HIRE Technologies Inc.

Consolidated Financial Statements

December 31, 2020 and December 31, 2019

Independent auditor's report

To the Shareholders of HIRE Technologies Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HIRE Technologies Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity (deficit) for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2(b) in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Comparative information

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2020.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Lee-Anne Kovacs.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 28, 2021

HIRE Technologies Inc.

Consolidated Statements of Financial Position

As at December 31, 2020 and December 31, 2019

	2020 $	2019 $
Assets		
Current assets		
Cash	340,638	2,304,024
Trade and other receivables (Notes 5 and 23)	2,541,315	1,681,267
Prepaid expenses (Note 4)	322,956	314,127
	3,204,909	4,299,418
Non-current assets		
Property and equipment (Note 6)	410,993	420,510
Other receivables (Note 4)	473,463	32,084
Goodwill (Note 7)	5,100,078	909,548
Intangible assets (Note 8)	3,755,373	771,250
Investment in Atlas ID (Note 9)	254,640	-
	9,994,547	2,133,392
	13,199,456	6,432,810
Liabilities		
Current liabilities		
Bank indebtedness (Note 10)	465,000	-
Trade and other payables (Note 12)	2,232,611	1,727,627
Lease liability (Note 13)	175,374	157,221
Convertible debentures (Note 16)	2,288,726	-
Derivatives (Note 16)	6,763,040	-
	11,924,751	1,884,848
Long-term liabilities		
Loans (Note 11)	141,851	-
Lease liability (Note 13)	215,308	313,173
Long-term payables (Note 14)	1,368,815	202,096
Deferred tax liabilities (Note 15)	884,891	122,695
	2,610,865	637,964
	14,535,616	2,522,812
Shareholders' equity (deficit)		
Share capital (Note 17)	17,541,250	12,561,500
Reserves (Note 18)	1,317,628	827,314
Deficit	(20,195,038)	(9,478,816)
	(1,336,160)	3,909,998
	13,199,456	6,432,810

Basis of measurement and going concern (Note 2(b))

Approved by the Board of Directors

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______"Sean Cleary"________ Director ____________"Jonson Sun" ___________ Director

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

HIRE Technologies Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and December 31, 2019

	2020 $	2019 $
Revenue (Note 19)	11,398,314	11,961,608
Cost of services (Note 26)	7,958,930	9,122,393
Gross profit	3,439,384	2,839,215
Expenses		
Selling, general and administrative (Note 20)	7,083,452	6,663,783
Legal and other listing expenses	-	428,937
Listing related share-based consideration	-	2,670,926
Amortization of intangible assets	126,120	90,600
Interest	132,637	219,005
	7,342,209	10,073,251
	(3,902,825)	(7,234,036)
Unrealized loss on fair value of convertible debenture derivatives (Note 16)	(6,784,682)	-
Unrealized loss on fair value of Atlas ID (Note 9)	(13,760)	-
Loss before income taxes	(10,701,267)	(7,234,036)
Income tax expense (recovery) (Note 15)	14,955	(44,984)
Net loss and comprehensive loss	(10,716,222)	(7,189,052)
Supplemental disclosure		
Basic and diluted loss per share	(0.22)	(0.25)
Weighted number of shares	48,591,463	28,593,548

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

HIRE Technologies Inc.

Consolidated Statements of Changes in Equity (Deficit)

For the years ended December 31, 2020 and December 31, 2019

	Common shares	Amount $	Reserves $	Deficit $	Total $
Balance – January 1, 2019	24,913,811	2,798,544	187,940	(2,289,764)	696,720
Issuance of common shares prior to RTO	5,360,658	2,077,217	3,653	-	2,080,870
Share-based compensation expense	1,459,231	573,949	286,209	-	860,158
Shares issued to former owner of ProVision	1,399,983	700,000	-	-	700,000
Issuance of shares and warrants under brokered financing	8,203,650	3,158,290	167,917	-	3,326,207
Common shares and warrants deemed to be issued on reverse takeover	6,750,000	3,253,500	181,595	-	3,435,095
Net loss and comprehensive loss for the year	-	-	-	(7,189,052)	(7,189,052)
Balance – December 31, 2019	48,087,333	12,561,500	827,314	(9,478,816)	3,909,998
Issuance of common shares from warrants	401,672	119,212	(28,442)	-	90,770
Issuance of common shares from options	219,231	45,067	(10,000)	-	35,067
Issuance of common shares for business combination	1,352,911	1,022,000	-	-	1,022,000
Issuance of shares and warrants	6,827,332	3,793,471	76,306	-	3,869,777
Share-based compensation expense	-	-	296,172	-	296,172
Issuance of finder's warrants related to equity financing	-	-	55,285	-	55,285
Issuance of finder's warrants related to convertible debentures	-	-	100,993	-	100,993
Net loss and comprehensive loss for the year	-	-	-	(10,716,222)	(10,716,222)
Balance – December 31, 2020	56,888,479	17,541,250	1,317,628	(20,195,038)	(1,336,160)

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

HIRE Technologies Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and December 31, 2019

	2020 $	2019 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(10,716,222)	(7,189,052)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	153,222	165,559
Amortization of intangible assets	126,120	90,600
Loss (gain) on disposal of property and equipment	-	(3,211)
Income taxes (recovery)	14,955	(44,984)
Revaluation of fair value of earn-outs	-	11,999
Share-based compensation expense	296,172	860,158
Listing related share-based compensation from RTO	-	2,670,926
Interest expense	132,637	219,005
Convertible debentures – unrealized loss on fair value of derivatives	6,784,682	-
Unrealized loss on fair value of Atlas ID	13,760	-
Transaction costs – net	(213,347)	-
Changes in non-cash working capital balances		
Trade and other receivables	336,645	41,565
Prepaid expenses	71,797	(247,413)
Trade and other payables	(711,980)	113,293
Interest paid	(21,286)	(80,525)
	(3,732,845)	(3,392,080)
Investing activities		
Purchase of property and equipment	-	(11,846)
Cash acquired in reverse takeover	-	767,407
Investment in Atlas ID	(268,400)	-
Acquisition of The Headhunters – net of cash acquired (Note 4)	(239,232)	-
Acquisition of The Kavin Group – net of cash acquired (Note 4)	(983,619)	-
Acquisition of Taylor Ryan – net of cash acquired (Note 4)	(3,290,659)	-
	(4,781,910)	755,561
Financing activities		
Increase (decrease) in bank indebtedness	539,577	(435,000)
Lease payments	(254,420)	(145,023)
Repayment to former owner of ProVision	-	(259,911)
Advance from related parties	-	497,000
Repayment to related parties	-	(497,000)
Proceeds from issuance of common shares	-	6,028,052
Payments to the agents	-	(620,975)
Earn-out and contingent payments	(41,114)	-
Issuance of common shares – net of finders fees	4,041,017	-
Proceeds from convertible debentures – net of finders fees	2,266,309	-
	6,551,369	4,567,143
Change in cash during the year	(1,963,386)	1,930,624
Cash – Beginning of year	2,304,024	373,400
Cash – End of year	340,638	2,304,024

Supplemental cash flow information (Note 25)

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

1 Nature of business

HIRE Technologies Inc. (the "Company" or "HIRE Technologies"), formerly known as Danacore Industries Inc. ("Danacore"), was incorporated under the Business Corporations Act (British Columbia) on January 10, 2018. The Company's registered office is 595 Howe St 10th floor, Vancouver, British Columbia V6C 2T5. On December 17, 2019, the Company, acquired Bay Talent Group Inc., a corporation incorporated under the Business Corporations Act (Ontario) through a reverse takeover (the "Transaction"). The Transaction was effected pursuant to an amalgamation whereby Danacore's wholly-owned subsidiary, Danacore Acquisition Corp., amalgamated with Bay Talent Group Inc. and the resulting entity, BTG Holdco Inc. ("BTG Holdco"), became a wholly-owned subsidiary of the Company. BTG Holdco has been identified for accounting purposes as the acquirer and, accordingly, the Company is considered to be a continuation of BTG Holdco.

On December 23, 2019, the Company's shares began trading on the TSX Venture Exchange as a Tier 2 Industrial Issuer under the ticker symbol HIRE.

The Company, through its direct and indirect wholly owned subsidiaries PTC Accounting and Finance Inc. ("PTC"), ProVision IT Resources Ltd. ("ProVision"), The Headhunters Recruitment Inc. ("The "Headhunters"), 2449983 Ontario Inc. ("The Kavin Group"), Taylor Ryan Inc. and TR Partners Inc. (collectively "Taylor Ryan") and BTG Holdco Inc. (together the "Company") provides human resources services, which are comprised of recurring contract and on-occurrence permanent placement services.

2 Basis of preparation and going concern

a) Statement of compliance

These consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 28, 2021.

b) Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for certain financial instruments, which are recorded at fair value. The going concern basis assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. For the year ended December 31, 2020, the Company incurred negative cash flows from operations of $3,732,845, recorded a net loss of $10,716,222 and has an accumulated deficit of $20,195,038.

The Company's ability to continue as a going concern is dependent on the achievement of a profitable level of operations and may require the Company to raise additional funds. Although the Company has previously been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Furthermore, during the year the outbreak of the novel strain of coronavirus specifically identified as COVID-19 was declared a pandemic by the World Health Organization. This situation is dynamic and the ultimate duration and magnitude of the impact on the economy and on the Company's ability to achieve revenue growth organically, or through the completion of acquisitions as has been done previously, is unknown. These conditions result in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments would be material.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as noted above. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control. All intercompany balances and transactions are eliminated in full on consolidation.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of all the entities within the Company.

e) Use of estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the following:

- determination of the recoverable amount for purposes of assessing impairment of goodwill and intangible assets with an indefinite useful life (Notes 7 and 8);
- useful life of intangible assets (Note 8);
- fair value of Atlas ID (Note 9);
- fair value of contingent consideration payable (Note 14)
- fair value of derivatives (Note 16); and
- fair value of options and warrants (Note 18).

Actual results could differ from management's best estimates as additional information becomes available in the future, which may have an impact on future periods.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Revenue recognition

Revenue is recognized following a five-step recognition and measurement approach. Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

Revenue is recognized when the services have been provided using estimated billable amounts adjusted to actual amounts when the account is rendered. In cases where amounts are billed and services have not been incurred, revenue is deferred. Work-in-progress, representing fee revenue that has not been billed, is recorded at estimated billable value.

The Company has three revenue streams: revenue from on-occurrence permanent placement of candidates to customers that results in a one-time payment of a percentage of the offered salary; revenue from the contract placement of candidates to customers that results in recurring revenue for each day the candidate is deployed to the customer; and retainers for services. The Company recognizes revenue when it bills each customer on the achievement of work milestones, receipt of approved time report, or completion.

Estimates for unsubmitted reports are accrued monthly and reversed on submission of the report, at which point the actual time worked is recorded.

The Company's permanent search agreements contain replacement provisions that provide for the opportunity to replace a candidate in the event of a resignation or separation prior to a specified date. The Company uses historical replacement and refund data to estimate the financial impact, if any, of permanent placement candidates who do not remain with clients. Theses amounts are recorded as contract liabilities. No amounts were recorded as at December 31, 2020.

b) Financial instruments

i) Financial assets

When the Company first recognizes a financial asset, it classifies it based on the business model for managing the asset and the asset's contractual cash flow characteristics as follows:

- **Amortized cost**

  A financial asset is measured at amortized cost if both of the following conditions are met: (i) the asset is held within a business model the objective of which is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs and are subsequently measured at the effective interest rate method, net of any allowance for expected credit losses. The Company has cash and trade and other receivables classified as financial assets at amortized cost.

- **Fair value through other comprehensive income**

  Financial assets are classified and measured at fair value through other comprehensive income ("FVOCI") if they are held in a business the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and cash flows are solely payments of principal and interest on the principal amount outstanding. The Company does not have any financial assets classified as FVOCI.

- **Fair value through profit or loss**

  Any other financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss ("FVTPL"). The Company's investment in Atlas ID is classified as FVTPL (Note 9).

ii) Financial liabilities

The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

- **Financial liabilities at FVTPL**

  Liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL on initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. Contingent consideration payable, and the derivatives recognized from the Company's convertible debentures, are classified as FVTPL (Note 16).

- **Amortized cost**

  Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities classified as amortized cost include bank indebtedness (Note 10), convertible debentures(Note 16), Canada Emergency Business Account ("CEBA") loans (Note 11), trade and other payables (Note 12) and long-term payables (Note 14), except contingent consideration payable.

iii) Transaction costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate and are amortized through profit or loss over the term of the related instrument.

iv) Impairment

The expected credit loss ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Allowances for ECL are recognized on all financial assets that are classified either at amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at FVTPL. Allowances represent credit losses that reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL (also referred to as Stage 1 ECL), which comprises an allowance for all non-impaired financial instruments that have not experienced a significant increase in credit risk ("SICR") since initial recognition; or (ii) lifetime ECL (also referred to as Stage 2 ECL), which comprises an allowance for those financial instruments that have experienced a SICR since initial recognition; or where there is objective evidence of impairment (Stage 3 ECL). Lifetime ECL is recognized for Stage 2 and 3 financial instruments compared to 12-month ECL for Stage 1 financial instruments.

v) Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Company's derivatives recognized from its convertible debentures are classified as level 2 in the fair value hierarchy.

The Company's contingent consideration payable and investment in Atlas ID are classified as level 3 in the fair value hierarchy as at December 31, 2020.

c) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is based on the estimated useful life of the asset and is calculated as follows:

Computer equipment	30% to 45% declining balance
Furniture and equipment	20% declining balance
Leasehold improvements	straight-line over lease term

d) Goodwill and intangible assets

Goodwill is initially measured as described in Note 7. Goodwill is not amortized but is tested for impairment as described in Note 7.

Purchased intangible assets are recognized as assets according to IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at the cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses.

Indefinite life intangible assets are those for which there is no foreseeable limit to the cash flows that will be generated. The Company recognizes brand names as indefinite life intangible assets as they are considered to be valuable and pervasive in every business activity and are directly attributed to the reputation established by each entity.

Amortization is based on the estimated useful life of the intangible asset and is calculated as follows:

Brand	indefinite
Customer relationships	straight-line over five years
Candidate database	straight-line over five years

e) Impairment of non-financial assets

At each reporting date, the Company assesses its non-financial assets to determine whether an indication of impairment exists. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and risks specific to the asset.

Intangible assets with an indefinite useful life are not amortized but are tested annually and whenever there is an indication that the intangible asset may be impaired. The useful life of an indefinite life intangible asset is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

Goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU"). CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested annually for impairment and also whenever there is an indication that the unit may be impaired. An impairment loss recognized for goodwill is not reversed in subsequent periods.

For assets other than goodwill, when there is an indication that an impairment loss previously recognized may no longer exist or may have decreased, the recoverable amount is estimated and the impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years. The reversal of an impairment loss is recognized in profit or loss.

In the current year, the Company changed its annual impairment testing date to September 30 from December 31.

f) Interest expense

Interest expense for all interest-bearing financial instruments is recognized within interest in the consolidated statements of loss and comprehensive loss using the effective interest method.

g) Leases

Under IFRS 16 – Leases, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date for leases greater than 12 months. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are subsequently depreciated over the remaining term of the lease and are carried at cost less accumulated depreciation and impairment.

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. Lease liabilities are subsequently reduced by lease payments net of interest expense calculated using the effective interest method.

Leases with a term of 12 months or less and leases of office equipment with low value are recognized as expenses over the lease term.

h) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or a financial asset. The Company's ordinary common shares are classified as equity instruments.

i) Share-based payments

Where equity settled share-based payments are awarded to employees, the fair value is determined on the grant date of the award and is recognized as an expense over the vesting period, with a corresponding increase to reserves based on the Company's estimate of the number of awards expected to vest. When exercised, the proceeds received by the Company, together with any related amount recorded in reserves, are credited to common shares.

Equity settled share-based payments with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the services.

j) Income taxes

i) Current income tax

Current income tax is the expected tax payable on taxable income for the current year. It is calculated using tax rates and tax laws that have been enacted by the reporting date, plus any adjustment to income tax payable in respect of previous years. Current income tax is recognized as a liability (or asset) to the extent that it is unpaid (or refundable).

ii) Deferred income tax

Deferred income tax is recognized using the statement of financial position liability method. Temporary differences are the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases included in the Company's tax returns. Amounts recorded for deferred income tax assets or liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the consolidated financial statements for the years in which these temporary differences are expected to reverse, and adjustments are recognized in the consolidated statements of loss and comprehensive loss as they occur. The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

A deferred income tax liability is recognized when the total of temporary differences results in a liability for income taxes in the future. A deferred income tax asset is recognized when the total of temporary differences results in a recovery of income taxes in the future and when it is probable that taxable profits will be available against which the deductible temporary differences can be used.

k) Provisions

A provision is recognized if, as the result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Unwinding of the discount is recognized as a finance cost.

l) Related parties

For the purpose of these consolidated financial statements, a party is considered related to the Company if such party or the Company has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Company and such party are subject to common significant influence. Related parties may be individuals or other entities.

m) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated in a similar manner, except that the profit or loss and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive. As at December 31, 2020 and 2019, the effect of the Company's outstanding warrants, stock options, agents' compensation options, deferred share units and convertible debentures have been excluded from the calculation of diluted earnings per share as they are anti-dilutive.

n) Business combinations

Acquisitions of a business or entity are reported as a business combination and accounted for using the acquisition method. The purchase price for each acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in selling, general and administrative expenses. Under the acquisition method, assets, liabilities and contingent liabilities acquired are initially recorded at the fair value as of the acquisition date. The excess of the purchase price over the fair values of identifiable assets, liabilities and contingent liabilities recognized, is recorded as goodwill.

o) Government assistance

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

p) Adoption of new accounting standards

The following amendments to existing standards and revised Conceptual Framework are effective for annual periods beginning on or after January 1, 2020:

- Definition of a business

  In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 – Business Combinations ("IFRS 3"). The objective of the amendments is to assist entities in determining whether a transaction should be accounted for as a business combination or as an asset transfer. The amendments were adopted prospectively with no impact.

- Definition of material

  In October 2018, the IASB issued amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The objective of these amendments is to improve disclosure effectiveness in financial statements by improving the understanding of the existing requirements rather than to significantly impact an entity's judgments. The amendments were adopted prospectively with no impact.

- Conceptual framework for financial reporting

  In March 2018, the IASB issued a comprehensive set of concepts for financial reporting: the revised Conceptual Framework for Financial Reporting ("Conceptual Framework"), which replaces its previous version. It assists companies in developing accounting policies when no IFRS standard applies to a particular transaction. The revised Conceptual Framework was adopted prospectively with no impact.

q) Accounting standards issued but not yet applied

- Classification of liabilities as current or non-current

  On January 23, 2020, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt these amendments.

4 Acquisitions

a) Acquisition of The Headhunters

On September 1, 2020, the Company acquired 100% of the issued and outstanding shares of The Headhunters for total consideration of $955,036, consisting of $400,000 in cash, $64,062 to be paid in cash as a working capital adjustment and $490,974 in contingent consideration payable. The investment in The Headhunters, net of cash acquired, was $239,232.

The Headhunters is a recruitment firm with a presence in Toronto, Winnipeg, Regina, Edmonton and Vancouver. The Headhunters adds scale and geographic reach to the Company's operations.

The acquisition of The Headhunters was accounted for as a business combination under IFRS 3 and the results of the operations have been included in these consolidated financial statements from September 1, 2020.

The Company incurred $85,090 in transaction costs related to the acquisition of The Headhunters. These costs are included in selling, general and administrative expenses on the consolidated statements of loss and comprehensive loss for the period ended December 31, 2020.

On acquisition, a deferred income tax liability of $140,249 was recognized due to the temporary differences on the intangible assets acquired. A deferred income tax asset of $39,557 was recognized for unused tax loss carry forwards. A net deferred income tax liability was recognized on the consolidated statements of financial position.

The Company elected not to recognize a right-of-use asset for a short-term lease obligation of The Headhunters.

The goodwill arising from the acquisition is attributable to the skilled recruiters acquired on acquisition.

The contingent consideration payable is based on meeting specific conditions within the share purchase agreement. The fair value of the contingent consideration payable was calculated using management's forecast for earnings before interest, taxes, depreciation and amortization and a discount rate of 15%.

Since September 1, 2020, the acquisition of The Headhunters has added $1,062,319 in revenue and $46,066 in net income to the consolidated revenue and net income (loss) of the Company. If The Headhunters was acquired on December 31, 2019, and for the year starting January 1, 2020 and ending December 31, 2020, The Headhunters would have added $2,870,435 in revenue and contributed $140,815 in net income.

The fair values of the assets acquired and liabilities assumed were as follows and will be finalized within one year:

	$
Assets	
Cash acquired in business combination	160,768
Trade and other receivables	506,186
Prepaid expenses	56,738
Property and equipment	6,362
Deferred income tax asset	39,557
Intangible assets – brand	184,000
Intangible assets – customer relationships	345,243
Goodwill	398,918
	1,697,772
Liabilities	
Bank indebtedness	21,905
Trade and other payables	580,582
Deferred income tax liabilities on intangible assets	140,249
	742,736
Net	955,036
Consideration	
Cash	400,000
Working capital adjustment	64,062
Contingent consideration	490,974
Total	955,036

b) Acquisition of The Kavin Group

On December 11, 2020, the Company acquired 100% of the issued and outstanding shares of The Kavin Group for total consideration of $1,590,636, consisting of $1,026,586 in cash, $200,000 in common shares of the Company (321,543 shares at $0.622 per share), $473,462 to be received as working capital adjustment and $837,512 in contingent consideration payable. The cash investment in Kavin Group, net of cash acquired, was $983,619.

The Kavin Group offers staffing services for industrial, waste management and health care roles in Southern Ontario and expands the Company's sector capabilities.

The acquisition of The Kavin Group was accounted for as a business combination under IFRS 3 and the results of the operations have been included in these consolidated financial statements from December 11, 2020.

The Company incurred $95,423 in transaction costs related to the acquisition of The Kavin Group. These costs are included in selling, general and administrative expenses on the consolidated statements of loss and comprehensive loss for the period ended December 31, 2020.

On acquisition, a deferred income tax liability of $201,400 was recognized on the consolidated statements of financial position, due to the temporary differences on the intangible assets acquired. A deferred income tax asset of $48,078 was recognized for unused tax loss carry forwards. A net deferred income tax liability was recognized on the consolidated statements of financial position.

The Company elected not to recognize a right-of-use asset for a short-term lease obligation of The Kavin Group.

The goodwill arising from the acquisition is attributable to the skilled recruiters acquired on acquisition and potential synergies.

The contingent consideration payable is based on meeting specific conditions within the share purchase agreement. The fair value of the contingent consideration payable was calculated using management's forecast for earnings before interest, taxes, depreciation and amortization and a discount rate of 20%.

Since December 11, 2020, the acquisition of The Kavin Group has added $475,548 in revenue and $58,940 in net income to the consolidated revenue and net income (loss) of HIRE Technologies. If The Kavin Group was acquired on December 31, 2019, and for the year starting January 1, 2020 and ending December 31, 2020, The Kavin Group would have added $5,010,198 in revenue and contributed $88,666 in net income.

The provisional fair values of the assets acquired and liabilities assumed were as follows and will be finalized within one year:

	$
Assets	
Cash acquired in business combination	42,968
Trade and other receivables	20,668
Prepaid expenses	23,888
Property and equipment	10,211
Deferred income tax asset	48,078
Intangible assets – brand	451,000
Intangible assets – customer relationships	309,000
Goodwill	1,148,171
	2,053,984
Liabilities	
Trade and other payables	261,948
Deferred income tax liabilities on intangible assets	201,400
	463,348
Net	1,590,636
Consideration	
Cash	1,026,586
Issuance of common shares	200,000
Working capital adjustment	(473,462)
Contingent consideration	837,512
Total	1,590,636

c) Acquisition of Taylor Ryan

On December 17, 2020, the Company acquired 100% of the issued and outstanding shares of Taylor Ryan for total consideration of $4,438,912, consisting of $3,290,000 in cash, $822,000 in common shares of the Company (1,031,368 shares at $0.797 per share) and $326,912 to be paid in cash as a working capital adjustment. The cash investment in Taylor Ryan, net of cash acquired, was $3,290,659. Additionally, a contingent remuneration of $1,206,404 was calculated.

Taylor Ryan offers niche retained search, contingency recruitment and human resource management solutions to clients across Canada.

The acquisition of Taylor Ryan was accounted for as a business combination under IFRS 3 and the results of the operations have been included in these consolidated financial statements from December 17, 2020.

The Company incurred $83,750 in transaction costs related to the acquisition of Taylor Ryan. These costs are included in selling, general and administrative expenses on the consolidated statements of loss and comprehensive loss for the period ended December 31, 2020.

On acquisition, a deferred income tax liability of $491,670 was recognized on the consolidated statements of financial position, due to the temporary differences on the intangible assets acquired.

The Company recognized a lease liability for a sublease treated as a finance lease of $85,016 using the weighted average borrowing rate of 4.9%. Deferred rent receivable of $83,456 was also recognized, arising from a sublease covering the period from December 17, 2020 to September 30, 2022.

The Company elected not to recognize a right-of-use asset for a short-term lease obligation of Taylor Ryan.

The goodwill arising from the acquisition is attributable to the skilled recruiters acquired on acquisition and potential synergies.

The contingent consideration payable is based on meeting specific conditions within the share purchase agreement. The fair value of the contingent consideration payable was calculated using management's forecast for earnings before interest, taxes, depreciation and amortization and a discount rate of 20%.

Since December 17, 2020, the acquisition of Taylor Ryan has added $5,000 in revenue and $(16,469) in net loss to the consolidated revenue and net income (loss) of HIRE Technologies. If Taylor Ryan was acquired on December 31, 2019, and for the year starting January 1, 2020 and ending December 31, 2020, Taylor Ryan would have added $1,293,586 in revenue and contributed $487,125 in net income.

The provisional fair values of the assets acquired and liabilities assumed were as follows and will be finalized within one year:

	$
Assets	
Trade & other receivables	521,477
Property and equipment	79,254
Deferred rent receivable	83,456
Intangible assets – Brand	444,000
Intangible assets – Customer relationships	1,377,000
Goodwill	2,643,441
	5,148,628
Liabilities	
Bank indebtedness	46,028
Trade and other payables	87,000
Lease liabilities	85,016
Deferred income tax liabilities on intangible assets	491,670
	709,715
Net	4,438,912

	$
Consideration	
Cash	3,290,000
Issuance of common shares	822,000
Working capital adjustment	326,912
Contingent consideration	-
Total	4,438,912

5 Trade and other receivables

	2020 $	2019 $
Trade and other receivables	3,032,942	1,776,580
Allowance for credit losses	(18,164)	(63,229)
	3,014,778	1,713,351
Current portion	2,541,315	1,681,267
Long-term portion	473,463	32,084
	3,014,778	1,713,351

The Company measures the allowance for credit losses on its trade receivables using a simplified approach, where the allowance is measured at an amount equal to the lifetime ECLs.

	2020 $	2019 $
Balance – Beginning of year	63,229	36,334
Provision for credit losses	53,467	92,944
Write offs	(98,532)	(66,049)
Balance – End of year	18,164	63,229

6 Property and equipment

	Right-of-use assets $	Computer equipment $	Furniture and equipment $	Leasehold improvements $	Total $
Cost					
As at January 1, 2019	-	56,112	54,917	-	111,029
Additions including from business combinations (Note 4)	615,417	11,846	-	-	627,263
Derecognition from sublease	(181,215)	-	-	-	(181,215)
As at December 31, 2019	434,202	67,958	54,917	-	557,077
Additions including from business combinations (Note 4)	392,616	36,466	69,077	12,541	510,700
Terminations	(366,995)	-	-	-	(366,995)
As at December 31, 2020	459,823	104,424	123,994	12,541	700,782
Accumulated depreciation					
As at January 1, 2019	-	14,757	4,575	-	19,332
Depreciation	139,735	15,756	10,068	-	165,559
Derecognition from sublease	(48,324)	-	-	-	(48,324)
As at December 31, 2019	91,411	30,513	14,643	-	136,567
Depreciation	133,113	19,246	568	295	153,222
As at December 31, 2020	224,524	49,759	15,211	295	289,789
Net book value					
As at December 31, 2019	342,791	37,445	40,274	-	420,510
As at December 31, 2020	235,299	54,665	108,783	12,246	410,993

7 Goodwill

	$
As at January 1, 2020	909,549
Acquisition of The Headhunters	398,917
Acquisition of The Kavin Group	1,148,171
Acquisition of Taylor Ryan	2,643,441
As at December 31, 2020	5,100,078

The Company identifies PTC, ProVision, The Headhunters, The Kavin Group and Taylor Ryan as separate CGUs, which are considered the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets in the group.

The Company completed its annual impairment testing of goodwill of PTC and ProVision as at September 30, 2020. The recoverable amounts were determined based on their value in use, calculated using a five-year discounted cash flow set by management for each entity. Budgeted values are set based on past results multiplied by expected growth rates year over year considering the strategic objectives of the Company. The key inputs used in the discounted cash flow model were the weighted average cost of capital of approximately 15%, and the growth and terminal growth rates of approximately 2%, which are consistent with those used to calculate fair values at acquisition. The estimated recoverable amounts exceeded the current carrying value of the goodwill and intangible assets with indefinite useful lives and therefore no impairment was recognized.

The Company assessed for indicators of impairment and determined that no indications existed as at December 31, 2020.

If future results were to adversely differ from management's best estimate of key assumptions, including expected cash flows, the Company could potentially experience future material impairment charges in respect of its goodwill and intangible assets. A 10% decrease in revenue for each of the five years forecast or a 1% increase in the discount rate would not result in an impairment.

Carrying value of goodwill by CGU

	2020 $	2019 $
PTC	297,625	297,625
ProVision	611,923	611,923
The Headhunters	398,918	-
The Kavin Group	1,148,171	-
Taylor Ryan	2,643,441	-
	5,100,078	909,548

8 Intangible assets

	Customer relationships $	Candidate database $	Brand names $	Total $
Cost				
As at January 1, 2019	110,000	343,000	463,000	916,000
Additions	-	-	-	-
As at December 31, 2019	110,000	343,000	463,000	916,000
Additions	2,031,243	-	1,079,000	3,110,243
As at December 31, 2020	2,141,243	343,000	1,542,000	4,026,243
Accumulated amortization				
As at January 1, 2019	9,166	44,984	-	54,150
Amortization	22,000	68,600	-	90,600
As at December 31, 2019	31,166	113,584	-	144,750
Amortization	57,520	68,600	-	126,120
As at December 31, 2020	88,686	182,184	-	270,870
Net book value				
As at December 31, 2019	78,834	229,416	463,000	771,250
As at December 31, 2020	2,052,557	160,816	1,542,000	3,755,373

The Company identified PTC and ProVision as two separate CGUs which are considered the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets in the group.

The Company conducted an annual impairment test on the ProVision and PTC brand names with carrying values of $380,000 and $83,000, respectively, as at December 31, 2020. The relief from royalty method ("RFRM") was used to estimate the recoverable amounts for the brands. Royalty rates of 1% were applied to the projected revenue over five years including the terminal value as the brand has an indefinite useful life. The projected revenues were based on a revenue growth assumption of 2% per year. The premise of the RFRM is that if, hypothetically, the brand was licensed from an unrelated party, such unrelated party would require the Company to pay a percentage of revenue for its use. However, as is true in this case, the Company is the owner and user of the brand so those royalty costs are spared. The calculated recoverable amount is the present value of the royalty payments (after-tax) that are avoided by owning the brand. The recoverable amounts exceeded carrying amounts using a discount rate of 20% and therefore no impairment was recognized.

Carrying value of indefinite life intangible assets by CGU

	2020 $	2019 $
PTC	83,000	83,000
ProVision	380,000	380,000
The Headhunters	184,000	-
The Kavin Group	451,000	-
Taylor Ryan	444,000	-
	1,542,000	463,000

9 Investments in Atlas ID

On September 29, 2020, the Company invested USD$200,000 in a convertible note maturing, September 30, 2022, bearing interest at 10% with Atlas ID Systems Inc ("Atlas ID"). All outstanding principal, and, at Atlas ID's option, all accrued but unpaid interest on the convertible note, may automatically convert into equity securities of Atlas ID at a price calculated based on the future equity financing price of Atlas ID securities. The note may also convert into securities of Atlas ID at the option of the HIRE Technologies or on an Atlas ID liquidity event.

The Company valued the note using net present value of estimated future cash flows, at a cost of capital of 5.05% for the software (System & Applications) industry and a probability of default of 5% and included the impact of foreign exchange in its estimation of fair value.

10 Bank indebtedness

The Company has a revolving demand operating facility with a credit limit of the lesser of $1,500,000 and percentages of certain qualified receivables calculated at $912,844 as at December 31, 2020. The balance outstanding on the facility was $465,000 as at December 31, 2020 (2019 – $nil). The facility bears interest at the prime rate plus 1.25% per annum and is secured by general security agreements representing a first charge on the Company's assets.

11 Canadian Emergency Business Account ("CEBA") loans

On May 12, 2020, HIRE Technologies and ProVision received CEBA loans totaling $80,000. The acquisitions of The Headhunters on September 1, 2020 and Taylor Ryan on December 17, 2020 added another $120,000 in total principal outstanding for a total aggregate amount of $200,000 outstanding as at December 31, 2020. The CEBA loans bear no interest until December 31, 2022 and bear interest at 5% per annum thereafter and to their December 31, 2025 maturity date. If 75% of the principal is repaid by December 31, 2022, the remaining 25% will be forgiven.

The Company assigned a fair value to the CEBA loans assumed from The Headhunters and Taylor Ryan at $67,274, using a 15% effective rate, which was the estimated cost of capital.

The Company used the effective interest method to calculate the fair value of the CEBA loans received by HIRE Technologies and ProVision. As at December 31, 2020, the carrying value was $74,577.

12 Trade and other payables

	2020 $	2019 $
Trade payables	309,941	230,259
Payroll, bonuses and sales tax payable	851,363	196,730
Severance payables	-	26,780
Payable to former owner of ProVision	316,961	276,899
Earn-out payable to former owner of ProVision	61,707	103,510
Other accrued liabilities	692,639	893,449
	2,232,611	1,727,627

Earn-out payable to former owner of ProVision is a contingent consideration payable and is calculated for the period from the current reporting period as at December 31, 2020 until July 2022. The fair value of the contingent earn-out payable is estimated using undiscounted cash flows of $110,047 as at December 31, 2020 (2019 – $305,606). Payments that are due in more than 12 months are classified as long-term payables (Note 14).

The payable to the former owner of ProVision consists of the purchase price withheld pending resolution of litigation outstanding at the time of the acquisition and earn-out payable but not settled totalling $316,961 (2019 – $276,899) as at December 31,2020.

13 Lease liability

The following table presents the lease liability for the Company:

	Office premises $	Office equipment $	Total $
Balance – Beginning of year	-	-	-
Adoption of IFRS 16	604,009	11,408	615,477
Balance – January 1, 2019	604,009	11,408	615,477
Additions	-	-	-
Principal payments	(143,168)	(1,855)	(145,083)
Terminations	-	-	-
Balance – December 31, 2019	460,841	9,553	470,394
Additions	392,616	-	392,616
Principal payments	(253,422)	(998)	(254,420)
Terminations	(209,353)	(8,555)	(217,908)
Balance – December 31, 2020	390,682	-	390,682

On the acquisition of Taylor Ryan on December 17, 2020, the Company assumed the sublease of one of its offices. The right-of-use asset for this office had a remaining economic life of 21 months, which corresponds to the terms of the sublease. The sublease has been recognized as a finance lease and, consequently, the Company has derecognized the right-of-use asset and has recognized a rent receivable of $83,455 based on the future cash flows from the sublease. $46,813 of the rent receivable amount has been recognized as a current rent receivable in trade and other receivables.

The Company received $88,299 in aggregate sub-lease income from the sublease of right-of-use assets for the year ended December 31, 2020.

Interest expense on these lease obligations for the year ended December 31, 2020 was $22,970. The total cash outflow for year ended December 31, 2020 was $277,390, including interest.

The minimum lease payments under the current lease agreements are as follows:

	$
2021	188,915
2022	142,685
2023	80,550
	412,150
Less: imputed interest at average 4.9%	21,468
	390,682
Current portion	175,374
Long-term portion	215,308
	390,682

14 Long-term payable

	2020 $	2019 $
Earn-out payable to former owner of ProVision	40,327	202,096
Contingent consideration payable (Note 4)	1,328,488	-
	1,368,815	202,096

Earn-out payable to former owner of ProVision is a contingent consideration payable and is calculated for the period from the current reporting period as at December 31, 2020 until July 2022. The fair value of the contingent earn-out payable is estimated using undiscounted cash flows of $110,047 as at December 31, 2020 (2019 – $305,606). Payments that are due in less than 12 months are classified as short-term payables (Note 12). The contingent consideration payable of $1,328,488 is comprised of amounts due to The Headhunters and The Kavin Group.

The repayment, fair value change and other adjustments to the contingent consideration payable were not material during the year ended December 31, 2020.

15 Income taxes

The total provision for income taxes differs from the amount that would be computed by applying the Canadian statutory income tax rate to income before income taxes. The reasons for these differences are as follows:

	2020 **$**	**2019** **$**
Income tax expense (recovery) at statutory rate of 26.5% (2019– 26.5%)	(2,835,835)	(1,917,020)
Increase in income taxes resulting from:		
Non-deductible items	151,989	773,700
Deferred income tax assets not recognized	897,214	1,072,643
Mark-to-market on convertible debentures	1,801,587	-
Other differences	-	25,693
	14,955	(44,984)

Deferred income tax assets and liabilities are attributable to the following:

	Deferred income tax assets **$**	**Deferred income tax liabilities** **$**
2020		
Property and equipment and intangible assets	130,827	(1,006,285)
Financing fees	189,264	-
Tax losses	2,390,530	-
Derecognition of deferred tax assets	(2,618,507)	-
Right-of-use asset	-	(64,865)
Lease liability	104,048	-
Rent receivable	-	(31,035)
Reserves	51,336	-
Other	-	(30,204)
	247,498	(1,132,389)
Net deferred tax liabilities	-	(884,891)
2019		
Property and equipment and intangible assets	11,914	(207,072)
Tax losses	48,395	-
Right-of-use asset	-	(89,265)
Lease liability	124,654	-
Rent receivable	-	(28,077)
Reserves	16,756	-
	201,719	(324,414)
Net deferred tax liabilities	-	(122,695)

The Company has deductible financing costs of $714,203 (2019 – 343,000) and non-capital loss carry-forwards for income tax purposes in the amount of approximately $9,032,761 (2019 – $6,221,000).

The losses may be used to reduce future years' taxable income and expire approximately as follows:

	$
2034	14,805
2035	34,565
2036	2,170
2037	1,031,813
2038	1,588,319
2039	4,035,867
2040	2,325,222
	9,032,761

The potential benefit of these deductible temporary differences and carry-forward non-capital losses has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future tax profits will result in the recovery of the deferred tax assets.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2020 $	2019 $
Fixed assets	39,008	(72,110)
Lease liability	81,094	124,654
Financing costs	189,264	90,935
Reserves	45,057	16,756
Losses	2,264,084	1,579,265
	2,618,507	1,739,500

16 Convertible debentures

On August 21 and 24, 2020, the Company closed a private placement of unsecured convertible debentures for gross proceeds of $2,419,000. The convertible debentures bear interest at 9% per annum, payable semi-annually in arrears in cash or at the option of the Company in shares. The securities mature on July 31, 2023 and are convertible at $0.30 per unit at any time prior to the maturity date with each unit consisting of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one common share at a price of $0.60 at any time prior to the maturity date. The securities can also be converted at the option of the Company after one year should the daily volume weighted average trading price of the Company exceed $0.65 for a period of 10 consecutive trading days. The convertible debentures are a compound financial instrument under IAS 32 – Financial Instruments, and have both a liability and an embedded derivative component. The convertible debentures were recognized at $2,419,000 less $56,930 in warrants and $86,072 in cash paid as finders fees. The convertible debenture is carried at amortized cost and as at

December 31, 2020, the convertible debenture is recognized at $2,288,726. The derivative was separated as a FVTPL instrument, and remeasured at each reporting period with subsequent changes in fair value recorded in the consolidated statements of loss and comprehensive loss. A difference of $1,862,146 between the initial fair values recorded and the cash proceeds was recorded in unrealized loss on fair value of convertible debenture derivatives. The derivative was valued using the Cox-Ross-Rubinstein convertible bond valuation model with a volatility input of 36.75%. As at December 31, 2020, the fair value of the derivative was determined to be $6,763,040. $44,063 in warrants and $66,619 in cash paid as finders fees were recognized in selling, general and administrative expenses.

17 Share capital

Authorized unlimited number of common shares:

	Common shares	Amount $
As at January 1, 2019	24,913,811	2,798,544
Common shares issued for cash	13,038,503	5,235,507
Common shares issued in exchange for services	1,459,231	573,949
Common shares issued to the former owner of ProVision	1,399,983	700,000
Common shares issued to agents and brokers	525,805	-
Common shares deemed to be issued on RTO	6,750,000	3,253,500
As at December 31, 2019	48,087,333	12,561,500
Common shares issued for cash on exercise of warrants and stock options	620,903	164,279
Common shares issued for cash	6,827,332	3,793,471
Common shares issued on acquisition	1,352,911	1,022,000
As at December 31, 2020	56,888,479	17,541,250

Common shares issued during the year ended December 31, 2020

On December 11, 2020, The Company issued 6,827,332 units (each an “Offered Unit”) at $0.60 per Offered Unit for gross proceeds of $4,096,400. Each Offered Unit was comprised of one common share and one-half of one common share purchase warrant of the Company resulting in the issuance of 6,827,332 Company shares and 3,143,667 warrants. Each whole warrant is exercisable by the holder at $0.90 for one common share of the Company until December 11, 2022.

In relation to this financing, the Company paid cash finder’s fees of $226,623 and issued 359,926 warrants (“Finder’s Warrant”) with each whole Finder’s Warrant exercisable into one common share at an exercise price of $0.60 per share until December 11, 2022

The common shares from the gross proceeds, the half Warrants from the gross proceeds and Finder’s Warrants were determined to have a fair value, calculated using the binomial model, of $4,020,094, $76,306 and $55,285, respectively.

These issuances and payments are determined to be transaction costs arising on the issue of equity instruments and recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. The shares issued relating to the services rendered are netted by the reduction in share capital.

During December 2020, the Company acquired two companies where shares were issued as part of the consideration paid. The Kavin Group was acquired on December 11, 2020 and 321,543 common shares were issued to shareholders totalling $200,000. On December 17, 2020, the Company acquired Taylor Ryan and 1,031,368 common shares were issued to key shareholders totalling $822,000.

Common shares issued during the year ended December 31, 2019

During the year ended December 31, 2019, the Company issued 1,459,231 common shares with a value of $573,949 in exchange for consulting services.

During the year ended December 31, 2019, the Company issued 4,465,511 common shares for the gross proceeds from investors of $1,741,550 under non-brokered private placements.

In relation to the services rendered in connection to the non-brokered private placement, the Company paid a cash advisory fee of $40,681 plus tax and issued securities that were, concurrently with the closing of the Transaction, replaced with the following:

- 135,155 Company common shares;
- 67,578 warrants (“Unit Warrant”) with each full Unit Warrant exercisable into one common share at an exercise price of $0.70 per share until December 2021; and
- 81,362 agents’ compensation options (“Agents’ Compensation Options”), entitling the holder to purchase one unit comprised of one common share and one half of one agents’ compensation unit warrant (“Agents’ Compensation Unit Warrants”) until December 2021 at an exercise price of $0.50 per unit. Each whole Agents’ Compensation Unit Warrant entitles the holder thereof to purchase one common share for $0.70 per share for a period of 24 months from the date of issuance.

The common shares, Unit Warrants, Agents’ Compensation Unit Warrant and Agents’ Compensation Options were determined to have a fair value, calculated using the binomial model, of $40,547, $162 and $3,490, respectively.

These issuances and payments are determined to be transaction costs arising on the issue of equity instruments and recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. The shares issued relating to the service are netted by the reduction in share capital.

In September through November 2019, the Company issued 759,994 common shares for the gross proceeds from investors of $380,001 under a non-brokered private placement.

In June through August 2019, the Company closed three tranches of a brokered financing through the issuance of 7,813,000 subscription receipts at $0.50 per subscription receipt for gross proceeds of $3,906,500. Each subscription receipt was converted concurrently with the closing of the Transaction into one common share and one half of one Unit Warrant. In relation to the brokered financing, the Company paid a cash commission of $312,520, $225,538 in agent expenses and agent legal expenses and $42,236 in other fees directly in relation to the brokered financing, and issued securities that were, concurrently with the closing of the Transaction, replaced with the following:

- 390,650 common shares
- 195,325 Unit Warrants; and
- 625,040 Agents' Compensation Options with up to 312,520 Agents' Compensation Unit Warrants issuable upon conversion of these Agents' Compensation Unit Warrants.

The common shares, Unit Warrants, Agents' Compensation Unit Warrants and Agents' Compensation Options were determined to have a fair value, calculated using the binomial model, of $117,195, $469 and $26,814, respectively. These fees are determined to be transaction costs arising on the issue of equity instruments and recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. The shares issued relating to the service are netted by the reduction in share capital.

On December 17, 2019, the Company issued 1,399,983 common shares to the former owner of ProVision to settle the share-based compensation under the ProVision share purchase agreement dated August 1, 2018.

18 Share-based payments

Stock options and warrants

Share purchase warrants and stock option transactions are summarized as follows:

	Warrants		Stock options	
	Number of warrants	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding and exercisable as at December 31, 2018	688,179	0.195	2,153,847	0.195
Issued	4,544,402	0.7	250,000	0.200
December 31, 2019	5,232,581	0.598	2,403,847	0.196
Exercised	(401,672)	0.317	(219,231)	0.199
Issued	6,345,274	0.697	1,633,000	0.407
Expired	-	-	(1,153,846)	0.195
Outstanding and exercisable as at December 31, 2020	11,176,183	0.507	2,663,770	0.267

During the year ended December 31, 2020, the Company issued 1,633,000 Company options in two separate events. On August 24, 2020, 1,423,000 options were issued that are exercisable at $0.390 for one common share with a maturity date of five years. The fair value of these options was estimated using the Black-Scholes option pricing model and share-based compensation expense of $257,700 was recognized. On October 2, 2020, the Company issued 210,000 options that are exercisable at $0.520 for one common share with a maturity date of five years. The fair value of these options was estimated at $0.1832 using the Black-Scholes option pricing model. Share-based compensation expense of $38,472 was recognized in the consolidated statements of loss and comprehensive loss.

For the year ended December 31, 2020, the Company raised gross aggregate proceeds of $4,096,400 through the issuance of 6,827,333 Offered Units, resulting in the issuance of 6,827,332 Company shares and 3,413,667 warrants with each whole warrant entitling the holder to purchase one common share at a price of $0.90 for a period of 24 months from the date of issuance. The fair value of these subscriber warrants was estimated at $0.0224 using the Cox-Ross-Rubinstein binomial model for a total value of $76,306. The details of this financing are discussed in Note 17.

In relation to two financing events, the Company issued finder's warrants as partial remuneration for services provided. For the 508,970 finder warrants issued on August 21, 2020 and August 24, 2020 related to the convertible debenture issuance, $100,993 was recognized as the fair value using the estimate from the Black-Scholes option pricing model in the consolidated statements of loss and comprehensive loss. Model assumptions used include a market price of $0.34, a risk-free interest rate of 2%, annualized volatility of 85.6%, no expected dividend yield, and expected life of three years. For the 359,926 warrants issued on December 11, 2020 related to the subscription receipts, a fair value of $0.1536 was estimated using the Cox-Ross-Rubinstein binomial model, resulting in $55,285 being recognized in the consolidated statements of loss and comprehensive loss. Model assumptions used include a market price of $0.68, a risk-free interest rate of 0.25%, annualized volatility of 29%, no expected dividend yield and expected life of two years.

During the year ended December 31, 2019, as a result of the Transaction, 250,000 options were considered deemed to be issued by the Company.

During the year ended December 31, 2019 as a result of the Transaction, 375,000 broker warrants were considered deemed to be issued by the Company. These warrants were issued to a broker as a remuneration for listing services.

Concurrent with the Transaction, the Company received aggregate proceeds of $3,906,500 through the issuance of 7,813,000 subscription receipts, which resulted in the issuance of 7,813,000 common shares and 3,906,500 Unit Warrants. The fair value of these warrants was estimated at $0.036 using the binomial model. The details of the subscription receipts are discussed in Note 17.

During the year ended December 31, 2019, securities were issued to agents and advisors with regards to various financing arrangements. The details and valuation of these securities are discussed in Note 17.

Agents' Compensation Options

As at December 31, 2020, the total number of Agents' Compensation Options outstanding and exercisable is equal to 618,905 with the exercise price of $0.50. The details and valuation of these Agents' Compensation Options are discussed in Note 17.

Deferred share units

Concurrently with the closing of the Transaction, the Company assumed the obligations to issue up to 1,250,000 Company common shares issuable under the terms of a deferred share unit plan, which remain outstanding as at December 31, 2020.

19 Revenue

The Company has two revenue streams as follows:

	2020 $	2019 $
Recurring contracts	9,940,755	11,160,792
On-occurrence permanent placements	1,457,559	800,816
	11,398,314	11,961,608

For recurring contract placements, the Company's performance obligation is to provide suitable contract workers to its customers for a fixed hourly rate over a period of time. Since the Company has the right to payment from the customer at a fixed amount for each hour of service provided, the Company uses a practical expedient under IFRS 15.B16 to recognize revenue at the amount to which the Company has a right to invoice.

In an on-occurrence permanent placement contract, the Company's performance obligation is to provide a suitable candidate for employment with the customer. Revenue is based on a fixed percentage of the candidate's salary or a fixed retainer fee and is recognized upon employment of the candidate by the customer or the completion of each stage of work.

20 Nature of expenses

The selling, general and administrative expenses are comprised of the following:

	2020 $	2019 $
Salaries	3,719,548	2,834,911
Professional fees	1,684,624	2,520,854
Office	761,682	373,304
Severance	395,088	157,129
Marketing	303,663	249,785
Bad debt expenses	205,329	92,944
Depreciation	153,222	165,559
Travel and entertainment	64,606	241,872
Bank charges	38,652	27,425
Government assistance (Note 26)	(242,962)	-
	7,083,452	6,663,783

21 Related party transactions

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company.

	2020 $	2019 $
Cash compensation(1)	718,500	466,738
Share-based compensation(2)	223,204	199,192
	941,704	665,930

1. Includes severance payment to a former officer of the Company of $40,000.
2. Reflects the amount recorded as an expense. The fair value of share-based compensation is measured at the grant date using the Black-Scholes option pricing model and is recognized as an expense.

Consulting services

For the year ended December 31, 2020, the Company received consulting services from GIC Merchant Bank Corporation, a shareholder with significant influence, and paid $113,000 for these services. GIC Merchant Bank Corporation was also paid finder's fees in connection with the Company's December 11, 2020 financing activities and was paid $92,003 in cash and was provided with 135,698 warrants with a fair value of $20,843.

22 Capital management

The Company's management is responsible for ensuring that entities in the Company are able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of shareholders' equity (deficit), which is $1,336,160 as at December 31, 2020 (2019 – $3,909,998)' bank indebtedness, which is $465,000; CEBA loans with a face value of $200,000 and a carrying value of $141,851 as at December 31, 2020 (2019 – $nil); and convertible debentures, with face value of $2,419,000 and a carrying value of $2,288,726 as at December 31, 2020 (2019 – $nil).

The Company's management develops capital management policies and strategies that are reviewed by the Board of Directors on a quarterly basis. Based on recommendations of the Board of Directors, the Company balances its overall capital structure through the payment of dividends, new share issues and share buy backs as well as the issuance of new debt or the redemption of existing debt. There have been no changes in how the Company manages capital since its formation.

23 Financial instrument risks

The Company is exposed to risks that arise from its use of financial instruments as described below. There has been no change in the way the Company manages risk during the year.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's sensitivity to interest rates is currently low due to limited exposure to long-term investment grade interest-bearing debt as at December 31, 2020.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk relates primarily to trade and other receivables, which are initially recognized at the stated amount of the receivable and the convertible note issued to Atlas ID. The carrying amount of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk with its customers is influenced mainly by each customer's unique characteristics. The Company does not require collateral for sales on credit. The Company does not offer significant credit terms and has not experienced significant credit losses on its continuing operations.

The Company monitors its collection experience monthly and ensures a stringent policy is applied to all past due accounts. The Company establishes an allowance for ECLs that corresponds to specific customers' credit risk, historical trends and economic circumstances. Subsequent recoveries of amounts previously written off are credited in the consolidated statements of loss and comprehensive loss. The Company's maximum credit risk is the carrying value of trade and other receivables.

To limit credit risk exposure, the Company places its cash at financial institutions with high quality investment grade credit ratings.

						2020
	0-30 $	31-60 $	61-90 $	Over 90 $	Long-term	Total $
Trade and other receivables	1,830,310	451,133	160,853	117,214	473,463	3,032,973

					2019
	0-30 $	31-60 $	61-90 $	Over 90 $	Total $
Trade and other receivables	1,458,796	220,801	24,948	72,035	1,776,580

Concentration of credit risk

The Company has one significant customer that comprised a total of 35% of its revenue in 2020 (2019 – 23%). No other customers exceeded 10% of revenue during the current or prior year. This customer comprised 16% of the Company's accounts receivable balance as at December 31, 2020 (2019 – 32%).

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulty in meeting its obligations associated with its financial liabilities. As at December 31, 2020, most of the Company's liabilities are regular monthly obligations except for the earn-out consideration payable to ProVision's shareholders, amount payable to the former owner of ProVision and contingent consideration payable to shareholders of The Headhunters, The Kavin Group and Taylor Ryan as discussed in Notes 12 and 14. The Company has the following undiscounted contractual payment obligations:

	2021 $	2022 $	2023 $
Remaining trade and other payables	1,853,943	-	-
Payable to former owner of ProVision	316,961	-	-
Earn-out payments	61,707	40,327	-
Contingent consideration	-	1,328,487	-
Lease liability	188,915	142,685	80,550
CEBA loans	-	141,851	-
Convertible debenture	-	-	2,288,726
	2,421,526	1,653,350	2,369,276

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market pricing, foreign currency and interest rates. As at December 31, 2020 and 2019, the carrying value of all financial instrument carrying values approximated fair value.

24 Segment information

Segments are identified on the same basis that is used internally to manage and to report on performance, considering materiality and the products and services of each segment and the organizational structure of the Company. The Company considers its operations to consist of a single reportable segment, as the entity is organized and reviewed based on its overall financial performance.

The segment derives its revenue from the provision of recruitment services to external customers as per Note 3(a). All operations occur in Canada and all non-current assets are located in Canada. Significant customers are disclosed in Note 23 – credit risk.

25 Supplementary cash flow information

Non-cash activities:

	2020 $	2019 $
Recognition of ROU asset and lease liability (Note 13)	392,616	615,417
Shares and warrants issued on reverse takeover	-	3,435,095
Shares issued to former owner of ProVision	-	700,000

Change in liabilities arising from financing activities:

	Revolving demand operating facility $	Related Party $	CEBA $	Convertible Debenture $	Total $
As at January 1, 2019	435,000	-	-	-	435,000
Add:					
New borrowing	1,000,000	547,000	-	-	1,547,000
Less:					
Repayments	(1,435,000)	(547,000)	-	-	(1,982,000)
As at December 31, 2019	-	-	-	-	-
Add:					
New borrowing	465,000	-	80,000	2,419,000	2,964,000
Assumed on acquisition	-	-	120,000	-	120,000
Amortization on borrowings	-	-	(5,423)	-	(5,423)
Fair value adjustment	-	-	(52,726)	-	(52,726)
Amortization	-	-	-	12,727	12,727
Less:					
Transaction costs	-	-	-	(143,001)	(143,001)
As at December 31, 2020	465,000	-	141,851	2,288,726	2,895,577

26 Government assistance

The Company has participated in grants offered by the government of Canada to help offset the negative impact of the COVID-19 pandemic. The Company participated in the Canada Emergency Wage Subsidy ("CEWS"). CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain limits. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government grant income as a reduction in cost of services in the amount of $254,452 and as a reduction in selling, general and administrative expenses in the amount of $218,392.

The Company also participated in the Canada Emergency Rent Subsidy ("CERS"). CERS provides qualifying entities with a subsidy based on eligible expenses, subject to certain limits. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government grant income as a reduction in selling, general and administrative expenses in the amount of $19,147.

The Company recognized $5,423 as a reduction in selling, general and administrative expenses to account for effective interest income on HIRE Technologies and ProVision CEBA loans.

27 Subsequent events

The conditions for the settlement of the payable to the former owner of ProVision of $276,899, as disclosed in Note 12, were satisfied on January 27, 2021 and the Company paid $140,000 in cash and $140,000 through the issuance of 206,709 common shares in HIRE at an average deemed price of $0.677 per share.

On April 1, 2021, the Company acquired all of the assets of Pulsify Inc. ("Pulsify"), the developer of a cloud-based people management application designed around data analytics, meeting facilitation, immediate feedback, predictive insights and the Net Manager Score™. The purchase price included $1,908,169 in shares of HIRE Technologies, with the fair value of the shares issued pursuant to this transaction equal to $1,791,856 and up to $1,895,532 in additional share consideration based on the achievement of revenue targets over a three-year period.

As at the date of these financial statements, $1,686,000 of the original $2,419,000 in convertible debentures remains outstanding. $733,000 of the convertible debentures were converted into units consisting of common shares and warrants as described in Note 16.