

**Think Research Corp.** (formerly TRC Management Holdings Corp.)

**Consolidated Financial Statements**

For the Years Ended September 30, 2020 and 2019

## Independent Auditor's Report

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To the Shareholders of Think Research Corp. (formerly TRC Management Holdings Corp.):

### Opinion

We have audited the consolidated financial statements of Think Research Corp. (formerly TRC Management Holdings Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and September 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended September 30, 2020 and September 30, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2020 and September 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

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

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

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

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

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

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

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

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

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

Toronto, Ontario

January 28, 2021

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

**MNP**

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Consolidated Statements of Financial Position

As at September 30, 2020 and 2019

(In thousands of Canadian dollars)

	September 30 2020	September 30 2019
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,377	1,808
Accounts receivable and other (Note 5)	2,603	4,998
Investment tax credits (Note 6)	1,134	1,143
Prepaid expenses and other	3,003	430
Contract assets	98	189
	8,215	8,568
Accounts receivable and other (Note 5)	134	-
Property and equipment (Note 7)	354	504
Right-of-use-asset (Note 14)	2,613	-
Intangible assets (Note 8)	377	10
Goodwill (Note 4), (Note 9)	527	-
	12,220	9,082
<b>Liabilities</b>		
<b>Current</b>		
Bank line of credit (Note 11)	7,846	6,107
Accounts payable and accrued liabilities (Note 12)	3,830	1,998
Deferred revenue	5,082	11,773
Government financing (Note 13)	500	-
Current portion of contingent consideration (Note 4)	102	-
Current portion of lease liability (Note 14)	1,785	27
Current portion of license agreement payable (Note 15)	201	422
Current portion of Class A Preferred shares (Note 16)	276	218
	19,622	20,545
Deferred revenue	340	684
Deferred tax liabilities (Note 18)	98	-
Contingent consideration (Note 4)	75	-
Lease liability (Note 14)	1,152	1
License agreement payable (Note 15)	375	571
Class A Preferred shares (Note 16)	3,931	4,207
	25,593	26,008
<b>Shareholders' deficiency</b>		
Common shares (Note 16)	64,171	51,091
Class B Preferred shares (Note 16)	1	1
Contributed surplus (Note 16)	1,978	755
Warrants (Note 16)	92	287
Deficit	(79,615)	(69,060)
	(13,373)	(16,926)
	12,220	9,082

Commitments (Note 17)

Contingencies (Note 17)

Events after the reporting period (Note 29)

Approved by the Board of Directors

[signed] Director  
Sachin Aggarwal

[signed] Director  
Richard J. Wells

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

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except per share amounts)

	2020	2019
	\$	\$
<b>Revenue</b> (Note 26)		
License fees and implementation (Note 15) (Note 21)	17,608	15,589
Professional services (Note 5)	1,836	1,717
	19,444	17,306
<b>Cost of goods sold</b> (Note 23)	7,514	7,353
<b>Gross margin</b>	11,930	9,953
<b>Operating expenses</b> (Note 23)		
General and administration (Note 7), (Note 8), (Note 10), (Note 14), (Note 16), (Note 21)	12,634	10,892
Sales and marketing (Note 10)	3,701	3,703
Research and development (Note 6), (Note 10)	4,452	7,200
	20,787	21,795
<b>Loss before other income (expenses)</b>	(8,857)	(11,842)
<b>Other income (expenses)</b>		
Rent concessions (Note 14)	309	-
Interest accretion on Class A Preferred shares (Note 16)	(286)	(299)
Loss on disposal of property and equipment	-	(351)
Foreign exchange loss	(4)	(45)
Interest expense (Note 25)	(1,202)	(741)
	(1,183)	(1,436)
<b>Net loss before income taxes</b>	(10,040)	(13,278)
Income tax recovery (expense) (Note 18)	24	(6)
<b>Net loss and comprehensive loss for the year</b>	(10,016)	(13,284)
<b>Net loss and comprehensive loss per share</b>		
Basic and diluted loss per share	0.40	0.56
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	25,353,572	22,635,741

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

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars)

	Common shares	Class B Preferred shares	Contributed surplus	Warrants	Deficit	Total shareholders' deficiency
	\$	\$	\$	\$	\$	\$
<b>Balance, September 30, 2018</b>	<b>38,148</b>	<b>1</b>	<b>2,724</b>	<b>50</b>	<b>(55,427)</b>	<b>(14,504)</b>
Issuance of common shares (Note 16)	9,093	-	-	-	-	9,093
Issuance of warrants (Note 16)	-	-	-	1,442	-	1,442
Shares issued on exercise of options (Note 16)	3,153	-	(3,148)	-	-	5
Conversion of Class B Preferred shares to common shares (Note 16)	-	-	-	-	-	-
Shares issued on exercise of warrants (Note 16)	1,139	-	-	(1,137)	-	2
Share issuance costs (Note 16)	(442)	-	-	(18)	-	(460)
Fair value transfer on expiration of warrants	-	-	-	(50)	50	-
Dividends paid	-	-	-	-	(399)	(399)
Stock-based compensation (Note 16)	-	-	1,179	-	-	1,179
Net loss and comprehensive loss	-	-	-	-	(13,284)	(13,284)
<b>Balance, September 30, 2019</b>	<b>51,091</b>	<b>1</b>	<b>755</b>	<b>287</b>	<b>(69,060)</b>	<b>(16,926)</b>
Issuance of common shares (Note 16)	10,090	-	-	-	-	10,090
Shares issued on exercise of options (Note 16)	3,031	-	(3,025)	-	-	6
Shares issued on exercise of warrants (Note 16)	288	-	-	(287)	-	1
Share issuance costs (Note 16)	(679)	-	-	92	-	(587)
Dividends paid	-	-	-	-	(539)	(539)
Issuance of common shares as consideration for the acquisition of AirMed Trials Inc. (Note 4)	350	-	-	-	-	350
Stock-based compensation (Note 16)	-	-	4,248	-	-	4,248
Net loss and comprehensive loss	-	-	-	-	(10,016)	(10,016)
<b>Balance, September 30, 2020</b>	<b>64,171</b>	<b>1</b>	<b>1,978</b>	<b>92</b>	<b>(79,615)</b>	<b>(13,373)</b>

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

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Consolidated Statements of Cash Flows

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

	2020	2019
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the year	(10,016)	(13,284)
Items not affecting cash		
Depreciation of property and equipment (Note 7)	197	360
Depreciation of right-of-use asset (Note 14)	1,650	-
Write-off of property and equipment	-	351
Interest expense on lease liability (Note 14)	410	-
Amortization of intangible assets (Note 8)	109	4
Rent concessions (Note 14)	(309)	-
Stock-based compensation (Note 16)	4,248	1,179
Accretion income	(11)	-
Interest accretion on Class A Preferred shares (Note 16)	286	299
Services provided in-kind (Note 15)	(201)	(201)
Deferred tax recovery (Note 18)	(28)	-
Net change in operating components of working capital (Note 24)	(5,404)	(4,629)
<b>Cash used in operating activities</b>	<b>(9,069)</b>	<b>(15,921)</b>
<b>Financing activities</b>		
Advances from bank line of credit (Note 11)	8,500	7,911
Repayments of bank line of credit (Note 11)	(6,761)	(3,815)
Proceeds from government financing (Note 13)	500	-
Repayment of lease liability (Note 14)	(1,454)	(103)
Repayment of license agreement liability (Note 15)	(216)	(275)
Repayment of Class A Preferred shares (Note 16)	(504)	(541)
Proceeds from issuance of common shares (net of share issuance costs) (Note 16)	9,503	10,074
Proceeds from the exercise of stock options (Note 16)	6	6
Proceeds from issuance of Class B Preferred shares (Note 16)	-	-
Proceeds from the exercise of warrants (Note 16)	-	2
Dividends paid to Class B Preferred shareholders	(539)	(399)
<b>Cash provided by financing activities</b>	<b>9,035</b>	<b>12,860</b>
<b>Investing activities</b>		
Purchase of property and equipment (Note 7)	(47)	(181)
Acquisition of AirMed Trials Inc. (Note 4)	(350)	-
<b>Cash used in investing activities</b>	<b>(397)</b>	<b>(181)</b>
<b>Change in cash</b>	<b>(431)</b>	<b>(3,242)</b>
Cash, beginning of year	1,808	5,050
<b>Cash, end of year</b>	<b>1,377</b>	<b>1,808</b>

The accompanying notes are an integral part of these consolidated financial statements

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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#### **1 Nature of operations**

Think Research Corp. (formerly TRC Management Holdings Corp.) is an investment holding company, incorporated under the laws of the Province of Ontario on March 7, 2014. The business activities are carried out by its wholly-owned subsidiary Think Research Corporation (“TRC”) in North America and its wholly-owned subsidiary Think Research (EU) Corporation Limited (“TRE”) in Europe. Think Research Technology Holdings Corp. (“TRT”), a wholly-owned subsidiary of TRC, acts as a holding company for a large part of the Company’s internally generated intellectual property.

Think Research Corp. (formerly TRC Management Holdings Corp.) and its subsidiaries will collectively be referred to as the Company hereunder.

The principal activities of the Company’s subsidiaries consists of developing software and providing SaaS (Software-as-a-Service) based clinical software and services for health-care providers across all phases of care using evidence-based content and technologies to drive best practices and ensure better health outcomes. TRC invests in developing its software solutions and licenses them to enterprise clients, typically hospitals, health regions or governments.

On December 23, 2020, the Company undertook a reorganization which resulted in a change in the Company’s name from TRC Management Holdings Corp. to Think Research Corp. This came as a result of the transaction described in Note 29, Events after the reporting period. The Company’s common shares are listed on the TSX Venture Exchange under the symbol THNK.

The address of the Company’s registered office is 351 King St E #500, Toronto, ON, M5A 0L6.

#### **2 Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved for issuance by the Board of Directors on January 28, 2021.

#### **3 Significant accounting policies**

##### **Basis of preparation**

The consolidated financial statements are prepared on a going concern basis and have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All financial information is presented in thousands of Canadian dollars, the Company’s functional currency, except share and per share amounts or as otherwise noted.

The Company’s principal accounting policies are set out below.



# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### **Adoption of new and revised Standards**

##### IFRS 16 Leases

Effective October 1, 2019 (hereafter referred to as the “date of initial application”), the Company adopted IFRS 16 *Leases* (“IFRS 16”) as issued by the IASB in January 2016. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard supersedes the requirements in IAS 17 *Leases* (“IAS 17”), IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (“IFRIC 4”), SIC 15 *Operating Leases – Incentives* (“SIC 15”), and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* (“SIC 27”).

IFRS 16 removes the distinction between operating and finance leases from the lessee’s perspective and introduces a single lessee accounting model. The standard requires a lessee to recognize a “right-of-use” asset and a corresponding lease liability for substantially all leases, with the exception of leases with terms less than 12 months and leases of low value assets. Requirements for lessor accounting are largely unchanged from IAS 17. IFRS 16 also results in reclassification of the nature of lease expenses to depreciation and interest expense, from their classification of “rent expense” under IAS 17.

The application of the standard has resulted in a change in the Company’s accounting policy for recognition of leases.

Prior to the transition to IFRS 16, operating lease payments were recognized as an expense on a straight-line basis over the lease term, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed. Contingent rentals arising under operating leases were recognized as an expense in the period in which they were incurred. If lease incentives were received to enter into operating leases, such incentives were recognized as a liability. The aggregate benefit of incentives was recognized as a reduction to rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Upon transition to IFRS 16, the Company’s accounting policy for leases is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the

# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Adoption of new and revised Standards** *(continued from previous page)*

##### *IFRS 16 Leases (continued from previous page)*

lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration expenses in the consolidated statement of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in general and administration expenses in the consolidated statements of loss and comprehensive loss.

The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information contained within these consolidated financial statements has not been restated and continues to be reported under previous lease standards. In addition, the following practical expedients were applied:

- The Company did not reassess whether a contract is, or contains, a lease at the date of initial application of IFRS 16. Instead, the Company applied IFRS 16 to all contracts that were previously identified as leases under IAS 17 and IFRIC 4. Contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. As a result, the definition of a lease under IFRS 16 has only been applied to contracts entered into (or changed) on or after the date of initial application.
- When applying IFRS 16 to leases previously classified as operating leases under IAS 17, the Company has:

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 3 Significant accounting policies (continued from previous page)

#### Adoption of new and revised Standards (continued from previous page)

##### IFRS 16 Leases (continued from previous page)

- Not recognized right-of-use assets or lease liabilities for leases that have a remaining lease term of less than 12 months from the date of initial application. Instead, the Company accounted for such leases as short-term leases in accordance with IFRS 16, and included the costs associated with those leases in operating expenses, recognizing the lease payments associated with those leases as an expense on a straight-line basis over the lease term.
- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application of IFRS 16.
- Used hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Company recognized a lease liability and right-of-use asset for most leases that were previously classified as operating leases under IAS 17. The lease liability was measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 11.32%. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The transition to IFRS 16 had no cumulative effect on the Company's consolidated deficit at October 1, 2019. The Company recognized right-of-use assets and corresponding lease liabilities totalling \$4,263 at October 1, 2019 (Note 14).

The following table reconciles the difference between operating lease commitments disclosed under IAS 17 at September 30, 2019, discounted using the interest rates implicit in the leases at the date of initial application of IFRS 16 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application of IFRS 16:

	\$
Operating lease commitments as at September 30, 2019	44,632
Lease yet to commence (Note 17)	(37,616)
Lease cancellation	(1,213)
Non-lease components	(865)
Effect of discounting using the Company's incremental borrowing rate	(675)
<b>Lease liabilities recognized at October 1, 2019</b>	<b>4,263</b>

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

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### 3 Significant accounting policies *(continued from previous page)*

#### **Adoption of new and revised Standards** *(continued from previous page)*

##### *IFRS 16 Leases (continued from previous page)*

Note 14 presents the impact of the transition to IFRS 16 on the Company's consolidated statement of loss and comprehensive loss for the twelve months ended September 30, 2020.

##### *COVID-19-Related Rent Concessions (Amendments to IFRS 16)*

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19. The Company has elected to not assess whether a rent concession that is the result of COVID-19 is a lease modification, provided the concession meets the following conditions:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and,
- c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from April 2020 to September 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 14.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Adoption of new and revised Standards** *(continued from previous page)*

##### **IFRS 3 -Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Adoption of new and revised Standards** *(continued from previous page)*

##### **IFRS 3 -Business combinations** *(continued from previous page)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The early adoption of IFRS 3 did not have any significant impact on the Company's comprehensive loss and financial position, and there was no effect on opening deficit at October 1, 2019.

##### **Use of estimates and judgments**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates. The following are critical estimates and judgments for which changes in assumptions could have a material impact on the consolidated financial statements.

##### *a) Revenue recognition – revenue recognized over time*

The Company has certain fixed price professional service contracts where the revenue is recognized by the stage of completion of the performance obligation determined using the percentage of completion method which requires the estimation of total costs expected to be incurred to fulfil the contract.

These estimates and assumptions are reviewed periodically and, as adjustment becomes necessary they are reported in net loss and comprehensive loss in the years in which they become known. Actual results may differ significantly from management's estimates.

# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Use of estimates and judgments** *(continued from previous page)*

##### *b) Revenue recognition – multi-element arrangements*

As the Company enters into transactions that represent multiple-element arrangements, estimates are made to determine how consideration is allocated to the separate units of accounting or elements on a relative fair value basis. Changes in the estimates will impact the revenue recognized in the period.

##### *c) Fair value of financial instruments*

The Company holds a number of financial instruments such as a contingent consideration, redeemable preferred shares and warrants to purchase common shares which are either required to be initially recorded at fair value or for which the proceeds must be allocated to the liability and equity components based upon their respective fair values. The determination of the fair values of debt instruments or the component parts of hybrid contracts and compound financial instruments containing both liability and equity components requires the use of valuation models and/or techniques for which the underlying assumptions are inherently subject to significant estimation and judgement. These models and techniques require that management make estimates and assumptions with respect to one or more of the following at the date of issuance: the fair value of common shares underlying stock options, warrants and/or conversion rights, expected volatility of the Company's share value, estimated life of options, warrants and/or conversion rights and interest rates which could be obtained for debt instruments with similar terms and maturities.

##### *d) Stock-based payments*

The Black-Scholes option pricing model was developed for use estimating the fair value of traded options which were fully transferrable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the estimated fair value per share, estimated stock price volatility, estimated lives of the options, estimated dividends to be paid by the Company and risk-free interest rates. Because the Company's stock options have characteristics significantly different from those of publicly traded options and because changes in the input assumptions can materially affect the fair value estimate, such value is subject to measurement uncertainty. The effect on the consolidated financial statements from changes in such estimates in future years could be significant.

# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Use of estimates and judgments** *(continued from previous page)*

##### *e) Expected credit losses*

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

##### *f) Deferred taxes*

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax is also subject to uncertainty regarding the magnitude to which non-capital losses available for carry forward will be utilized in the future.

These estimates and assumptions are reviewed periodically and, as adjustment become necessary they are reported in net loss and comprehensive loss in the years in which they become known. Actual results may differ significantly from management's estimates.

##### *g) Investment tax credits receivable*

Investment tax credits are recorded based on management's estimate that all conditions attached to its receipt have been met. The Company has significant investment tax credits receivable and expects to continue to apply for future tax credits as their research and development activities remain applicable. Therefore, the estimates related to the recoverability of these investment tax credits are important to the Company's financial position.

##### *h) Estimated useful lives of long-lived assets*

Management reviews useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets of the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to software and information technology equipment.



# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Use of estimates and judgments** *(continued from previous page)*

##### *i) Goodwill impairment testing and recoverability of assets*

The Company has one cash-generating unit and reviews the value in use versus the carrying value both in total and for each of the individual assets. The recoverable amount of the cash-generating unit was estimated based on an assessment of value in use using a discounted cash flow approach. The approach uses cash flow projections based upon a financial forecast approved by management, covering a five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

##### *j) Business combinations*

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

##### *k) Functional currency*

The functional currency of the Company and its subsidiaries has been assessed by management based on consideration of the currency and economic factors that mainly influence operating costs, financing and related transactions. Changes to these factors may have an impact on the judgment applied in the future determination of the Company's and its subsidiaries' functional currency.

##### *l) Incremental borrowing rates*

The Company's incremental borrowing rate is used to estimate the initial value of the lease liability and associated right of use asset. The Company's incremental borrowing rate is determined with reference to the borrowing rate for a similar asset within a country for a similar lease term.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

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### 3 Significant accounting policies (continued from previous page)

#### Government assistance and investment tax credits

##### *Government grants*

Government grants are recognized when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Company recognizes government grants as a reduction to the related expense that the grant is intended to offset.

##### *Investment tax credits*

Investment tax credits (“ITCs”) are recognized where there is reasonable assurance that the ITCs will be received, and all attached conditions will be complied with. When the ITCs relates to an expense item, it is netted against the related expense. Where the ITCs relates to an asset, it reduces the carrying amount of the asset. The ITCs is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Company is actively engaged in scientific research and development (“R&D”) and, accordingly, has previously filed for ITC refunds under both the Canadian federal and Ontario provincial Scientific Research and Experimental Development (“SR&ED”) tax incentive programs. The ITCs recorded in the accounts are based on management’s interpretation of the Income Tax Act of Canada, provisions which govern the eligibility of R&D costs. The claims are subject to review by the Canada Revenue Agency and the Minister of Revenue for Ontario before the refunds can be released.

#### Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Repairs and maintenance costs on capital assets are charged to expense during the period in which they are incurred. Depreciation is calculated as follows:

Computer software	45% declining balance
Computer hardware	45% declining balance
Furniture and office equipment	30% declining balance
Leasehold improvements	Straight-line over 5 years
Equipment under lease	Straight-line over the term of the lease

If the cost of a component of equipment is significant to an item, that component is separated out and depreciated separately. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, annually, the effects of any changes in estimates accounted for prospectively.

The Company reviews for indicators of impairment annually, or whenever events or circumstances indicate that the carrying value may not be recoverable. To determine recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“cash-generating units” or “CGUs”). The recoverable amount is the higher of an asset or CGU’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). The asset’s carrying amount is written down to its recoverable amount if the asset’s carrying value is greater than its estimated recoverable amount. The Company evaluates impairment losses for potential reversal when events or circumstances warrant such consideration.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

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### 3 Significant accounting policies (continued from previous page)

#### Property and equipment (continued from previous page)

The Company did not recognize any impairment losses for the year ended September 30, 2020.

#### Intangible assets

Intangible assets are stated at cost less accumulated depreciation and impairment losses, if any. These assets are capitalized and amortized on a straight-line basis over the period of their expected useful lives. Depreciation is calculated as follows:

Trademarks and patents	7 years straight-line
Technology	3 years straight-line

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment and whenever events or changes in circumstances indicate that the carrying value may be impaired by comparing its carrying value against the recoverable amount (the higher of value in use or fair value less costs to sell).

Goodwill acquired through a business combination is allocated to each cash generating unit ("CGU") that is expected to benefit from the synergies of the related business combination.

#### Research and development

Expenditures on research activities are recognized as expense in the period in which they are incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for deferred development costs is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies** *(continued from previous page)*

#### **Research and development** *(continued from previous page)*

Subsequent to initial recognition, deferred development costs are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The Company has not capitalized any deferred development costs to date.

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### **Financial instruments**

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous *IAS 39 Financial Instruments: Recognition and Measurement* ("IAS 39") categories of held to maturity, loans and receivables and available for sale. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

#### *Financial assets*

##### Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (continued from previous page)**

#### **Financial Instruments** (continue from previous page)

##### Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income or loss. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income or loss. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income or loss is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income or loss.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss.
- Designated at fair value through profit or loss - On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (continued from previous page)**

#### **Financial Instruments** *(continue from previous page)*

##### Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

##### Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

##### Impairment

Impairment of financial assets under IFRS 9 replaces the incurred loss model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (*continued from previous page*)**

#### **Financial Instruments** (*continue from previous page*)

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

#### Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Company derecognizes the financial asset. At the same time, the Company separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

#### *Financial liabilities*

#### Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (*continued from previous page*)**

#### **Financial Instruments** (*continue from previous page*)

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

#### Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

#### Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

#### Embedded derivatives

For hybrid contracts containing a host that is not an asset in the scope of IFRS 9, embedded derivatives are evaluated on initial recognition to determine if the embedded derivative must be separated from the host contract. Embedded derivatives are separated from the host contract when the economic characteristics and risks of the derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives that are separated from the host contract are initially measured at fair value and subsequently measured at fair value through profit or loss. The host contract is accounted for in accordance with the appropriate Standards.

Non-option derivatives are separated from the host contract on the basis of their stated or implied substantive terms so as to result in them having a fair value of zero at inception. Option-based derivatives are separated from the host contract on the basis of stated terms and conditions and measured at their fair value on inception, with the host contract's initial carrying amount being the residual amount after separating the derivative.



# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 3 Significant accounting policies (continued from previous page)

#### Financial Instruments (continue from previous page)

The following table summarizes the classification of the Company's financial instruments:

Asset / liability	Classification
Cash	Amortized cost
Accounts receivable and other	Amortized cost
Investment tax credits	Amortized cost
Bank line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent consideration	FVTPL
Lease liability	Amortized cost
License agreement liability	Amortized cost
Government financing	Amortized cost
Class A Preferred shares	Amortized cost

#### Fair value measurements

Fair value is defined as the price to sell an asset or transfer a liability (i.e. "the exit price") in an orderly transaction between market participants. Management uses a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is broken down into the following three levels.

Level 1: Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.

Level 3: Fair value based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect significant management judgments about assumptions that market participants might use.

#### Share capital

Share capital is recorded as the net proceeds received on issuance after deducting all share issuance costs.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (*continued from previous page*)**

#### **Warrants**

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finders' fees, using the Black-Scholes model. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to shareholders' equity from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

#### **Stock-based compensation and other stock-based payments**

The Company accounts for its stock option plan based on the fair value approach. The options give the holder the right to purchase or receive common shares and are accounted for as equity-settled plans. The expense for the value of each tranche is recognized over its respective vesting period, which in the case of most options granted would be on a graded vesting scale.

When recording compensation cost for equity awards, the Company estimates forfeitures based on the number of equity awards expected to vest. At the end of each reporting period, the Company reviews its estimates of the number of awards expected to vest and records any revisions in the consolidated statement of loss and comprehensive loss. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

#### **Income taxes**

Income tax comprises current and deferred income tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases, for unused tax losses, unused SR&ED expenditures and income tax credits, other than refundable investment tax credits. These differences are measured using tax rates and laws that were enacted or substantively enacted at the date of the consolidated statement of financial position and are expected to apply when the deferred income tax asset or liability is settled. Deferred tax assets are recognized only to the extent that it is more likely than not, in the opinion of management, that sufficient taxable income will be available to allow for all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and relate to income taxes levied by the same taxation authority.

# **Think Research Corp.** (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

**For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (*continued from previous page*)**

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the date of the consolidated statement of financial position. Transactions in foreign currencies are translated at the exchange rate in effect at the transaction date. Resulting exchange gains and losses are recognized separately in the consolidated statement of loss and comprehensive loss.

#### **Net income (loss) per share**

Basic net income (loss) per share is calculated based on the weighted average number of common shares outstanding for the year. Diluted net income (loss) per share is calculated using the weighted average number of common shares outstanding for the year for basic net income (loss) per share plus the weighted average number of potential dilutive shares that would have been outstanding during the year had all potential common shares been issued at the beginning of the year or when the underlying stock options, and warrants were granted, if later, unless they were anti-dilutive. The treasury stock method is used to determine the incremental number of common shares that would have been outstanding had the Company used proceeds from the exercise of stock options and warrants to acquire common shares.

#### **Revenue recognition**

The Company recognized revenue in accordance with IFRS 15 Revenue from Contracts with Customers.

Revenue represents the fair value on consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of renewable software licenses, professional services and other miscellaneous income.

#### *Contracts with multiple products or services*

The Company enters into contracts that contain multiple products and services such as right to use software licenses, installation, maintenance and support, and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods and services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price ("SSP").

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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### **3 Significant accounting policies (continued from previous page)**

#### **Revenue recognition (continue from previous page)**

##### *Renewable software licenses*

The Company sells software licenses on a specified term basis, with customer held options for renewal. Recognition of revenue from the license of software is recognized at the time that the software has been made available to the customer and is recognized rateably over the term of the related agreement. Revenue earned from the installation of the software licenses is earned rateably over the expected life of the customer.

From time to time, the Company enters into contracts containing variable rates, where fees are earned on a per user basis. In these instances, the Company estimates the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer using either the expected value or most likely amount methods. At the end of each reporting period, the Company updates the estimated transaction price to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

##### *Professional services*

Professional services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

##### *Deferred and unbilled revenue*

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue within accounts receivable and other. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

### For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

#### 4 Business combinations

##### AirMed Trials Inc.

On February 26, 2020 (the "Acquisition Date"), pursuant to an acquisition agreement the Company purchased 100% of the issued and outstanding shares of AirMed Trials Inc. ("AirMed"). AirMed is a healthcare information technology company, focusing specifically on clinical trials and workflow optimization. Pursuant to the agreement, AirMed was acquired for considerations comprised of \$350 of cash, 53,000 common shares of the Company with an estimated value of \$350 and additional contingent consideration with an estimated fair value of \$177 discounted using a risk-free rate. An initial cash payment of \$250 was made on the acquisition date, and with the remaining \$100 of cash consideration paid on July 1, 2020.

The contingent consideration includes cash and common shares, is payable over a 36-month period following the Acquisition Date and is contingent upon meeting certain revenue targets. The contingent consideration has been recorded as a contingent consideration liability on the consolidated statement of financial position at its estimated fair value.

The following table summarizes the fair value of consideration paid on the Acquisition Date and the allocation of the purchase price to the assets and liabilities acquired:

<b>Consideration</b>	<b>\$</b>
Cash	350
Common shares (53,000 shares issued with an estimated fair value of \$6.60/share)	350
Fair value of contingent consideration	177
	<b>877</b>
<b>Purchase price allocation</b>	<b>\$</b>
Acquired technology	476
Deferred tax liability	(126)
Goodwill	527
	<b>877</b>

Goodwill arose in the acquisition of AirMed because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development and other expected synergies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising on the acquisition is not expected to be deductible for tax purposes.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 5 Accounts receivable and other

	September 30, 2020	September 30, 2019
	\$	\$
Trade accounts receivable	1,798	4,342
Unbilled revenue	305	689
Government grants receivable (Note 10)	849	-
	2,952	5,031
Allowance for expected credit losses (Note 22)	(215)	(33)
	2,737	4,998
Current	2,603	4,998
Non-current	134	-
	2,737	4,998

### 6 Investment tax credits

The Company undertakes certain SR&ED activities. Under a government program, a portion of these expenditures are recoverable by the Company. During the year-ended September 30, 2020, the Company recorded investment tax credits related to SR&ED of \$1,196 (2019 - \$1,177) as a reduction of research and development expense on the consolidated statement of loss and comprehensive loss.

### 7 Property and equipment

	Computer software	Computer hardware	Furniture and office equipment	Equipment under capital lease	Total
	\$	\$	\$		\$
<b>Cost</b>					
Balance, September 30, 2018	128	711	289	938	2,066
Additions	-	104	77	-	181
Balance, September 30, 2019	128	815	366	938	2,247
Additions	-	47	-	-	47
<b>Balance, September 30, 2020</b>	<b>128</b>	<b>862</b>	<b>366</b>	<b>938</b>	<b>2,294</b>
<b>Accumulated depreciation</b>					
Balance, September 30, 2018	106	427	138	763	1,434
Depreciation	10	151	57	91	309
Balance, September 30, 2019	116	578	195	854	1,743
Depreciation	6	117	51	23	197
<b>Balance, September 30, 2020</b>	<b>122</b>	<b>695</b>	<b>246</b>	<b>877</b>	<b>1,940</b>
<b>Net book value</b>					
September 30, 2019	12	237	171	84	504
<b>September 30, 2020</b>	<b>6</b>	<b>167</b>	<b>120</b>	<b>61</b>	<b>354</b>

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

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### 8 Intangible assets

	Trademarks and patents	Technology	Total
	\$	\$	\$
<b>Cost</b>			
Balance, September 30, 2018	33	-	33
Balance, September 30, 2019	33	-	33
Additions	-	476	476
<b>Balance, September 30, 2020</b>	<b>33</b>	<b>476</b>	<b>509</b>
<b>Accumulated amortization</b>			
Balance, September 30, 2018	19	-	19
Amortization	4	-	4
Balance, September 30, 2019	23	-	23
Amortization	3	106	109
<b>Balance, September 30, 2020</b>	<b>26</b>	<b>106</b>	<b>132</b>
<b>Net book value</b>			
September 30, 2019	10	-	10
<b>September 30, 2020</b>	<b>7</b>	<b>370</b>	<b>377</b>

### 9 Goodwill

The carrying amount of goodwill related to each entity as follows:

	September 30, 2020	September 30, 2019
	\$	\$
AirMed Trials Inc.	527	-

For the year ended September 30, 2020, the recoverable amount of the Company's CGU was determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period and an after-tax discount rate of 35.5% (pre-tax – 39.2%) per annum. The cash flows beyond the five-year period have been extrapolated using a steady 2.0% per annum growth rate.

The cash flow projections used in estimating the recoverable amounts are generally consistent with results achieved historically adjusted for anticipated growth. The Company believes that any reasonably possible change in key assumptions on which the recoverable amounts were based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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#### **10 Government Grants**

##### *Canada Emergency Wage Subsidy*

In March 2020, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (“CEWS”) to support employers that are hardest hit by the pandemic and protect the jobs Canadians depend on. The subsidy generally covers 75% of an employee’s wages (to a maximum) for employers of all sizes and across all sectors who have suffered a drop in gross revenues of at least 15% in March, and 30% in April to June. For claim periods beyond June, the CRA announced that there is no longer a minimum drop in revenues requirement, but rather the amount of subsidy a company qualifies for is determined by a calculation taking into consideration how much revenue has dropped. The Company has determined that it would be eligible for the CEWS amounts and has applied for such assistance from the Government of Canada.

During the year ended September 30, 2020, the Company recorded payments received related to CEWS of \$870 (2019 - \$nil), \$1,859 (2019 - \$nil) and \$1,025 (2019 - \$nil) as a reduction of general and administration, research and development and sales and marketing expenses respectively, on the consolidated statements of loss and comprehensive loss. As at September 30, 2020, \$849 (2019 - \$nil) was recorded in accounts receivable and other on the consolidated statements of financial position.

##### *Jobs and Prosperity Fund*

On August 1, 2017, the Company was awarded a grant of up to \$5,000 (the “Grant”) by the Jobs and Prosperity Fund (“JPF”). Ontario has established the JPF to assist Ontario businesses and business development organizations to support business investment and economic development in key sectors of Ontario. The Grant was awarded to the Company for the purpose of financing a specific approved project.

The Grant is disbursed over a six-year period, with a maximum annual disbursement of up to \$1,000. The Grant is subject to certain clawback conditions related to the actual dollar value of the investment made by the Company into the approved project and certain job creation and retention targets which are to be evaluated on the conclusion of the project. The Company has received funds of \$2,100 (2019 - \$1,100) in relation to the Grant to date.

During the year-ended September 30, 2020, the Company recognized income of \$961 (2019 - \$669) in relation to the Grant which is presented in research and development expense on the consolidated statement of loss and comprehensive loss. The Grant is also subject to certain negative and affirmative covenants. As at September 30, 2020, the Company was in compliance with these covenants (September 30, 2019 - in compliance).



# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

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### 11 Bank line of credit

The Company has entered into a credit facility agreement (the “Credit Facility”) that includes an operating line of credit of up to a maximum of \$10,000 (2019 - \$10,000) which bears interest at the lender’s prime rate plus 2.5% per annum (2019 – lender’s prime rate + 2%). As at September 30, 2020, the Company had drawn \$7,846 (2019 - \$6,107) on this facility. During the year-ended September 30, 2020, the Company recognized interest expense of \$331 (2019 - \$221) in relation to its bank indebtedness.

The Credit Facility also includes an additional credit card facility of up to a maximum of \$250 (2019 - \$250), a letter of guarantee of \$1,700 (2019 - \$1,500) related to the Company’s future office space and a line of credit for letters of guarantee of up to a maximum of \$2,150 (2019 - \$2,150). As at September 30, 2020, the Company has issued a \$1,500 letter of credit. See Note 17 for further details.

The Credit Facility is secured by a first-ranking general security agreement covering all the assets of the Company and its subsidiaries and personal guarantees from the chief executive officer and a director of the Company. The Credit Facility is subject to certain financial and non-financial covenants. As at September 30, 2020, the Company was in violation of certain financial and reporting covenants (2019 – in compliance). This event provides the lender with the right to call the facility balances. The lender has provided a waiver indicating they will not call the loans as a result of these violations.

### 12 Accounts payable and accrued liabilities

	September 30, 2020	September 30, 2019
	\$	\$
Trade accounts payable and accrued liabilities	3,925	1,536
Government remittances	(95)	462
	3,830	1,998

### 13 Government Financing

In July 2020, TRC secured government financing in the amount of \$500. The loan is interest-free with no repayment terms for the first two years. At the end of the two year period, the loan is to be repaid in equal monthly instalments of principal of \$8 over a 60-month period.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 13 Government Financing (continued from previous page)

The loan is also subject to certain negative and affirmative covenants. As at September 30, 2020, TRC was in violation of a negative covenant in relation to making payments to its parent company. The lenders have a right to demand repayment of the loan if covenants are violated. As such, the loan has been presented as a current liability in the consolidated statement of financial position at September 30, 2020. The violation was cured subsequent to year-end.

The future principal repayments with respect to the existing amounts owing are as follows:

	\$
2021	
2022	
2023	75
2024	100
2025 and thereafter	325
	<u>500</u>

### 14 Right-of-use asset and lease liability

The Company has a lease for its office premises. On transition to IFRS 16, the Company recognized a right-of-use asset and corresponding lease liability in respect of this lease. The lease liability was measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 11.32%. The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The following schedule shows the movement in the Company's right-of-use asset during the period:

	Office premises
	\$
<b>Cost</b>	
Balance, October 1, 2019	-
Recognized on transition to IFRS 16 Leases (Note 3)	4,263
<b>Balance, September 30, 2020</b>	<b>4,263</b>
<b>Accumulated depreciation</b>	
Balance, October 1, 2019	-
Depreciation	1,650
<b>Balance, September 30, 2020</b>	<b>1,650</b>
<b>Net book value</b>	
September 30, 2019	-
<b>September 30, 2020</b>	<b>2,613</b>

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 14 Right-of-use asset and lease liability (continued from previous page)

The right-of-use asset is being depreciated on a straight-line basis over the remaining term of the lease ending April 30, 2022. During the twelve months ended September 30, 2020, the Company recognized depreciation expense of \$1,650 which was recognized in the line item 'General and administration' in the consolidated statement of loss and comprehensive loss.

The following schedule shows the movement in the Company's lease liability during the period:

	\$
Balance, October 1, 2019	-
Recognized on transition to IFRS 16 <i>Leases</i> (Note 3)	4,263
Interest expense (Note 25)	410
Lease payments	(1,427)
Gain on rent concessions	(309)
<b>Balance, September 30, 2020</b>	<b>2,937</b>

A reconciliation of the current and non-current components of lease liabilities at September 30, 2020 is as follows:

	\$
Current	1,785
Non-current	1,152
	<b>2,937</b>

The following table provides a maturity analysis of the Company's lease liabilities. The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows before deducting interest or finance charges.

	\$
2021	2,030
2022	1,176
	<b>3,206</b>

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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#### **14 Right-of-use asset and lease liability** *(continued from previous page)*

##### **Rent Concession**

The Company has elected to not assess whether a rent concession that is the result of COVID-19 is a lease modification, provided the concession meets the following conditions:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments effects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

Instead, the Company has recognized the rent concession by adjusting the balance of the lease liability and recognizing the concession as income. The Company has applied this election to all rent concessions that meet the conditions noted above, which includes the lease for its office premises. During the year-ended September 30, 2020, the Company recognized \$309 (2019 - \$nil) in the consolidated statement of loss and comprehensive loss to reflect the changes in lease payments that arose from rent concessions to which the Company applied the practical expedient.

#### **15 License agreement liability**

On January 29, 2009, the Company entered into a license agreement with Trillium Health Partners (“THP”) where the Company agreed to provide THP access to their proprietary software at no cost as a method of resolving a dispute surrounding ownership of the intellectual property (the “IP”). Under the terms of this settlement agreement, upon a change in control of TRC, TRC would owe THP 10% of TRC’s enterprise value (the “Settlement”), after which TRC would own the IP outright, with TRC’s only remaining commitment being the Settlement and ongoing 1% royalty (discussed below). As a result of a triggering event on March 5, 2014 which was considered a sale of all or substantially all of the shares of TRC the settlement to THP was required.

On July 31, 2016, the Company and THP reached an agreement to compensate THP \$2,500 (representing 10% of estimated enterprise value at such date of \$25,000) in cash and services in kind for the intellectual property as a full and final settlement of the original dispute in relation to ownership of the intellectual property. In addition to the \$2,500, the Company agreed to pay a 1% royalty to THP for a period of 20 years, ending in July 2036, on gross revenue from Acute Care Order Set products and Quality Based Procedure products.

The Company has paid cash considerations of \$1,061 (including accrued interest and outstanding 1% royalty to the effective date of this agreement) in equal monthly instalments of principal and interest for 48 months, ending on July 31, 2020. Interest was calculated at the bank’s prime rate plus 2%. As at September 30, 2020, the balance of the cash consideration owing to THP was \$nil (2019 - \$216). During the year-ended September 30, 2020, the Company recognized interest expense of \$6 (2019 - \$20) in relation to the license agreement liability. As part of the Settlement, the Company is to provide the use of Acute Care Order Set products to THC. During the year-ended September 30, 2020, the Company recognized license fee revenue of \$201 (2019 - \$201) relating to the services in kind on the consolidated statement of loss and comprehensive loss. As the September 30, 2020, the Company remained obligated to perform services in kind valued at \$576k (2019 - \$777).

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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### 16 Share capital

#### Authorized

The Company's authorized share capital includes:

- An unlimited number of common shares
- 7,500,000 Class A Preferred shares
- An unlimited number of Class B Preferred shares

#### Common shares

The common shares carry voting rights. Each common share entitles the holder to one vote for each share held. The common shares are entitled to receive dividends in subordination to the Class A Preferred shares, and on parity with the Class B Preferred shares if and when declared by the Board of Directors. In the event of dissolution, the common shares rank behind the Class A Preferred shares and on parity with the Class B Preferred shares.

#### *Issued and outstanding*

#### Common shares

	#	\$
<b>Balance, September 30, 2018</b>	<b>20,541,573</b>	<b>38,148</b>
Issuance of common shares	2,006,617	9,093
Conversion of Class B Preferred shares to common shares	120,500	-
Shares issued on the conversion of warrants	219,668	1,139
Shares issued on the exercise of stock options	635,084	3,153
Share issuance costs	-	(442)
<b>Balance, September 30, 2019</b>	<b>23,523,442</b>	<b>51,091</b>
Issuance of common shares	1,528,833	10,090
Issuance of common shares as consideration for the acquisition of AirMed Trials Inc. (Note 4)	53,000	350
Shares issued on the conversion of warrants	55,512	288
Shares issued on the exercise of stock options	478,250	3,031
Share issuance costs	-	(679)
<b>Balance, September 30, 2020</b>	<b>25,639,037</b>	<b>64,171</b>

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 16 Share capital (continued from previous page)

#### Common shares (continued from previous page)

##### Private placement – October 2019

On October 16, 2019, the Company issued 1,528,833 (2019 – 2,006,617) common shares that were issued at \$6.60 (2019 - \$5.25) per share for total gross proceeds of \$10,090 (2019 - \$9,093). The Company incurred costs of \$587 (2019 - \$442) relating to professional and advisory services, resulting in net proceeds of \$9,503 (2019 - \$8,651), which was recorded as a reduction to the carrying amount of the Company's common shares on the consolidated statement of financial position.

The Company agreed to issue 39,773 warrants with a fair value of \$92 to the broker of the October 2019 private placement for services received in obtaining subscriptions. The fair value of the services received could not be estimated reliably. Accordingly, the fair value of the services received was measured by reference to the fair value of the warrants issued. The corresponding cost of the services was recognized as an issuance cost directly in common shares.

The fair value of the warrants issued were determined using the Black-Scholes option pricing model and the following assumptions:

	Initial recognition
Estimated fair value per common share	\$ 6.60
Exercise price	\$ 6.60
Expected volatility	55%
Expected life	2 years
Expected dividend yield	0%
Risk-free interest rate	1.58%

During the period ended September 30, 2020, the Company issued 478,250 common shares (2019 – 635,084) for cash consideration of \$6 (2019 - \$5) on the exercise of stock options. The fair value of the exercised options was \$3,025 (2019 - \$3,148) with such amount transferred from contributed surplus to common shares upon exercise.

During the period ended September 30, 2020, the Company issued 55,512 common shares (2019 – 219,668) for cash consideration of \$1 (2019 - \$2) on the exercise of warrants. The fair value of the exercised warrants was \$287 (2019 - \$1,137) with such amount transferred from contributed surplus to common shares upon exercise.

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

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### **16 Share capital** *(continued from previous page)*

#### **Class A Preferred shares**

The Class A Preferred shares carry voting rights. Each Class A Preferred share entitles the holder to one vote for each share held.

The Articles of Amendment dated September 27, 2017 (the “Articles”) specify the voting events to which the holders can vote as:

- i) The issuance, transfer or redemption of any securities ranking ahead of or equal to the Class A Preferred shares with respect to dividends, redemption or liquidation preference;
- ii) The entering into any reorganization, consolidation, amalgamation, arrangements, winding-up, merger or other similar transaction unless all of the Class A Preferred shares then issued and outstanding are redeemed;
- iii) The payment of any dividend or other distribution on issued securities other than distributions and dividends payable of up to \$1,000 per calendar year, beginning two years from the original issuance of the Class A Preferred shares on any other class of shares;
- iv) The approval of any plan or proposal for the liquidation or dissolution of the Company;
- v) The granting of any lien against the property and assets out of the ordinary course of business that is not subordinated to the security interest held by the holder of the Class A Preferred shares in respect of the Company’s obligations in respect of the Class A Preferred shares;
- vi) Amending the terms of any existing indebtedness that is not subordinated to the security interest held by the holders of the Class A Preferred shares in respect of the Company’s obligations in respect of the Class A Preferred shares;
- vii) The incurrence of any additional indebtedness that is not subordinated to the security interest held by the holders of the Class A Preferred shares in respect of the Company’s obligations in respect of the Class A Preferred shares; and,
- viii) Any other material matters out of the ordinary course of business.

With respect to clauses (v) to (vii) the Class A Preferred shareholders shall not be entitled to vote until the aggregate amount attributed to such an activity in any fiscal year exceeds the annual budget approved by the Class A shareholders by 20%.

The Class A Preferred shares are entitled to mandatory, cumulative dividends of \$50 per annum for the first two years from the date of issuance, and subsequently 8% of the outstanding principal of all outstanding Class A Preferred shares. The Class A Preferred shares are also entitled to discretionary dividends as declared by the Board of Directors.

The Class A Preferred shares are mandatorily redeemable at \$1.00 per share starting two years following the original issuance date in April 2016 in accordance with the authorized redemption schedule included in the Articles. The Class A Preferred shares are also voluntarily redeemable at the option of the Company at a price of \$1.00 per share provided that the number of Class A Preferred shares redeemed is a minimum of 25,000 shares.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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### 16 Share capital (continued from previous page)

#### Class A Preferred shares (continued from previous page)

The Class A Preferred shares contain a redemption clause which is outside the control of the issuer and as a result have been classified as liabilities. The Class A Preferred shares were initially recognized at fair value, and subsequently measured at amortized cost. Management has identified that the Class A Preferred shares were issued to an existing shareholder of the Company, and therefore the fair value of the Class A Preferred shares was estimated by calculating the present value of the principal and future interest payments at a discount rate of 20%, representing the estimated market interest rate for a similar instrument issued at arm's length.

A summary of the year-over-year movement in the Class A Preferred share balances is outlined below:

#### Issued and outstanding

##### Class A Preferred shares

	#	\$
Balance, September 30, 2018	6,482,062	4,593
Interest accretion	-	299
Mandatory redemption	(466,459)	(467)
<b>Balance, September 30, 2019</b>	<b>6,015,603</b>	<b>4,425</b>
Less: current portion		218
<b>Non-current portion</b>		<b>4,207</b>
Balance, September 30, 2019	6,015,603	4,425
Interest accretion	-	286
Mandatory redemption	(594,522)	(504)
<b>Balance, September 30, 2020</b>	<b>5,421,081</b>	<b>4,207</b>
Less: current portion		276
<b>Non-current portion</b>		<b>3,931</b>

The Class A Preferred shares are entitled to payments of \$80 per month, first allocated to the 8% dividend noted above with the residual being allocated against the principal.

During the year ended September 30, 2020, the Company made dividend payments of \$455 (2019 - \$494) which were recognized as interest expense on the consolidated statement of loss and comprehensive loss.



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## Notes to the Consolidated Financial Statements

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### 16 Share capital (continued from previous page)

#### Class A Preferred shares (continued from previous page)

The following table provides a summary of future undiscounted mandatory principal repayments on of the Company's Class A Preferred shares:

	\$
2021	546
2022	590
2023	638
2024	691
2025 - 2028	3,046
	<u>5,511</u>

#### Class B Preferred shares

The Class B preferred shares are non-voting. The Class B Preferred shares are entitled to discretionary dividends as declared by the Board of Directors.

Each Class B Preferred share is convertible, at the option of the holder or the Company, into one common share. The Class B preferred shares shall automatically convert into common shares in the event of: (i) the closing of a public offering or (ii) the termination of the employment of the holder. Management has concluded that the host Class B Preferred shares and the aforementioned conversion options are clearly and closely related and do not require evaluation as stand-alone instruments.

#### Issued and outstanding

#### Class B Preferred shares

	#	\$
Balance, September 30, 2018	217,500	1
Conversion of Class B Preferred shares to common shares	(120,500)	-
Balance, September 30, 2019	97,000	1
Issuance of Class B Preferred shares	16,000	-
<b>Balance, September 30, 2020</b>	<b>113,000</b>	<b>1</b>

During the year-end September 30, 2020, the Company issued 16,000 (2019 – 120,500 exchanged) Class B Preferred shares.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

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### 16 Share capital (continued from previous page)

#### Employee stock option plan

The Company has an Employee Stock Option Plan (the "Option Plan") applicable to eligible employees, consultants, advisors and directors of the Company. The total number of options reserved for issuance under the Option Plan is 2,038,777 (2019 – 2,038,777). Stock options granted under the Option Plan generally vest over terms of three or four years and expire over three to five years. The following reconciles the options outstanding at the beginning and end of the year:

	<b>2020</b>		<b>2019</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Balance, beginning of year	<b>430,139</b>	<b>0.01</b>	932,098	0.01
Granted	<b>605,925</b>	<b>0.01</b>	224,500	0.01
Exercised	<b>(455,764)</b>	<b>0.01</b>	(635,084)	0.01
Forfeited	<b>(43,000)</b>	<b>0.01</b>	(91,375)	0.01
Expired	<b>(15,000)</b>	<b>-</b>	-	-
Balance, end of year	<b>522,300</b>	<b>0.01</b>	430,139	0.01
Exercisable at end of year	<b>261,924</b>	<b>0.01</b>	150,925	0.01

Additional information regarding options outstanding as of September 30, 2020 are as follows:

<b>2020 Options outstanding</b>			
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life in years</b>
<b>Range of exercise prices</b>	<b>#</b>	<b>\$</b>	
<b>\$0.01</b>	<b>522,300</b>	<b>0.01</b>	<b>3.2</b>
<b>2019 Options outstanding</b>			
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life in years</b>
<b>Range of exercise prices</b>	<b>#</b>	<b>\$</b>	
<b>\$0.01</b>	<b>430,139</b>	<b>0.01</b>	<b>3.9</b>

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 16 Share capital (continued from previous page)

#### Employee stock option plan (continued from previous page)

The Black-Scholes model is used by the Company to calculate option fair values. This model requires subjective assumptions, including expected future dividends and expected time until exercise, which affects calculated values. The following assumptions were used to estimate the fair value of stock options granted during the year:

	2020	2019
Weighted average fair value per common share	\$ 6.60	\$ 5.25
Weighted average exercise price	\$ 0.01	\$ 0.01
Expected volatility	60%	58%
Expected option life in years	3.2	3.9
Expected dividend yield	0%	0%
Risk-free interest rate	0.36%	1.64%

The fair value of options issued during the year was \$3,031 (2019 - \$1,176) and will be charged against profit or loss rateably over their vesting periods.

During the year, \$4,248 (2019 - \$1,179) was recognized in contributed surplus with respect to stock-based compensation expense for issued options and included in 'General and administration' in the consolidated statement of loss and comprehensive loss.

### 17 Commitments and Contingencies

The Company is committed to future minimum annual payments under operating leases for office space commencing December 1, 2022 as follows:

	\$
2021	-
2022	-
2023	2,401
2024	2,881
2025 - 2028	32,334
	<u>37,616</u>

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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#### **17 Commitments and Contingencies** *(continued from previous page)*

##### **Lease commitment**

On September 28, 2018 (the “Execution Date”), the Company entered into a 12-year lease agreement commencing on December 1, 2022 for a new office space. The above table reflects the current lease agreement in addition to the scheduled monthly payments as agreed upon in the terms of the September 28, 2018 lease agreement.

In accordance with the lease agreement, the Company is required to deliver a letter of credit to the lessor of \$1,500 (“Letter of Credit #1”) at the Execution Date and an additional letter of credit for \$1,900 on December 1, 2021. The letters of credit shall be reduced to \$nil over the first six years of the lease. See Note 11 for further details on the related credit facility.

##### **Royalty**

The Company is committed to pay a 1% royalty on gross revenue from Acute Care Order Set products and Quality Based Procedure products for a period of 20 years ending on July 31, 2036 (see Note 15 for additional details).

On June 5, 2020 the Company entered into a three year license agreement with a vendor which is to be integrated into the Company’s product offerings. The license agreement includes a royalty arrangement, where the Company is required to pay the vendor a royalty based on a tiered usage system. During the year-ended September 30, 2020, the Company incurred royalty expenses of \$nil (2019 - \$nil) relating to the agreement which are recorded in cost of good sold on the consolidated statement of loss and comprehensive loss.

##### **Contingencies**

The Company had three shareholders who had dissented (the “Dissenters”) in respect to the Company’s reverse takeover transaction occurring subsequent to year-end (see Note 29). Collectively the Dissenters hold 229,102 common shares of the Company and are entitled to be paid fair value for those shares by the Company pursuant to the process set out in section 185 of the Business Corporation Act (Ontario). The Company and the Dissenters have agreed to a settlement in which the Company will provide the Dissenters with 229,102 common shares of the Company, the same number of shares they would have received but for the dissent. The issuance of the common shares has been approved by the TSXV subsequent to year-end.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

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### 18 Income taxes

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 26.5% (2019 - 26.5%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2020	2019
	\$	\$
Net loss before recovery of income taxes	(10,040)	(13,278)
Expected income tax recovery	(2,661)	(3,519)
Share-based compensation and non-deductible expenses	1,140	480
Prior year adjustments	-	(12)
Other adjustments	181	277
Tax effect of acquisition	(47)	-
Financing and share issuance costs	(155)	-
Change in tax benefits not recognized	1,518	2,780
<b>Income tax expense (recovery)</b>	<b>(24)</b>	<b>6</b>

The Company's income tax expense is allocated as follows:

	2020	2019
	\$	\$
Current tax expense	4	6
Deferred tax recovery	(28)	-
<b>Income tax expense (recovery)</b>	<b>(24)</b>	<b>6</b>

The following table summarizes the components of deferred tax during the years:

	September 30, 2020	September 30, 2019
	\$	\$
<b>Deferred Tax Assets</b>		
Non-capital losses carried forward	958	257
<b>Deferred Tax Assets</b>		
Intangible assets	(99)	-
Right-of-use asset	(691)	-
Investment tax credits	(266)	(257)
<b>Net deferred tax liability</b>	<b>(98)</b>	<b>-</b>

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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### 18 Income taxes (continued from previous page)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. The following table summarizes the movement in deferred tax liabilities during the year:

	2020	2019
	\$	\$
Balance, beginning of the year	-	-
Recognized in consolidated loss and comprehensive loss	28	-
Recognized in goodwill	(126)	-
Balance, end of the year	(98)	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	September 30, 2020	September 30, 2019
	\$	\$
Accounts receivable	215	32
Intangible assets	21	19
Property and equipment	395	390
Accrued liabilities	-	99
Lease liability	3,296	385
Deferred revenue	-	3,747
Financing fees	665	264
Investment tax credits and other	297	297
Non-capital losses carried forward	44,878	38,982
	49,767	44,215

The Company has not recorded a deferred tax asset related to these unused losses and other temporary differences as it is uncertain if future taxable income will be available against which these unused tax attributes can be utilized.

The Company has non-capital losses for tax purposes of \$44,878 that may be used to reduce taxable income in the future. The potential tax benefits to these tax losses have been recognized in the consolidated financial statements to the extent described above. If not utilized, these losses will expire as follows:

	\$
2035	988
2036	180
2037	17,571
2038	9,287
2039	8,311
2040	8,541
	44,878

# **Think Research Corp. (formerly TRC Management Holdings Corp.)**

## **Notes to the Consolidated Financial Statements**

### **For the years ended September 30, 2020 and 2019**

(In thousands of Canadian dollars, except share and per share amounts)

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#### **19 Capital management**

The Company's objective of managing capital, which is comprised of: shareholder's deficiency, common shares, Class A Preferred shares, Class B Preferred shares and warrants to purchase common shares, is to ensure its continued ability to operate as a going concern. The Company manages its capital structure and makes changes to it based on economic conditions. With approval from the Board of Directors, management will adjust its capital structure through the issue of new shares, debt or other activities deemed appropriate under the specific circumstances. Management and the Board of Directors review the Company's capital management approach on an ongoing basis and believe this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the year ended September 30, 2020.

#### **20 Financial instruments and risk management**

The Company's financial instruments consist of cash, accounts receivable and other, investment tax credits, accounts payable and accrued liabilities, bank line of credit, contingent consideration, government financing, license agreement payable, lease liability and Class A Preferred shares. The carrying value of financial instruments classified at amortized cost approximate fair value due to their short-term nature.

##### **Credit and concentration risk**

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable and other. Cash is maintained at reputable Canadian and European financial institutions; therefore, the Company considers the risk of non-performance to be remote. The Company sells its products to a diverse customer base consisting of businesses and government entities residing in various geographic regions and from various demographic segments. The Company evaluates the creditworthiness of the corresponding counterparties at regular intervals and generally requires pre-payment from most customers.

Allowances are maintained for potential credit losses consistent with credit risk and other information. The Company does not use credit derivatives or similar instruments to mitigate credit risk.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 20 Financial instruments and risk management (continued from previous page)

#### Credit and concentration risk (continued from previous page)

The aging of accounts receivable, net of allowances for expected credit losses and unbilled revenues, at each respective year-end is as follows:

	September 30, 2020	September 30, 2019
	\$	\$
Current	1,442	3,757
Past due		
31 to 60 days	358	203
61-90 days	51	207
Greater than 90 days	581	142
	<b>2,432</b>	<b>4,309</b>

A credit concentration exists relating to accounts receivable and other. As at September 30, 2020, four customers (2019 – two) accounted for approximately 40% (2019 – 57%) of accounts receivable and three customers (2019 – three) accounted for 59% of revenues from operations (2019 – 49%). The loss of any of these customers could have a significant adverse impact on the Company's financial results if replacement customers are not found in a timely manner.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate for each aging category of trade receivables as at September 30, 2020 and September 30, 2019.

September 30, 2020	Total	0-30 days	31-60 days	61-90 days	>90 days
Default rates		1.26%	2.75%	3.00%	22.50%
Trade receivables	\$ 1,798	\$ 501	\$ 358	\$ 51	\$ 888
Expected credit loss	\$ 215	\$ 6	\$ 9	\$ 1	\$ 199

  

September 30, 2019	Total	0-30 days	31-60 days	61-90 days	>90 days
Default rates		0.15%	2.00%	3.00%	9.50%
Trade receivables	\$ 4,342	\$ 3,756	\$ 203	\$ 209	\$ 174
Expected credit loss	\$ 33	\$ 5	\$ 4	\$ 6	\$ 18



# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

### For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

## 20 Financial instruments and risk management (continued from previous page)

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through monitoring cash outflows due in its day-to-day business and by regular cash flow forecasting of cash requirements to fund research and development. The Company's liabilities include trade accounts payable and accrued liabilities all of which are due within normal trade terms of generally 30 days.

	Within 1 year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
<b>As at September 30, 2020</b>					
Bank line of credit	7,846	-	-	-	7,846
Accounts payable and accrued liabilities	3,830	-	-	-	3,830
Contingent consideration	102	75	-	-	177
Government financing	-	-	444	56	500
Lease liability	1,785	1,152	-	-	2,937
Class A Preferred shares	960	960	2,880	2,556	7,356
	14,523	2,187	3,324	2,612	22,646

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's earnings or the value of its holdings of financial instruments.

#### a) Interest rate risk

The Company's exposure to interest rate risk as at September 30, 2020 is as follows:

Cash	Non-interest bearing
Accounts receivable and other	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Bank line of credit	Lenders prime rate + 2%
Government financing	Non-interest bearing
Lease liability	11.32%
Class A Preferred shares	8.0% per annum

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 20 Financial instruments and risk management (continued from previous page)

#### Market risk (continued from previous page)

##### b) Foreign exchange risk

There is financial risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company currently does not use derivative instruments to hedge its exposure to foreign currency risk, which is primarily limited to that of the United States dollar and European Euro. At September 30, the following amounts were denominated in U.S. dollars and Euros (expressed in Canadian dollars):

USD	September 30, 2020	September 30, 2019
	\$	\$
Cash	358	1,335
Accounts receivable and other	675	275
Accounts payable and accrued liabilities	(164)	302
Net asset position	869	1,912
Impact of 10% change	10%	10%
	87	191
EUR	September 30, 2020	September 30, 2019
	\$	\$
Cash	79	109
Accounts receivable and other	-	37
Accounts payable and accrued liabilities	(13)	(37)
Net asset (liability) position	66	109
Impact of 10% change	10%	10%
	7	11

With all other variables held constant, a plus or minus 10% change in the foreign exchange rate would give rise to an increase or decrease in reported net loss for the year of \$94 (2019 - \$202). The use of the 10% rate of change is based on observed historical fluctuations in exchange rates.

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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### 21 Related party transactions

The following refers to the Company's related party transactions. They are considered to be related party transactions since these transactions are with shareholders of the Company.

#### Consulting fees

During the year-ended September 30, 2020, the Company incurred consulting fee expenses of \$31 (2019 - \$158) for services provided by a shareholder of the Company which are recorded in general and administration expense on the consolidated statements of loss and comprehensive loss.

#### License fee revenue

During the year-ended September 30, 2020, the Company earned license fee revenues of \$343 (2019 - \$286) from a Company of which the Chief Executive Officer of the Company is a shareholder. As at September 30, 2020, \$162 (2019 - \$367) is included in accounts receivable and other on the consolidated statement of financial position.

### 22 Key management personnel compensation

The remuneration of directors and other members of key management personnel during the year was as follows:

	2020	2019
	\$	\$
Short-term benefits	1,454	1,348
Stock-based compensation	1,902	-
	3,356	1,348

### 23 Employee benefits

Employee benefits include salaries, wages, benefits and stock-based compensation. The following amounts were recognized as an expense in the consolidated statement of loss and comprehensive loss in respect of employee benefits:

	2020	2019
	\$	\$
Cost of goods sold	4,039	4,649
Operating expenses	16,617	18,441
	20,656	23,090

The employee benefits expense recognized in operating expenses included stock-based compensation expense of \$4,248 for the year ended September 30, 2020 (2019 - \$1,179).

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

### 24 Net change in operating components of working capital

	2020	2019
	\$	\$
Accounts receivable and other	2,272	(2,820)
Investment tax credits	9	(273)
Prepaid expenses and deposits	(2,573)	(189)
Contract assets	91	(49)
Accounts payable and accrued liabilities	1,832	(1,357)
Deferred revenue	(7,035)	398
Deferred grant revenue	-	(339)
	(5,404)	(4,629)

### 25 Interest expense

	2020	2019
	\$	\$
Interest expense on bank line of credit (Note 11)	331	221
Interest expense on lease liability (Note 14)	410	6
Interest expense on license agreement liability (Note 15)	6	20
Interest expense on Class A Preferred shares (Note 16)	455	494
	1,202	741

### 26 Segment information

The Company provides product licenses and customizes software for customers under a Software as a Service (SaaS) model. The Company does not have multiple operating segments. The Company's business activity consists of the development and commercialization of these products. The CEO is the Company's chief operating decision-maker, as defined by IFRS 8, and all significant operating decisions are taken by the CEO. In assessing performance, the CEO reviews financial information on an integrated basis for the Company as a whole, substantially in the form of, and on the same basis as, the Company's consolidated financial statements.

The Company's total revenue by geographic market for the years ended September 30, 2020 and September 30, 2019 are as follows:

	2020	2019
	\$	\$
Canada	17,402	16,010
United States	1,436	1,188
Latin America	250	-
Europe	78	62
Australia	51	-
Middle East	227	46
	19,444	17,306

# Think Research Corp. (formerly TRC Management Holdings Corp.)

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts)

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### 27 Global outbreak of COVID 19

Since March 2020, there has been an outbreak of COVID 19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID 19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, a decrease in the timeliness of trade receivable collections and supply chain disruptions which could all negatively impact the Company's business and financial condition.

### 28 Corresponding figures

Certain corresponding figures have been reclassified to conform with current year presentation.

### 29 Events after the reporting period

#### *Transaction with Aim4*

On November 12, 2020, the Company and TRC Management Holdings Corp. ("TRC"), entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which AIM4 Ventures Inc. ("AIM4"), a capital pool company, would acquire all of the issued and outstanding securities of TRC (the "Transaction"). Pursuant to the Arrangement Agreement, the Transaction would be completed by way of a plan of arrangement (the "Arrangement") under the provisions of the *Business Corporations Act* (Ontario).

In connection with the Transaction, on November 13, 2020, TRC completed an offering of 6,480,550 subscription receipts (the "Subscription Receipts") at an offering price of \$4.65 per Subscription Receipt, which Subscription Receipts were ultimately converted into 6,480,550 TRC common shares ("TRC Shares") prior to completion of the Transaction.

Also prior to completion of the Transaction, pursuant to a share purchase agreement dated October 18, 2020, TRC and the shareholders of 2775554 Ontario Inc. ("HCP"), TRC acquired all of the issued and outstanding shares of HCP from the holders thereof in exchange for the (a) issuance to such holders of 2,532,222 TRC Shares and (b) cash payments to certain electing shareholders of HCP. Prior to the acquisition of HCP by TRC, HCP acquired the HealthCare Plus Group of Clinics, Complete Immigration Medical Centre Corp., Ariontech Inc., and 49% of the shares of 11419501 Canada Inc. (a licensed pharmacy).

Under the Arrangement and pursuant to the terms of the Arrangement Agreement (i) the AIM4 common shares ("AIM4 Shares") were consolidated on the basis of up to 24,76125 pre-consolidation AIM4 Shares for every post-consolidation AIM4 Share (the "Consolidation"); (ii) all outstanding options and warrants to purchase AIM4 Shares were adjusted to account for the Consolidation; (iii) holders of post consolidation AIM4 Shares received one common share of the Corporation (the "Common Shares") for each AIM4 Share held by such holder immediately prior to the Effective Time (as defined in the Arrangement Agreement); (iv) holders of TRC Shares ultimately received one Common Share for each TRC Share held by such holder immediately prior to the Effective Time; and (iv) all options and warrants convertible into post-Consolidation AIM4 Shares or TRC Shares were exchanged for similar securities to purchase Common Shares on substantially similar terms and

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## Notes to the Consolidated Financial Statements

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#### **29 Events after the reporting period** *(continued from previous page)*

##### *Transaction with Aim4 (continued from previous page)*

conditions. Upon completion of the Arrangement, there were approximately 35,870,802 Common Shares issued and outstanding on a non-diluted basis and 36,333,903 Common Shares issued and outstanding on a fully-diluted basis. The Common Shares were owned as follows: (1) approximately 98.8% by former TRC shareholders (including former holders of Subscription Receipts) and approximately 1.2% by former AIM4 shareholders, on an undiluted basis; and (2) approximately 98.6% by former TRC shareholders (including former holders of Subscription Receipts), former holders of TRC options and former holders of TRC warrants and approximately 1.4% by former AIM4 shareholders, former holders of AIM4 options and former holders of AIM4 warrants, on a fully diluted basis.

On December 23, 2020, AIM4 and TRC completed the Transaction, pursuant to which, AIM4, TRC and HCP were amalgamated and the Corporation was re-named Think Research Corporation.

On December 30, 2020, the common shares of the Corporation began trading as a Tier 1 issuer on the TSX Venture Exchange under the trading symbol "THNK".

##### *Continuance of National Bank Line of Credit*

Subsequent to year-end, the Company reached an agreement with National Bank of Canada for the continuance of TRC's existing secured operating line of credit (See Note 11). The line of credit is in the amount of \$10 million. The facility expires on June 30, 2021 and contains terms, conditions, covenants and restrictions typical for a facility of this nature.

##### *Proposed Acquisition of Clinic 360*

On January 4, 2021, the Corporation announced that it had entered into a definitive agreement to acquire all of the issued and outstanding shares of Clinic 360 Inc. ("Clinic 360"), an innovator and leader in the fields of cosmetic surgery and elective surgery, in exchange for cash and shares of TRC. Consideration for the Transaction will consist of: (a) a cash payment of \$250,000; and (b) the issuance of a total of 1,182,795 Common Shares, subject to working capital and other adjustments on closing. The Transaction is expected to close in the first quarter of 2021, and is subject to customary closing conditions, including approval from the TSX Venture Exchange (the "TSXV") as an "expedited acquisition" in accordance with Policy 5.3 of the TSXV.

##### *Proposed Acquisition of MDBriefcase*

On January 18, 2021, the Company announced that it had entered into a share purchase agreement to acquire all of the issued and outstanding shares of MDBriefCase Group Inc. ("MDBriefCase"). Consideration for the Transaction will consist of: (a) the issuance of \$24M in value of Common Shares at a price of \$4.65 per Common Share, for an aggregate of 5,161,290 Common Shares; and (b) a cash payment of approximately \$1.3M, in each case, to be issued or paid, as the case may be, pro rata to the shareholders of MDBriefCase. The Transaction is subject to customary closing conditions, including approval from the TSXV as a "reviewable acquisition" in accordance with Policy 5.3 of the TSXV.