

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE 3 MONTHS AND 9 MONTHS ENDED DECEMBER 31, 2019

DATED: FEBRUARY 28, 2020

This Management's Discussion and Analysis ("MD&A") for the three and nine months ended December 31, 2019 provides detailed information on the operating activities, performance and financial position of Boardwalktech Software Corp. ("Boardwalk" or the "Company"). This discussion should be read in conjunction with the Company's December 31, 2019 unaudited condensed interim consolidated financial statements and March 31, 2019 audited annual consolidated financial statements and accompanying notes. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in U.S. dollars, unless otherwise stated. The information contained herein is current to November 27, 2019, unless otherwise stated.

The Company's fiscal year commences April 1st of each year and ends on March 31st of the following year. The Company's current fiscal year, which will end on March 31, 2020 is referred to as "current fiscal year", "Fiscal 2020" or similar words. The previous fiscal year, which ended on March 31, 2019, is referred to as "previous fiscal year", "Fiscal 2019" or similar words. The second quarter reporting periods for the three months ended December 31, 2019 and 2018 are referred to as "Q3 Fiscal 2020" and "Q3 Fiscal 2019", respectively.

In this document unless otherwise specified, "we", "us", "our", "Company" and "Boardwalk" all refer to Boardwalktech Software Corp. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws ("forward-looking statements"). Such statements include, but are not limited to, statements regarding Boardwalk's projected revenues, gross margins, earnings, growth rates, the impact of new product design wins, market penetration and product plans. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause Boardwalk's actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: our history of losses and the risks associated with not achieving or sustaining profitability; the Company's dependence on a limited number of customers for a substantial portion of revenues; fluctuating revenue and expense levels arising from changes in customer demand, sales cycles, product mix, average selling prices, manufacturing costs and timing of product introductions; risks associated with competing against larger and more established companies; competitive risks and pressures from further consolidation amongst competitors, customers, and suppliers; market share risks and timing of revenue recognition associated with product transitions; risks related to intellectual property, including third party licensing or patent infringement claims; the loss of any of the Company's key personnel could seriously harm its business; risks associated with adverse economic conditions; delays in the launch of customer products; price re-negotiations by existing customers; legal proceedings arising from the ordinary course of business; ability to raise needed capital; ongoing liquidity requirements; and other factors discussed in the "Risk Factors" section. All forward-looking statements are qualified in their entirety by this cautionary statement. Boardwalk is providing this information as of the current date and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

Risks relating to the Company include, but are not limited to, the following:

- the Company has a history of losses and may not achieve profitability in the future;
- the Company has historically received a substantial portion of its revenue from a limited number of customers;
- the Company expects its operating results to continue to fluctuate;
- the Company faces intense competition and expects continued market competition in the future;
- assertions by third parties of infringement by Boardwalk of, or of Boardwalk's failure to protect, their intellectual property rights could result in significant costs and cause Boardwalk's operating results to suffer;
- the Company may have difficulty accurately predicting revenue for the purpose of appropriately budgeting and adjusting its expenses.
- the loss of customers could affect the Company's financial returns and future plans;
- the Company's customers may cancel future subscriptions that can adversely impact future recurring revenue;
- the Company may be unable to generate funds required to meet its funding requirements, and may need to raise additional funds;
- changes in industry standards or technology could impede the sale of Boardwalk's products;
- the loss of any of the Company's key personnel could seriously harm its business;
- the pattern of customer product ramps as they shift from legacy products to new products based on our more advanced designs could affect both the amount and timing of revenue recognized by the Company;
- the Company's failure to maintain compliance with applicable regulations in certain geographies or other jurisdictions may force it to cease distribution in those areas;
- the majority of the Company's operating expenses are denominated in U.S. dollars and Indian Rupee, therefore, the Company's earnings are impacted by fluctuations in exchange rates between the U.S. dollar and other currencies; and
- the Company may be involved in legal proceedings from time to time; arising in the ordinary course of its business and such proceedings may affect the Company's financial position, results of operations or cash flows.

FINANCIAL HIGHLIGHTS

Revenues for Q3 Fiscal 2020 totaled \$1.2 million, versus \$1.4 million of revenue in Q3 Fiscal 2019 and \$1.2 million in Q2 Fiscal 2020. New and recurring licenses actually increased 15% versus comparable period last year, while the year-over-year decrease in total revenue was primarily due to unexpected high professional services revenue last year. Approximately 65% of revenue in Q3 Fiscal 2020 came from new and recurring software subscription licenses and service, versus 48% in the comparable quarter last year.

Annualized Recurring Revenue for Q3-Fiscal 2020 was \$3.7 million, up 25% over \$3.1 million in Q3-Fiscal 2019; while billings for recurring license contracts is up 32% year-to-date versus the comparable nine-month period last year, which is a key comparison since the Company did not have a direct sale force prior to the summer of 2018.

Gross margin for Q3 Fiscal 2020 was 86.2%, a 0.2% point decrease from Q2 Fiscal 2020 level of 86.4%, which reflects lower seasonal services revenue and the impact from personnel re-allocated to support the ramp of new customer contracts (an estimated 0.7% point impact from that reallocation of expenses).

The reported loss for Q3 Fiscal 2020 was \$(1.4) million, or \$(0.11) per basic and diluted share, which is a 20% improvement versus a \$(1.7) million loss in Q3 Fiscal 2019, or \$(0.17) per basic and diluted share, and a \$(1.3) million loss in Q2 Fiscal 2020, or \$(0.11) per basic and diluted share. These year-over-year improvements were due to higher license revenue and continued operating savings. Total operating expenses in Q3 Fiscal 2020 were \$1.9 million, a \$0.6 million decrease from \$2.5 million in the same quarter last year, and a \$0.1 million decrease from \$2.0 million in the prior quarter, as the company continues to focus resources and control costs.

Adjusted EBITDA for Q3 Fiscal 2020 was a loss of \$(0.6) million, a 12% improvement from the \$(0.7) loss in the comparable quarter last year, and flat with the \$(0.6) million loss in Q2 Fiscal 2020. In addition to expected revenue growth, the Company expects continued EBITDA improvements from current and future actions that should net annual operating savings in excess of \$1 million, with a series of payroll and contractor savings starting in CY 2020.

Non-IFRS net loss for Q3 Fiscal 2020 (as defined in the Non-IFRS Financial Measures section) totaled \$(0.8) million, or \$(0.06) per basic and diluted share, versus a \$(0.9) million non-IFRS loss in Q3 Fiscal 2019, or \$(0.09) per basic and diluted share, and a \$(0.8) million loss in Q2 Fiscal 2020, or \$(0.07) per basic and diluted share. The Company expects material improvements in non-IFRS and adjusted EBITDA metrics in the upcoming quarters from both higher expected revenue levels plus new and continuing cost savings.

Subsequent Event: Conversion of Debt to Equity

On February 28, 2020, the Company completed a \$500,000 debt-to-equity conversion with existing lender and investor, SQN Venture Income Fund, LP. ("SQN"). SQN will convert USD\$500,000 of the existing principal from the aggregate debt into common shares of Boardwalktech at a conversion price of USD\$0.36 per share, for 1,388,889 common shares of the Company upon receipt by the Company of the pending approval by the TSX Venture Exchange. In contemplation of this debt-to-equity conversion, at the annual and special meeting of the shareholders of the Company held on December 4, 2019, the shareholders of the Boardwalktech approved the creation of SQN as a "Control Person" (as that term is defined in the TSXV Corporate Finance Manual) of the Company following the debt-to-equity Conversion. This completed debt-to-equity conversion is part of the loan agreement amended in June 2019 and set to mature in June, 2022. Boardwalktech expects to make further reductions in its aggregate debt ahead of that maturity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information derived from the Company's unaudited condensed interim consolidated financial statements for the nine-month periods ended December 31, 2019 and December 31, 2018. The selected financial information was prepared in accordance with IAS 34 in a manner consistent with the Company's annual financial statements. The following information should be read in conjunction with these statements and the accompanying notes.

<i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2019	Sept 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Revenue	\$1,152	\$1,243	\$1,363	\$3,496	\$3,608
Cost of sales	159	168	135	469	426
Gross Profit	\$993	\$1,074	\$1,228	\$3,026	\$3,182
Operating expenses	\$1,626	\$1,701	\$1,948	\$5,097	\$5,876
Share-based payments	240	242	547	939	1,249
Depreciation	67	66	1	199	2
Operating Income/(Loss)	(940)	(935)	(1,268)	(3,208)	(3,945)
Interest expense	\$200	\$202	\$189	\$598	\$581
Other expenses	220	128	252	727	14,946
Loss for the period	(\$1,360)	(\$1,265)	(\$1,710)	(\$4,533)	(\$19,472)
Loss per share, basic and diluted	(\$0.11)	(\$0.11)	(\$0.17)	(\$0.38)	(\$2.03)

<i>in thousands of U.S. dollars</i>	as at Dec 31, 2019	as at March 31, 2019
Current assets		
Cash	\$ 722	\$ 195
Trade and other receivables	833	812
Prepaid expenses and deposits	121	165
Total current assets	\$ 1,676	\$ 1,172
Total non-current assets	289	15
Total assets	\$ 1,966	\$ 1,187
Current liabilities		
Account payables and accrued liabilities	\$ 883	\$ 875
Deferred revenue	1,802	1,179
Deferred compensation	698	225
Current portion of term loan	2,347	1,016
Current portion of lease liability	299	0
Total current liabilities	5,730	3,295
Non-current liabilities	\$ 2,856	\$ 2,518
Shareholder Equity	\$ (6,920)	\$ (4,626)
Total Liabilities and Shareholders' Equity	\$ 1,966	\$ 1,187

ADJUSTED-EBITDA AND NON-IFRS FINANCIAL MEASURES

In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), the Company also provides supplementary Adjusted-EBITDA and non-IFRS financial measures, disclosed as a supplement to financial results in order to provide a further understanding of Boardwalk’s results of operational performance from management’s perspective. In particular, Boardwalk uses Adjusted-EBITDA and non-IFRS measures to highlight trends in its core business that may not otherwise be readily apparent solely from IFRS measures. Boardwalk management uses Adjusted-EBITDA and non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess Boardwalk’s ability to meet its future capital expenditure and working capital requirements. Boardwalk believes that securities analysts, investors and other interested parties frequently use Adjusted-EBITDA and non-IFRS measures in the evaluation of issuers.

Non-IFRS net income (loss) is defined as total comprehensive income (loss) before share-based transaction expense, exchange difference related to translating foreign operations, unrealized currency gains/losses and non-recurring or one-time items such as: share offering costs, listing fees, one-time non-cash adjustments on preferred stock valuations, loan origination fees, and fair value non-cash adjustments on warrant liability. Non-IFRS net income (loss) does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Non-IFRS net loss from operations should not be considered in isolation or as a substitute for comprehensive loss prepared in accordance with IFRS.

Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, and non-cash stock-based compensation. Adjusted EBITDA for the period was calculated as follows:

Boardwalk has provided a comparison of comprehensive income (loss) to non-IFRS and Adjusted EBITDA measures in the following table:

<u>Non-IFRS Net Income (Loss)</u> <i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2019	Sept. 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Net Income (Loss) for the period	(\$1,360)	(\$1,265)	(\$1,710)	(\$4,533)	(\$19,472)
<u>Adjustments:</u>					
Share-based payments	240	242	547	939	1,249
Depreciation, including lease obligations	67	66	1	199	2
Financing costs (Note 11)	220	203	193	640	490
Transaction costs	0	0	0	0	1,230
Listing expenses on reverse takeover	0	0	59	0	1,033
Success Fee (Preference) on Debt (Note 11)	0	0	0	0	3,658
De-recognition of term loan (Note 11)	0	(75)	0	87	(1,474)
Fair value adjustment of derivative liability	0	0	0	0	10,009
<u>Total Adjustments</u>	<u>527</u>	<u>436</u>	<u>800</u>	<u>1,865</u>	<u>16,197</u>
Non-IFRS Net Income (Loss)	(\$833)	(\$829)	(\$909)	(\$2,668)	(\$3,275)
Non-IFRS Loss per share, basic and diluted:	(\$0.06)	(\$0.07)	(\$0.09)	(\$0.22)	(\$0.34)

<u>Adjusted-EBITDA</u> <i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2019	Sept 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Operating Income (Loss) for the Period	(\$940)	(\$935)	(\$1,268)	(\$3,208)	(\$3,945)
<u>Add back (deduct)</u>					
Depreciation & Amortization	67	66	1	199	2
<u>Stock-based Compensation expenses (in opex)</u>	<u>240</u>	<u>242</u>	<u>547</u>	<u>939</u>	<u>1,249</u>
Adjusted EBITDA	(\$633)	(\$627)	(\$721)	(\$2,071)	(\$2,694)

OVERVIEW

Our Company

Boardwalk designs and licenses industry leading enterprise software solutions, based upon its unique patented digital ledger technology. Founded in 2004, the Company has over 70 employees and full-time contractors primarily at its Cupertino, California headquarters and its wholly owned-subsidiary operation in Mumbai, India. Through its extensive data management/database technology expertise, Boardwalk was first to market in 2005 with a proprietary and patented positional, cell data management technology (aka “digital ledger”) - what is now commonly called a ‘blockchain’- which addresses the digital transformation issues companies face when working with multiple parties and (as an example) exchanging information. The Company’s solutions resolve two enterprise business problems – connecting multiple users in the enterprise value chain to improve planning and results and the alignment of data from various/multiple enterprise systems of record used in planning and information exchange processes. Boardwalk’s unique technology allows multiple users secure simultaneous access to the same data in a relational database environment which supports concurrent access to record objects while being edited. Another key enterprise problem that is solved with Boardwalk’s technology is the chaining of transactions in a database to support provenance and immutable versioning and change management/change history. Concurrent with the Company’s initial go-to-market activities, a patent was filed to protect the IP associated with versioned sharing, consolidating, and reporting enterprise information. Also, in 2014 the Company applied for a patent to protect the IP associated with cell-based data management and this patent was issued in September 2018 which coincides with an existing patent issued July 2005 for managing time-based data at the cell or atomic unit level. Boardwalk’s revenue comes primarily from the sale of new and recurring license subscription agreements, maintenance, and service contracts. Boardwalk’s customers include 26 companies in the Fortune 500.

On June 11, 2018, Boardwalk began trading on the TSX Venture Exchange under the symbol ‘BWLK’.

On November 13, 2019, Boardwalk began trading on OTCQB Venture Market under the symbol ‘BWLKF’

Products and Solutions

The Boardwalk Enterprise Digital Ledger Platform is a complete enterprise platform that resolves trust and collaboration issues companies face when working with multiple parties, which enables customers to automate manual business processes and turn them into enterprise “digital” applications using our patented digital ledger blockchain data management technology. Previously, we referred to our product just as the Boardwalk Enterprise Blockchain (BEB) but have shifted references more to “Boardwalk Enterprise Digital Ledger Platform” to emphasize our underlining differential technology, better position our product offering and to minimize the negative connotation and confusion in the market around cryptocurrency blockchain. The Boardwalk Digital Ledger Platform can be used to build and maintain applications with multiple internal or external users working in Excel, a web form, or mobile environment as the user interface. The Company’s software supports a dynamic, cell-based smart contract and machine learning-enabled information exchange that combines Boardwalk’s temporal data management and enterprise integration environment with blockchain’s digital ledger-based trust and validation capabilities. The result is a private permissioned enterprise data management environment that supports time-based multi-party transactions and consensus models for automating previously established manual-based processes and turning them into connected digital applications.

Growth Strategy

Boardwalk’s objective is to be the leading provider of private permissioned blockchain solutions for global enterprise customers of any size. Elements key to this strategy include:

- expand our network of direct sales people;
- expand our network of reseller sales channels;
- broader adoption of Boardwalk’s solutions by new markets and new customers;
- greater penetration of our existing customer base;
- expand internationally;
- introduction of new features & capabilities specifically focused on digital AI and Machine Learning
- extending our blockchain technology into an end-to-end operating system solution;

Sales and Distribution

Boardwalk uses primarily a direct sales model where the Boardwalk Enterprise Digital Ledger Platform creates a unique go-to-market opportunity for the Boardwalk solution. For direct sales, the Company uses regional sales representatives paired with a Sales Development Representative (SDR) who will guide lead development, with sales reps on a standard back-end weighted commission plan while the SDR will have a base salary plus variable compensation. Boardwalk is also starting to grow its reseller partner sales program by recruiting new partners that can build and manage solutions for their clients leveraging Boardwalk and the Boardwalk Enterprise Digital Ledger Platform. Deployment and professional services for direct sales Boardwalk customers will be handled by Boardwalk professional services group while deployment and professional services for reseller partner sales will be mainly handled by the partner.

Boardwalk offers the Boardwalk Enterprise Digital Ledger Platform based on annual subscriptions, with pricing built around multiple digital applications and scale/size of data. Boardwalk engages enterprise clients with an annual subscription for the platform and associated applications and all platform capabilities are included such as:

- Boardwalk Digital Ledger Server;
- Boardwalk Application Design Studio;
- Boardwalk Integration Framework;
- Boardwalk Smart Contract engine;
- Boardwalk APIs; and
- Boardwalk Virtual Machines (Nodes).

COMPOSITION OF REVENUE, EXPENSES AND OTHER INCOME/ (EXPENSE)

Boardwalk derives its revenues from two sources: (1) recurring software subscription revenues (SaaS), which are derived from customers accessing the Company's cloud services, certain hosting services for dedicated servers, and from customers paying for additional services beyond the standard support that is included in the basic subscription fees; and (2) related professional services such as consulting, application development, quality assurance (QA), application delivery, and training. New revenue is defined as newly signed contracts during the reporting period for license subscriptions, while recurring or renewal revenue are revenue streams that have been extended from previous periods.

The Company recognizes revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the amount of fees to be paid by the customer is fixed or determinable; and,
- the collection of the fees is reasonably assured.

Software Subscription and Services Revenue

Subscription and support revenues are generally set on an annual renewal basis and recognized ratably over the 12-month term beginning on the commencement date of each contract, which is the date the Company service is made available to and/or acceptance by customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

Professional Services

The Company's professional services consist primarily of customer direct consulting/delivery services and ad hoc engagements where the Company's experts consult and write/configure specific applications that run on the Boardwalk Enterprise Digital Ledger Platform enabling and automating digital business collaboration and multi-party information exchange.

These revenues are recognized as the services are rendered, using either a milestone method or ratable method. The milestone method for revenue recognition is used for fixed price contracts when there is possible uncertainty on timing at the date the contract is entered into, whether the milestone(s) will be achieved. Revenue under the milestone method is recognized only when the milestones are distinct, achieved and accepted by the customer. Revenue for other non-milestone based professional service contracts is recognized on a ratable basis over the contract term for services rendered.

Cost of sales

Cost of subscription and support revenues primarily consists of expenses related to delivering our service and providing support and the costs of data center capacity fees and hosting, including direct expenses from our India subsidiary. Employee benefit costs and taxes are allocated based upon a percentage of total compensation expense. As such, general overhead expenses are reflected in each cost of revenue and operating expense category. Cost of professional services and other revenues consists primarily of employee-related costs associated with these services, including stock-based expenses, the cost of subcontractors, certain third-party fees and allocated overhead.

Operating expenses

Research and development

Research and development expenses primarily consist of personnel costs, non-recoverable engineering costs related to research, development, design and testing of a new software products or services – including periodic upgrades to our platform(s), product updates, and new feature innovations.

Selling, general and administrative

Selling, general and administrative expenses primarily consist of costs of personnel, accounting and legal fees, patent costs, information systems costs, sales commissions, costs for trade shows and marketing development programs, as well as depreciation, allocated facilities expenses, and stock-based compensation expense. Our costs related to personnel, facilities, sales commissions, trade shows and marketing development programs are predominately denominated in U.S. dollars. Given our TSXV listing, we do incur financing, accounting, and legal cost that are denominated in Canadian dollars. Accordingly, the reported costs in U.S. dollars vary based on the exchange rate between the U.S. dollar and the Canadian dollar.

Other income (expense)

Other income (expense) consists of finance costs and finance income. Given the Company's reverse takeover transaction, other expenses included a large number of fees and expenses incurred during that process and non-cash valuation adjustments on certain financial instruments and capital account conversions. Finance costs also include loan origination fees and interest expense on our outstanding debt.

Finance income includes investment income on cash and cash equivalents and available-for-sale financial investments. Increases and decreases in market value of available-for-sale financial investments are included in other comprehensive income until realized.

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 income (loss) profit or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income (loss) profit or directly in equity respectively. There are no current or deferred taxes in Q3 Fiscal 2020.

CURRENT PERIOD OPERATING RESULTS

Revenue

<i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2019	Sept 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Software Subscriptions and Service	\$746	\$793	\$650	\$2,221	\$2,054
Professional Services	406	450	713	\$1,275	1,554
Total Revenue	\$1,152	\$1,243	\$1,363	\$3,496	\$3,608

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

Revenues for Q3 Fiscal 2020 totaled \$1.2 million, versus \$1.4 million of revenue in Q3 Fiscal 2019. This year-over-year decrease in revenue were primarily due to unexpectedly high professional services revenue last year, while new and recurring licenses actually increased 15% versus comparable period last year. Approximately 65% of revenue in Q3 Fiscal 2020 came from new and recurring software subscription licenses and service, versus 48% in the comparable quarter last year.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

Revenues for Q3 Fiscal 2020 totaled \$1.2 million, versus \$1.2 million of revenue in Q2 Fiscal 2020. This 7% sequential decrease in revenue were primarily due to two customers who declined to renew hosting services associated with their license subscriptions. Approximately 65% of revenue in Q3 Fiscal 2020 came from recurring software subscription licenses and service which was a slight increase versus levels in the prior quarter, with the remainder of revenue derived from professional services.

Annualized Recurring Revenue (“ARR”) for Q3-Fiscal 2020 was \$3.7 million, up 25% over \$3.1 million in Q3-Fiscal 2019; although billings for recurring license contracts is up 32% year-to-date versus the comparable nine-month period last year, which is a key comparison since the Company did not have a direct sale force prior to the summer of 2018. ARR is calculated as annualize figure of quarterly recognized revenue from long-term subscription contracts and annual or ongoing contractual work. These ARR and billings figures do not include revenue from milestone or other non-recurring professional services.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

Revenue for the nine-month period ending December 31, 2019 was \$3.5 million compared to \$3.6 million for the nine-month period ending December 31, 2018. However, given how the annual license are amortized, this 3% decrease in revenue over the comparable period does not fully reflect the 32% increase in license billings during the nine-month period ending December 31, 2019 versus the comparable nine-month period last year.

The Company expects revenue growth to increase in future quarters and years, as bookings continue to rise from the Company’s sales force expansion and new go-to-market campaign. Further, the Company expected these new sales and marketing investments to take two to three quarters for new software subscription sales (SaaS) to occur and impact financials.

As the Company and its new sales staff continue to engage with new customers and increases its pipeline, we expect Professional Services revenue to increase in absolute terms, but decline as a percentage of overall revenue. Further, the Company believes that a large portion of its Professional Services revenue will be ongoing, and even recurring, as customers partner with Boardwalk’s expertise to find new methods and new applications for utilizing Boardwalk’s unique digital ledger platform.

Revenue Derived from Major Customers

Based on information from our direct and reseller sales, our customers representing greater than 10% of our revenue for the periods are:

	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, <u>2019</u>	Sept 30, <u>2019</u>	Dec 31, <u>2018</u>	Dec 31, <u>2019</u>	Dec 31, <u>2018</u>
Customer A	42.4%	39.9%	23.2%	39.2%	16.0%
Customer B	7.3%	7.3%	12.6%	4.1%	7.4%
Top 5	72.6%	72.8%	59.3%	71.5%	57.9%
Top 10	87.6%	87.5%	80.8%	86.9%	80.7%

Currently, the Company's quarterly revenues can be impacted by and fluctuate due to the timing and frequency of new and existing customers. While we currently receive a substantial portion of our revenue from a limited number of customers, we expect our customer concentration to continue to decline in the future. To this point, the Company has seen both the number of customers in excess of 10% decline from four customers in Fiscal 2016 to one customer in Fiscal 2018 and 2019.

Gross Margin

Our revenue, cost of sales, and gross margin for the fiscal periods indicated are as follows:

	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
<i>thousands of U.S. dollars</i>	Dec 31, <u>2019</u>	Sept 30, <u>2019</u>	Dec 31, <u>2018</u>	Dec 31, <u>2019</u>	Dec 31, <u>2018</u>
Revenue	\$1,152	\$1,243	\$1,363	\$3,496	\$3,608
<u>Cost of Sales</u>	<u>159</u>	<u>168</u>	<u>135</u>	<u>469</u>	<u>426</u>
Gross Margin \$	<u>\$993</u>	<u>\$1,074</u>	<u>\$1,228</u>	<u>\$3,026</u>	<u>\$3,182</u>
Gross Margin %	86.2%	86.4%	90.1%	86.6%	88.2%

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

Gross margin for Q3 Fiscal 2020 was 86.2%, a 3.9% point decrease from the previous year's level of 90.1%, which reflects the impact of new personnel, re-allocated from operating expenses to cost-of-sales during this fiscal year, to support the ramp of new customer contracts (an impact of roughly \$8,500 for the entire quarter, or an adverse impact to gross margin of 0.7% points).

which is primarily due to the aforementioned impact of new personnel, re-allocated from operating expenses to cost-of-sales, to support the ramp of new customer contracts in the quarter.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

Gross margin for Q3 Fiscal 2020 was 86.2%, a 0.2% point decrease from Q2 Fiscal 2020 level of 86.4%, which reflects the impact of lower seasonal revenue, but cost-of-sale in absolute dollars actually decreased sequentially.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

Gross margin for the nine-month period ending December 31, 2019 was 86.6% compared to 88.2% for the nine-month period ending December 31, 2018. The impact to gross margin from the re-allocated personnel done to support new customer contracts, for the first nine-month period of Fiscal 2020 would be 0.7% points.

We expect our gross margins in future quarters to hold relative constant to levels recognized in Fiscal 2019, but may fluctuate period-to-period due to a variety of factors, including the average prices of our products and services, our product mix, the timing and pass-through of cost reductions to our customers, as well as the timing of signing and entering into development agreements.

Operating Expenses

The following table provides an analysis of the Company's total operating expenses plus adjusted operating expenses which exclude non-cash share-based compensation expenses, as a percentage of total revenue. The analysis following the table will primarily focus on the adjusted operating expenses for the respective periods.

<i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2019	Sept 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Total Operating Expenses	\$1,933	\$2,009	\$2,496	\$6,235	\$7,127
Total Adjusted Operating Expenses*	\$1,626	\$1,701	\$1,948	\$5,097	\$5,876

** adjusted Operating Expenses exclude non-cash share-based compensation and amortization*

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

Total operating expenses in Q3 Fiscal 2020 of \$1.9 million was \$0.6 million lower than \$2.5 million of total operating expenses for the same quarter last year, even with the addition of the Company's first direct sales force and go-to-market infrastructure implemented during the summer of 2018. Adjusted operating expenses decreased by \$0.3 million year over year.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

Total operating expenses in Q3 Fiscal 2020 of \$1.9 million was \$0.1 million lower than \$2.0 million of total operating expenses in Q2 Fiscal 2020. Adjusted operating expenses decreased \$0.1 million sequentially. This decrease in expenses reflect continuing expense controls and the early stages of additional cost saving actions as the Company focuses resources on accelerating its sales pipeline and resultant path to profitability.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

Operating expenses for the nine-month period ending December 31, 2019 was \$6.2 million, a \$0.9 million decrease compared to the \$7.1 million level for the nine-month period ending December 31, 2018. Adjusted operating expenses decreased by \$0.8 million year-over-year.

Operational Improvements / Savings

The Company expects continued operating savings from current and future actions that should net annual operating savings in excess of \$1 million, with most of the incremental savings being implemented at the start of CY 2020. These actions include lowering total salary expenses, reducing the use of consultants in favor of in-house resources, re-allocating more resources towards monetizing our sales pipeline, lowering professional services (patents, legal, etc.), and other strategic actions to get to break-even sooner, but without impacting resources or quality to support existing and new customers.

Longer term, we do plan to expand the size of our sales and support organizations through selective expenditures and new hires, allowing us to ramp both new customers and new applications within existing customers, as we continue to expand into existing and new markets. We also plan to continue to expand our domestic and international sales and marketing activities, while we build brand awareness.

We note that there is a lag between the investment in new SG&A costs (such as the hiring of new sales personnel) and the revenue generated from those expenses (via new customer wins), though the timing of that lag may vary by markets. However, even with a 6-9 month lag before new sales hires start to close licensing agreements, the Company estimates that there is still a 2-3x return on those investments in the first year, with potential for increasing to 5-6x in subsequent periods from recurring revenue generated by these new sales investments.

As a percentage of revenue, research and development costs is expected to fluctuate from one quarter or period to another, but we do not expect any material increase in R&D spending, nor a requirement to do so in order to meet our

revenue and strategic plans in the next 12 months. The Company continues to invest in and develop both new upgrades to our platform and new updates, but expects overall R&D spending to decrease as of percentage of total revenue.

Other Expenses

The breakdown of other expenses is as follows:

<i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>for Nine-month period ended</u>	
	Dec 31, 2019	Sept 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Interest Expense	\$200	\$202	\$189	\$598	\$581
<u>Other Expenses</u>	<u>220</u>	<u>128</u>	<u>252</u>	<u>727</u>	<u>14,946</u>
Other Expenses, net	<u>\$421</u>	<u>\$330</u>	<u>\$441</u>	<u>\$1,325</u>	<u>\$15,527</u>

Other expenses include the non-cash impact from the accretion of financing fees, warrant derivative liability and de-recognition charges related to our term loan.

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

Other Expenses of \$0.4 million in Q3 Fiscal 2020, was flat versus \$0.4 million incurred in Q3 Fiscal 2019, with other expenses higher due to finance fees from non-cash valuation adjustments on the outstanding loan and warrants.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

Other expenses of \$0.4 million in Q3 Fiscal 2020, was \$0.1 million higher than expenses incurred in Q2 Fiscal 2020 primarily due to finance fees associated with the equity financing, as interest expenses were flat.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

Other expenses for the nine-month period ending December 31, 2019 was \$1.3 million versus \$15.5 million for the nine-month period ending December 31, 2018. The large year-over-year improvement was due to significant one-time non-cash IFRS charges in June 2018 related to the Company's RTO and restructuring of the Company's term loan with SQN Venture Income Fund LLP (details given in Notes 8 and 11 of the Company's Financial Statements).

With the exception of future monthly interest payments on the Company's long-term debt, the remaining Other Expenses are considered to be one-time impacts to loss for the period.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its operations primarily through the sale of equity securities, debt, and cash from operating activities.

Cash and cash equivalents

As at December 31, 2019, the Company's cash and cash equivalents were up \$0.5 million to \$0.7 million, compared to \$0.2 million as at March 31, 2019. During the three-month quarter ending December 31, 2019, the Company raised approximately \$866,500 of non-brokered Unit private placement proceeds.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased during Fiscal 2020 by \$3.2 million to a deficiency of \$(4.4) million as at December 31, 2019 from a deficiency of \$(2.1) million at March 31, 2019. The nine-month period change was primarily due to higher liabilities and continuing operating losses, although EBTIDA and cash burn levels sequentially improved each of the quarters over that period (including modest cash inflows from operating activities each of the last two quarters), offset by cash flows from financing activities. Current assets increased \$0.5 million in Fiscal 2020 and have actually increased 69% year-over-year since December 31, 2018, primarily from two modest private placement financings while both

receivables and prepaid amounts have been unchanged over the fiscal year. Current liabilities increased \$2.4 during Fiscal 2020, did not include an increase in trade payable and accrued liabilities, but did include a \$0.3 increase from the addition of the lease liability due to the adoption of IFRS 16 on April 1, 2019, plus a \$0.6 increase in deferred revenue, a \$1.3 million increase in the current portion of Company's term loan, and a \$0.5 million increase in deferred compensation by senior management (until certain financial performance targets achieved).

<i>in thousands of U.S. dollars</i>	as at Dec 31,	as at March 31,
	2019	2019
Current Assets	\$ 1,676	\$ 1,172
Current Liabilities	6,029	3,295
Working Capital	\$ (4,353)	\$ (2,123)

The Company expects working capital to improve as revenue growth occurs. While the Company plans to keep its targeted collection days in-line with its payment terms, aggregate trade receivables level should increase in absolute dollars as revenue levels grow.

The following table shows our cash flows from operating activities, investing activities and financing activities for the periods indicated.

Cash inflows (outflows) by activity:	for Three-month period ended			for Nine-month period ended	
<i>in thousands of U.S. dollars</i>	Dec 31,	Sept 30,	Dec 31,	Dec 31,	Dec 31,
	2019	2019	2018	2019	2018
Operating Activities	\$50	\$45	(\$1,036)	(\$894)	(\$4,136)
Investing Activities	0	(3)	2	(6)	(16)
Financing Activities	575	(277)	(408)	1,427	4,288
Net Inflows (outflows)	<u>\$625</u>	<u>(\$235)</u>	<u>(\$1,442)</u>	<u>\$527</u>	<u>\$136</u>

Cash Flows Used in Operating Activities

Cash flows applied to operating activities primarily consist of our net loss adjusted for non-cash expenses and for changes in working capital items. Non-cash adjustments generally include depreciation, share-based compensation expense, and fair value adjustments on warrant liabilities. Working capital adjustments generally include changes in accounts receivable, which will increase as revenue increases, deferred revenue, and changes to accounts payable as we purchase more goods and services from suppliers to support such growth.

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

During Q3 Fiscal 2020, net cash from operating activities had a positive inflow of \$0.1 million, which is the second consecutive quarter of modest cash flow from operating activities, and was a \$1.1 improvement in cash burn versus cash usage of \$(1.0) million during Q3 Fiscal 2019. As noted previously, Adjusted-EBITDA in the current quarter improved by 10% versus last year, despite the lower service revenue. Other cash usage changes versus last year included a \$0.2 million increase in receivables and \$0.1 million increase in prepaids, partially offset by a \$0.7 million increase in deferred compensation, a \$0.7 million increase in deferred revenue, and \$0.3 increase in trade payables.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

During Q3 Fiscal 2020, net cash from operating activities had positive inflow of \$0.1 million, which is the second consecutive quarter of modest cash flow from operating activities, including a small positive inflow of \$0.05 during Q2 Fiscal 2020. While Q3 Fiscal 2020 had operating losses of \$(0.9) million, Adjusted EBITDA was flat from prior quarter levels in Q2 Fiscal 2020, as the lower seasonal revenue was offset by lower expenses. Other cash usage for the current quarter also included a \$0.3 million change in deferred revenue, a \$0.3 million increase in deferred compensation, a \$0.1 million increase in trade payables & accrued liabilities, plus \$0.2 million less of share-based compensation, with no material change in trade receivables.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

Net cash usage from operating activities for the nine-month period ending December 31, 2019 was \$(0.8) million, which is a \$3.3 million improvement versus the \$(4.1) million cash usage for the comparable nine-month period ending December 31, 2018. In addition to a 23% improvement in Adjusted EBITDA between these two comparable periods, the nine-month period for Fiscal 2020 included a \$0.6 million increase in deferred revenue and a \$0.5 million increase in deferred compensation, but no material change in outstanding trade payables nor trade receivables during Fiscal 2020, while cash usage for the nine-month period for Fiscal 2019 did include a \$0.1 million increase in receivables, a \$0.7 million reduction in trade payables, a \$0.4 million decrease in deferred revenue, a \$0.3 million decrease in deferred compensation following the close of the Company's RTO in June 2018, plus another \$0.5 million of professional fees (bankers, legal) associated with that RTO closing.

Cash Flows from Investing Activities

Net cash out flows from investing activities resulted from purchases and disposals of property, plant and equipment, and intangible assets such as third party licensed intellectual property, to support product development, facilities expansion and general growth. The Company does not host its software platform for customer data on internal servers but instead utilizes a third-party provider, Rackspace, to provide those hosting services (all such expenses allocated to cost of sales). Roughly two-thirds of customer utilize this hosting service with the Company, while the remainder host on their own server resources. The Company does main internal servers primarily for development and general business operations.

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

During Q3 Fiscal 2020, there was a very small amount of cash used by investing activities due to the purchase of new laptops, and these small changes were similar amounts spent last year, from the purchase of new computer equipment.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

During Q3 Fiscal 2020, there was a very small amount of cash used by investing activities due to the purchase of new laptops and other computer equipment, but these small changes were similar to prior quarters, from the purchase of new computer equipment.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

For the nine-month period ending December 31, 2019 net cash usage from investing activities was very small, as was the cash usage for the comparable nine-month period ending December 31, 2018. Cash used by investing activities was all due to the purchase of new laptops and other computer equipment, and these small changes were similar by quarter.

Cash Flows from Financing Activities

Beginning in Fiscal 2020, the adoption of IFRS 16 ("Leases") requires the Company to report office lease obligations (rent) as a cash usage under financing activities, but this impact is not reported in prior fiscal years; so, any comparison between fiscal periods should include this difference.

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 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 paid 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, became 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.

Q3 Fiscal 2020 compared to Q3 Fiscal 2019

During Q3 Fiscal 2020, net cash usage from financing activities was a positive inflow of \$0.6 million versus \$(0.3) million of usage during Q3 Fiscal 2019. The net inflow this quarter reflected the equity financing closed during the quarter offset by \$0.2 million of interest payments on our SQN loan, \$0.1 million of lease expenses, and \$0.1 million of financing fees, while the outflows last year were entirely from interest payments on our SQN loan.

Q3 Fiscal 2020 compared to Q2 Fiscal 2020

During Q3 Fiscal 2020, net cash usage from financing activities was a positive inflow of \$0.6 million versus cash outflow of \$(0.3) million in Q2 Fiscal 2020. The net inflow this quarter was primarily from net proceeds from the equity financing tranche closed during the quarter, while the outflows last year were entirely from interest payments on our SQN loan.

Fiscal 2020 YTD compared to Fiscal 2019 YTD

For the nine-month period ending December 31, 2019 net cash inflow from financing activities was \$0.9 million versus a \$4.2 million inflow for the comparable nine-month period ending December 31, 2018. The inflows for Fiscal 2020 to date have included net proceeds of \$1.3 million from the closing of its private placement financing and SQN debt restructuring in Q2 Fiscal 2020 offset by \$0.6 million of interest payments on our SQN loan, \$0.2 million of lease expenses; while the inflows in the comparable period for Fiscal 2019 came from net proceeds upon close of the Company's RTO in June 2018, partially offset by interest payments and fees related to our SQN loan.

During the five quarters since the Company's reverse takeover transaction in Q2 Fiscal 2019, the Company has reduced the principal amount of debt owing to SQN debt from \$7.3 million when it was restructuring on June 15, 2018 to \$5.9 million as of June 30, 2019. The total reported liability amount of the loan is \$5.1 million, as explained further in Note 8 of the Company's Financial Statement. These amounts do not include \$1 million of pending debt-to-equity conversion that had not closed as of December 31, 2019.

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 up to \$1,000,000 of the existing term loan and any prepayment fees into common shares of the Company at a conversion price of US\$0.36 per share. In contemplation of this debt-to-equity conversion, at the annual and special meeting of the shareholders of the Company held on December 4, 2019, the shareholders of the Boardwalktech approved the creation of SQN as a "Control Person" (as that term is defined in the TSXV Corporate Finance Manual) of the Company following the debt-to-equity Conversion. As of December 31, 2019, the Company has not yet received final TSXV approval for the issuance of 1,200,000 common share warrants. Boardwalktech expects to make further reductions in its aggregate debt ahead of that maturity.

Liquidity and Cash Resource Requirements

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

As at December 31, 2020, the Company has not yet achieved profitable operations, and has an accumulated deficit of \$37.0 million. Whether, and when, the Company can attain profitability and positive cash flows from operations have uncertainty, which casts significant doubt upon the Company's ability to continue as a going concern. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in future on terms favourable for the Company. In addition to its operations, the Company may need to raise capital in order to fund its operations. The Company believes it will be able to acquire sufficient funds to cover planned operations through the next twelve-month period from anticipated revenue growth during Fiscal 2020, continued credit access from its primary lender and other sources, plus other potential strategic options. The outcome of these matters cannot be predicted at this time.

Share Capital

	Common shares	Common share warrants	Stock options	Agent options	Restricted share units
Balance, March 31, 2019	10,881,516	822,191	828,915	134,801	875,000
Issued	3,556,604	1,977,553	-	-	-
Forfeited	-	-	-	-	(21,667)
Balance, December 31, 2019	14,438,120	2,799,744	828,915	134,801	853,333
Issued	1,388,889	-	-	-	-
Balance, February 28, 2020	15,827,009	2,799,744	828,915	134,801	853,333

Off-Balance Sheet Arrangements

During the periods presented, the Company did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Financial Instruments and Risk Management

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

Risk management is carried out by senior management, in particular, the board of directors of Boardwalk.

Fair Value

Boardwalk's financial instruments consist of cash, trade and other receivables, due from trade payables and accrued liabilities, contingent consideration, and convertible notes. Aside from convertible notes and contingent consideration, the carrying amounts of these items approximate their fair value due to their short period to maturity. The carrying amounts of convertible notes do not approximate their fair value as the convertible notes are a derivative contract, which will be settled with a variable number of equity instruments. Contingent consideration is carried at fair value

The carrying value of the revolving bank loan payable is based on amortized cost.

Market Risk and Foreign Currency risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise these types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, the Company's exposure to the risk of changes in market interest rates is minimal given that the Company has no bank debt obligations with floating interest rates.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and to a lesser degree from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade accounts receivable

Customer credit risk is managed through the Company's established policy, procedures and control relating to customer credit risk management. In order to further reduce charges for doubtful accounts, the Company has recently adopted new policies to insure customer acceptance is explicitly confirmed in writing before an invoice is generated against recognized or deferred revenue.

Financial instruments and cash deposits

Credit risk from balances on deposit with banks and financial institutions is managed in accordance with the Company's policies. Investments of surplus funds are made only with approved counterparties and within credit limits approved for each of those counterparties. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

Liquidity risk

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents, managing cash from operations, and if required through financing activities.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during Q3 Fiscal 2020 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to revenue recognition, accounts receivable, share-based transaction expense, and warrant liability. We base our estimates and assumption on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and actual results, our future results of operations will be affected. For a description of our critical accounting estimates, please refer to Note 4, Accounting Estimated and Judgments, in our audited consolidated financial statements for the fiscal year ended March 31, 2019.

New standards, interpretations and amendments adopted by the Company

The accounting policies followed in the Company's unaudited condensed interim consolidated financial statements are consistent with those used to prepare the annual consolidated financial statements for the year ended March 31, 2019, except as described below.

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 with a corresponding amount for a ROU asset. This amount did not represent a new expense or cash usage but the accounting impact from the application of this new IFRS standard. In accordance with IFRS 16, the ROU was reduced by the April 1, 2019 balance of deferred rent related to lease incentives.