



WECOMMERCE HOLDINGS LTD.

(formerly Pixel Union Design Ltd.)

Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

For the three- and nine-month periods ended September 30, 2020 and
September 30, 2019

(Unaudited)

WECOMMERCE HOLDINGS LTD.

(formerly Pixel Union Design Ltd.)

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(unaudited)

	Notes	September 30, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		3,974,613	2,869,581
Short-term investments		-	1,211,327
Trade and other receivables	4	1,292,486	1,182,519
Prepaid expenses and deposits		112,977	57,102
Income taxes receivable		164,839	
		5,544,915	5,320,529
Deferred income tax asset		500,654	153,143
Prepaid expenses and deposits		18,672	18,676
Intangible assets	5	9,924,486	4,199,646
Goodwill	6	11,803,273	3,943,549
Property and equipment	7	270,516	380,833
		28,062,516	14,016,376
Liabilities and Shareholder's Equity			
Current liabilities:			
Trade and other payables	8	1,591,514	613,811
Contract liability		456,870	216,597
Sales taxes payable		187,150	-
Income taxes payable		341,633	54,469
Due to related parties		6,674	78,210
Foreign currency derivatives		10,377	-
Lease liability	9	144,187	125,732
Contingent consideration payable	15	2,993,501	558,146
Current portion of long-term debt	10	1,495,000	1,495,000
		7,226,906	3,141,965
Deferred income tax liability		1,919,775	2,957
Lease liability	9	-	121,273
Promissory note	14	135,791	-
Long term debt	10	9,370,000	9,847,500
		18,652,472	13,113,695
Shareholder's equity:			
Share capital		7,473,414	435,170
Contributed surplus		301,443	171,963
Retained earnings		1,631,909	299,685
Accumulated other comprehensive income/(loss)		3,278	(4,137)
		9,410,044	902,681
		28,062,516	14,016,376
Contingencies	17		
Subsequent events	18		

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

Approved on behalf of the Board:

Andrew Wilkinson Director

WECOMMERCE HOLDINGS LTD.

(formerly Pixel Union Design Ltd.)

Interim Condensed Consolidated Statement of Net Income and Comprehensive Income
(Expressed in Canadian dollars)
(unaudited)

	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2020	2019	2020	2019
Revenue:					
Recurring subscription revenue		2,082,268	1,100,976	4,655,216	3,079,072
Digital goods revenue		2,551,977	1,782,485	6,948,897	5,288,193
Agency service revenue		1,306,245	1,019,522	3,811,715	2,795,985
		5,940,490	3,902,983	15,415,828	11,163,250
Expenses:					
Staff		2,708,051	1,787,510	7,539,069	5,912,506
Fees paid to ecommerce platforms		657,068	473,325	1,772,690	1,362,051
Depreciation and amortization		961,606	528,427	2,230,672	1,585,395
Professional fees		173,223	68,972	401,828	183,502
Occupancy		36,817	19,768	97,937	58,211
Advertising		124,782	111,573	303,581	307,455
General and office expenses		24,542	19,672	74,424	148,772
Hosting and Subscriptions		154,219	95,086	416,300	353,127
Restructuring		-	170,257	-	321,212
Acquisition costs		14,691	-	100,293	-
Other		22,043	7,504	174,990	25,201
		4,877,042	3,282,094	13,111,784	10,257,432
Operating income		1,063,448	620,889	2,304,044	905,818
Other (income)/expenses:					
Finance costs		190,327	258,940	610,937	560,501
Foreign exchange		112,636	(11,924)	37,020	(55,508)
		302,963	247,016	647,957	504,993
Income before taxes		760,485	373,873	1,656,087	400,825
Income tax expense (recovery):					
Current		439,426	391,421	817,520	307,693
Deferred		(199,445)	(415,796)	(493,657)	(345,284)
Net income		520,504	398,248	1,332,224	438,416
Other comprehensive income					
Items that will not be reclassified subsequently to net loss:					
Foreign currency translation adjustments		(5,443)	-	7,415	-
Net income and comprehensive income		515,061	398,248	1,339,639	438,416
Earnings per share:					
Basic	13	0.38	0.38	1.11	0.36
Diluted	13	0.38	0.37	1.10	0.36

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

WECCOMMERCE HOLDINGS LTD.

(formerly Pixel Union Design Ltd.)

Interim Condensed Consolidated Statement of Changes in Shareholder's Equity
(Expressed in Canadian dollars)
(Unaudited)

	Notes	Common shares (#)	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Earnings (deficit)	Shareholder's equity
Balance, December 31, 2018		1,567,689	5,179,857	237,054	-	170,686	5,587,597
Net loss and comprehensive loss for the year		-	-	-	-	414,041	414,041
Repurchase of shares		(1,195,614)	(15,004,968)	-	-	-	(15,004,968)
Issuance of shares		685,338	10,249,990	-	-	-	10,249,990
Share-based compensation		-	-	3,143	-	-	3,143
Issuance of common shares on exercise of share options		10,997	172,653	(69,281)	-	-	103,372
Repurchase of shares		(10,856)	(162,362)	-	-	-	(162,362)
Balance, September 30, 2019		1,057,554	435,170	170,916	-	584,727	1,190,813
Balance, December 31, 2019		1,057,554	435,170	171,963	(4,137)	299,685	902,681
Net income and comprehensive income for the year		-	-	-	-	1,332,224	1,332,224
Share-based compensation	12	-	-	151,674	-	-	151,674
Issuance of common shares on exercise of share options		1,675	47,235	(22,194)	-	-	25,041
Issuance of common shares		309,461	6,991,009	-	-	-	6,991,009
Foreign currency translation adjustments		-	-	-	7,415	-	7,415
Balance, September 30, 2020		1,368,690	7,473,414	301,443	3,278	1,631,909	9,410,044

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

WECOMMERCE HOLDINGS LTD.

(formerly Pixel Union Design Ltd.)

Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Notes	Nine-month periods ended September 30	
		2020	2019
Cash provided by (used in):			
Operating activities:			
Net income for the period		1,332,224	438,416
Add (deduct) non-cash items:			
Depreciation and amortization	5,7	2,230,672	1,585,395
Stock based compensation		134,174	3,143
Gain on disposal of property plant and equipment		(204)	(511)
Fair value change in derivatives		25,027	(68,783)
Foreign exchange		836	-
Deferred income taxes		(493,657)	(345,284)
Finance costs		610,937	560,501
Changes in non-cash working capital balances:			
Trade and other receivables		(32,450)	(244,543)
Sales tax receivable		60,173	-
Income taxes payable/receivable		472,880	369,936
Due from related party		(78,210)	(326,253)
Prepaid expense and deposits		(43,176)	1,004
Trade and other payables		323,887	(24,843)
Contract liability		250,711	1,229
Cash provided by operating activities		4,793,824	1,949,407
Financing activities:			
Proceeds from promissory note	14	135,791	-
Proceeds from bank loan		-	12,000,000
Repayment of bank loan		-	(4,464,194)
Payment for repurchase of shares		-	(15,167,350)
Proceeds from share issuance	11	6,991,009	10,249,990
Proceeds on issuance of shares on exercise of options		25,041	103,387
Interest paid		(610,043)	(536,944)
Transaction costs related to loans		-	(180,000)
Repayment of long-term debt	10	(500,000)	(200,000)
Payment of finance leases		(103,707)	(100,860)
Cash provided by financing activities		5,938,091	1,704,029
Investing activities:			
Purchase of property and equipment	7	(29,607)	(36,015)
Proceeds from sale of property plant and equipment		4,587	5,019
Acquisition of Foursixty, net of cash	15	(10,813,190)	-
Issuance of promissory note		-	263,036
Purchase of short-term investment		-	(3,440,370)
Short term investment maturity		1,211,327	1,261,315
Cash used in investing activities		(9,626,883)	(1,947,015)
Increase in cash		1,105,032	1,706,421
Cash, beginning of period		2,869,581	1,165,835
Cash, end of period		3,974,613	2,872,256

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

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Notes to Interim Condensed Consolidated Financial Statements
For the three- and nine-month periods ended September 30, 2020
(Tabular amounts expressed in Canadian dollars, unless otherwise noted)
(unaudited)

1. Nature of operations:

WeCommerce Holdings Ltd. (the “Company” or “WeCommerce”) was incorporated on November 27, 2019 under the Business Corporation Act of British Columbia. The predecessor entity, Pixel Union Design Ltd. (“Pixel Union”) was incorporated on August 25, 2011 under the Business Corporation Act of British Columbia. The Company is located at 101-524 Yates St. Victoria, BC, V8W 1K8.

On December 31, 2019, pursuant to a Share Exchange Agreement (“Share Exchange”), all of the assets and liabilities of Pixel Union were transferred to WeCommerce and the shareholders of Pixel Union received common shares, on a one-for-one basis of WeCommerce.

The Interim condensed consolidated financial statements for all periods presented herein include the consolidated operations of Pixel Union until November 27, 2019, and the combined operations of the Company and Pixel Union thereafter. For accounting purposes, the Company is considered to have continued Pixel Union’s business that was transferred; accordingly, these consolidated financial statements include the consolidated historical operations and changes in consolidated financial position of Pixel Union. Reference in these consolidated financial statements to “the Company” refers to “Pixel Union” prior to November 27, 2019 and to the combined operations of the WeCommerce and Pixel Union thereafter. On June 01, 2020, WeCommerce completed a share purchase agreement to acquire 100% of the outstanding shares of Foursixty Inc (“Foursixty”). These consolidated financial statements include the operating results of Foursixty for the period June 01, 2020 to September 30, 2020.

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 August 17, 2020, The Company announced that it had entered into a binding letter of intent with Brachium Capital Corp. (“Brachium”), whereby the Company will complete a reverse take-over of Brachium. The transaction is expected to be structured as a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia) (the “BCBA”), whereby Brachium will incorporate a wholly-owned subsidiary under the BCBCA, which will amalgamate with the Company (the “Amalgamation”) to form a newly amalgamated company. Holders of common shares in the capital of the Company, will receive Class A common shares in the capital of the Resulting Issuer for each WeCommerce share held immediately before the Amalgamation and receive stock options to acquire Class A common shares in the capital of the Resulting issuer for each WeCommerce stock option held immediately before the Amalgamation. The completion of the transaction is subject to a number of conditions including acceptance of the Canadian Securities Exchange.

The COVID-19 outbreak was declared a pandemic by the World Health Organization during the nine-month period ended September 30, 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company are not known at this time. These impacts could adversely affect the Company’s results of operations, cash flows and financial position as well as its customers in future periods. The pandemic may also have an adverse impact on many of the Company’s customers, including their ability to satisfy ongoing payment obligations to the Company. To date, the Company has not seen significant impacts on operations as a result of the COVID-19 pandemic.

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For the three- and nine-month periods ended September 30, 2020
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(unaudited)

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”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. These interim financial statements were approved and authorized for issue by the Board of Directors of the Company on December 17, 2020.

(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.

(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.

On June 1, 2020, the Company completed a share purchase agreement to acquire 100% of the outstanding shares of Foursixty Inc (“Foursixty”). Refer to note 15.

As at September 30, 2020, the Company had the following wholly-owned subsidiaries:

- Rehash Ltd.
- Pixel Union Design Ltd.
- Foursixty Inc.

As at December 31, 2019, the Company had the following wholly-owned subsidiary:

- Out of the Sandbox Inc. (“OOTS”)

On April 1, 2019, the Pixel Union and OOTS amalgamated. No gain or loss was recognized as a result of the amalgamation.

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

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For the three- and nine-month periods ended September 30, 2020
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2. Basis of preparation and measurement (continued):

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars. The functional currency of WeCommerce, Foursixty Inc and Pixel Union is the Canadian dollar. The functional currency of Rehash 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 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 income and comprehensive income.

3. Significant accounting policies:

The significant accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019. These interim statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

Adoption of new accounting standards and accounting standards issued but not yet effective

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3) which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The Company adopted the standard commencing January 1, 2020. The adoption of this standard does not have an impact on the Company's Interim Condensed Consolidated Financial Statements.

4. Trade and other receivables:

	September 30, 2020	December 31, 2019
Trade receivables	1,298,231	1,165,498
Other receivables	24,806	17,021
	1,323,037	1,182,519
Allowance for expected credit losses	(30,551)	-
Trade and other receivables, net	1,292,486	1,182,519

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5. Intangible assets:

	Customer relationships	Brand	Software applications	Total
Cost:				
Balance at January 01, 2020	-	530,092	7,722,762	8,252,854
Acquired (note 15)	1,962,000	786,000	5,030,000	7,778,000
Foreign Exchange	-	-	14,711	14,711
Balance on September 30, 2020	1,962,000	1,316,092	12,767,473	16,045,565
Accumulated depreciation:				
Balance at January 01, 2020	-	220,871	3,832,337	4,053,208
Additions	65,400	131,914	1,871,517	2,068,831
Foreign Exchange	-	-	(960)	(960)
Balance on September 30, 2020	65,400	352,785	5,702,894	6,121,079
Net book value:				
At December 31, 2019	-	309,221	3,890,425	4,199,646
At September 30, 2020	1,896,600	963,307	7,064,579	9,924,486

6. Goodwill:

	Themes	Apps	Total
Balance on January 01, 2020	3,943,549	-	3,943,549
Acquisition through business combination (note 15)	-	7,859,724	7,859,724
Balance on September 30, 2020	3,943,549	7,859,724	11,803,273

All goodwill at January 01, 2020 was related to goodwill held by the Company's wholly owned subsidiary, Pixel Union. On June 01, 2020, the Company acquired Foursixty Inc (see note 15) and recognized goodwill as part of the preliminary purchase price allocation.

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7. Property and equipment:

	Computer equipment	Office Equipment	Furniture	Leasehold improvements	Right of use assets	Total
Cost:						
Balance on January 01, 2020	312,668	8,780	101,004	731	361,367	784,550
Additions	28,317	441	849	-	-	29,607
Disposals	(6,206)	-	(949)	-	-	(7,155)
Acquisition through business combination (note 15)	44,341	-	15,440	-	-	59,781
Foreign Exchange	973	-	-	-	-	973
Balance on September 30, 2020	380,093	9,221	116,344	731	361,367	867,756
Accumulated depreciation:						
Balance on January 01, 2020	180,949	4,685	82,241	329	135,513	403,717
Additions	60,373	1062	9,111	128	91,167	161,841
Disposals	(2,777)	-	-	-	-	(2,777)
Acquisition through business combination (note 15)	27,786	-	6,753	-	-	34,539
Foreign Exchange	(80)	-	-	-	-	(80)
Balance on September 30, 2020	266,251	5,747	98,105	457	226,680	597,240
Net book value:						
At December 31, 2019	131,719	4,095	18,763	402	225,854	380,833
At September 30, 2020	113,842	3,474	18,239	274	134,687	270,516

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8. Trade and other payables:

	September 30, 2020	December 31, 2019
Trade payables	191,988	96,913
Accrued payroll and related expenses	746,649	327,255
Holdback and working capital adjustments payable Foursixty (Note 15)	446,625	-
Accrued other	206,252	189,643
	1,591,514	613,811

9. Lease liability:

	September 30, 2020	December 31, 2019
Lease liability	144,187	247,005
Less current portion	(144,187)	(125,732)
Lease liability, non-current portion	-	121,273

The Company's lease liability consists of a lease of an office building, held by the Company's wholly owned subsidiary, Pixel Union. The lease expires in October 2021. The Company is committed to minimum lease payments as follows:

	Office building
2020 remaining	\$ 34,569
2021	115,230
	\$ 149,799

For the three- and nine-month period ended September 30, 2020, an amount of \$36,817 and \$97,937 respectively, has been recognized within the Statement of Net Income and Comprehensive Income (For the three- and nine-month period ended September 30, 2019, an amount of \$19,768 and \$58,211 respectively) in relation to short term leases and service fees.

10. Long term debt:

	September 30, 2020	December 31, 2019
BDC facility	11,000,000	11,500,000
Less deferred financing fees	(135,000)	(157,500)
	10,865,000	11,342,500
Current maturities	(1,495,000)	(1,495,000)
	9,370,000	9,847,500

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For the three- and nine-month periods ended September 30, 2020
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10. Long term debt (continued):

In March 2019, Pixel Union entered into a debt facility agreement with BDC Capital for principal of \$12,000,000 secured by a guarantee from Out of the Sandbox, Inc., and WeCommerce Holdings Ltd. The loan is subject to various debt covenants. As at September 30, 2020, the Company was in compliance with these covenants. The loan has a maturity date of April 15, 2025, with monthly payments of \$100,000 principal plus interest. The interest rate is floating based on BDC Capital's Floating Base rate as at September 30, 2020, was 6.55% (December 31, 2019 was 8.05%) per year. The loan agreement also includes a provision for an annual "Excess Cash Flow Sweep" (ECFS) calculated based on net income adjusted for certain factors. In response to the COVID-19 crisis and effective April 06, 2020, the terms of Pixel Union's bank loan with the Business Development Bank of Canada have been amended to deferred monthly principal payments of \$100,000 for a period of four months. The amended terms also defer the annual cash flow sweep payment from May 2020 to the fourth quarter of 2020.

11. Share capital:

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

On December 31, 2019, the common shareholders of Pixel Union exchanged 100% of the outstanding Class A shares, on a one-to-one basis for common shares in WeCommerce.

During the nine-month period ended September 30, 2020, the Company issued 1,675 common shares on exercise of stock options with a strike price of \$14.95 per share. During the nine-month period ended September 30, 2019, the Company issued 10,997 common shares on exercise of stock options with a strike price of \$9.40 per share.

On June 01, 2020, the Company issued 309,461 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 Inc in June 2020 (See note 15).

12. Share based payments:

On January 01, 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. 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.

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12. Share based payments (continued):

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

	Nine-month periods ended September 30,			
	2020	2020	2019	2019
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, January 1	34,664	\$7.19	61,338	\$9.58
Issued	47,171	21.07	-	-
Exercised	(1,675)	14.95	(10,997)	9.40
Forfeited	(1,244)	14.95	(15,677)	15.00
Outstanding, September 30	78,916	\$15.20	34,664	\$7.19

Exercise price	Options outstanding			Options exercisable		
	Number	Weighted average remaining contractual term	Weighted average exercise price	Number	Weighted average remaining contractual term	Weighted average exercise price
At December 31, 2019						
\$7.00- \$9.40	34,664	5.7	\$7.19	34,664	5.7	\$7.19
At September 30, 2020						
\$7.00 - \$22.62	78,916	7.7	\$15.20	44,416	6.0	\$9.47

For the three- and nine-month periods ended September 30, 2020, a total of \$48,890 and \$134,174 of stock-based compensation expense was included in staff costs (three- and nine-month periods ended September 30, 2019 \$1,048 and \$3,143 respectively). On January 31, 2020, the Company issued fully vested stock options to an employee of Pixel Union as compensation for services rendered in 2019. The value of the services amounted to \$17,500 and has been recorded in contributed surplus.

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

	2020
Dividend yield	-
Expected volatility	61%
Risk-free interest rate	1.64%
Expected life	4 years from grant date
Exercise price	\$14.95 to \$22.62

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13. Earnings per share:

Net earnings per share has been calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net income	520,504	398,248	1,332,224	438,416
Weighted average number of shares outstanding	1,368,690	1,057,554	1,196,089	1,212,548
Weighted average number of shares outstanding including potentially dilutive shares	1,383,260	1,076,093	1,210,659	1,231,087
Basic Earnings per share	0.38	0.38	1.11	0.36
Diluted Earnings per share	0.38	0.37	1.10	0.36

14. 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	September 30, 2020
Financial Assets:				
Cash and cash equivalents	3,974,613	-	-	3,974,613
Trade and other receivables	1,292,486	-	-	1,292,486
Financial Liabilities:				
Trade and other payables	-	1,591,514	-	1,591,514
Bank debt	-	10,865,000	-	10,865,000
Promissory note	-	135,791	-	135,791
Due to related party	-	6,674	-	6,674
Foreign currency derivatives	-	-	10,377	10,377
Contingent consideration payable	-	2,993,501	-	2,993,501

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14. Financial Instruments (continued):

(a) Classification and measurement (continued):

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	December 31, 2019
Financial Assets:				
Cash and cash equivalents	2,869,581	-	-	2,869,581
Trade and other receivables	1,182,519	-	-	1,182,519
Short term investments	1,211,327	-	-	1,211,327
Financial Liabilities:				
Trade and other payables	-	613,811	-	613,811
Bank debt	-	11,342,500	-	11,342,500
Due to related parties	-	78,210	-	78,210
Contingent consideration payable	-	558,146	-	558,146

(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, accounts receivable, and accounts payable and other liabilities 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 three- and nine-month periods ended September 30, 2020 and September 30, 2019.

The Company uses certain derivative financial instruments, primarily forward foreign exchange contracts, to manage foreign currency exposures on export sales. For the three- and nine-month periods ended September 30, 2020, the company recognized a loss of \$10,377 and \$25,027 respectively (For the three- and nine-month periods ended September 30, 2019: \$nil and \$67,707 respectively) on its derivative financial instruments in net income. The Company does not designate its foreign exchange contracts as hedging instruments under a fair value hedge accounting model. 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. The Company recognized a fair value derivative liability of

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14. Financial Instruments (continued):

(b) Fair value (continued):

\$10,377 at September 30, 2020 (December 31, 2019: \$Nil). There were no transfers between levels of the fair value hierarchy for the three- and nine-month period ended September 30, 2020.

At September 30, 2020 outstanding forward exchange contracts enabled the Company to convert \$607,115 US dollars to \$800,000 Canadian dollars up to August 23, 2021 (December 31, 2019, outstanding forward contracts enabled the Company to convert \$600,000 US dollars to \$794,050 Canadian dollars up to March 31, 2020).

The contractual maturities of non-derivative financial assets and liabilities at September 30, 2020 were as follows:

	Carrying amount	Contractual cash flows	Current	1 to 5 years	More than 5 years
Bank loan	10,865,000	10,865,000	1,495,000	9,370,000	-
Trade and other payables	1,592,688	1,592,688	1,592,688	-	-
Trade and other receivables	1,302,924	1,302,924	1,302,924	-	-
Cash	3,974,613	3,974,613	3,974,613	-	-
Contingent consideration payable	2,993,501	2,993,501	2,993,501	-	-

During the nine months ended September 30, 2020, the Company's wholly owned subsidiary, Rehash Ltd, successfully applied for and recorded a promissory note of US\$101,800 issued by First National Bank of Oklahoma as part of the Paycheck Protection Program established by the 2020 US Federal government Coronavirus Aid, Relief and Economic security Act. This note matures on April 16, 2022 and allows for Rehash Ltd to apply for forgiveness of this debt if 75% of the funds are used to subsidize payroll costs. Interest is charged at a fixed rate of 1%. The Company intends to apply for forgiveness of this debt.

15. Acquisitions:

(a) Rehash acquisition:

On October 29, 2019, the Company acquired certain assets from Rehash LLC, a software agency located in Oklahoma City, OK ("Rehash acquisition"). Assets acquired included net working capital, and software applications. A new legal entity, Rehash Ltd, was incorporated in Delaware, USA to complete the acquisition.

The purchase price was \$200,000 USD subject to working capital adjustments. The purchase agreement also contains an earn-out payment of up to \$295,000 USD based upon earnings before interest, taxes, depreciation and amortization ("EBITDA") generated by Rehash Ltd during the period between the closing date and December 31, 2022 (the "Earn-out period"). At September 30, 2020, the contingent consideration payable is USD\$295,000 (CAD\$ 393,501).

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5. Acquisitions (continued):

(a) Rehash acquisition (continued):

Based on the terms of the earn-out, if during the Earn-out period, Rehash Ltd achieves cumulative EBITDA of \$300,000 USD, an additional payment of \$125,000 USD will be made. If Rehash Ltd achieves cumulative EBITDA of \$675,000 USD, a further payment of \$170,000 USD will be made.

At the date of acquisition, the Company determined the fair value of the earn-out payments was \$295,000 USD (\$383,146 CAD) and has recorded this as contingent consideration payable on the statement of financial position.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 – *Business Combinations* with the results of operations included in these consolidated financial statements from the date of acquisition on October 29, 2019. The operations have contributed incremental revenues of approximately \$45,000 USD (\$61,000 CDN) and a net loss of \$28,600 USD (\$38,000 USD) during this period.

The impact of acquisition accounting in the period ending December 31, 2019 is as follows:

	Purchase price allocation
	(in CDN)
Consideration:	
Cash	\$ 263,100
Contingent consideration, at fair value	383,146
Working capital adjustments	50,093
	\$ 696,339
Identifiable assets acquired and liabilities assumed:	
Accounts receivable	\$ 120,801
Accounts payable	(2,428)
Property, plant and equipment	33,606
Software applications	544,360
	\$ 696,339

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15. Acquisitions (continued):

(b) Foursixty Inc:

On June 1, 2020, the Company completed a share purchase agreement to acquire 100% of the outstanding shares of Foursixty Inc (“Foursixty”). Foursixty is in the business of developing, selling and supporting applications for clients utilizing ecommerce platforms. The acquisition has been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of the acquisition.

The base purchase price is \$11.0 million, subject to working capital adjustments of \$0.3 million and contingent consideration with an estimated fair value of \$2.6 million in relation to an earn-out provision, resulting in total consideration of \$13.9 million. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration for the acquisition during the nine-month period ended September 30, 2020 has been recorded at its estimated fair value at the acquisition date. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and include of a discount rate as appropriate.

An earn-out of up to \$3 million is to be paid if Foursixty’s earnings before income taxes, depreciation and amortization (“EBITDA”) exceeds certain thresholds during the period from September 1, 2020 to May 31, 2022. Under the terms of the earn-out, achievement of EBITDA from \$2.8 million to \$3.8 million will result in an earn-out payment of \$1.0 million to \$3.0 million. Under no circumstances will the earn-out amount exceed \$3.0 million. At the date of acquisition, the Company determined the fair value of the combined earn-out payment was \$2,600,000.

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 net assets acquired, specifically for the software applications, deferred revenue, customer relationships, brand and goodwill. The Company is also in the process of finalizing working capital adjustments.

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15. Acquisitions (continued):

(b) Foursixty Inc (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:

	Preliminary Purchase price allocation
Consideration:	
Cash	10,813,190
Contingent consideration, at fair value	2,600,000
Holdback payable	150,000
Working capital adjustments	296,625
	13,859,815
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	(2,062,966)
Software applications	5,030,000
Customer relationships	1,962,000
Brand	786,000
Goodwill	7,859,724
	13,859,815

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16. Segment information:

(a) Reportable segments

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
- 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.
- 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.

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.

For the three months ended September 30, 2020	Themes	Apps	Agency	Total
Revenue	2,551,977	2,082,268	1,306,245	5,940,490
Fees paid to ecommerce platforms	363,032	294,036	-	657,068
Staff	986,007	598,451	1,022,273	2,606,731
Hosting and subscriptions	32,402	100,917	20,900	154,219
Other expenses	29,823	65,537	138,079	233,439
Advertising	64,731	57,854	2,197	124,782
Operating income	1,075,982	965,473	122,796	2,164,251
Depreciation and amortization	-	-	-	961,606
Staff	-	-	-	101,320
Corporate expenses	-	-	-	23,186
Acquisition costs	-	-	-	14,691
Income before tax	-	-	-	1,063,448

For the three months ended September 30, 2019				
Revenue	1,782,485	1,100,976	1,019,522	3,902,983
Fees paid to ecommerce platforms	353,423	119,902	-	473,325
Staff	1,029,624	256,746	501,140	1,787,510
Hosting and subscriptions	29,141	57,351	8,594	95,086
Other expenses	35,959	26,749	53,208	115,916
Advertising	57,238	53,431	904	111,573
Operating income	277,100	586,797	455,676	1,319,573
Depreciation and amortization	-	-	-	528,427
Restructuring	-	-	-	170,257
Income before tax	-	-	-	620,889

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16. Segment information (continued):

(a) Reportable segments

For the nine months ended September 30, 2020	Themes	Apps	Agency	Total
Revenue	6,948,897	4,655,216	3,811,715	15,415,828
Fees paid to ecommerce platforms	1,006,426	766,264	-	1,772,690
Staff	2,884,659	1,450,606	2,792,282	7,127,547
Hosting and subscriptions	96,865	249,360	70,075	416,300
Other expenses	88,093	144,196	306,919	539,208
Advertising	175,796	120,305	7,480	303,581
Operating income	2,697,058	1,924,485	634,959	5,256,502
Depreciation and amortization	-	-	-	2,230,672
Staff	-	-	-	411,522
Corporate expenses	-	-	-	209,971
Acquisition costs	-	-	-	100,293
Income before tax	-	-	-	2,304,044

For the nine months ended September 30, 2019				
Revenue	5,288,193	3,079,072	2,795,985	11,163,250
Fees paid to ecommerce platforms	780,011	582,040	-	1,362,051
Staff	2,744,980	1,139,950	2,027,576	5,912,506
Hosting and subscriptions	113,023	217,968	22,136	353,127
Other expenses	115,021	107,516	193,149	415,686
Advertising	138,855	153,773	14,827	307,455
Operating income	1,396,303	877,825	538,297	2,812,425
Depreciation and amortization	-	-	-	1,585,395
Restructuring	-	-	-	321,212
Income before tax	-	-	-	905,818

17. Contingencies:

On April 2, 2020, Pixel Union received a letter indicating their counterparty to foreign currency forward contracts has filed an assignment in bankruptcy and issued a margin call related to outstanding forward contracts. On October 14, 2020, Pixel Union received a Notice of Civil Claim which was filed in the Supreme Court of British Columbia regarding the matter. The Company has engaged legal counsel in reviewing this matter and has provided a written response. A provision of \$90,205 has been included in trade and other payables and represents management's best estimate of the likely outcome of this claim at September 30, 2020.

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18. Subsequent event:

(a) On November 20, 2020, the Company settled the abovementioned claim regarding a margin call on its outstanding forward contracts (see Note 17) for an amount of \$81,000.

(b) On November 25, 2020, Pixel Union implemented a new policy to manage foreign exchange fluctuations and economically hedge the associated risk through forward foreign currency contracts. Pixel Union signed a general Security Agreement with the Royal Bank of Canada as security for these trades.

(c) On December 09, 2020, the Company completed its previously announced 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 issued 431,692 shares at a price of \$138.99 per share.

The Company paid agents a cash fee of \$3,000,052 in connection with the private placement.

(d) On December 09, 2020, the Company completed a reverse take-over (“the Transaction”) of Brachium Capital Corp (“Brachium”). 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 the Company (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, a “Common Share”) and changed its name from “Brachium Capital Corp.” to “WeCommerce Holdings Ltd.”

Holders of common shares in the capital of the Company, including each aforementioned subscription receipt, received 19.8554 Class A common shares in the capital of the Resulting Issuer for each WeCommerce share held immediately before the Amalgamation. Existing stock option holders in the Company received 19.8554 options to acquire shares in the capital of the Resulting issuer for each WeCommerce stock option held immediately before the Amalgamation.

Upon completion of the Transaction and the Amalgamation, the issued and outstanding share capital of the Company consists of 35,961,591 Common Shares with outstanding options to acquire an additional 1,588,339 Common Shares and outstanding warrants to acquire 10,818 Common Shares. The Common Shares commenced trading on the Exchange under the symbol “WE” at the opening of the markets on December 14, 2020.

The board of directors has been reconstituted and is now comprised of the following individuals: Andrew Wilkinson, Sara Elford, Chris Sparling, Shane Parrish and Tim McElvaine. Sara Elford will serve as Chair of the Company’s audit committee.

(e) On December 10, 2020, the Company granted 340,000 options in the resulting issuer to employees of the Company. The options are exercisable at \$7.00 and vest over a period of 4 – 5 years.