COLABOR

Interim condensed consolidated Financial Statements
(unaudited)
First quarter of 2021
12-week period ended March 20, 2021
(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., have not performed a review of the unaudited interim condensed consolidated financial statements for the 12-week period ended March 20, 2021.

Interim Condensed Consolidated Statements of Earnings
(unaudited)

For the 12-week periods ended March 20, 2021 and March 21, 2020

(in thousands of Canadian dollars, except per share data)

		12 weeks	
		2021	**2020**
	Notes	**$**	**$**
Sales	3	**85,635**	111,613
Cost of goods sold		**71,266**	93,308
Gross Margin		**14,369**	18,305
Operating expenses	5	**10,543**	14,706
Depreciation and amortization	6	**3,260**	3,544
Costs not related to current operations	7	**91**	1,080
Operating earnings (loss)		**475**	(1,025)
Financial expenses		**1,737**	1,696
Loss before taxes		**(1,262)**	(2,721)
Income taxes recovered		**(251)**	(850)
Net loss from continuing operations		**(1,011)**	(1,871)
Net loss from discontinued operations	4	**(16)**	(6,459)
Net loss		**(1,027)**	(8,330)
Basic and diluted net loss per share of continuing operations	8	**(0.01)**	(0.02)
Basic and diluted net loss per share of discontinued operations	8	**—**	(0.06)
Basic and diluted net loss per share	8	**(0.01)**	(0.08)

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

Interim Condensed Consolidated Statements of Comprehensive income
(unaudited)

For the 12-week periods ended March 20, 2021 and March 21, 2020

(in thousands of Canadian dollars)

	12 weeks	
	2021	**2020**
	$	**$**
Net loss from continuing operations	**(1,011)**	(1,871)
Other comprehensive income from continuing operations	**—**	—
Comprehensive loss from continuing operations	**(1,011)**	(1,871)
Net loss from discontinued operations	**(16)**	(6,459)
Other items that will not be subsequently reclassified to net earnings:		
Remeasurement of defined benefit pension obligation	**29**	(1,652)
Taxes on other comprehensive loss	**(8)**	441
Other items of comprehensive income (loss) from discontinued operations	**21**	(1,211)
Comprehensive income (loss) from discontinued operations	**5**	(7,670)
Comprehensive loss	**(1,006)**	(9,541)

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

For the 12-week periods ended March 20, 2021 and March 21, 2020

(in thousands of Canadian dollars)

	Notes	Share capital $	Convertible debenture conversion options $	Contributed surplus $	Deficit $	Total Equity $
Balance as at December 26, 2020		**256,300**	**1,742**	**4,011**	**(173,486)**	**88,567**
Net loss		**—**	**—**	**—**	**(1,027)**	**(1,027)**
Other comprehensive income		**—**	**—**	**—**	**21**	**21**
Comprehensive loss		**—**	**—**	**—**	**(1,006)**	**(1,006)**
Conversion of debentures	10, 11	**692**	**(23)**	**—**	**—**	**669**
Stock-based compensation	12	**—**	**—**	**22**	**—**	**22**
Balance as at March 20, 2021		**256,992**	**1,719**	**4,033**	**(174,492)**	**88,252**

	Note	Share capital $	Convertible debenture conversion options $	Contributed surplus $	Deficit $	Total Equity $
Balance as at December 28, 2019		256,296	1,742	3,706	(161,641)	100,103
Impact of adoption of IFRS 16		—	—	—	(2,574)	(2,574)
Restated balance as at December 29, 2019		256,296	1,742	3,706	(164,215)	97,529
Net loss		—	—	—	(8,330)	(8,330)
Other comprehensive loss		—	—	—	(1,211)	(1,211)
Comprehensive loss		—	—	—	(9,541)	(9,541)
Stock-based compensation	12	—	—	99	—	99
Balance as at March 21, 2020		256,296	1,742	3,805	(173,756)	88,087

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

Interim Condensed Consolidated Statements of Cash Flows
(unaudited)
For the 12-week periods ended March 20, 2021 and March 21, 2020
(in thousands of Canadian dollars)

		12 weeks	
		2021	**2020**
	Notes	**$**	**$**
Cash flows from operating activities			
Net loss from continuing operations		**(1,011)**	(1,871)
Non-cash items			
Deferred income taxes		**(250)**	(850)
Depreciation and amortization	6	**3,260**	3,544
Financial expenses		**1,737**	1,696
Other		**18**	140
		3,754	2,659
Net changes in working capital		**1,622**	2,954
		5,376	5,613
Cash flows from investing activities			
Acquisitions of property, plant and equipment		**(62)**	(54)
Proceeds on disposals of property, plant and equipment		**3**	13
Acquisitions of intangible assets		**(59)**	(99)
Other		**(9)**	120
		(127)	(20)
Cash flows from financing activities			
Net change in the credit facility		**—**	(2,000)
Lease liability payments		**(1,880)**	(1,821)
Increase in subordinated debt	9	**15,000**	—
Repayment of subordinated debt	9	**(12,000)**	—
Financing cost paid	9	**(513)**	—
Financial expenses paid		**(1,534)**	(1,625)
		(927)	(5,446)
Net change in cash and cash equivalents from continuing operations		**4,322**	147
Net change in cash and cash equivalents from discontinued operations	4	**(272)**	7,279
Cash and cash equivalents (bank indebtedness) at the beginning		**9,194**	(5,435)
Cash and cash equivalents at the end		**13,244**	1,991

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

Interim Condensed Consolidated Statements of Financial Position
(unaudited)

(in thousands of Canadian dollars)

	Notes	As at March 20, 2021 $	As at December 26, 2020 $
Assets			
Current assets			
Cash and cash equivalent		**13,244**	9,194
Trade and other receivables		**33,004**	34,416
Inventories		**33,511**	35,266
Other		**1,743**	1,943
		81,502	80,819
Non-current assets			
Property, plant and equipment		**5,668**	6,122
Intangible assets		**25,662**	26,569
Right-of-use assets		**36,671**	38,450
Goodwill		**70,813**	70,813
Deferred tax assets		**6,591**	6,351
Other		**4,710**	4,876
		150,115	153,181
Total assets		**231,617**	234,000
Liabilities			
Current liabilities			
Trade and other payables		**36,659**	38,519
Convertible debentures	10	**49,197**	49,812
Current portion of lease liabilities		**8,699**	8,828
Other		**601**	697
		95,156	97,856
Non-current liabilities			
Long-term debt	9	**14,496**	11,860
Lease liabilities		**30,877**	32,805
Pension obligations		**2,814**	2,887
Deferred tax liabilities		**22**	25
		48,209	47,577
Total liabilities		**143,365**	145,433
Equity			
Equity attributable to shareholders		**88,252**	88,567
Total liabilities and equity		**231,617**	234,000

Contingency (Note 14)
Subsequent events (Note 15)
The accompanying notes are an integral part of the interim condensed consolidated financial statements.

1 Nature of operations

Colabor Group Inc. (hereinafter the "Company") distributes and markets food and food-related products in Canada.

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The Company's shares and convertible debentures are listed on the Toronto Stock Exchange under GCL and GCL.DB.A, respectively.

See note 15, Subsequent events for the early redemption of all outstanding debentures which was completed after the balance sheet date.

Covid-19

In March 2020, the World Health Organization declared the Covid-19 virus a global pandemic ("pandemic"). Since that date, the governments have been implementing various emergency measures to curb the spread of the virus as the pandemic situation evolves, such as closing nonessential services and restaurants dining rooms and confining citizens. This pandemic continues to impact customer demand and therefore could have an adverse impact on operations.

The duration and impact of the pandemic are currently unknown at this time, and it is impossible for management to reliably estimate the extent and impact of these developments, as well as the impact on the Company's financial results and financial position for the coming period. Depending on the duration of this pandemic, its scale and changes in the industry, the impacts could be significant.

2 Significant accounting policies

General information

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Some information and notes disclosure in the consolidated annual financial statements have not been presented or are summarized when they are not considered essential to understanding the Company's interim financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 26, 2020.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies that have been adopted by the Company in its consolidated financial statements for the year ended December 26, 2020, except for the income taxes for the interim periods which are calculated according to the tax rate that would be applicable to the anticipated annual results in each jurisdiction. The accounting policies have been applied consistently for all the periods presented.

The interim condensed consolidated financial statements have been prepared on a going concern and historical cost basis, except for certain financial instruments and pension plan's assets that are measured at fair value, and for defined pension obligations and provisions that have been recorded at present value. Financial information is presented in Canadian dollars, which is the Company's functional currency.

(in thousands of Canadian dollars, except number of shares and per share data)

The net loss for these interim financial statements are not necessarily indicative of the full-year net earnings. The seasonal nature is a significant factor in its quarterly results. Lower earnings are recorded during the first quarter. The second and third quarters are generally recording higher earnings than those recorded during the first quarter (see note 1 for the pandemic situation). Finally, since there are 16 weeks of operations in the last quarter compared to 12 weeks in the previous quarters, the fourth quarter is the most important one.

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on May 3, 2021. The Company's auditors have not performed a review of these unaudited interim condensed financial statements.

3 Operating segments

The Company has two reportable segments: Distribution and Wholesale. These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings. Management does not take assets and liabilities into account when analyzing individual segments.

The Distribution segment's operations include the distribution of food products and related products in hotels, restaurants and institutions ("HRI") and retail market. In that segment, the Company distributes specialized products such as meat, fish and sea food ("Specialty Distribution") as well as general food-related products ("Broadline Distribution"). These different types of products are grouped under the same segment because of their similar nature, type of clients and distribution methods.

The Wholesale segment's operations include the sale of general food-related products to distributors from its distribution center in Boucherville.

The Company and its chief operating decision maker are assessing the performance of each segment based on adjusted EBITDA, which corresponds to sales minus cost of goods sold and operating expenses from current operations. The other expenses are recorded on a consolidated basis, therefore they are not considered in the adjusted EBITDA. Inter-segment eliminations and others eliminate all intersegment transactions included in the operating earnings for each segment and include headquarters' operations. Transactions between segments are recorded at a value agreed upon by both parties.

	12 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Segment sales	**57,252**	80,678	**36,509**	39,764	**(8,126)**	(8,829)	**85,635**	111,613
Operating expenses	**55,139**	78,634	**33,080**	36,114	**(6,432)**	(6,833)	**81,787**	107,915
Adjusted EBITDA	**2,113**	2,044	**3,429**	3,650	**(1,694)**	(1,996)	**3,848**	3,698

(in thousands of Canadian dollars, except number of shares and per share data)

The following table presents a reconciliation of the Company's operating segments results with key financial figures presented in its consolidated financial statements:

		12 weeks	
	Notes	**2021** **$**	**2020** **$**
Net loss from continuing operations		**(1,011)**	(1,871)
Income taxes recovered		**(251)**	(850)
Financial expenses		**1,737**	1,696
Operating earnings (loss)		**475**	(1,025)
Costs from stock base compensation	12	**22**	99
Costs not related to current operations	7	**91**	1,080
Depreciation and amortization	6	**3,260**	3,544
Adjusted EBITDA		**3,848**	3,698

(in thousands of Canadian dollars, except number of shares and per share data)

4 Discontinued operations

Broadline distribution operations in Ontario

On May 11, 2020, the Company announced it had concluded an agreement for the sale of the majority of the assets of its Summit division for an amount of $9,457, subject to certain adjustments after the closing and a contingent consideration based on sales level in the next 12 months. An amount of $7,723 was received upon closing of the transaction and a net amount of $444 was received when finalizing the working capital. The remaining amount will be received in the coming months when the final adjustments are known.

The Company has reclassified as discontinued operations all results and cash flows for the current and previous periods, separately from its continuing operations for this division.

Net loss from discontinued operations are as follows:

	12 weeks	
	2021	**2020**
	$	**$**
Sales	—	59,391
Cost of goods sold	—	53,763
Gross Margin	—	5,628
Operating expenses	—	7,444
Depreciation and amortization	—	638
Costs not related to current operations	**16**	6,273
Operating loss	**(16)**	(8,727)
Financial expenses	—	199
Loss before taxes	**(16)**	(8,926)
Income taxes recovered	—	(2,467)
Net loss from discontinued operations	**(16)**	(6,459)

(in thousands of Canadian dollars, except number of shares and per share data)

The costs not related to current operations break down as follows:

	12 weeks	
	2021	**2020**
	$	**$**
Severance costs	—	**3,597**
Provision for onerous contracts	—	**1,096**
Provision for obsolescence of inventory and bad debt	—	**240**
Closing costs and others	**16**	**1,340**
Total	**16**	**6,273**

Cash flows from discontinued operations are as follows:

	12 weeks	
	2021	**2020**
	$	**$**
Cash flows from operating activities	**(269)**	7,037
Cash flows from investing activities	—	(10)
Cash flows from financing activities	**(3)**	252
Net change in cash and cash equivalent from discontinued operations	**(272)**	7,279

5 Operating expenses

		12 weeks	
		2021	**2020**
	Note	**$**	**$**
Employee compensation[1]	12	**8,235**	11,306
Service contracts and variable portion related to lease contracts		**591**	613
Repair and maintenance		**558**	638
Utilities		**800**	845
Other expenses[2]		**359**	1,304
		10,543	14,706

[1] During the first quarter 2021, employee compensation is net of Canada Emergency Salary Subsidy ("CEWS") acquired in connection with the pandemic amounting to $1,095 (nil in 2020), of which an amount of $299 is to be received as at March 20, 2021.

[2] During the first quarter of 2020, the other expenses are net of Canada Emergency Rent Subsidy ("CERS") acquired in connection with the pandemic amounting to $184 (nil in 2020).

(in thousands of Canadian dollars, except number of shares and per share data)

6 Depreciation and amortization

	12 weeks	
	2021	**2020**
	$	**$**
Depreciation of property, plant and equipment	**516**	489
Amortization of intangible assets	**965**	1,394
Depreciation of right-of-use assets	**1,779**	1,661
	3,260	3,544

7 Costs not related to current operations

Costs not related to current operations related to continuing operations break down as follows:

	12 weeks	
	2021	**2020**
	$	**$**
Severance costs	**—**	109
Allowance for bad debt accounts	**—**	290
Others [(a)]	**91**	681
	91	1,080

[(a)] On February 24, 2020, the Company announced the decision not to exercise the option to acquire Dubé & Loiselle inc. The Company acquired this option in October 2016 for an amount of $500. This amount was written off during the first quarter of 2020. Other costs represent legal fees and other charges related to non-current activities.

The following table shows the change in provisions during the first quarter of 2021:

	$
Balance at the beginning of the period	**1,436**
Provisions used during the period	**(1,138)**
Balance at the end of the period	**298**

As at March 20, 2021, unpaid severance costs of $135 and onerous contracts of $163 are included in accounts payable and other payables on the Consolidated Statements of Financial Position.

(in thousands of Canadian dollars, except number of shares and per share data)

8 Per share data

Loss per share

The following table presents the basic and diluted loss per share:

	12 weeks	
	2021	**2020**
	$	**$**
Net loss from continuing operations	**(1,011)**	(1,871)
Net loss from discontinued operations	**(16)**	(6,459)
Net loss	**(1,027)**	(8,330)
Weighted average number of basic outstanding shares	**101,659,664**	101,639,418
Effect of dilutive stock options	**1,835,000**	1,000,000
Weighted average number of diluted outstanding shares	**103,494,664**	102,639,418
Basic and diluted net loss per share of continuing operations	**(0.01)**	(0.02)
Basic and diluted net loss per share of discontinued operations	**—**	(0.06)
Basic and diluted net loss per share	**(0.01)**	(0.08)

Shares hypothetically issued as a result of the conversion of the convertible debentures (19,990,443 shares in 2021 and 20,000,000 in 2020) and 938,982 stock options in 2021 (2,386,471 stock options in 2020) were not included in the calculation of diluted loss per share for the 12-week period ended 20 mars 2021, and 21 mars 2020, because of their non-dilutive effect.

(in thousands of Canadian dollars, except number of shares and per share data)

9 Long-term debt

	As at March 20, 2021 $	As at December 26, 2020 $
Credit facility[(a)]	**—**	—
Subordinated debts[(b)]	**15,000**	12,000
Less unamortized financing costs	**(504)**	(140)
Total debt	**14,496**	11,860
Current portion of long-term debt	**—**	—
Total long-term debt	**14,496**	11,860

[(a)] Credit facility

On February 18, 2021, the Company entered into a new senior secured credit facility for a total amount of $80,000 including a term loan of $30,000 and a revolving credit of $50,000, of which $5,000 in operating swingline. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 3.25% depending on the Company's leverage ratios. The credit facility is guaranteed by the assets of the Company and by those of some of its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some ratios essentially related to consolidated adjusted EBITDA, financial expenses and total debt which were met as at March 20, 2021. The term loan is repayable by an amount of $3,000 per year. By mutual agreement, the credit facility may be increased by $20,000. As at March 20, 2021, the available credit facility is $48,986, in addition to the $30,000-term loan which was disbursed on March 22, 2021. The credit facility matures on February 18, 2025.

[(b)] Subordinated debts

On February 18, 2021, the Company also entered into an agreement for a $20,000 new subordinated debt, of which $15,000 has been disbursed at closing and $5,000 is available until February 2022 at the Company's option. The subordinated debt bears interest at a rate of 7.25% to 8.25% depending on the Company's leverage ratios, payable quarterly and matures on February 18, 2026. The subordinated debt is secured by a mortgage on all present and future assets of the Company, which is subordinated to the first-ranking security on the credit facility.

The existing subordinated debt, as at December 26, 2020, in the amount of $12,000 was fully repaid on February 18, 2021.

Financing costs of $513 were incurred during the 12-week period ended March 20, 2021, in connection with the execution of these two credit agreements.

(in thousands of Canadian dollars, except number of shares and per share data)

10 Debentures

	Note	As at March 20, 2021 $	As at December 26, 2020 $
Convertible debentures	11	**49,331**	50,000
Less unamortized finance costs		**134**	188
		49,197	49,812

11 Share-capital

Authorized

Unlimited number of participating, voting common shares without par value.

Unlimited number of preferred shares that may be issued in series, whose designation, rights, restrictions and conditions related to each series shall be established at their time of issue.

Issued and fully paid common shares

	Number	As at March 20, 2021 Amount $	Number	As at March 21, 2020 Amount $
Outstanding, beginning of the period	**101,681,285**	**256,300**	101,677,932	256,296
Issued during the period	**267,600**	**692**	—	—
Outstanding, end of the period	**101,948,885**	**256,992**	101,677,932	256,296

There were no outstanding preferred shares during the periods covered.

On March 17, 2021, 267,600 common shares were issued pursuant to the terms of the convertible debentures which gave the holders the right to convert, prior to the announced redemption date of March 23, 2021, their convertible debentures at a conversion price of $2.50 per share, for an aggregate amount of $669.

See note 15, Subsequent events, for the exercise of the conversion right of the convertible debentures and for the early redemption of all outstanding debentures which was completed after the closing date.

(in thousands of Canadian dollars, except number of shares and per share data)

12 Employee compensation

Stock-based compensation

Stock option plan

During the 12-week period ended March 20, 2021, the Company granted 200,000 stock options of the Company's common shares (nil during the corresponding periods of 2020). The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following assumptions:

	2021
	Period ended March 20, 2021
Weighted average fair value of the options	**$0.44**
Risk-free interest rate	**0.90 %**
Expected volatility of shares	**60 %**
Expected annual dividend	**—**
Expected term	**5,5 ans**
Weighted average share price at date of grant	**$1.05**
Weighted average exercise price at date of grant	**$1.09**
Exercise period	**4 years**

A summary of the Company's stock option plan and the changes that have occurred during the years is presented in the following:

	12 weeks			
		2021		**2020**
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of the period	**2,658,982**	**0.84**	3,416,471	0.94
Granted	**200,000**	**1.09**	—	—
Forfeiture	**(37,500)**	**0.60**	(30,000)	1.02
Expired	**(47,500)**	**0.97**	—	—
Outstanding, end of the period	**2,773,982**	**0.86**	3,386,471	0.94
Exercisable options	**1,423,936**	**1.04**	840,082	1.63

Forfeited stock options have generated an employee compensation charge reversal of $8 during the 12-week period ended March 20, 2021 ($5 in 2020).

(in thousands of Canadian dollars, except number of shares and per share data)

13 Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables, trade and other payables as well as convertible debentures, is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

		As at March 20, 2021		**As at December 26, 2020**
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Financial liabilities				
Non-current				
Subordinated debt	**14,843**	**15,000**	11,860	11,969
	14,843	**15,000**	11,860	11,969

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (6.5% as at December 26, 2020), the current rate of subordinated debt.

Fair value measurement

When determining an asset or a liability's fair value, the Company uses observable market data as much as possible. Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

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

As at March 20, 2021, the Company has classified the fair value measurement of liabilities presented in the table above and convertible debentures as follows: Convertible debentures (Level 1) and Subordinated debt (Level 2). There was no transfer between the levels during the 12-week period ended March 20, 2021.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure and its financial risk management policies are detailed below. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Interest rate risk

The credit facility bears interest at variable rates, and this exposes the Company to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not result in any interest rate risk since they do not bear interest at variable rates. The Company manages its exposure to interest rate risk by favouring an appropriate mix of fixed and floating rate financial liabilities.

There has been no material change in the Company's exposure to this risk since December 26, 2020.

Credit risk

The carrying amount on the consolidated statements of financial position of trade and other accounts receivable and other assets represents the maximum amount exposed to credit risk.

The Company's credit risk is primarily attributable to its trade accounts receivable and other assets. The credit risk related to trade accounts receivable is generally diversified. The Company requires a guarantee or letter of credit from some of its customers. As at March 20, 2021, the Company had guarantees for about 1.9% of its trade accounts receivable (1.8% as at December 26, 2020). In addition, following the pandemic, the payment terms of some customers have been modified for prepayments or payments on delivery in order to minimize credit risks.

The Company's policy is to have each customer undergo a credit check.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and sources of financing in the form of authorized bank loans. The Company establishes budget estimates and cash flow forecasts to ensure it has the necessary funds to fulfill its obligations. These forecasts are updated on a regular basis to consider the impacts of the rapidly evolving pandemic. According to our updated forecast based on information currently available to management, the Company is expecting to be able to meet its obligations for the next 12 to 15 months by using future cash flows from operating and funds available under the credit facility in place.

As at March 20, 2021, the Company was in compliance with all its bank covenants.

14 Contingency

During the second quarter of 2019, a lawsuit of $7,700 has been initiated by a client against the Company alleging a default to the terms of the agreement. The Company intends to defend itself vigorously.

15 Subsequent events

On February 18, 2021, the Company announced its intention to proceed with the early redemption of all the issued and outstanding convertible debentures.

In accordance with the terms of the convertible debentures, in addition to the 267,600 shares issued as mentioned in note 11, on March 22, 2021, 6,000 common shares were issued at a price of $2.50, for a total of $684.

On March 23, 2021, the Company completed the redemption of all outstanding convertible debentures in the aggregate principal unpaid amount of $49,316. The balance of $49,316 was redeemed at a price of $1,000 per debenture, plus accrued and unpaid interest to, but excluding, March 23, 2021.

The convertible debentures that were listed on the Toronto Stock Exchange under the symbol GCL.DB.A were delisted on March 23, 2021.