



WECOMMERCE HOLDINGS LTD.

Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2021 and 2020



KPMG LLP
777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of WeCommerce Holdings Ltd.

Opinion

We have audited the consolidated financial statements of WeCommerce Holdings Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of net loss and comprehensive income/(loss) for the years then ended
- the consolidated statements of changes in shareholder's equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is
Morgan Clark

Vancouver, Canada
March 29, 2022

WECOMMERCE HOLDINGS LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

December 31, 2021 and 2020

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	\$	26,122,247	\$ 61,193,367
Restricted cash	3	1,243,762	-
Trade and other receivables	5	3,049,341	1,679,259
Foreign currency derivatives	12	-	38,138
Income taxes receivable		519,574	215,890
Prepaid expenses and deposits		284,356	177,332
		31,219,280	63,303,986
Deferred income tax asset	18	1,017,109	504,792
Property and equipment	6	210,457	230,055
Intangible assets	7	56,986,149	8,812,708
Goodwill	8	110,089,524	11,942,211
	\$	199,522,519	\$ 84,793,752
Liabilities and Shareholder's Equity			
Current liabilities			
Trade and other payables	9	2,531,812	\$ 2,286,082
Contract liability	10	2,891,876	841,505
Income taxes payable		70,681	269,923
Foreign currency derivatives	12	30,132	-
Due to related parties	17	613	1,387
Lease liability	11	-	111,879
Contingent consideration payable	12	22,208,224	2,975,594
Bank loan	14	3,186,032	1,836,438
		30,919,370	8,322,808
Deferred income tax liability	18	1,673,558	1,764,005
Indemnity holdback	20	1,196,037	-
Bank loan	14	57,017,386	8,736,062
		90,806,351	18,822,875
Shareholder's equity			
Share capital	15	109,408,687	65,726,277
Contributed surplus		3,424,757	4,375,315
Retained deficit		(4,959,713)	(4,116,791)
Accumulated other comprehensive loss		842,437	(13,924)
		108,716,168	65,970,877
	\$	199,522,519	\$ 84,793,752

Subsequent events

22

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

Approved on behalf of the Board:

<u>/s/ "Tim McElvaine"</u>	Director
<u>/s/ "Chris Sparling"</u>	Director

WECOMMERCE HOLDINGS LTD.

Consolidated Statements of Net Loss and Comprehensive Income/(Loss)
(Expressed in Canadian dollars)

Years ended December 31, 2021 and 2020

	Notes	December 31, 2021	December 31, 2020
Revenue			
Recurring subscription revenue		22,383,829	6,887,246
Digital goods revenue		10,977,020	8,973,746
Agency service revenue		5,220,528	5,420,507
		38,581,377	21,281,499
Expenses			
Staff		14,789,944	10,144,476
Share-based compensation	16	1,890,466	4,169,265
Fees paid to ecommerce platforms		5,270,413	2,410,229
Depreciation and amortization	6,7	10,087,571	3,184,607
Professional fees		2,610,846	1,019,086
Occupancy		61,180	126,486
Advertising		1,964,562	499,813
General and office expenses		177,220	99,294
Hosting and subscriptions		1,556,015	606,941
Acquisition costs		1,461,844	170,659
Other		617,157	237,013
		40,487,218	22,667,869
Operating loss		(1,905,841)	(1,386,370)
Other expenses/(income)			
Finance costs		3,051,855	825,917
Revaluation of contingent consideration	12	(5,223,240)	-
(Gain)/loss on sale of intangibles	7	(200,016)	-
Listing expense	4	-	1,634,081
Foreign exchange		1,010,460	146,254
		(1,360,941)	2,606,252
Loss before taxes		(544,900)	(3,992,622)
Income tax expense (recovery):			
Current	18	900,786	1,026,235
Deferred	18	(602,764)	(602,381)
Net loss		(842,922)	(4,416,476)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to net loss:			
Foreign currency translation adjustments		856,361	(9,787)
Comprehensive income (loss)		13,439	(4,426,263)
Loss per share			
Basic	19	(0.02)	(0.18)
Diluted	19	(0.02)	(0.18)

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

WECCOMMERCE HOLDINGS LTD.

Consolidated Statements of Changes in Shareholder's Equity
(Expressed in Canadian dollars)

Years ended December 31, 2021 and 2020

	Notes	Common shares (#)	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Earnings (deficit)	Shareholder's equity
Balance, December 31, 2019		20,998,158	435,170	171,963	(4,137)	299,685	902,681
Share-based compensation	16	-	-	173,569	-	-	173,569
Issuance of common shares on exercise of share options		33,258	47,235	(22,194)	-	-	25,041
Issuance of shares		6,144,472	6,991,009	-	-	-	6,991,009
December private placement		8,571,417	56,575,823	-	-	-	56,575,823
Shares issued on reverse acquisition of Brachium Capital Corp	1,4	214,286	1,500,000	132,463	-	-	1,632,463
Issuance of common shares on exercise of share options		37,616	177,040	(91,695)	-	-	85,345
Share-based compensation	16	-	-	4,011,209	-	-	4,011,209
Net loss and comprehensive loss for the year		-	-	-	-	(4,416,476)	(4,416,476)
Foreign currency translation adjustments		-	-	-	(9,787)	-	(9,787)
Balance, December 31, 2020		35,999,207	65,726,277	4,375,315	(13,924)	(4,116,791)	65,970,877
Issuance of common shares on exercise of share options		513,166	3,331,593	(2,780,283)	-	-	551,310
Share-based compensation	16	5,139	60,741	1,829,725	-	-	1,890,466
Issuance of shares	15	2,810,000	31,190,076	-	-	-	31,190,076
Shares issued on purchase of subsidiary	20	496,697	9,100,000	-	-	-	9,100,000
Net loss and comprehensive loss for the year		-	-	-	-	(842,922)	(842,922)
Foreign currency translation adjustments		-	-	-	856,361	-	856,361
Balance, December 31, 2021		39,824,209	109,408,687	3,424,757	842,437	(4,959,713)	108,716,168

In relation to the reverse acquisition transaction, as described in Note 1 and Note 4, on December 9, 2020, the common shares on WeCommerce were exchanged on a 1:19.8554 basis ("the Share Exchange"). The Share Exchange is reflected retrospectively in these consolidated financial statements.

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

WECCOMMERCE HOLDINGS LTD.

Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended December 31, 2021 and 2020

	2021	2020
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (842,922)	\$ (4,416,476)
Adjustments for:		
Finance costs	3,051,855	825,917
Depreciation and amortization	10,087,571	3,184,607
Deferred income taxes	(602,764)	(602,381)
Income taxes paid	(1,649,952)	-
Fair value adjustment of contingent consideration	(5,223,240)	-
Fair value change in foreign currency derivatives	68,270	(23,488)
Loss (gain) on disposal of property, plant and equipment	13,886	(193)
Gain on disposal of intangibles	(200,016)	-
Foreign exchange	1,010,460	(13,832)
Share-based compensation	1,890,466	4,169,265
Listing expense	-	1,634,081
Changes in non-cash working capital balances:		
Trade and other receivables	(708,369)	(526,831)
Prepaid expense and deposits	(88,024)	(88,855)
Due to related party	(774)	(76,823)
Trade and other payables	(472,721)	622,877
Contract liability	521,215	624,908
Income taxes receivable and payable	1,147,026	350,119
Cash provided by operating activities	8,001,967	5,662,895
Financing activities		
Repayment of long-term debt	(10,700,000)	(800,000)
Repayment of term loan	(1,892,375)	-
Drawdown of term loan	50,349,079	-
Drawdown of revolving credit facility	12,637,304	-
Interest paid	(2,646,437)	(791,305)
Cash financing fees paid to secure credit facility	(1,314,809)	-
Proceeds from share issuance	33,720,000	66,991,880
Transaction costs from share issuance	(2,529,924)	(3,425,048)
Proceeds on issuance of shares on exercise of options	551,310	110,386
Increase in restricted cash	(1,243,762)	-
Repayment of lease liability	(115,167)	(138,276)
Cash provided by financing activities	76,815,219	61,947,637
Investing activities		
Purchase of property and equipment	(204,289)	(50,304)
Proceeds on disposal of property and equipment	-	4,636
Proceeds on sale of intangibles	355,513	-
Acquisition of Foursixty, net of cash	-	(10,813,190)
Acquisition of Stamped IO, net of cash	(92,679,527)	-
Acquisition of Archetype, net of cash	(24,269,211)	-
Payments of contingent consideration	(2,651,518)	-
Maturity of short-term investments	-	1,211,327
Cash acquired in reverse acquisition	-	360,785
Cash used in investing activities	(119,449,032)	(9,286,746)
Foreign exchange on cash	(439,274)	-
(Decrease) increase in cash	(35,071,120)	58,323,786
Cash, beginning of year	61,193,367	2,869,581
Cash, end of year	\$ 26,122,247	\$ 61,193,367

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

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

1. Nature of operations

The Company is located at 2900-550 Burrard Street, Vancouver, BC V6C 0A3.

The Company is in the business of developing, selling, and supporting website themes and applications, as well as providing custom solutions, for clients on ecommerce platforms.

On December 9, 2020, Brachium Capital Corp. (a Canadian company previously listed on the TSX Venture Exchange under the symbol "BRAC.P") ("Brachium") acquired all of the outstanding shares of WeCommerce Holdings Ltd. ("WeCommerce") by way of a three-cornered amalgamation with Brachium changing its name to WeCommerce Holdings Ltd. (the "Company"). Upon completion, the shareholders of Brachium held approximately 1% of the issued and outstanding shares of the Company and as a result, WeCommerce shareholders controlled the Company resulting in a reverse take-over. The resulting financial statements are presented as a continuance of WeCommerce (accounting acquirer), and comparative figures presented in the consolidated financial statements are those of WeCommerce (see Note 4).

Brachium was incorporated in the Province of British Columbia on March 4, 2019, under the Business Corporations Act (British Columbia).

The predecessor entity that was operating the business of WeCommerce was incorporated on November 27, 2019 under the Business Corporation Act of British Columbia.

Pixel Union Design Ltd. ("Pixel Union"), which is now a wholly owned subsidiary of WeCommerce, was incorporated on August 25, 2011 under the *Business Corporation Act* (British Columbia). On December 31, 2019, pursuant to a Share Exchange Agreement, all of the assets and liabilities of Pixel Union were transferred to WeCommerce and the shareholders of Pixel Union received common shares of WeCommerce, on a one-for-one basis.

Reference in these consolidated financial statements to "the Company" refers to "Pixel Union" prior to November 27, 2019 and to the combined operations of WeCommerce and its subsidiaries (including Pixel Union) thereafter until December 9, 2020. Subsequent to December 9, 2020, "the Company" refers to the combined operations of Brachium Capital Corp. (renamed to WeCommerce Holdings Ltd.) and the historical operations of WeCommerce and its subsidiaries.

2. Basis of preparation and measurement

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements were approved by the Board of Directors for issue on March 29, 2022.

(b) Basis of measurement

These financial statements have been prepared on the going concern basis, under the historical cost basis except for certain financial instruments that are measured at fair value, as detailed in the Company's significant accounting policies.

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

2. Basis of preparation and measurement (continued)

(c) Basis of consolidation

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to manage, either directly or indirectly, the entity's financial and operational policies in order to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of all subsidiaries are prepared to the same reporting date as the Company using consistent accounting policies.

As at December 31, 2020, the Company had the following wholly-owned operating subsidiaries:

WeCommerce Operations Ltd. (formerly "Rehash Ltd.")
Pixel Union Design Ltd. ("Pixel Union")
Foursixty Inc. ("Foursixty")

As at December 31, 2021, the Company had the following wholly-owned operating subsidiaries:

WeCommerce Operations Ltd.
Pixel Union Design Ltd.
Foursixty Inc.
Stamped Technologies Pte. Ltd. ("Stamped")
Archetype Themes Limited Partnership ("Archetype")

All Intra-Group balances and transactions are eliminated on consolidation.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars. The functional currency of WeCommerce, Foursixty, Pixel Union and Archetype is the Canadian dollar. The functional currency of WeCommerce Operations Ltd. and Stamped is the U.S. dollar. The assets and liabilities of subsidiary entities that have a different functional currency from the Company are translated at the exchange rate prevailing at the financial position reporting date. The income statements of such entities are translated at average rates of exchange during the period. All resulting exchange differences are recognized directly in accumulated other comprehensive income/(loss).

Transactions denominated in currencies other than the functional currency are translated by applying the exchange rate prevailing on the date of the transaction. At each financial position reporting date, all monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the financial position reporting date. Any resulting translation adjustments are recognized the Consolidated Statement of Loss and Comprehensive Income/(Loss).

(e) Estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting methods and the amounts recognized in the financial statements. These estimates and the underlying assumptions are established and reviewed continuously on the basis of past experience and other factors considered reasonable in the circumstances. They therefore serve as the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

2. Basis of preparation and measurement (continued)

(e) Estimates and judgments (continued)

Significant judgements and estimates relate to:

(i) Valuation of assets and liabilities acquired in business combinations

In a business combination, the company may acquire the assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangibles assets acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, including estimates surrounding the costs to acquire or reproduce a similar asset, expected future net cash flows and appropriate discount rates. Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination based on expected discounted cash flows and is subsequently remeasured to fair value at each reporting date with any subsequent change in fair value recognized in the Consolidated Statement of Net Loss and Comprehensive Income/(Loss).

(ii) Impairment of intangible assets and goodwill

Management assesses indicators of impairment for intangible assets and goodwill and tests goodwill for impairment at least annually. When performing quantitative assessments, forecasts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, management takes into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Company.

(iii) Share-based compensation

The Company measures the cost of share-based compensation transactions with employees, and directors by reference to the fair value of the equity instruments at the date at which they are granted. These are offered to employees and directors in the form of stock options, deferred share units, restricted share units or performance share units. Options are settled in equity; deferred share units, restricted share units and performance share units are settled in cash or equity, or a combination of each, at the option of the Company. Estimating fair value for share-based compensation requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected term, volatility, and forfeiture rate. The expected term is determined based on management's estimate of the period of time between grant date and exercise date. Volatility is determined using a comparable peer group until such time as sufficient trading history is available for the Company's own shares.

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

2. Basis of preparation and measurement (continued)

(f) Estimates and judgments (continued)

(iv) Determination of functional currency

Determination of functional currency requires management to make judgments in evaluating primary and secondary indicators under International Accounting Standards ("IAS") 21 The Effect of Changes in Foreign Exchange Rates. Key judgments include the primary economic environment in which the Company operates, the currency that mainly influences sales prices for its services and the costs of labour, and the country whose competitive forces and regulations mainly determine sales prices.

3. Significant accounting policies

(a) Financial assets and liabilities

Financial assets include cash and cash equivalents, restricted cash, and trade and other receivables.

Financial liabilities include trade and other payables, due to related parties, contingent consideration payable, bank loan, foreign currency derivatives and indemnity holdback.

(i) Recognition and measurement of financial instruments

Financial instruments are initially recognized at fair value. If the financial instrument is not classified at fair value through profit and loss, then the initial measurement includes directly attributable transaction costs. Subsequent to initial recognition, financial assets are measured at either amortized cost or at fair value through OCI or at fair value through profit and loss ("FVTPL"). Financial liabilities are measured at either amortized cost or at fair value through profit or loss. Classification depends on the nature and objective of each financial instrument and is determined when first recognized.

Financial Instrument	Classification
Financial Assets	
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Financial Liabilities	
Trade and other payables	Amortized cost
Bank loan	Amortized cost
Due to related parties	Amortized cost
Contingent consideration	FVTPL
Foreign currency derivatives	FVTPL
Indemnity holdback	Amortized cost

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Provision for impairment

Financial assets carried at amortized cost include cash and cash equivalents, restricted cash and trade and other receivables. The Company assesses the lifetime expected credit losses ("ECL") associated with its assets carried at amortized cost. ECL represents the expected credit loss that will result from all possible default events over the expected life of the financial instrument. The amount of ECL is updated at each reporting date to reflect changes in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition based on all information available, including reasonable and supportive forward-looking information. When a financial instrument is uncollectible, it is written off against the provision for impairment.

(iii) Cash and cash equivalents

Cash includes bank deposits, cash on hand and short-term deposits with an initial maturity of three months or less. Due to the nature and/or short-term maturity of these financial instruments, carrying value approximates fair value. The instruments held in this category can be liquidated or sold on short notice, and do not bear any significant risk of loss in value. Cash and cash equivalents are held at amortized cost.

(iv) Restricted cash

Restricted cash comprises of cash security deposits held at financial institutions in order to secure foreign exchange contracts and credit card facilities.

(v) Trade and other receivables

Trade and other receivables are initially recognized at fair value less provision for impairment. Subsequently, trade and other receivables are measured at amortized cost. As receivables are due in less than one year, they are not discounted. The provision established against trade and other receivables represents lifetime ECL and is updated at each reporting date. Any increase in the provision is recognized in net loss. When a trade receivable is uncollectible, it is written off against the provision for impairment. Subsequent recoveries of amounts previously written off are recognized in the Consolidated Statement of Net Loss and Comprehensive Income/(Loss).

(vi) Borrowings and other financial liabilities

Trade and other payables, due to related parties and bank loan are initially recognized at fair value, net of transaction costs, plus or minus any premiums or discounts. Bank loans and other financial liabilities are subsequently measured at amortized cost calculated using the effective interest rate method. Interest accrued on borrowings is included in trade and other payables on the Consolidated Statement of Financial Position. Cash flows linked to short-term payable amounts are not discounted. Long-term cash flows are discounted whenever the impact is significant. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Foreign currency derivatives

The Company may use derivative financial instruments to economically hedge its exposure to fluctuations in foreign currency exchange rates. The Company does not utilize derivatives for trading or speculative purposes. Derivatives are initially recognized at fair value and any associated transaction costs are recognized in net loss when incurred. After initial recognition, derivatives are measured at fair value based on market prices at each reporting date. Changes in the fair value of these instruments are recognized in the Consolidated Statement of Net Loss and Comprehensive Income/(Loss).

(viii) Contingent consideration payable

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(b) Property and equipment including right-of-use assets

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment. Depreciation is recognized in profit or loss on a basis that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer equipment	Straight-line	3 years
Office equipment and furniture and fixtures	Straight-line	4 years
Right-of-use assets	Straight-line	Lease term
Leasehold improvements	Straight-line	Lease term

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(c) Intangible assets

Intangible assets consist of acquired software, technologies, customer lists, brand and intellectual property. These assets are carried at cost, less accumulated amortization and any recognized impairment loss. Subsequent expenditure is capitalized only if the estimated useful life is extended or functionality of the existing software is enhanced. Costs associated with maintaining computer software are expensed in the period incurred.

	Rate
Brand and domain name	5 - 10 years
Customer lists	7 - 10 years
Software and technology	4 - 6 years
Non-compete agreement	3 - 5 years
Intellectual property	2 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs of disposal and value in use. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Net Loss and Comprehensive Income/(Loss).

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior periods may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Such reversal is recognized in the Consolidated Statement of Net Loss and Comprehensive Income/(Loss). An impairment loss with respect to goodwill is never reversed.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(d) Impairment of non-financial assets (continued)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

(e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination.

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 or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date that the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill is measured at the excess of the fair value of consideration transferred and amount of non-controlling interest in the acquiree and acquisition date fair value of existing equity interest in the acquiree over the acquisition fair value of the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the Consolidated Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(g) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the supplier has a substantive substitution right;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and
- the Company has the right to direct the use of the asset.

The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. For contracts that contain a lease the Company recognizes a right-of-use asset, presented under property, plant and equipment in the Consolidated Statement of Financial Position, and a lease liability at the lease commencement date. 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are unpaid 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. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, when there is a change in future lease payments arising from a change in a rate used to determine those payments, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(h) Share capital

(i) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) Revenue recognition

To determine whether to recognize revenue, the Company follows a 5-step process:

- (i) Identifying the contract with a customer.
- (ii) Identifying the performance obligations.
- (iii) Determining the transaction price.
- (iv) Allocating the transaction price to the performance obligations.
- (v) Recognizing revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties.

The Company's revenue is derived from the sale of products ("digital goods revenue" and "recurring subscription revenue") and the provision of services ("agency service revenue"). The Company sells its products through ecommerce platforms or through its own website.

Except as outlined below, these products are not sold as bundled arrangements. The services are provided based upon contracts with customers that include fixed or determinable prices and are based upon published rates. The Company recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or products to customers.

(i) Recurring subscription revenue

Recurring subscription revenue is generated from customers paying for the use of premium versions of the Company's apps and include monthly or annual subscriptions for continued use of the app's premium features. The performance obligation associated with app subscription revenue is ongoing access to the apps functionality. Customers are billed monthly for access to app functionality, without an option for early cancellation/refund within the billing cycle.

Subscription revenue associated with the sale of an app is recognized over time on a ratable basis over the contractual term. The contract terms are monthly or annual and revenue recognition begins on the date that the Company's app is made available to the customer. Payments received in advance of services being rendered are recorded as a contract liability and recognized over the requisite service period.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(i) Revenue recognition (continued)

(ii) Digital goods revenue

Revenue from the sale of digital goods is generated from customers purchasing theme design templates online via various ecommerce platforms. The Company provides the theme source code file (perpetual software license) to the customer. This license provides the customer with the right to use the theme and the customer is capable of utilizing the theme on an ongoing basis without further performance by the Company.

The Company has determined that the theme sale represents one performance obligation as the provision of upgrades is highly interrelated and not considered to be separately identifiable.

Revenue from the sale of digital goods is recognized at a point in time when control of the license has transferred to the customer, which is the date when the customer receives the theme. In certain circumstances, the Company provides access to an app for a specific period of time for free with the purchase of a theme. The Company has determined these are separate performance obligations and has allocated consideration based on the stand-alone selling prices. Revenue from the provision of the free app is recognized over time, consistent with recurring subscription revenue.

(iii) Agency service revenue

Revenue from the provision of agency services is generated from customers who wish to hire the Company to create or modify their business' websites. The Company enters into a Statement of Work ("SOW") agreement with the client which outlines the deliverables and specifications. The Company has determined the customer controls all of the work in progress as the website is created. This is because under these contracts, the website is made to the customer's specification and if the contract is terminated by the customer, then the Company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to the SOW, which is typically on a monthly basis.

Revenue and the associated costs are recognized over time (using a hours-based input method) as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. As the value of services transferred cannot be measured directly, the Company has determined total labour hours expended as an input method to measure progress towards complete satisfaction of performance obligations. Total labour hours expended provides a faithful depiction of the Company's completion of activities.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(j) Employee benefits

(i) Salaries and short-term employee benefits

Salaries and short-term employee benefit obligations, such as vacation and healthcare benefits, are measured on an undiscounted basis and are expensed as the related services are provided.

(ii) Share-based payments

The Company operates a number of share-based compensation plans for the benefit of certain employees and Company directors, as described in Note 16.

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards related to the service periods that are expected to be attained, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Options are valued using the Black-Scholes option pricing model and performance share units are valued using a Monte Carlo simulation approach. Management uses judgment to determine the inputs to the relevant valuation model, including the expected plan lives, underlying share price volatility and forfeiture rates. Volatility is estimated by comparing companies with similar operations over similar periods to the expected life of the stock options. There is no dividend yield because the Company does not pay regular cash dividends on its common shares. The expected stock price volatility, until such time that sufficient share price data is available for the Company, is based on the historical volatility of comparable publicly traded companies' average monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free rate interest rate is based on Canadian Government Bond yields with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in profit or loss.

Stock Options

The Company applies the fair value method of accounting for stock options granted to directors, officers and employees. The fair value of the stock option at the time of granting is determined using the Black-Scholes option pricing model and recognized as a compensation expense over the vesting period with a corresponding increase in equity. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. When an employee leaves the Company, vested options must be exercised within three months, or the options expire.

Any options that are unvested are reversed in the period that the employee leaves.

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(j) *Employee benefits (continued)*

(ii) Share-based payments (continued)

Deferred, restricted and performance share units

The respective share units are grants of notional common shares that are redeemable at the option of the Company for cash, shares or a combination of both, based on the market value of the Company's common shares. The Company expects that vested deferred and/or restricted share units will be settled through the issuance of one common share per share unit. These share units have been accounted for as equity-settled instruments.

For deferred and restricted share units, the cost of the service received as consideration is initially measured based on the market value of the Company's common shares at the date of the grant. The deferred share units vest at the end of a director's tenure at the Company.

Performance share units are measured at fair value on grant date using a Monte Carlo simulation approach. The PSUs are expected to vest over a period of six years. The Company expects that performance share units will be settled through the issuance of one common share per share unit. These share units have been accounted for as equity-settled instruments.

(k) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the net loss and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which are comprised of additional shares from the assumed exercise or conversion of stock options, DSUs, RSUs and PSUs. Antidilutive options are not considered in computing diluted loss per share.

(l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income/(loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

WECommerce HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

(l) Income taxes (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Adoption of new accounting standards

In August 2020, the IASB published the Interest Rate Benchmark Reform – Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosure, IFRS 1 Insurance Contracts, and IFRS 16 Leases. The Phase 2 amendments address issues that may affect financial reporting related to financial instruments and hedge accounting resulting from the reform of an interest rate benchmark. The amendments are effective for annual periods beginning on or after January 1, 2021. The adoption of this standard does not have an impact on the Company's Consolidated Financial Statements.

4. Reverse acquisition of Brachium Capital Corp by WeCommerce Holdings Ltd.

On December 9, 2020, WeCommerce entered into an Amalgamation agreement with Brachium, a publicly listed entity, for the acquisition by Brachium of all the issued and outstanding shares of WeCommerce ("Share Exchange").

The transaction was structured as a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia) (the "BCBA"), whereby Brachium incorporated a wholly-owned subsidiary under the BCBCA, which amalgamated with WeCommerce (the "Amalgamation") to form a newly amalgamated company. Immediately prior to the closing of the transaction, Brachium consolidated its issued and outstanding Class A common shares on a 36.9763 to 1 basis (each post-consolidation Class A common share, or "Common Share") and changed its name from "Brachium Capital Corp." to "WeCommerce Holdings Ltd." (the "Company"). Existing stock options and warrants outstanding in Brachium were also consolidated on a 36.9763 to 1 basis and entitled the holders to acquire shares in the capital of the Resulting issuer (WeCommerce Holdings Ltd.) for each Brachium stock option and warrant held immediately before the Amalgamation.

In connection with the reverse acquisition, the following transactions occurred:

- On December 9, 2020, the Company completed a private placement offering of subscription receipts for gross proceeds of \$60,000,871. Each subscription receipt entitles the holder to one common share of the Company. The Company paid agents a cash fee of \$3,000,052 in connection with the private placement.
- Holders of common shares in the capital of WeCommerce (including those investors in the private placement) received 19.8554 Class A common shares in the capital of the Company for each WeCommerce share held immediately before the Amalgamation. The Company issued 431,692 shares at a price of \$138.99 per share. All share and per share amounts presented in these financial statements, including the amounts pertaining to the private placement have been adjusted to reflect this ratio.

WECommerce HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

4. Reverse acquisition of Brachium Capital Corp by WeCommerce Holdings Ltd. (continued)

- The stock option plans of WeCommerce and Brachium were dissolved and replaced by a plan established by WeCommerce Holdings Ltd. Existing stock option holders in WeCommerce received 19,855.4 options to acquire shares in the capital of the Resulting issuer for each WeCommerce stock option held immediately before the Amalgamation. This resulted in accelerated and immediate vesting of certain stock options held prior to the transaction (see note 15).

Under IFRS, the share exchange is considered to be a share-based payment in substance. That is, the share exchange is measured at the fair value of the company acquired. Accordingly, the accounting for the share exchange is identical to that resulting from a reverse acquisition, except no goodwill is recorded. Under reverse acquisitions, the post reverse acquisition comparative historical financial statements of the legal acquirer, Brachium, are those of the legal acquiree, WeCommerce, which is considered to be the accounting acquirer. These financial statements reflect the balance sheets, the results of operations and the cash flows of WeCommerce and its subsidiaries at their carrying amounts, since it is deemed to be the accounting acquirer.

Through the reverse acquisition, Brachium acquired legal control of WeCommerce by way of a share exchange and subsequent amalgamation. However, as the shareholders of WeCommerce gained voting control of Brachium pursuant to the issuance of Brachium common shares to the shareholders of WeCommerce, representing a 99% majority interest. WeCommerce is determined to be the accounting acquirer and, consequently, the transaction has been accounted for as a reverse acquisition of Brachium by WeCommerce. As Brachium does not meet the definition of a business, the transaction is accounted for as a reverse acquisition of net assets, pursuant to IFRS 2 Share based Payments.

The acquisition date fair value of the consideration transferred by the accounting acquirer, WeCommerce for its interest in the accounting acquiree, Brachium of \$1,632,463 (or 214,286 common shares and 1,565,241 vested stock options) is determined based on the fair value of the equity interest WeCommerce would have had to give to the owners of Brachium, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and is recorded as an increase in common shares and contributed surplus respectively in the consolidated statement of financial position.

The net assets of Brachium acquired on December 9, 2020 are as follows:

	\$
Cash	360,785
Accrued liabilities	(104,464)
Sales tax receivable	8,931
Net assets acquired	265,252

In accordance with IFRS 2 Share-Based Payments, any excess of the fair value of the shares issued by the Company over the value of the net monetary assets of Brachium, is recognized in the Consolidated Statement Loss and Comprehensive Income/(Loss).

WECOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

4. Reverse acquisition of Brachium Capital Corp by WeCommerce Holdings Ltd. (continued)

The following table provides a breakdown of expenses incurred in connection with the reverse acquisition:

	\$
Consideration transferred in excess of net assets acquired	1,367,211
Legal and professional fees	266,870
	1,634,081

5. Trade and other receivables

	December 31, 2021	December 31, 2020
Trade receivables	1,733,818	1,704,720
Sales tax receivable	217,155	35,641
Working capital adjustments receivable – Stamped	696,645	-
Other receivables	408,901	-
	3,056,519	1,740,361
Allowance for expected credit losses	(7,178)	(61,102)
Trade and other receivables, net	3,049,341	1,679,259

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

6. Property and equipment

	Computer Equipment	Office Equipment	Furniture	Leasehold Improvements	Right-of-use assets	Total
Cost:						
Balance on January 1, 2020	312,668	8,780	101,004	731	361,367	784,550
Additions	49,014	441	849	-	-	50,304
Disposals	(7,454)	-	(949)	-	-	(8,403)
Acquisition through business combination (Note 20)	16,555	-	8,687	-	-	25,242
Foreign exchange	(661)	-	-	-	-	(661)
Balance on December 31, 2020	370,122	9,221	109,591	731	361,367	851,032
Additions	200,858	3,431	-	-	-	204,289
Disposals	(276,819)	(12,129)	(108,751)	(731)	(361,367)	(759,797)
Acquisition through business combination (Note 20)	16,278	2,849	-	-	-	19,127
Foreign exchange	531	-	-	-	-	531
Balance on December 31, 2021	310,970	3,372	840	-	-	315,182
Accumulated depreciation:						
Balance on January 1, 2020	180,949	4,683	82,242	330	135,513	403,717
Additions	83,873	2,178	13,315	220	122,247	221,833
Disposals	(3,960)	-	-	-	-	(3,960)
Foreign exchange	(613)	-	-	-	-	(613)
Balance on December 31, 2020	260,249	6,861	95,557	550	257,760	620,977
Additions	98,279	1,844	6,615	181	103,607	210,526
Disposals	(254,721)	(8,450)	(101,538)	(731)	(361,367)	(726,807)
Foreign exchange	29	-	-	-	-	29
Balance on December 31, 2021	103,836	255	634	-	-	104,725
Net book value:						
At December 31, 2020	109,873	2,360	14,034	181	103,607	230,055
At December 31, 2021	207,134	3,117	206	-	-	210,457

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

7. Intangible assets

	Customer relationships	Non-compete agreement	Brand	Software applications	Intellectual property	Total
Cost:						
Balance at January 1, 2020	-	-	530,092	7,722,762	-	8,252,854
Acquired (Note 20)	1,816,000	-	819,000	4,945,000	-	7,580,000
Foreign exchange	-	-	-	(10,730)	-	(10,730)
Balance at December 31, 2020	1,816,000	-	1,349,092	12,657,032	-	15,822,124
Acquired (Note 20)	9,900,000	8,660,000	8,220,000	29,791,928	1,300,000	57,871,928
Disposition	-	-	-	(302,005)	-	(302,005)
Foreign exchange	80,540	51,735	62,726	225,479	-	420,480
Balance on December 31, 2021	11,796,540	8,711,735	9,631,818	42,372,434	1,300,000	73,812,527
Accumulated depreciation:						
Balance at January 1, 2019	-	-	220,871	3,832,337	-	4,053,208
Additions	105,933	-	201,568	2,655,273	-	2,962,774
Foreign exchange	-	-	-	(6,566)	-	(6,566)
Balance at December 31, 2020	105,933	-	422,439	6,481,044	-	7,009,416
Additions	1,117,074	1,554,749	809,508	6,165,069	230,645	9,877,045
Disposition	-	-	-	(142,485)	-	(142,485)
Foreign exchange	13,117	19,660	7,151	42,474	-	82,402
Balance on December 31, 2021	1,236,124	1,574,409	1,239,098	12,546,102	230,645	16,826,378
Net book value:						
At December 31, 2020	1,710,067	-	926,653	6,175,988	-	8,812,708
At December 31, 2021	10,560,416	7,137,326	8,392,720	29,826,332	1,069,355	56,986,149

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

7. Intangible assets (continued)

On May 12, 2021, Pixel Union sold certain internally generated software applications with a carrying value of \$nil (December 31, 2020: \$nil) for proceeds of \$355,513 (USD \$285,000). Revenue generated from these assets prior to their sale are presented within the Themes segment.

During the year, Pixel Union wrote-off certain intangible assets with carrying value of \$155,497. Revenue generated from these assets prior to their disposal are presented within the Agency segment.

Both transactions have been recognized as (Gain)/loss on sale of intangibles in the Statement of Net Loss and Comprehensive Income/(Loss).

8. Goodwill

Goodwill was recognized as part of the acquisitions of the assets of Stamped and Archetype on April 6, 2021 and August 24, 2021, respectively. 100% of Stamped's goodwill has been allocated to our Apps reportable segment and 100% of Archetype's goodwill has been allocated to our Themes reportable segment (See Note 20).

	Themes	Apps	Total
Balance on January 1, 2020	3,943,549	-	3,943,549
Acquisition through business combination (Note 20)	-	7,998,662	7,998,662
Balance on December 31, 2020	3,943,549	7,998,662	11,942,211
Acquisition through business combination (Note 20)	15,463,561	81,965,646	97,429,207
Foreign exchange	-	718,106	718,106
Balance on December 31, 2021	19,407,110	90,682,414	110,089,524

The Company performs an impairment test annually on December 31 each year or at each reporting date, if there is an indication of impairment. The recoverable amount of goodwill is determined based on the greater of the value in use and the fair value less costs to sell of the Company's cash generating unit. For the purposes of impairment testing, goodwill is allocated to the Company's cash-generating units which represent the lowest level within the Company at which goodwill is monitored for internal management purposes, which is not higher than the Company's operating segments.

No impairment of goodwill was identified as a result of the Company's most recent impairment test as at December 31, 2021. Goodwill impairment testing is based on a value in use approach and is completed for the Stamped Apps CGU, Foursixty Apps CGU, Archetype Themes CGU, and Pixel Union Themes CGU. The majority of goodwill is allocated to the Stamped Apps CGU, which makes up 75.11% of total goodwill.

The recoverable amount is determined by management's experience and future expectations of the business performance are used to make a best estimate of the expected revenue and cash flows for a five-year period. The revenue growth rate in that period is based upon management's current and long-term forecasts and is a key driver within the test. The recoverable amount was estimated using annual revenue growth rates ranging from 5%-37%. A pre-tax discount rate was applied ranging from 15.9%-18.8%.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

8. Goodwill (continued)

Other key assumptions in the analysis, include the discount and terminal growth rate. The discount rate applied in the model is a pre-tax rate that reflects the time value of money and risk associated with the business. The terminal growth rate of 2% is based on the long-term growth prospects of the business beyond a five-year term. As at December 31, 2021, a sensitivity analysis was also completed for each CGU model and it was determined that reasonable changes to key assumptions would not result in an impairment loss.

9. Trade and other payables

	December 31, 2021	December 31, 2020
Trade payables	1,102,885	900,778
Sales tax payable	105,660	-
Accrued payroll and related expenses	723,895	714,573
Holdback and working capital adjustments payable Foursixty (Note 20)	-	440,032
Accrued other	599,372	230,699
	2,531,812	2,286,082

10. Contract liability

	2021	2020
Opening balance	841,505	216,598
Prior year liability recognized as revenue during the year	(841,505)	(216,598)
Acquired at fair value (Note 20)	1,489,314	-
Acquired liability recognized as revenue during the period	(1,395,081)	-
Net additions	2,797,643	841,505
Closing balance	2,891,876	841,505

11. Lease liability

The Company's lease liability consisted of a lease of an office building, held by the Company's wholly owned subsidiary, Pixel Union. The lease expired in October 2021 and the Company has not renewed the contract. For the year ended December 31, 2021, an amount of \$61,180 (2020: \$126,486) has been recognized within the Statement of Net Loss and Comprehensive Income/(Loss) in relation to short term leases and non-lease components.

Lease liability, January 1, 2021	\$	111,879
Interest expense		3,288
Lease payments		(115,167)
Lease liability, December 31, 2021		-
Current portion		-

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

12. Financial Instruments

(a) Classification and measurement

The following table summarizes information regarding the classification and carrying values of the Company's financial instruments:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	December 31, 2021
Financial Assets				
Cash and cash equivalents	26,122,247	-	-	26,122,247
Restricted cash	1,243,762	-	-	1,243,762
Trade and other receivables	3,049,341	-	-	3,049,341
Financial Liabilities				
Trade and other payables	-	2,531,812	-	2,531,812
Bank loan	-	60,203,418	-	60,203,418
Foreign currency derivatives	-	-	30,132	30,132
Due to related parties	-	613	-	613
Contingent consideration payable	-	-	22,208,224	22,208,224
Indemnity holdback	-	1,196,037	-	1,196,037
	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	December 31, 2020
Financial Assets				
Cash and cash equivalents	61,193,367	-	-	61,193,367
Trade and other receivables	1,679,259	-	-	1,679,259
Foreign currency derivatives	-	-	38,138	38,138
Financial Liabilities				
Trade and other payables	-	2,286,082	-	2,286,082
Bank loan	-	10,572,500	-	10,572,500
Due to related parties	-	1,387	-	1,387
Contingent consideration payable	-	-	2,975,594	2,975,594

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

12. Financial instruments (continued)

(b) Fair value

The following fair value measurement hierarchy is used for financial instruments that are measured in the Consolidated Statement of Financial Position at fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – techniques (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly (as prices), or indirectly (as derived from prices); and

Level 3 – techniques which use inputs that are both significant to the overall fair value measurement of the asset or liability and are not based on observable market data (unobservable inputs).

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value to the relatively short-term maturity of these financial instruments. The carrying value of bank loans is initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

There were no transfers between levels of the fair value hierarchy in the year ended December 31, 2021 and December 31, 2020.

(c) Contingent consideration payable

Total contingent consideration payable at December 31, 2021 is comprised of:

- \$600,000 relating to the acquisition of Foursixty;
- \$16,564,839 relating to the acquisition of Stamped; and
- \$5,043,385 relating to the acquisition of Archetype

Amounts are included within contingent consideration until they are settled.

Other long-term liabilities for contingent consideration related to business acquisitions are recorded at fair value on acquisition and are adjusted quarterly for changes in fair value. Changes in the fair value of contingent consideration liabilities can result from changes in anticipated milestone payments and changes in assumed discount periods and rates. These inputs are unobservable in the market and therefore, categorized as Level 3 inputs.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

12. Financial instruments (continued)

(c) Contingent consideration payable (continued)

The following table presents the changes in fair value of the Company's liability for contingent consideration:

Balance on January 1, 2020	\$	558,146
Acquired through business combination (Note 20)		2,600,000
Reclassification to trade and other payables upon targets achieved		(175,000)
Foreign exchange		(7,552)
Balance on December 31, 2020		2,975,594
Acquired through business combination (Note 20)		27,110,840
Adjustment to fair value		(5,223,240)
Payments of contingent consideration		(2,651,518)
Foreign exchange		(3,452)
Balance on December 31, 2021		22,208,224

(d) Derivative financial instruments

The Company uses certain derivative financial instruments, primarily forward foreign exchange contracts, to manage foreign currency exposures on export sales. The Company does not designate its foreign exchange contracts as hedging instruments. Therefore, a change in foreign exchange rates at the reporting date will affect profit or loss. The derivative financial instruments are categorized under Level 2 in the fair value hierarchy.

13. Financial risk and capital management

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, foreign exchange risk and technology risk.

(a) Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables. As at December 31, 2021, the trade and other receivables were within normal repayment terms with the exception of one customer for which an expected credit loss allowance of \$7,178 has been recorded.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

13. Financial risk and capital management

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due; and management of cash. The strategies employed by the Company may include the issue or repayment of debt, or the issue of equity.

The contractual maturities of non-derivative financial liabilities at December 31, 2021 were as follows:

	Carrying amount	Contractual cash flows	Current	Between 2 and 5 years	More than 5 years
Bank loan	60,203,418	60,203,418	3,186,032	57,017,386	-
Trade and other payables	2,531,812	2,531,812	2,531,812	-	-
Contingent consideration payable	22,208,224	22,208,224	22,208,224	-	-
Indemnity holdback	1,196,037	1,196,037	1,196,037	-	-

(c) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company continuously monitors interest rates and economic conditions. At December 31, 2021, the Company had a credit facility (see Note 14) with outstanding principal totaling \$61,285,171. A 1% change in the interest rate on the credit facility would have an after-tax impact of \$447,382 on net loss for the period.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). The Company has exposures to IBORs on its credit facility that will be replaced or reformed as part of these market-wide initiatives. At December 31, 2021, the credit facility has not transitioned to an alternative benchmark. The Company is currently managing its transition to an alternate rate and intends to amend the credit facility in 2022.

(d) Foreign exchange risk

A significant portion of the Company's wholly owned subsidiaries' (Pixel Union, Archetype, Foursixty and Stamped) sales occur outside of Canada and are received in US Dollars, and as such, the Company is exposed to foreign currency risks on cash and trade and other receivables denominated in US Dollars. At year-end, the Company reported the following US Dollar monetary assets and liabilities, as stated in Canadian Dollars:

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

13. Financial risk and capital management (continued)

(d) Foreign exchange risk (continued)

		2021		2020
Cash	\$	8,513,128	\$	3,472,081
Trade and other receivables		2,374,852		947,373
Trade and other payables		(1,267,091)		(195,163)
Debt		(61,285,171)		-
Total exposure	\$	(51,664,282)	\$	4,224,291

If there was a 1% strengthening of the US Dollar against the Canadian Dollar, there would be a corresponding (increase) decrease in net loss before tax of:

		2021		2020
USD	\$	(227,433)	\$	(130,836)

There would be an equal and opposite impact if there was a 1% weakening of the Canadian Dollar against the US Dollar.

At December 31, 2021, outstanding forward exchange contracts enabled the Company to convert USD \$2,002,052 to CAD \$2,500,000 up to November 1, 2022 (December 31, 2020: outstanding forward contracts enabled the Company to convert USD \$1,297,395 to CAD \$1,700,000 up to November 24, 2021). The Company recognized a fair value derivative liability of \$30,132 at December 31, 2021 (December 31, 2020: derivative asset of \$38,138).

For the financial year ended December 31, 2021, the company recognized a loss of \$68,270 (2020: \$23,488 gain) on its derivative financial instruments recognized within the Statement of Net Loss and Comprehensive Income/(Loss).

(e) Capital management

The Company's objective when managing its capital structure is to maintain a strong financial position and to provide returns with sufficient liquidity to undertake further growth for the benefit of its shareholders. The Company defines capital as the aggregate of its share capital and bank loan.

The calculation of the Company's capital is summarized below:

		2021		2020
Bank loan	\$	57,017,386	\$	8,736,062
Share capital		109,408,687		65,726,277
	\$	166,426,073	\$	74,462,339

There were no changes to the Company's approach to capital management during the year. The Company is subject to certain financial covenants on its debt obligations. The Company's strategy is to ensure it remains in compliance with all of its existing covenants so as to ensure continuous access to required debt to fund growth. Management reviews results and forecasts to monitor the Company's compliance.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

14. Bank loans

	2021	2020
Term loan	48,651,571	-
Revolving facility	12,633,600	-
BDC loan	-	10,700,000
Deferred financing costs	(1,081,753)	(127,500)
	60,203,418	10,572,500
Less:		
Current portion	(3,486,450)	(1,866,438)
Deferred financing costs – current portion	300,418	30,000
	57,017,386	8,736,062

	Term loan	Revolving facility	BDC loan	Deferred financing cost	Total
Balance, January 1, 2020	-	-	10,300,000	(157,500)	10,142,500
Drawing	-	-	1,100,000	-	1,100,000
Repayments	-	-	(700,000)	-	(700,000)
Amortization of finance costs	-	-	-	30,000	30,000
Balance, December 31, 2020	-	-	10,700,000	(127,500)	10,572,500
Drawing	50,349,079	12,637,304	-	-	62,986,383
Financing cost addition	-	-	-	(1,314,808)	(1,314,808)
Repayments	(1,892,375)	-	(10,700,000)	-	(12,592,375)
Amortization of finance costs	-	-	-	360,555	360,556
Foreign exchange	194,867	(3,704)	-	-	191,163
Balance, December 31, 2021	48,651,571	12,633,600	-	(1,081,753)	60,203,418

(a) BDC loan

On March 31, 2021, the Company repaid, in full, the outstanding principal balance of its credit facility with BDC Capital, for an amount of \$10,400,000. Early repayment fees incurred, including an interest variance fee, amounted to \$1,045,356. These fees have been included in finance costs in the Statement of Net Loss and Comprehensive Income/(Loss) for the year ended December 31, 2021. In addition to the above, the remaining balance of deferred finance fees (\$127,500), relating to the BDC facility, was fully recognized at March 31, 2021 and included in finance costs in the Statement of Net Loss and Comprehensive Income/(Loss) for the year ended December 31, 2021.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

14. Bank loans (continued)

(b) Term loan and revolving facility

On April 6, 2021, the Company signed a new U.S. dollar-denominated debt facility (the “credit facility”) with a syndicate of lenders led by JPMorgan Chase Bank, N.A. (see Note 20), from which the Company has received aggregate financing commitments of USD \$80 million. The facility has a maturity date of April 6, 2026. The Credit facilities comprise:

- a senior revolving credit facility in an aggregate principal amount of USD \$20 million (\$24.8 million);
- a senior term loan facility in an aggregate principal amount of USD \$40 million (\$49.6 million); and
- a senior delayed draw term loan facility in an aggregate principal amount of USD \$20 million (\$24.8 million).

The Company incurred transaction costs amounting to \$1,314,808 in relation to this new facility. These costs are being amortized over the term of the new facility, commencing on April 6, 2021.

At December 31, 2021, the Company had \$48,651,571 and \$12,633,600 outstanding under the senior term loan and revolving credit facility, respectively. The base rate for the Term Loan is LIBOR plus a margin ranging from 275 bps to 350 bps based on the Company’s Total Net Leverage and the base rate for the Revolving Credit Facility is LIBOR. The interest rate for the senior term loan and revolving credit facility at December 31, 2021 was 3.4375% and 3.6875%, respectively.

The credit facility agreement contains two loan covenants:

- (i) The total net leverage ratio on the last day of the fiscal quarters ending June 30, 2021 to March 31, 2022 should not be greater than 4 times; for the quarters beginning April 1, 2022 and ending March 31, 2023, the ratio should not be greater than 3.75 times and for the quarters beginning April 1, 2023 and thereafter, the ratio should not be greater than 3.5 times. Total Net Leverage is defined in the Facility agreement (calculated as Total Indebtedness to Adjusted Consolidated EBITDA). Adjusted Consolidated EBITDA as defined in our credit agreement is different than Adjusted EBITDA as presented in our Management’s Discussion & Analysis as it is adjusted for, among other items, purchase accounting adjustments and pull forward synergies resulting from the acquisition;
- (ii) The Fixed Coverage Charge Ratio (“FCCR”) on the last day of each fiscal quarter and at the end of any period of four consecutive fiscal quarters cannot be less than 1.25 times. FCCR is defined as adjusted consolidated EBITDA (less certain allowable expenses) to fixed charges.

As at December 31, 2021, the Company was in compliance with all debt covenants. The fair value of the debt approximates the carrying value.

All obligations of WeCommerce under the Credit Agreement are guaranteed by its material wholly owned subsidiaries (the “Guarantors”) and secured by a security interest in the assets of WeCommerce and the Guarantors, and WeCommerce’s equity interests in the Guarantors. The Credit Agreement contains certain customary non-financial covenants.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

14. Bank loans (continued)

(b) Term loan and revolving facility (continued)

For the term loan, fiscal quarterly principal repayments commenced on June 30, 2021 and are calculated as a percentage, ranging from 1.25% to 3.75%, of the principal balance outstanding until the maturity date. At maturity, both the entire unpaid principal amount for the term loan and revolving credit facility will become due and payable.

15. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

On June 1, 2020, the Company issued 6,144,472 common shares to existing shareholders for total proceeds of \$7,000,008 and incurred share issuance costs of \$8,999. The equity raised through this capital call was used to partially finance the purchase of Foursixty (see Note 20).

On December 9, 2020, the Company completed a private placement offering of subscription receipts for gross proceeds of \$60,000,871. Each subscription receipt entitled the holder to one common share of the Company. The Company issued 8,571,417 shares at a price of \$7.00 per share. The Company paid agents a cash fee of \$3,000,052 in connection with the private placement. These have been recorded as share issuance costs and recognized as a deduction from equity.

On July 7, 2021, the Company closed a bought deal financing, issuing 2,810,000 class A common shares at a price of \$12.00 per share for gross proceeds of \$33,720,000. The Company incurred transaction costs of \$2,529,924 associated with this financing, resulting in net proceeds of \$31,190,076. The Company intends to use the proceeds for strategic acquisitions and working capital purposes.

16. Share-based payments

On January 1, 2020, all options outstanding and issued under the Pixel Union Design Ltd. stock option plan were surrendered and exchanged on a one-for-one basis for options to purchase common shares in WeCommerce Holdings Ltd.

On December 8, 2020, WeCommerce's Board of Directors approved a Stock Option Plan to award employees, officers, directors and consultants with stock options from time to time. Under the terms of this plan, the Company may issue stock options up to 10% of the issued and outstanding common shares of the Company. On December 31, 2021, 322,804 stock options were issued and outstanding under this plan (December 31, 2020: 340,000 stock options).

On May 14, 2021, WeCommerce's Board of Directors approved a new equity incentive plan (the "Omnibus Plan") to amend and restate the Company's Stock Option Plan. The Omnibus Plan permits the Board to grant options, restricted share units, performance share units and deferred share units to eligible directors, employees and consultants. Under the terms of the Omnibus Plan, the Company may issue equity awards up to 10% of the issued and outstanding common shares of the Company.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

16. Share-based payments (continued)

(a) Stock options

A summary of Company's outstanding stock options and changes during the periods then ended are as follows:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2020	688,268	0.36
Issued	1,276,599	2.64
Exercised	(70,874)	1.56
Forfeited	(26,368)	0.75
Options issued in reverse acquisition of Brachium	32,246	3.70
Outstanding, December 31, 2020	1,899,871	1.90
Exercised	(513,166)	1.07
Forfeited	(16,068)	7.00
Outstanding, December 31, 2021	1,370,637	2.15

The following table provides the stock option information as at December 31, 2021:

Exercise price (\$)	Number	Options outstanding		Number	Options exercisable	
		Weighted average remaining contractual term	Weighted average exercise price (\$)		Weighted average remaining contractual term	Weighted average exercise price (\$)
0.35-0.47	643,096	3.76	0.35	643,096	3.76	0.35
0.75-1.14	404,730	8.64	1.14	356,044	8.64	1.14
3.70-7.00	322,811	3.97	7.00	67,608	3.94	7.00
	1,370,637	5.25	2.15	1,066,747	5.40	1.04

The following table provides the stock option information as at December 31, 2020:

Exercise price (\$)	Number	Options outstanding		Number	Options exercisable	
		Weighted average remaining contractual term	Weighted average exercise price (\$)		Weighted average remaining contractual term	Weighted average exercise price (\$)
0.35-0.47	688,268	4.81	0.36	688,268	4.81	0.36
0.75-1.14	858,705	8.75	1.09	790,472	9.51	1.09
3.70-7.00	352,898	4.85	6.88	12,898	2.26	3.70
	1,899,871	6.60	1.90	1,491,638	7.28	0.77

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

16. Share-based payments (continued)

(a) Stock options (continued)

The fair value of the options on the grant is estimated using a Black-Scholes option pricing model within the following assumptions:

	2021	2020
Dividend yield	-	-
Expected volatility	-	73%
Risk-free interest rate	-	0.24%-0.63%
Expected life	-	2-5 years from grant date
Exercise price	-	\$0.35 to \$7.00

(b) Restricted share units ("RSUs"), Deferred share units ("DSUs") and Performance share units ("PSUs")

RSUs, DSUs and PSUs can be settled in either common shares, cash or a combination of both, at the option of the Company. It is the Company's intent to settle the outstanding RSUs, DSUs and PSUs in common shares.

The following table provides the RSUs, DSUs and PSUs information as at December 31, 2021:

	RSUs	DSUs	PSUs
Outstanding, December 31, 2020	-	-	-
Granted	257,244	14,000	190,000
Settled	(5,139)	-	-
Forfeited	-	-	-
Outstanding, December 31, 2021	252,105	14,000	190,000

During the year, the Company granted RSUs to employees. and therefore, RSUs were classified as equity-settled and valued at the closing share price on the grant date. The DSUs are classified as equity-settled and valued at the closing share price on the date of grant.

Independent members of the Board of Directors are partly remunerated through the issuance of DSUs. The DSUs may not be exercised until the director ceases to serve on the Company's Board of Directors. DSUs were classified as equity-settled and were valued at the closing share price of \$11.82 on the date of grant.

On December 2, 2021, the Company granted 190,000 PSUs to the Chief Executive Officer of the Company, provided that he remains in continuous service with the Company from the date of Grant through the applicable vesting dates. All outstanding PSUs vest on or before December 2, 2027. In addition, the number of PSUs that vest is dependent on certain market conditions including the share price, the 120-day volume weighted average trading price ("VWAP") preceding each vesting date and the relative increase from the previous vesting date. As the value of the PSU's is dependent on a share price path, the Company has used a Monte Carlo simulation model to determine the fair value at grant date.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

16. Share-based payments (continued)

(b) Restricted share units ("RSUs"), Deferred share units ("DSUs") and Performance share units ("PSUs") (continued)

The table below summarizes the main assumptions used to determine the grant date fair value of PSUs:

	2021	2020
Expected volatility	59%	-
Risk-free interest rate	1.15%-1.38%	-
Share price	\$15.10	-
Expected life	6 years	-
Exercise price	\$nil	-

(c) Share-Based Compensation Expense

Total expenses from share-based payment transactions recognized during the year are as follows:

	December 31, 2021	December 31, 2020
Stock options	1,005,764	4,169,265
Restricted share units	664,726	-
Deferred share units	165,479	-
Performance share units	54,497	-
Share-based compensation	1,890,466	4,169,265

17. Related party transactions

(a) Key management compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors, the Company's Chief Financial Officer, and the Company's Chief Executive Officer. Key management personnel, includes all executive officers and directors of the Company.

Key management personnel compensation comprised:

	2021	2020
Short-term benefits	\$ 640,756	\$ 221,266
Share-based compensation	912,778	1,968,708
	\$ 1,553,534	\$ 2,189,974

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

18. Income taxes

The components of income tax expense are as follows:

	2021	2020
Current income tax expense (recovery):	\$	\$
Current year	1,040,602	992,907
Adjustments for prior years	(139,816)	33,328
	900,786	1,026,235
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	(494,555)	(647,846)
Adjustments for prior years	(108,209)	45,465
	(602,764)	(602,381)
Total income tax expense	\$ 298,022	\$ 423,854

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2021	2020
Loss before income taxes	\$ (544,900)	\$ (3,992,622)
Statutory tax rates	27%	27%
Tax expense (recovery) based on the statutory tax rates	\$ (147,123)	\$ (1,078,008)
Increased (decreased) by:		
Scientific Research and Experimental Development Credits	(228,171)	(366,623)
Permanent differences:		
Listing and acquisition expense	744,783	487,280
Contingent consideration adjustments	(1,377,707)	-
Stock-based compensation	443,019	1,126,316
Foreign exchange losses	60,745	-
Impact of rate differences between jurisdictions	41,598	(3,695)
Adjustments to prior periods	(248,025)	78,793
Loss carryforwards and temporary differences	1,011,425	181,309
Other items	(2,522)	(1,518)
Total income tax expense	\$ 298,022	\$ 423,854

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

18. Income taxes (continued)

The nature and tax effect of temporary differences giving rise to the deferred tax asset (liability) are summarized as follows:

	2021	2020
Property and equipment	\$ (18,486)	\$ (2,971)
Intangible assets	(653,535)	(1,132,844)
Goodwill	(1,111,298)	-
Long-term debt	(292,573)	-
Contingent consideration payable	1,027,226	-
Investment tax credits	(60,956)	(114,187)
Other	84,151	(9,211)
Non-capital losses	369,022	-
Net deferred tax liability	\$ (656,449)	\$ (1,259,213)

The movement in temporary differences is recorded in the Statement of Net Loss and Comprehensive Income/(Loss). The Company has recorded deferred tax assets to the extent it is probable that the benefits of these assets will be realized. The Company has \$11,224,000 (2020: \$4,794,000) of unrecognized deductible temporary differences, unused tax losses or unused tax credits. At December 31, 2021, the Company has net operating losses carried forward for income tax purposes of \$4,867,118 (2020: \$1,707,899) which are available to offset future taxable income. The losses expire as follows:

	\$
2034	12,963
2035	71,333
2036	238,711
2037	19,838
2038	-
2039	-
2040	200,623
2041	4,323,650
	4,867,118

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

19. Loss per share

Net loss per share has been calculated as follows:

	December 31, 2021	December 31, 2020
Net loss	\$ (842,922)	\$ (4,416,476)
Weighted average number of shares outstanding	38,029,966	25,163,011
Weighted average number of shares outstanding including potentially dilutive shares	38,029,966	25,163,011
Basic loss per share	\$ (0.02)	\$ (0.18)
Diluted loss per share	\$ (0.02)	\$ (0.18)

The Company has two potentially dilutive securities: stock options and RSUs. All potentially dilutive securities have been excluded from the calculation of diluted loss per share for the periods in which the Company is in a net loss position. Including the dilutive securities in these periods would be anti-dilutive. Weighted average basic and diluted number of shares used in the calculation are the same for the periods presented.

The outstanding number and type of securities that are anti-dilutive for the periods presented are as follows:

	December 31, 2021	December 31, 2020
Stock options	894,820	1,491,638
RSUs	252,105	-
Contingent consideration - Stamped	1,241,742	-
	2,388,667	1,491,638

20. Acquisitions and common control transactions

All the acquisitions mentioned have been accounted for using the acquisition method. The results of operations of the acquired entities are included in the Company's consolidated financial statements from the date of acquisition.

(a) Rehash Ltd. acquisition

On October 29, 2019, the Company completed an asset purchase agreement to acquire certain assets of Rehash LLC and incorporated Rehash Ltd. in Delaware, USA. Rehash is a software agency located in Oklahoma City, OK.

The estimated fair value of the contingent consideration was \$383,146 (USD \$295,000). The expected consideration is to be paid if Rehash achieves certain cumulative earnings before income taxes, depreciation and amortization ("EBITDA") until December 31, 2021. Under the terms, achievement of EBITDA's of USD \$300,000 and USD \$675,000 would result in payments of USD \$125,000 and USD \$170,000, respectively.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

20. Acquisitions and common control transactions (continued)

(a) Rehash Ltd. acquisition(continued)

On January 31, 2021, an amendment was signed between Pixel Union and the founder of Rehash Ltd., whereby the original contingent consideration payable was reduced to USD \$200,000. As part of this amendment, the contingency based on achievement of certain EBITDA targets was removed. This has been accounted for as a fair value adjustment in accordance with IFRS 9 and a fair value adjustment of \$120,624 (USD \$95,000) has been recorded in the Statement of Net Loss and Comprehensive Income/(Loss) for the year ended December 31, 2021. During the year ended December 31, 2021, the Company paid the amount in full.

On February 12, 2021, Rehash Ltd., changed its name to WeCommerce Operations Ltd.

(b) Foursixty acquisition

On June 1, 2020, the Company completed a share purchase agreement to acquire 100% of the outstanding shares of Foursixty Inc. Foursixty is in the business of developing, selling and supporting applications for clients utilizing ecommerce platforms.

The base purchase price was \$11.0 million, subject to working capital adjustments of \$0.3 million and contingent consideration with an estimated fair value of \$2.6 million, resulting in a total consideration \$13.9 million.

The following summarizes the consideration paid and recognized amounts of assets acquired and liabilities assumed at the acquisition date based on the final purchase price allocation:

Purchase Price Allocation	
Consideration:	
Cash	10,813,190
Contingent consideration, at fair value	2,600,000
Holdback payable	150,000
Working capital adjustments	290,032
	13,853,222
Identifiable assets acquired and liabilities assumed:	
Accounts receivable	102,605
Taxes receivable	223,578
Prepaid expenses	12,698
Accounts payable	(79,066)
Property, plant and equipment	25,242
Deferred taxes	(2,010,497)
Software applications	4,945,000
Customer relationships	1,816,000
Brand	819,000
Goodwill	7,998,662
	13,853,222

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

20. Acquisitions and common control transactions (continued)

(b) Foursixty acquisition (continued)

The accounts receivable comprises contractual amounts due, of which \$nil was expected to be uncollectable at the date of the acquisition.

The estimated fair value of the applicable contingent consideration is calculated based on discounted probability weighted expected cashflows. The expected contingent consideration is to be paid if Foursixty's EBITDA exceeds certain thresholds during the period from June 1, 2020 to May 31, 2022. Under the terms, achievement of EBITDA ranging from \$2.8 million to \$3.8 million will result in a payment of \$1.0 million to \$3.0 million. Under no circumstances will the payment exceed \$3.0 million.

During the year ended December 31, 2021, the Company reassessed the fair value of the expected contingent consideration and increased the expected amount by \$400,000. The increase in contingent consideration was recorded through the Statement of Net Loss and Comprehensive Income/(Loss). During the year, the Company paid three instalments totaling \$2.4 million, with the remaining fair value of the contingent consideration of \$600,000 recorded within the Statement of Financial Position.

(c) Stamped acquisition

On April 6, 2021, the Company completed an asset purchase agreement to acquire certain assets of T.O.Enterprise Pte. Ltd. (Formerly, "Stamped.io.Pte.Ltd."), and incorporated Stamped Technologies Pte. Ltd. Stamped is a SaaS platform enabling online merchants to implement and manage customer reviews and loyalty programs through Shopify and other ecommerce platforms.

The base purchase price is \$92.7 million (USD \$73.9 million) paid in cash, \$9.1 million (USD \$7.2 million) paid in 496,697 Class A common shares (at a closing share price of \$18.26 per share) and contingent consideration with an estimated fair value of \$23.3 million (USD \$18.6 million), resulting in a total consideration of \$125.1 million (USD \$99.7 million). The Statement of Cash Flows for the year ended December 31, 2021, includes \$9,100,000 of non-cash proceeds for the shares issued on acquisition of Stamped IO.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

20. Acquisitions and common control transactions (continued)

(c) Stamped acquisition (continued)

The following summarizes the consideration paid and recognized amounts of assets acquired and liabilities assumed at the acquisition date based on the preliminary purchase price allocation:

	Purchase Price Allocation
Consideration:	
Cash	92,679,527
Share consideration amount	9,100,000
Contingent consideration, at fair value	23,306,300
Working capital adjustment	39,842
Total consideration	125,125,669
Identifiable assets acquired:	
Accounts receivable	346,085
Prepaid expenses and deposits	11,954
Computer equipment	16,278
Software	121,928
Brand	6,620,000
Technology	23,670,000
Non-compete agreement	5,460,000
Customer Relationships	8,500,000
Goodwill	81,965,646
	126,711,891
Identifiable liabilities assumed:	
Trade and other payables	96,908
Deferred revenue	1,489,314
Fair value of net assets acquired	125,125,669

The accounts receivable comprises contractual amounts due, of which \$nil was expected to be uncollectable at the date of the acquisition.

The estimated fair value of the contingent consideration is calculated based on discounted probability weighted expected cashflows. The contingent consideration is payable at December 31, 2021, as Stamped achieved a minimum revenue target of USD \$10 million for the 12 month period ended December 31, 2021. This payable has been satisfied by the issuance of 1,241,742 Class A common shares of WeCommerce at a deemed price per share of CAD\$25.43 on February 4, 2022. The shares issued as contingent consideration are subject to a statutory hold period expiring on the date that is four months and one day after the date of issuance.

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

20. Acquisitions and common control transactions (continued)

(d) Archetype acquisition (continued)

On August 24, 2021, the Company completed an asset purchase agreement to acquire certain assets of Archetype Themes Inc. ("Archetype"). Archetype is in the business of developing and selling themes used by merchants on Shopify.

The base purchase price is USD \$20 million paid in cash and contingent consideration with an estimated fair value of USD \$12 million. The Company is currently in the process of finalizing the determination of the fair value of contingent consideration, as well as the fair value of the net assets acquired. The Company is also in the process of finalizing working capital adjustments. The following summarizes the consideration paid and recognized amounts of assets acquired and liabilities assumed at the acquisition date based on the preliminary purchase price allocation:

	Preliminary Purchase Price Allocation
Consideration:	
Cash	24,269,211
Contingent consideration, at fair value	3,804,540
Indemnity holdback	1,196,037
Working capital adjustments	(165,905)
Total consideration	29,103,883
Identifiable assets acquired:	
Accounts receivable	146,874
Prepaid expenses and deposits	7,046
Office equipment	2,849
Brand	1,600,000
Software applications	6,000,000
Intellectual property	1,300,000
Non-compete agreement	3,200,000
Customer relationships	1,400,000
Goodwill	15,463,561
	29,120,330
Identifiable liabilities assumed:	
Trade and other payables	16,447
Fair value of net assets acquired	29,103,883

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

20. Acquisitions and common control transactions (continued)

(d) Archetype acquisition (continued)

The estimated fair value of the applicable contingent consideration is calculated based on discounted probability weighted expected cashflows. The contingent consideration is to be paid, if Archetype's earnings before income tax, depreciation and amortization ("EBITDA"), exceeds certain threshold during the first six months ending December 31, 2021 and 12-month period ending December 31, 2022. The achievement of EBITDA targets in the first period has resulted in consideration payable of USD \$3 million, payable by June 30, 2022. If achievement of EBITDA targets in the second period is reached, it will result in a payment of up to USD \$8 million, payable by June 30, 2023. Under no circumstances will the total payment exceed USD \$12.0 million.

(e) Estimated consolidated revenue and net income

For the year, Stamped contributed revenue and a net loss of \$13,320,214 and \$852,693, respectively, to the Company's results. In addition, Archetype contributed revenue and net income of \$3,493,222 and \$1,616,906, respectively, to the Company's results. Had the acquisitions occurred on January 1, 2021, management estimates that consolidated revenue and consolidated net income would have been \$48,058,449 and \$3,624,947.

21. Segment information

(a) Reportable segments

The Company has aggregated certain operating segments on the basis of the product they sell and the fact that they share similar economic characteristics and are influenced by similar market factors.

The Company has three reportable segments:

- Theme segment relates to the sale of digital goods associated with the sale of theme design templates to customers online via various ecommerce platforms (Digital goods).
- Apps segment relates to the operations and recurring subscription revenues derived from providing the use of premium versions of the Company's apps to customers and include monthly subscriptions for continued use of the app's premium features (Recurring subscriptions).
- Agency segment relates to the operations and service revenue associated with providing agency services to customers who wish to hire the Company to create or modify their business' websites (Agency Services).

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

21. Segment information (continued)

(a) Reportable segments (continued)

Management evaluates each segment's performance based on segment profit, which factors in directly attributable segment revenues and operating costs. Corporate expenditures which cannot be attributed between various segments, have not been allocated between segments.

December 31, 2021	Themes	Apps	Agency	Total
Revenue	10,977,020	22,383,829	5,220,528	38,581,377
Fees paid to ecommerce platforms	1,528,447	3,741,966	-	5,270,413
Staff	3,805,871	5,233,362	4,692,729	13,731,962
Hosting and subscriptions	165,152	1,285,202	105,661	1,556,015
Other expenses	296,094	552,452	261,385	1,109,931
Advertising	286,924	1,645,102	32,536	1,964,562
Segment profit	4,894,532	9,925,745	128,217	14,948,494
Depreciation and amortization	-	-	-	10,087,571
Acquisition costs	-	-	-	1,461,844
Staff costs and share-based compensation	-	-	-	2,948,448
Corporate office expenses	-	-	-	2,356,472
Operating income/(loss)	4,894,532	9,925,745	128,217	(1,905,841)

December 31, 2020	Themes	Apps	Agency	Total
Revenue	8,973,746	6,887,246	5,420,507	21,281,499
Fees paid to ecommerce platforms	1,333,664	1,076,565	-	2,410,229
Staff	3,443,314	2,217,851	4,070,829	9,731,994
Hosting and subscriptions	136,025	371,222	99,694	606,941
Other expenses	87,796	153,305	280,855	521,956
Advertising	299,640	190,380	9,793	499,813
Segment profit	3,673,307	2,877,923	959,336	7,510,566
Depreciation and amortization	-	-	-	3,184,607
Acquisition costs	-	-	-	170,659
Staff costs and share-based compensation	-	-	-	4,581,747
Corporate office expenses	-	-	-	959,923
Operating income/(loss)	3,673,307	2,877,923	959,336	(1,386,370)

WECCOMMERCE HOLDINGS LTD.

Notes to Consolidated Financial Statements
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Years ended December 31, 2021 and 2020

21. Segment information (continued)

(b) Geographic Information

For geographical reporting, revenues are attributed to the geographic location in which the customer is located:

	2021	2020
United States	19,760,336	9,647,944
Canada	4,995,628	4,449,368
United Kingdom	2,427,981	1,346,311
Australia	3,471,136	1,544,087
Asia	2,773,924	1,740,139
Europe	3,850,583	1,823,694
Other	1,301,789	729,956
Revenue	38,581,377	21,281,499

22. Subsequent events

On March 10, 2022, the Company announced that it had successfully closed the acquisition of all of the outstanding common shares of Kno Technologies Inc. ("KnoCommerce"), a leading ecommerce survey and insights platform provider that enables merchants to capture and act on zero-party data collected directly from customers.

On closing, WeCommerce paid KnoCommerce upfront cash consideration of USD \$1,900,000 and USD \$200,000 to be held in trust for 180 days. The upfront consideration was funded with cash on hand. WeCommerce will also be required to make earn-out payments (contingent consideration) if KnoCommerce achieves certain revenue targets during the 18 months following the closing date. The contingent consideration is expected to be settled at the Company's sole discretion, in either cash, the issuance of common shares of WeCommerce, or a combination thereof.

The Company is still in the process of estimating the fair value of the shares purchased, including the fair value of the contingent consideration. Due to the timing of the acquisition, subsequent to period end, the Company is unable to provide additional information as the accounting for the acquisition is incomplete.