liabilities as they come due.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in INR and CAD, which exposes the Company to fluctuating balances and cash flows due to variations in foreign exchange rates.

The USD equivalent carrying amounts of the Company's foreign denominated monetary assets and monetary liabilities is follows:

As at March 31	**2019**	**2018**
Cash	28,702	17,245
Trade and other receivables	8,766	–
Accounts payable and accrued liabilities	(95,577)	(83,910)
Net monetary liabilities	(58,109)	(66,665)

Assuming all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between the USD and foreign currencies would increase or decrease net loss for the year by approximately $2,900 (2018 – $3,300).

To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

20. Capital Management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements apart from its term loan covenants (Note 9).

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing credit facilities, raise new debt and issue share capital. The Company expects that funds generated from operations and working capital amounts will provide sufficient capital resources and liquidity to fund existing operations in 2020.

21. Commitments

Office lease

The Company leases office space under a non-cancelable operating lease that expires on January 31, 2021 for which the future minimum annual rent payments are $312,807 for the year ended March 31, 2020 and $322,192 for the year ended March 31, 2021.

22. Subsequent Events

(a) In April and May 2019, the Company closed two tranches of the Unit private placement (Note 15(g)) for the aggregate issuance of 1,001,016 Units at CAD 0.65 per Unit, for gross proceeds of $487,865 (CAD 650,660). Each Unit is comprised of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant is exercisable at a price of CAD 1.10 per share for a period of 24 months following the closing and will be subject to early redemption by the Company if the trading price of the Company's common shares is greater than CAD 1.75 for 10 consecutive trading days. The Company paid aggregate finder's fees of approximately $15,150 (CAD 20,200) to compensate finders who introduced purchasers under the Offering. An officer of the Company subscribed for 30,612 Units.

(b) In June 2019, the Company and SQN executed an Amended and Restated Loan and Security Agreement (the "June 2019 Agreement"). Key terms of the June 2019 Agreement are as follows:

- An extension of the loan's maturity to June 2022;
- A reduction of the interest rate from 14.5% to 12.5%;
- An initial six-month interest-only period, that can be extended another six-months should the Company achieve certain performance milestones; and
- A new $1,000,000 working capital loan on terms similar to the new extension.

In connection with the $1,000,000 working capital loan, subject to the approval of the TSXV: (i) the Company will issue 1,200,000 warrants to SQN exercisable at CAD 0.60 per share for a period not to exceed the term of the loan; and (ii) SQN will convert $1,249,404 of the existing term loan into common shares of the Company at a conversion price of $0.36 per share, subject to receipt of shareholder approval to the extent that conversion of the debt would result in SQN becoming a "control person" under the policies of the TSXV. Failure by the Company to obtain the required approvals from the TSXV or the Company's shareholders will constitute an event of default under the June 2019 Agreement.

23. Restatement and Adoption of IFRS 9

Management identified errors in prior year consolidated financial statements that have been corrected retrospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”:

- The conversion option associated with preferred shares issued prior to April 1, 2017 was not correctly accounted for as a derivative liability on the issue dates and subsequent consolidated statement of financial position dates;
- Preferred share warrants issued in connection with term loan agreements and amendments entered into between February 1, 2016 and March 31, 2018 were not correctly accounted for as derivative liabilities on the issue dates and subsequent consolidated statement of financial position dates;
- Lease incentives received during the year ended March 31, 2018 were not recognized on a straight-line basis over the term of the office lease; and
- A cut-off error was identified with respect to deferred compensation related to the year ended March 31, 2018.

In addition, the Company adopted IFRS 9 using the full retrospective approach which resulted in adjustments related to term loan amendments during the years ended March 31, 2017 and 2018.

The effect of the restatement and adoption of IFRS 9 on the April 1, 2017 and March 31, 2018 consolidated financial statements is summarized below.

Consolidated Statement of Financial Position as at April 1, 2017:

	Previously reported	Restatement		Adoption of IFRS 9		Restated
Current liabilities						
Term loan (Note 9)	2,600,000	(644,663)	(b)	195,119	(e)	2,150,456
Other current liabilities not restated	1,708,449	–		–		1,708,449
Total current liabilities	4,308,449	(644,663)		195,119		3,858,905
Non-current liabilities						
Derivative liabilities (Note 10)	–	2,405,917	(a)	–		3,167,421
		761,504	(b)	–		
Total liabilities	4,308,449	2,522,758		195,119		7,026,326
Shareholders’ deficiency						
Share capital (Note 15)	2,968,804	(2,405,917)	(a)	–		562,887
Contributed surplus	138,698	–		–		138,698
Deficit	(6,403,455)	(116,841)	(b)	(195,119)	(e)	(6,715,415)
Total deficiency attributed to shareholders	(3,295,953)	(2,522,758)		(195,119)		(6,013,830)
Non-controlling interest	(479)	–		–		(479)
Total shareholders’ deficiency	(3,296,432)	(2,522,758)		(195,119)		(6,014,309)
Total liabilities and shareholders’ deficiency	1,012,017	–		–		1,012,017

Consolidated Statement of Financial Position as at March 31, 2018:

	Previously reported	Restatement		Adoption of IFRS 9		Restated
Current liabilities						
Accounts payable and accrued liabilities (Note 7)	1,190,228	69,760	(c)	–		1,259,988
Deferred revenue (Note 8)	1,542,955	–		–		1,542,955
Deferred compensation (Note 13)	–	270,495	(d)			270,495
Term loan (Note 9)	3,704,326	(432,492)	(b)	14,417	(e)	3,286,251
Total current liabilities	6,437,509	(92,237)		14,417		6,359,689
Non-current liabilities						
Derivative liabilities (Note 10)	–	1,559,595 1,707,579	(a) (b)	–		3,267,174
Total liabilities	6,437,509	3,174,937		14,417		9,626,863
Shareholders' deficiency						
Share capital (Note 15)	2,968,804	(2,405,917)	(a)	–		562,887
Contributed surplus	2,919,199	–		–		2,919,199
Deficit	(10,769,619)	846,322 (1,275,087) (69,760) (270,495)	(a) (b) (c) (d)	(14,417)	(e)	(11,553,056)
Total deficiency attributed to shareholders	(4,881,616)	(3,174,937)		(14,417)		(8,070,970)
Non-controlling interest	(479)	–		–		(479)
Total shareholders' deficiency	(4,882,095)	(3,174,937)		(14,417)		(8,071,449)
Total liabilities and shareholders' deficiency	1,555,414	–		–		1,555,414

Consolidated Statement of Loss and Comprehensive Loss for the year ended March 31, 2018:

	Previously reported	Restatement		Adoption of IFRS 9		Reclass (f)	Restated
Revenue	4,355,866	–		–		–	4,355,866
Cost of sales	424,268	–		–		47,800	472,068
Gross margin	3,931,598	–		–		(47,800)	3,883,798
Expenses							
Salaries, wages and benefits	3,092,530	–		–		287,360	3,379,890
Share-based payments (Note 17)	2,383,900	–		–		1,801	2,385,701
General and administration (Note 12)	939,293	69,760	(c)	–		(333,637)	675,416
Consulting	636,148	–		–		(47,800)	588,348
Deferred compensation (Note 13)	–	270,495		–		–	270,495
Professional fees	303,108	–		–		40,204	343,312
Allowance for credit losses (Note 6)	77,099	–		–		–	77,099
Amortization	–	–		–		4,272	4,272
Total expenses	7,432,078	340,255		–		(47,800)	7,724,533
Operating loss before other (income) expenses	(3,500,480)	(340,255)		–		–	(3,840,735)
Interest and financing costs	865,684	1,165,573	(b)	(180,702)	(e)	–	1,850,555
Fair value adjustment of derivative liabilities (Note 10)	–	(846,322) (7,327)	(a) (b)	– –		–	(853,649)
Total other (income) expenses	865,684	311,924		(180,702)		–	996,906
Net loss and comprehensive loss for the year	(4,366,164)	(652,179)		180,702		–	(4,837,641)
Net loss per share – basic and diluted (Note 18)	(0.46)						(0.51)

Consolidated Statement of Changes in Cash Flows for the year ended March 31, 2018:

	Previously reported	Restatement		Adoption of IFRS 9	Reclass (f)	Restated
Cash flows used in operating activities	(754,539)	115,234	(b)	–	752,251	112,946
Cash flows provided by financing activities	1,104,326	(115,234)	(b)	–	(1,160,744)	(171,652)
Cash flows used in investing activities	(412,860)	–		–	408,493	(4,367)
Decrease in cash	(63,073)	–		–	–	(63,073)
Cash, beginning of year	155,355	–		–	–	155,355
Cash, end of year	92,282	–		–	–	92,282

(a) Preferred shares

Series A, A-1 and A-2 preferred shares were originally recognized as equity instruments at the amount of proceeds received on their issuance and/or conversion. However, anti-dilution provisions contained in the terms of the preferred shares would result in a variable number of common shares issued on the conversion of preferred shares under certain conditions. As a result, the conversion option associated with the preferred shares has been fair valued and reclassified as a financial liability and accounted for as a derivative liability with any residual value being attributed to equity.

As at April 1, 2017:

The Company recognized $2,405,917 for the fair value of the derivative liability as at April 1, 2017 with a corresponding reduction to the previously reported carrying amount of preferred shares in equity.

As at and for the year ended March 31, 2018:

The Company recognized $1,559,595 for the fair value of the derivative liability as at March 31, 2018 and a $846,322 adjustment in the 2018 consolidated statement of loss and comprehensive loss the increase in the fair value of the derivative liability (Note 10), with a corresponding $2,405,917 charge to equity.

(b) Term loan

The 156,802 Series A-1 preferred share warrants and the 310,662 Series A preferred share warrants issued to SQN between February 1, 2016 and March 31, 2017 were originally classified as equity instruments. However, anti-dilution provisions contained in the terms of the preferred share warrants would allow the preferred share warrants to be exercised at a lower exercise price under certain conditions. As a result, the preferred share warrants have been reclassified a financial liabilities and accounted for as derivative liabilities.

As at April 1, 2017:

The Company recognized a $644,663 decrease to the carrying value of the term loan related to $761,504 for the fair value of the preferred share warrant derivative liability as at March 31, 2017 net of a $116,841 increase to opening deficit.

As at and for the year ended March 31, 2018:

The Company recognized a $432,492 decrease to the carrying value of the term loan comprised of the $644,663 decrease at April 1, 2017 and a $212,171 increase recognized during the year ended March 31, 2018. The $212,171 increase to the carrying value of the term loan is related to a $1,165,573 increase in financing costs comprised of $1,173,063 of accretion of the amortized cost of the term loan and $7,490 of expenses reclassified and net against the term loan, offset by $953,402 for the fair value of 500,550 preferred share warrants issued to SQN. The Company also recognized a $7,327 fair value adjustment for the decrease in the fair value of the derivative liability to $1,707,579 on March 31, 2018 (Note 10).

(c) Lease incentives

During the year ended March 31, 2018, the Company received a lease incentive of a free-rent period for the Company's office premises. Total rent payable under the terms of the lease should have been recognized as office rent on a straight-line basis over the term of the office lease. As a result, the Company has recognized a $69,670 increase in general and administrative expenses and a corresponding increase in accounts payable and accrued liabilities related to amortized rent expense over the free-rent period.

(d) Deferred compensation

The Company recognized $270,495 of deferred compensation expense and a corresponding deferred compensation liability for contributions certain employees and team members made to the Company during the year ended March 31, 2018.

(e) Adoption of IFRS 9

As at April 1, 2017:

The Company recognized a $195,119 increase to opening deficit and a corresponding increase to the term loan for a loss on de-recognition of the term loan based on the difference between the February 2, 2017 carrying amount of the $2,000,000 principal amount of term loan and the present value of cash flows based on the terms of the February 2017 Agreement (Note 9).

As at and for the year ended March 31, 2018:

The Company recognized a $14,417 increase in the term loan comprised of the $195,119 increase at April 1, 2017 offset by a $180,702 reduction and a corresponding gain on de-recognition of the term loan for the difference between the December 13, 2017 carrying amount of the $3,126,881 principal amount of term loan and the present value of cash flows based on the terms of the December 2017 Agreement (Note 9).

(f) Reclassification of expenses

Certain expenses were reclassified in the comparative year ended March 31, 2018 to conform with current year presentation.

(g) Common share warrants

The Company previously reported 399,424 common share warrants as outstanding at March 31, 2018 when, in fact, the common share warrants were issued on June 4, 2018 (Note 16).

(h) Preferred share warrants

The Company previously reported 460,485 preferred share warrants as outstanding at March 31, 2017 when, in fact, 467,464 preferred share warrants were outstanding (Note 16).

In addition, the Company previously reported 40,000 stock options issued during the year ended March 31, 2018 as preferred share warrants. This classification has been corrected in the continuity of preferred share warrants and stock options for the year ended March 31, 2018 (Notes 16 and 17).