

Boardwalktech Software Corp.
Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended September 30, 2019
Stated in United States dollars
(Unaudited)

**Notice of No Auditor Review of
Condensed Interim Consolidated Financial Statements**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three and six months ended September 30, 2019.

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Financial Position

(United States dollars)

(Unaudited)

As at		September 30 2019	March 31 2019
	Note		
ASSETS			
Current assets			
Cash		97,500	195,464
Trade and other receivables	4	778,976	811,644
Prepaid expenses and deposits		128,940	164,501
Total current assets		1,005,416	1,171,609
Non-current assets			
Property and equipment		14,329	15,002
Right-of-use asset	5	342,086	—
Total assets		1,361,831	1,186,611
LIABILITIES and SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	6	750,024	874,661
Deferred revenue	7	1,513,714	1,179,342
Deferred compensation		389,775	224,728
Current portion of term loan	8	1,787,444	1,015,817
Current portion of lease liability	9	288,755	—
Total current liabilities		4,729,712	3,294,548
Non-current liabilities			
Term loan	8	3,168,832	2,518,016
Lease liability	9	106,048	—
Total liabilities		8,004,592	5,812,564
Shareholders' deficiency			
Share capital	12	22,638,231	22,174,957
Contributed surplus		6,309,348	5,610,633
Accumulated other comprehensive income		(4,562)	1,088
Deficit		(35,585,299)	(32,412,152)
Total deficiency attributed to shareholders		(6,642,282)	(4,625,474)
Non-controlling interest		(479)	(479)
Total shareholders' deficiency		(6,642,761)	(4,625,953)
Total liabilities and shareholders' deficiency		1,361,831	1,186,611

Going concern (Note 1)

Subsequent event (Note 17)

Approved by the Board of Directors:

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

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(United States dollars)

(Unaudited)

		For the three months ended September 30		For the six months ended September 30	
		2019	2018	2019	2018
	Note	Restated – Note 16		Restated – Note 16	
Revenue	10	1,242,576	1,236,039	2,343,564	2,245,244
Cost of sales		168,414	143,582	310,095	290,718
Gross margin		1,074,162	1,092,457	2,033,469	1,954,526
Expenses					
Salaries, wages and benefits		1,026,165	1,331,807	2,211,842	2,390,776
Share-based payments	13, 14	241,994	547,040	698,715	701,638
General and administration		227,648	446,807	400,925	753,660
Consulting		105,665	219,567	301,336	424,968
Deferred compensation		222,900	–	337,625	169,526
Professional fees		118,433	62,089	219,894	188,771
Depreciation		66,314	1,689	132,011	1,689
Total operating expenses		2,009,119	2,608,999	4,302,348	4,631,028
Operating loss before other expenses		(934,957)	(1,516,542)	(2,268,879)	(2,676,502)
Other expenses					
Listing expense on reverse takeover		–	–	–	973,203
Transaction costs		–	–	–	1,230,122
Interest	11	202,097	202,468	397,228	392,664
Financing costs	11	127,839	199,221	507,040	2,480,701
Fair value adjustment of derivative liability		–	–	–	10,009,363
Total other expenses		329,936	401,689	904,268	15,086,053
Loss for the period		(1,264,893)	(1,918,231)	(3,173,147)	(17,762,555)
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of subsidiary companies		(3,868)	–	(5,650)	–
Loss and comprehensive loss for the period		(1,268,761)	(1,918,231)	(3,178,797)	(17,762,555)
Loss per share					
Basic and diluted	15	(0.11)	(0.19)	(0.27)	(1.83)

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(United States dollars)

(Unaudited)

For the six months ended September 30		2019	2018
	Note		Restated – Note 16
Share capital	12		
Balance, beginning of period as restated		22,174,957	562,887
Issuance of common shares		482,923	7,908,571
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		(19,649)	(1,325,684)
Balance, end of period		22,638,231	21,712,027
Contributed surplus			
Balance, beginning of period		5,610,633	2,919,199
Agent options		–	(44,800)
Exercise of stock options		–	(20,489)
Share-based payments	13, 14	698,715	701,638
Balance, end of period		6,309,348	3,555,548
Accumulated other comprehensive income			
Balance, beginning of period		1,088	–
Exchange differences on translation of subsidiary companies		(5,650)	–
Balance, end of period		(4,562)	–
Deficit			
Balance, beginning of period as restated		(32,412,152)	(11,553,056)
Loss for the period		(3,173,147)	(17,762,555)
Balance, end of period		(35,585,299)	(29,315,611)
Non-controlling interest			
Balance, beginning and end of period		(479)	(479)
Total shareholders' deficiency		(6,642,761)	(4,048,515)

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Cash Flows

(United States dollars)

(Unaudited)

For the six months ended September 30		2019	2018
	Note		Restated – Note 16
Cash provided by (used in) the following activities:			
Operating activities			
Loss for the period		(3,173,147)	(17,762,555)
Depreciation		132,011	1,689
Share-based payments	13, 14	698,715	701,638
Listing expense on reverse takeover		–	973,203
Transaction costs		–	1,230,122
Interest	11	397,228	392,664
Financing costs	11	507,040	2,480,701
Fair value adjustment of derivative liabilities		–	10,009,363
Unrealized foreign exchange		(2,141)	–
Changes in non-cash working capital:			
Trade and other receivables		32,668	(104,220)
Prepaid expenses and deposits		35,561	(6,455)
Accounts payable and accrued liabilities		(71,170)	(521,200)
Deferred revenue		334,372	(394,768)
Deferred compensation		165,047	(100,969)
Cash flows used in operating activities		(943,816)	(3,100,787)
Financing activities			
Proceeds from term loan	8	1,000,000	–
Term loan financing fees	8	(84,597)	(215,244)
Repayment of term loan		–	(2,102,804)
Interest on term loan	11	(371,791)	(392,664)
Lease payments	9	(154,473)	–
Common share proceeds, net of issue costs	12	463,274	7,406,506
Cash flows provided by financing activities		852,413	4,695,794
Investing activities			
Cash acquired in reverse takeover		–	1,920
Transaction costs		–	(14,002)
Purchases of property and equipment		(6,104)	(5,347)
Cash flows used in investing activities		(6,104)	(17,429)
Change in cash		(97,507)	1,577,578
Foreign exchange effect on cash held in foreign currencies		(457)	–
Cash, beginning of the period		195,464	92,282
Cash, end of the period		97,500	1,669,860
Taxes paid		–	–

Boardwalktech Software Corp.

Notes to Condensed Interim Consolidated Statements

For the three and six months ended September 30, 2019

(United States dollars unless otherwise disclosed)

(Unaudited)

1. Description of Business

Boardwalktech Software Corp. ("BWSC" or 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 Digital Ledger Technology Platform.

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

Going concern

These unaudited condensed interim 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 six months ended September 30, 2019, the Company generated a net loss of \$3,128,147 and negative cash flows from operating activities of \$943,816. As at September 30, 2019, the Company has an accumulated deficit of \$35,540,299 and a working capital deficit of \$3,724,296. 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.

The ability of the Company to be successful in obtaining additional future financing, if required, cannot be predicted at this present time. These unaudited condensed interim 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 Presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented except as noted in Note 3 for changes and impact of new accounting policies adopted effective April 1, 2019. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended March 31, 2019.

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, Inc.	Accounting parent and operating company	United States	100% owned by BWSC
Boardwalktech Solutions Private Limited	Research and development company	India	98% owned by Boardwalktech

Authorization

These unaudited interim consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on November 27, 2019.

Boardwalktech Software Corp.

Notes to Condensed Interim Consolidated Statements

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(Unaudited)

3. Changes in Significant Accounting Policies

IFRS 16 Leases

On April 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective approach which does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, the Company's lease liability related to contracts classified as leases is measured at the discounted present value of the remaining minimum lease payments, excluding short-term and low-value leases. The right-of-use ("ROU") asset recognized was measured at amounts equal to the present value of the lease obligations. The weighted average incremental borrowing rate used to determine the lease liability at adoption was approximately 12.5%. The ROU asset and lease liability recognized relates to office premises. The Company elected not to apply lease accounting to certain leases for which the lease term ends within 12 months of the date of initial application and leases of low dollar value assets.

The cumulative effect of initially applying IFRS 16 was recognized as \$523,839 as a lease liability (Note 9) with a corresponding amount for a ROU asset (Note 5). In accordance with IFRS 16, the ROU was reduced by the April 1, 2019 balance of deferred rent (Note 6) related to lease incentives.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with similar characteristics;
- Accounting for leases with a remaining term of less than 12 months as at April 1, 2019 as short-term leases;
- Accounting for lease payments as an expense and not recognizing a ROU asset if the underlying asset is of low dollar value; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective April 1, 2019:

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the ROU asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying amount of the ROU assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

The following table reconciles the Company's commitments at March 31, 2019, as disclosed in the Company's audited March 31, 2019 consolidated financial statements, to the lease liability recognized on initial adoption of IFRS 16 on April 1, 2019:

Lease commitments disclosed at March 31, 2019	634,999
Correction for number of months in lease term	(54,627)
Discounted effect	(56,533)
Lease liability at April 1, 2019	523,839

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4. Trade and Other Receivables

The Company's trade and other receivables consist of:

As at	September 30 2019	March 31 2019
Trade receivables	291,948	487,878
Receivables from contracts with customers	478,200	315,000
Other	8,828	8,766
	778,976	811,644

As at September 30, 2019, three customers accounted for 68% of trade and other receivables (March 31, 2019 – two customers; 37%), each with balances greater than 10%.

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

As at	September 30 2019	March 31 2019
Current	689,798	736,878
31 – 60 days past due	21,850	40,000
61 – 90 days past due	58,500	10,000
Past due for greater than 90 days	8,828	24,766
	778,976	811,644

At September 30 2019, the Company evaluated the collectability of trade and other receivables and lifetime expected credit losses and recognized \$nil (March 31, 2019 – \$nil) of bad debt expense and allowance for credit losses due to doubts of collectability.

5. Right-Of-Use Asset

The Company has recognized a right-of-use ("ROU") asset and corresponding lease liability (Note 9) related to office premises. The ROU asset is depreciated on a straight-line basis over the 22 month term of the related lease.

March 31, 2019	–
Adoption of IFRS 16 (Note 3)	523,839
Deferred rent (Note 6)	(53,467)
Right-of-use asset	470,372
Depreciation	(128,286)
Net carrying amount as at September 30, 2019	342,086

6. Accounts Payable and Accrued Liabilities

	September 30 2019	March 31 2019
Accounts payable	750,024	753,781
Accrued liabilities	–	120,880
	750,024	874,661

Included in accrued liabilities at September 30, 2019 is \$nil (March 31, 2019 – \$53,467) of deferred rent (Note 5).

7. Deferred Revenue

The following table represents changes in deferred revenue for the three months ended September 30, 2019:

Balance, March 31, 2019	1,179,342
Invoiced in the period, excluding amount recognized as revenue	1,910,653
Amount recognized as revenue	(1,576,281)
Balance, September 30, 2019	1,513,714

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8. Term Loan

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

Balance, March 31, 2019	3,533,833
Advances	1,000,000
Financing fees	(84,597)
Loss on de-recognition of term loan	86,811
Accretion of financing fees, warrant derivative liability and de-recognition charges	420,229
Balance, September 30, 2019	4,956,276
Current portion	(1,787,444)
Long-term portion	3,168,832

As at March 31, 2019, the Company had a term loan for a principal amount of \$4,988,090 due to SQN Venture Income Fund LP ("SQN") subject to the terms of 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"). Pursuant to 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 maturity date of August 31, 2019.

On June 7, 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 7, 2022;
- A reduction of the interest rate from 14.5% to 12.5%;
- An initial six-month interest-only period through to November 30, 2019; 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 common share 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 \$1,000,000 of the existing term loan and \$249,404 of prepayment fees 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.

The Company has not yet received TSXV approval for the issuance of 1,200,000 common share warrants. The Company's shareholders will vote on the conversion of \$1,249,404 a conversion price of \$0.36 per share at the Company's annual meeting to be held on December 4, 2019.

Other key terms of the term loan are as follows:

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 covenants

The Company must maintain the following covenants:

- A minimum trailing three-month revenues of not less than \$1,200,000, beginning with the monthly period commencing on August 1, 2019;
- A minimum cash balance of \$250,000 in bank accounts subject to a deposit account control agreement in favor of SQN; and

As at September 30, 2019, the Company was in compliance with the covenants in effect.

During the six months ended September 30, 2019, the Company recognized an \$86,811 loss 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 June 2019 Agreement.

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(United States dollars unless otherwise disclosed)

(Unaudited)

The carrying amount of the term loan as at September 30, 2019 is comprised of the following:

Principal amount of term loan	5,988,089
Unamortized balance of financing fees, warrant derivative liability and de-recognition charges	(1,031,813)
	4,956,276
Current portion	(1,787,444)
Long-term portion	3,168,832

9. Lease Liability

The Company incurs lease payments related to office premises.

Balance, March 31, 2019	—
Lease liability for ROU asset (Notes 3 and 5)	523,839
Imputed interest	25,437
Payments	(154,473)
Balance, September 30, 2019	394,803
Current portion	(288,755)
Long-term portion	106,048

Total expected payments under the Company's office lease agreement are as follows:

	Monthly	Total
October 31, 2019	25,745	25,745
November 1, 2019 to October 31, 2020	26,518	318,216
November 1, 2020 to January 31, 2021	27,313	81,939

10. Revenue

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

	For the three months ended September 30		For the six months ended September 30	
	2019	2018	2019	2018
Software subscriptions and services	765,588	692,121	1,447,281	1,403,439
Professional services	476,988	543,918	896,283	841,805
Total revenue	1,242,576	1,236,039	2,343,564	2,245,244

The Company's revenue is generated in the United States. For the six months ended September 30, 2019, 37.8% of the Company's revenue was earned through sales to one major customer (six months ended September 30, 2018 – 11.9% of revenue to one major customer). As at September 30, 2019, trade and other receivables included \$478,200 of receivables from software subscriptions and services customers (March 31, 2019 – \$315,000) and \$291,948 of receivables from professional services customers (March 31, 2019 – \$487,878) (Note 4).

11. Interest and Financing Costs

	For the three months ended September 30		For the six months ended September 30	
	2019	2018	2019	2018
Interest		Restated – Note 16		Restated – Note 16
Term loan (Note 8)	190,246	202,468	371,791	392,664
Lease liability (Note 9)	11,851	—	25,437	—
	202,097	202,468	397,228	392,664

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(Unaudited)

	For the three months ended September 30		For the six months ended September 30	
	2019	2018	2019	2018
Financing costs (Note 8)		Restated – Note 16		Restated – Note 16
Accretion	202,657	199,221	420,229	297,204
Loss (gain) on de-recognition of term loan	(74,818)	–	86,811	(1,474,384)
Success fee	–	–	–	3,657,881
	127,839	199,221	507,040	2,480,701

12. Share Capital

Issued common shares:	Number of Shares	Amount
Balance, March 31, 2019	10,881,516	22,174,957
Unit private placement	1,001,016	482,923
Share issue costs	–	(19,649)
Balance, September 30, 2019	11,882,532	22,638,231

In April and May 2019, the Company closed two tranches of a Unit private placement for the aggregate issuance of 1,001,016 Units at CAD 0.65 per Unit, for gross proceeds of \$482,923 (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 \$7,381 (CAD 9,913) to compensate finders who introduced purchasers under the Offering plus \$12,268 of other issuance costs. An officer of the Company subscribed for 30,612 Units.

The issue date aggregate fair value of the common share warrants was estimated to be \$45,500 using the Black-Scholes pricing model based on the following assumptions:

Issue date share price	CAD 0.42 – 0.475	Expected dividend yield	0%
Exercise price	CAD 1.10	Risk-free interest rate	2.37% – 2.42%
Expected volatility	129%	Forfeiture rate	0%
Expected life	1 year	Fair value per common share warrant	\$0.08 – \$0.10 (CAD 0.10 – 0.13)

Shares subject to escrow:

	Common shares	Non-voting common shares ⁽¹⁾
Released 15% on each six-month anniversary date of June 7, 2018, with the final 15% released on June 7, 2021		
Balance, March 31, 2019	858,434	2,550,467
Released	(171,687)	(510,093)
Balance, September 30, 2019	686,747	2,040,374
Released 15% on each six-month anniversary date of June 7, 2018, with the final 25% released on June 7, 2021		
Balance, March 31, 2019	73,739	281,890
Released	(13,013)	(49,745)
Balance, September 30, 2019	60,726	232,145
Total		
March 31, 2019	932,173	2,832,357
September 30, 2019	747,473	2,272,519

⁽¹⁾ 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

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convert the share status to voting common shares following their release from escrow. As at September 30, 2019, no non-voting common shares had been converted to voting common shares.

13. Common Share Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2019	822,191	1.15
Issued (Note 12)	500,509	0.83 ⁽²⁾
Issued for investor relation services	150,000	0.35 ⁽³⁾
Balance, September 30, 2019	1,472,700	0.97

On July 16, 2019, the Company issued 150,000 common share warrants exercisable at CAD 0.46 per share until July 16, 2024 to an investor relations firm as compensation for past marketing services.

The issue date fair value of the common share warrants has been recorded as share-based payment expense estimated at \$45,000 using the Black-Scholes pricing model based on the following assumptions:

Issue date share price	CAD 0.475	Expected dividend yield	0%
Exercise price	CAD 0.46	Risk-free interest rate	1.88%
Expected volatility	118%	Forfeiture rate	0%
Expected life	5 years	Fair value per common share warrant	\$0.30 (CAD 0.39)

Information about common share warrants outstanding and exercisable at September 30, 2019 is as follows:

Expiry Date	Number	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
February 22, 2021	502,651	0.83 ⁽²⁾	1.40
April 9, 2021	316,315	0.83 ⁽²⁾	1.53
May 7, 2021	140,385	0.83 ⁽²⁾	1.60
May 10, 2021	43,809	0.83 ⁽²⁾	1.61
July 16, 2024	150,000	0.35 ⁽³⁾	4.80
December 21, 2027	319,540	1.67	8.23
	1,472,700	0.97	3.28

⁽²⁾ CAD 1.10 at the September 30, 2019 CAD to USD exchange rate.

⁽³⁾ CAD 0.46 at the September 30, 2019 CAD to USD exchange rate.

14. Share-Based Payments

Stock options:

As at March 31, 2019 and September 30, 2019, the Company had 828,915 stock options outstanding and exercisable. Information about stock options as at September 30, 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	4.18
December 3, 2025	10,000	0.44	6.18
January 28, 2026	40,000	0.44	6.33
April 26, 2026	7,500	0.44	6.58
February 10, 2028	587,500	2.00	8.37
	828,915	1.55	7.30

Agent options:

As at March 31, 2019 and September 30, 2019, the Company had 134,801 agent options outstanding. Agent options are exercisable at CAD 5.25 until June 4, 2020.

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(Unaudited)

RSUs:

	RSUs Outstanding
Balance, March 31, 2019	875,000
Forfeited	(21,667)
Balance, September 30, 2019	853,333

As at September 30, 2019, the Company had 853,333 RSUs outstanding of which 290,007 RSUs vested on June 4, 2019 and 281,674 RSUs will vest on June 4, 2020 and 281,652 RSUs will vest on June 4, 2021.

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, with the exception of the first vested tranche which will be converted to common shares following approval of the Company's equity plan at the Annual General Meeting on December 4, 2019.

During the six months ended September 30, 2019, the Company recognized \$653,715 (six months ended September 30, 2018 – \$701,638 as restated (Note 16)) of share-based payment expense related to RSUs. As at September 30, 2019, the remaining unvested balance of share-based payments was \$1,027,817.

15. Per Share Amounts

	For the three months ended September 30		For the six months ended September 30	
	2019	2018	2019	2018
		Restated – Note 16		Restated – Note 16
Loss for the period	(1,264,893)	(1,918,231)	(3,173,147)	(17,762,555)
Basic and diluted weighted average number of shares	11,882,532	9,848,045	11,775,500	9,682,364
Basic and diluted net loss per share	(0.11)	(0.19)	(0.27)	(1.83)

All warrants, stock options, agent options and RSUs were excluded from the diluted per share amounts as their effect is anti-dilutive.

16. Restatement

In connection with the audit of the Company's March 31, 2019 consolidated financial statements, management identified errors in prior year consolidated financial statements were corrected retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" as well as adjustments related to the June 4, 2018 reverse take-over and for the adoption of IFRS 9, some of which had an impact on quarterly interim periods the year ended March 31, 2019:

- 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 for a free-rent period received during the year ended March 31, 2018 were not recognized on a straight-line basis over the term of the office lease;
- A cut-off error was identified with respect to deferred compensation recognized in the year ended March 31, 2019 for which a portion related to the year ended March 31, 2018;
- The fair value of the reverse takeover ("RTO") and related transaction costs; and
- Adjustments related to term loan amendments.

In addition, the restatement includes the correction of the allocation of share-based payment expense recognized during the year ended March 31, 2019 to the quarterly interim periods.

The effect of the restatement on the September 30, 2018 comparative figures is summarized below.

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Consolidated Statement of Loss and Comprehensive Loss for the three months ended September 30, 2018:

	Previously reported	Restatement	Reclass (g)	Restated
Revenue	1,236,039	—	—	1,236,039
Cost of sales	128,282	—	15,300	143,582
Gross margin	1,107,757	—	(15,300)	1,092,457
Expenses				
Salaries, wages and benefits	1,331,807	—	—	1,331,807
Share-based payments	(2,643,271)	3,190,311 (f)	—	547,040
General and administration	449,174	(2,367) (c)	—	446,807
Consulting	234,867	—	(15,300)	219,567
Professional fees	39,103	—	22,986	62,089
Depreciation	1,689	—	—	1,689
Total expenses	(586,631)	3,187,944	7,686	2,608,999
Operating loss before other (income) expenses	1,694,388	(3,187,944)	(22,986)	(1,516,542)
Interest and financing costs	244,070	180,605 (b)	(22,986)	401,689
Total other expenses	244,070	180,605	(22,986)	401,689
Income (loss) and comprehensive income (loss) for the period	1,450,318	(3,368,549)	—	(1,918,231)
Income (loss) per share – basic and diluted	0.15			(0.19)

Consolidated Statement of Loss and Comprehensive Loss for the six months ended September 30, 2018:

	Previously reported	Restatement	Reclass (g)	Restated
Revenue	2,245,244	—	—	2,245,244
Cost of sales	290,718	—	—	290,718
Gross margin	1,954,526	—	—	1,954,526
Expenses				
Salaries, wages and benefits	2,390,776	—	—	2,390,776
Share-based payments	808,579	(106,941) (f)	—	701,638
General and administration	758,394	(4,734) (c)	—	753,660
Consulting	424,968	—	—	424,968
Deferred compensation	270,495	(100,969) (d)	—	169,526
Professional fees	142,799	—	45,972	188,771
Depreciation	1,689	—	—	1,689
Total expenses	4,797,700	(212,644)	45,972	4,631,028
Operating loss before other (income) expenses	(2,843,174)	212,644	(45,972)	(2,676,502)
Listing expense	699,198	274,005 (e)	—	973,203
Transaction costs	—	1,230,122 (e)	—	1,230,122
Interest and financing costs	4,322,757	70,964 (b)	(45,972)	2,873,365
		(1,474,384) (b)		
Fair value adjustment of derivative liabilities	—	7,786,805 (a)	—	10,009,363
		2,222,558 (b)		
Total other (income) expenses	5,021,955	10,110,070	(45,972)	15,086,053
Loss and comprehensive loss for the period	(7,865,129)	(9,897,426)	—	(17,762,555)
Loss per share – basic and diluted	(0.81)			(1.83)

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Consolidated Statement of Changes in Cash Flows for the six months ended September 30, 2018:

	Previously reported	Restatement		Reclass (g)	Restated
Cash flows used in operating activities	(3,722,697)	363,145	(c)(d)	258,765	(3,100,787)
Cash flows provided by financing activities	5,303,702	(349,143)	(b)	(258,765)	4,695,794
Cash flows used in investing activities	(3,427)	(14,002)	(e)	–	(17,429)
Increase in cash	1,577,578	–		–	1,577,578
Cash, beginning of period	92,282	–		–	92,282
Cash, end of period	1,669,860	–		–	1,669,860

(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 was fair valued and reclassified as a financial liability and accounted for as a derivative liability with any residual value being attributed to equity.

During the six months ended September 30, 2018, the Company recognized a \$7,786,805 adjustment for the increase in the fair value of the preferred share derivative liability as at June 4, 2018, the conversion date of the preferred shares.

(b) Term loan

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 were reclassified as financial liabilities and accounted for as derivative liabilities.

During the three months ended September 30, 2018, the Company reclassified \$41,602 of expenses net against the term loan and recognized \$199,221 of accretion of the amortized cost of the term loan.

During the six months ended September 30, 2018, the Company recognized the following adjustments:

- \$2,222,558 for the increase in the fair value of the preferred share warrant derivative liability as at June 4, 2018, the conversion date of the preferred share warrants;
- \$1,474,384 gain on de-recognition of the term loan for the difference between the carrying amount of the term loan and the present value of cash flows based on the terms of the Amended and Restated Loan and Security Agreement executed on June 15, 2018; and
- \$226,240 of expenses reclassified and net against the term loan and \$297,204 of accretion of the amortized cost of the term loan.

(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. During the three and six months ended September 30, 2018, the Company recognized reductions of \$2,367 and \$4,734, respectively, in general and administrative expenses related to amortized rent expense over the free-rent period.

(d) Deferred compensation

The Company reduced deferred compensation expense by \$270,495 for contributions certain employees and team members made to the Company in the prior year ended March 31, 2018 offset by \$169,526 of deferred compensation for contributions made during the six months ended September 30, 2018.

(e) RTO

During the six months ended September 30, 2018, the Company:

- Increased the amount attributed to the listing expense on reverse takeover by \$274,005 in connection with an increase in the fair value of the reverse takeover transaction including \$1,920 of cash acquired; and
- Recognized \$1,230,122 of transaction costs comprised of \$1,216,120 for the fair value of 399,424 common share warrants issued to a consulting service provider that assisted with the RTO transaction and \$14,002 of other expenses.

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(f) Share-based payments

During the three ended September 30, 2018, the Company increased share-based payments expense by \$3,190,311 to correctly recognize the fair value of RSUs issued in June 2018 over the vesting terms of the RSUs.

During the six months ended September 30, 2018, the Company reduced share-based payments expense by \$106,941 to correctly recognize the fair value of RSUs issued in June 2018 over the vesting terms of the RSUs.

(g) Reclassification of expenses

Certain expenses were reclassified in the comparative three and six months ended September 30, 2018 to conform with current year presentation.

17. Subsequent Event

On November 27, 2019, the Company closed a non-brokered private placement of equity units (each, a "Unit") for the issuance of 2,555,588 Units at CAD 0.45 per Unit, for gross proceeds of approximately \$868,900 (CAD 1,150,000). 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 0.65 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 1.00 for 10 consecutive trading days. The Company will pay aggregate finder's fees of CAD 22,263 to compensate finders who introduced purchasers under the Offering. As a result of its participation in this equity financing, SQN Venture Partners LLP ("SQN"), the Company's term loan lender, will become an insider of the Company as a ten percent shareholder. The Company intends to use the proceeds from the Offering for general corporate purposes and the expansion of their sales and marketing initiatives.