Think Research Corporation

Unaudited Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2022 and 2021

Think Research Corporation

Unaudited Condensed Consolidated Interim Statements of Financial Position

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

	March 31, 2022	December 31, 2021
	$	$
Assets		
Current		
Cash	6,057	6,324
Accounts receivable	12,627	14,934
Prepaids and other	2,973	4,608
Total current assets	**21,657**	**25,866**
Non-current		
Property and equipment, net	2,124	2,193
Right-of-use-assets, net (Note 3)	13,431	11,616
Tax asset receivable	9,428	9,428
Intangible assets, net	85,139	86,932
Total assets	**131,779**	**136,035**
Liabilities		
Current		
Accounts payable and accrued liabilities	14,989	13,609
Acquisition consideration (Note 4)	9,438	9,253
Deferred revenue	11,490	12,490
Lease obligations (Note 3)	3,977	2,607
Total current liabilities	**39,894**	**37,959**
Non-current		
Long-term debt (Note 5)	26,043	26,984
Deferred income taxes	7,979	9,044
Acquisition consideration (Note 4)	2,550	2,364
Lease obligations (Note 3)	10,506	9,771
Total liabilities	**86,972**	**86,122**
Shareholders' equity		
Common shares	165,309	164,820
Contributed surplus	7,367	6,806
Accumulated other comprehensive income	153	111
Deficit	(128,022)	(121,824)
Total shareholders' equity	**44,807**	**49,913**
Total liabilities and shareholders' equity	**131,779**	**136,035**

On behalf of the Board:

"Signed" Director - Sachin Aggarwal

"Signed" Director - Richard Wells

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

Think Research Corporation

Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	**$**
Revenue (Note 8)	**20,204**	**8,366**
Cost of sales (Note 9)	**11,090**	**3,025**
Gross profit	**9,114**	**5,341**
Operating expenses (Note 9)		
General and administration	6,242	4,740
Research and development	1,894	1,775
Sales and marketing	2,315	1,812
Depreciation and amortization	3,636	975
Total operating expenses	**14,087**	**9,302**
Loss before other expenses and income taxes	**(4,973)**	**(3,961)**
Other expenses		
Acquisition, restructuring and other (Note 11)	1,062	811
Finance costs (Note 10)	1,076	271
Total other expenses	**2,138**	**1,082**
Net income (loss) before income tax	(7,111)	(5,043)
Income tax expense (recovery)	(913)	—
Net income (loss) for the period	**(6,198)**	**(5,043)**
Other comprehensive income (loss)		
Item that may be subsequently reclassified to profit:		
Foreign currency translation differences for foreign operations (net of tax)	42	(55)
Other comprehensive income (loss), net of tax effect	**42**	**(55)**
Comprehensive income (loss) for the period	**(6,156)**	**(5,098)**
Net loss per share - basic and diluted	(0.11)	(0.12)
Weighted average number of common shares - basic and diluted	58,739	40,460

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Think Research Corporation

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

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

	# shares ('000s)	Common shares	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
	#	$	$	$	$	$
Balance, January 1, 2022	**58,458**	**164,820**	**6,806**	**(121,824)**	**111**	**49,913**
Net loss for the period	—			(6,198)	—	(6,198)
Other comprehensive income	—	—	—	—	42	42
Shares issued on exercise of share-based awards (Note 7)	345	489	(486)	—	—	3
Stock-based compensation (Note 9)	—	—	1,047	—	—	1,047
Balance, March 31, 2022	**58,803**	**165,309**	**7,367**	**(128,022)**	**153**	**44,807**

	# shares ('000s)	Common shares	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	#	$	$	$	$	$
Balance, January 1, 2021	**36,100**	**106,567**	**2,725**	**(92,775)**	**—**	**16,517**
Net loss for the period	—	—	—	(5,043)	—	(5,043)
Other comprehensive loss	—	—	—	—	(55)	(55)
Issuance of equity for business acquisitions	6,413	24,301	—	—	—	24,301
Shares issued on exercise of share-based awards (Note 7)	93	489	(439)	—	—	50
Stock-based compensation (Note 9)	—	—	1,342	—	—	1,342
Balance, March 31, 2021	**42,606**	**131,357**	**3,628**	**(97,818)**	**(55)**	**37,112**

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

Think Research Corporation

Unaudited Condensed Consolidated Interim Statements of Cash Flows

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	$
Cash provided by (used in)		
Operating activities		
Net loss for the period	**(6,198)**	**(5,043)**
Items not affecting cash		
Depreciation and amortization	3,636	975
Stock-based compensation (Note 9)	1,047	1,342
Income tax expense (recovery)	(913)	—
Finance costs (Note 10)	1,076	271
Changes in estimated contingent consideration	355	69
Changes to leases not included in amortization	—	(120)
Changes in non-cash working capital balances (Note 12)	4,085	(5,295)
Cash provided by (used in) operating activities	**3,088**	**(7,801)**
Financing activities		
Proceeds from loans and borrowings	—	9,000
Payments for loans and borrowings	(873)	—
Payments for lease liabilities	(793)	(374)
Finance costs (Note 10)	(1,076)	(271)
Net proceeds from issuance of shares and warrants	—	50
Other	245	—
Cash provided by financing activities	**(2,497)**	**8,405**
Investing activities		
Additions of property and equipment	(90)	(12)
Additions to right-of-use assets	—	(25)
Additions of intangible assets	(768)	(414)
Acquisition consideration paid, net of cash acquired	—	(4,329)
Cash used in investing activities	**(858)**	**(4,780)**
Change in cash	(267)	(4,176)
Cash, beginning of period	6,324	10,875
Cash, end of period	**6,057**	**6,699**

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

1 Nature of operations

Think Research Corporation and its subsidiaries (collectively the “Company” or “Think”) is a healthcare technology company digitalizing the delivery of knowledge to facilitate better health care outcomes.

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

These unaudited condensed consolidated interim financial statements were approved for issuance by the Company’s Board of Directors on May 28, 2022.

2 Basis of preparation

These condensed consolidated interim financial statements (the “interim financial statements”) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (“IASB”).

These interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS as issued by the IASB.

In preparing these interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of uncertainty are the same as those applied and described in the Company’s audited annual consolidated financial statements for the fiscal year ended December 31, 2021.

In preparing these interim financial statements, certain comparative figures have been reclassified to conform to the presentation of the current period.

Basis of consolidation

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

Use of estimates and judgments

The preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting periods presented. In the opinion of management, these interim financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates and have a material impact on the interim financial statements. In preparing these interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of uncertainty are the same as those described in the Company’s audited consolidated financial statements for the year ended December 31, 2021.

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

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

3 Right-of-use-assets and lease liabilities

The following table presents the movement in the right-of-use assets of the Company:

	Office premises
	$
Cost	
Balance, December 31, 2021	16,209
Additions	2,731
March 31, 2022	**18,940**
Accumulated depreciation	
Balance, December 31, 2021	4,593
Depreciation	916
March 31, 2022	**5,509**
Net book value	
December 31, 2021	11,616
March 31, 2022	**13,431**

The following table presents the movement in the Company's lease liabilities:

	$
Balance, December 31, 2021	12,378
Interest expense on lease liabilities (Note 10)	266
Additions	2,899
Interest paid	(266)
Lease repayments	(794)
March 31, 2022	**14,483**

	$
Current	3,977
Non-current	10,506
	14,483

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

Due to the delay of the Company's planned move to new office space, the Company extended the term of its office space at 351 King St E. for an additional 18 months ending October 31, 2023. Right-of use assets and lease liabilities were increased during the period to reflect this extension.

4 Acquisition consideration

Acquisition consideration is a financial instrument carried at fair value through profit or loss that arose from certain acquisitions as described in the Company's audited consolidated financial statements for the year ended December 31, 2021.

Acquisition consideration is payable to the vendors of the acquired companies based on achieving certain revenue or profitability targets. Contingent consideration is updated at each reporting period based on management's revised estimates of expected outcomes.

The acquisition consideration payable is as follows:

	March 31, 2022	December 31, 2021
	$	$
Current acquisition consideration		
Deferred consideration (equity)	6,468	6,429
Contingent consideration (equity)	1,247	1,852
Contingent consideration (cash)	736	—
Derivative liability	987	972
Total	**9,438**	**9,253**
Long-term acquisition consideration		
Contingent consideration (equity)	1,606	172
Contingent consideration (cash)	944	2,192
Total	**2,550**	**2,364**
Total - current and long-term	**11,988**	**11,617**

5 Long-term debt

The Company's credit facility (the "Credit Facility") includes a $22 million revolving credit facility, a $6 million revolving acquisition facility, and a $10 million uncommitted accordion that can be allocated to either facility at the Company's discretion. The interest rate for the revolving credit facility is based on the prime rate + 1.00% or bankers acceptance rates + 2.50%. The interest rate for the revolving acquisition facility is based on a sliding scale pricing model, based on net funded debt to EBITDA of the Company, as defined in the Credit Agreement.

The Credit Facility represents a two-year committed agreement that expires on September 10, 2023, with an option to extend by an additional year at the lender's discretion.

The Credit Facility is secured by a first-ranking general security agreement covering substantially all the assets of the Company and its subsidiaries. The Credit Agreement is subject to certain financial and non-financial covenants. As of March 31, 2022, the Company entered into an amendment that did not require the covenants as at March 31, 2022 to be tested. The Company is continuing discussions with the primary lender to align that lender's current and future covenants with those in the Credit Agreement with Beedie Investments Ltd. ("Beedie"), (see Note 13 – Subsequent events).

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

	March 31, 2022	December 31, 2021
	$	$
Borrowings	26,001	26,874
Less: debt issuance costs, net of accumulated amortization	(436)	(513)
Total borrowings (net of debt issuance costs)	**25,565**	**26,361**
Government borrowings	400	496
License agreement payable	78	127
	26,043	**26,984**

During the three months ended March 31, 2022, the Company recognized interest expense of $411 (2021 - $120) in relation to its borrowings.

6 Commitments and contingencies

On September 28, 2018 (the "Execution Date"), the Company entered into a 12-year lease agreement for a new office space with an expected commencement date of December 1, 2022. However, as a result of the effects of COVID-19, which delayed construction, the Company does not anticipate taking possession of this space until late 2023. As the lease has not commenced, a right-of-use asset and lease liability have not been recognized on the unaudited condensed consolidated interim statements of financial position. Annual rent is $2,881 for the first five years, $3,180 for years six to ten and $3,510 for years 11 to 12.

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these interim financial statements.

7 Share capital

Common shares

During the three months ended March 31, 2022, the Company issued 345 common shares as a result of restricted share units ("RSUs") that were exercised during the period.

8 Revenue

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

The Company's CEO has been identified as the chief operating decision-maker ("CODM"). The CODM reviews financial information, makes decisions and assesses the performance of the Company as a single operating segment.

The Company's total revenue by geographic market is as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	**$**
Canada	15,318	7,312
United States	3,881	494
International	1,005	560
	20,204	**8,366**

9 Employee benefits

Employee benefits include salaries, wages, benefits and stock-based compensation. The following amounts were recognized as an expense in the condensed consolidated interim statements of operations and comprehensive income (loss) in respect of employee benefits:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	$
Cost of goods sold	4,326	2,519
Operating expenses	6,625	5,839
	10,951	**8,358**

Operating expenses for the three months ended March 31, 2022 included stock-based compensation expense of $1,047, (2021 – $1,342). The Company also paid employee benefits that were recorded as capitalized labour for the three months ended March 31, 2022 of $688 (2021 – $414).

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

Stock-based compensation

The following table is a summary of the stock-based compensation recognized in the interim financial statements for the three months ended March 31, 2022 and 2021:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	$
Options	57	813
Cancelled Options	288	—
Restricted Share Units	702	443
Deferred Share Units	—	86
	1,047	**1,342**

Stock-based compensation expense includes an expense for options that were cancelled by the Company in the quarter ended March 31, 2022 (the "Cancelled Options"). To conform to the requirements of IFRS 2 – Share-based Payment, the Cancelled Options are expensed through profit and loss as though they had not been cancelled. This expense is recorded in each period that the cancelled options would otherwise have vested, in addition to all other stock-based compensation.

10 Finance costs

Finance costs consist of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	$
Interest on bank indebtedness	412	120
Interest on lease liabilities	266	92
Foreign exchange	398	59
	1,076	**271**

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

11 Acquisition, restructuring and other

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	$
Acquisition	531	893
Restructuring	531	38
Rent concession	—	(120)
	1,062	**811**

Acquisition costs consist mainly of professional fees and costs associated with acquisitions completed while restructuring expenses primarily comprise workforce optimization costs.

12 Changes in non-cash working capital balances

	Three months ended March 31, 2022	Three months ended March 31, 2021
	$	$
Accounts receivable	2,837	(1,638)
Prepaids and other	1,096	115
Accounts payable and accrued liabilities	1,152	(2,953)
Deferred revenue	(1,000)	(819)
	4,085	**(5,295)**

13 Subsequent events

On April 22, 2022, the Company entered into a credit agreement (the "Credit Agreement") with Beedie, pursuant to which they will issue to the Company a secured non-revolving convertible term loan of up to the principal amount of $25 million (the "Convertible Loan"), maturing on May 10, 2026.

The Convertible Loan was funded by way of an initial advance of $10 million (the "Initial Advance") drawn on May 10, 2022, with the remaining $15 million available for subsequent advances (each a "Subsequent Advance").

The Convertible Loan bears interest at a rate of 8.50% per annum on advanced funds and carries a standby fee equal to 1.25% per annum on the unadvanced portion of the Convertible Loan.

At any time during the term of the Convertible Loan, Beedie may elect to convert the principal amount of the Initial Advance into common shares of Think (each a "Common Share") at a conversion price of $1.443 per Common Share, subject to adjustment in accordance with the terms of the Credit Agreement (the "Initial Conversion Price").

Any Subsequent Advance will be convertible into Common Shares at a price equal to a 25% premium above the 20 trading day volume-weighted average price ("VWAP") of the Common Shares on the TSX Venture Exchange ("TSXV") at the time of the Subsequent Advance.

Think is entitled to require Beedie to convert up to 50% of the principal amount of the Initial Advance or any Subsequent Advance in the event that the 20 trading day VWAP of the Common Shares equals or exceeds a 50% premium to the Initial Conversion Price or the Subsequent Conversion Price, as applicable.