THINKIFIC

THINKIFIC LABS INC.

ANNUAL INFORMATION FORM

Fiscal Year ended December 31, 2022

February 23, 2023

ANNUAL INFORMATION FORM
THINKIFIC LABS INC.
TABLE OF CONTENTS

EXPLANATORY NOTES	2
CORPORATE STRUCTURE	12
BUSINESS OF THINKIFIC	12
GROWTH STRATEGIES & NEW PRODUCTS	15
GOVERNMENT REGULATIONS	18
GENERAL DEVELOPMENT OF THINKIFIC'S BUSINESS	19
RISK FACTORS	21
DIVIDEND POLICY	59
DESCRIPTION OF SHARE CAPITAL	59
MARKET FOR SECURITIES	65
DIRECTORS AND EXECUTIVE OFFICERS	66
AUDIT COMMITTEE	69
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	71
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	71
TRANSFER AGENT AND REGISTRAR	71
MATERIAL CONTRACTS	72
INTERESTS OF EXPERTS	72
ADDITIONAL INFORMATION	72
EXHIBIT A - AUDIT COMMITTEE CHARTER	A-1

EXPLANATORY NOTES

As used in this Annual Information Form ("**AIF**"), unless the context indicates or requires otherwise, all references to the "**Company**", "**Thinkific**", "**we**", "**us**" or "**our**" refer to Thinkific Labs Inc. together with our subsidiaries, on a consolidated basis. Furthermore, as used in this AIF, unless the context indicates or requires otherwise, the following terms have the following meanings:

"**API**" means application programming interface.

"**Audit Committee**" means the audit committee of the Board.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended from time to time.

"**CCGN Committee**" means the compensation, corporate governance and nominating committee of the Board.

"**Creator**" or "**Creators**" are the customers of Thinkific (on any plan, including free or trial) who create and deliver customized courses and other Learning Products through the Thinkific Platform.

"**Final Long Form Prospectus**" means the final long form prospectus filed on April 22, 2021 in connection with Thinkific's initial public offering.

"**Fiscal 2020**" means the fiscal year ended December 31, 2020.

"**Fiscal 2021**" means the fiscal year ended December 31, 2021.

"**Fiscal 2022**" means the fiscal year ended December 31, 2022.

"**IPO**" means the initial public offering of the Company, which closed on April 27, 2021.

"**Learning Products**" are the customized online courses, Thinkific Communities, membership sites, generic and branded mobile apps, and other experiences that Creators create, sell, and deliver using the Thinkific Platform.

"**Multiple Voting Shares**" means the multiple voting shares in the capital of the Company.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*, as amended from time to time.

"**Partner**" or "**Partners**" are individuals or other entities with whom we have a formal or informal arrangement including agencies, influencers, affiliates, app developers, integration partners and similar third-parties.

"**Students**" are the customers of our Creators. The term "Students" refers to the unique count of all registered users who have signed up for at least one course on Our Platform during the stated time frame.

"**Subordinate Voting Shares**" means the subordinate voting shares in the capital of the Company.

"**Thinkific Communities**" is a feature that enables Creators to own their community and foster relationships with their brand at the forefront. Through Thinkific Communities, Creators can drive engagement and generate sustainable income with diverse selling strategies including paid Thinkific Communities memberships, bundles with courses, and upsells to exclusive, relevant content.

"**Thinkific Payments**" is an embedded payment processing service that allows our Creators to accept payments without reliance on third-party payment gateways or acquirers and is built-on Stripe.

"**Thinkific Platform**", "**Thinkific's Platform**" or "**Our Platform**" are used interchangeably to define Thinkific's offered cloud platform service which includes, but is not limited to Thinkific's app store, Thinkific Communities, Thinkific Payments and other products, features, enhancements, improvements and as a whole and are generally interchangeable with "our software".

"**TSX"** means the Toronto Stock Exchange.

This AIF is dated February 23, 2023, which is the date it was approved by the board of directors of the Company (the "**Board**"), and, unless specifically stated otherwise, all information disclosed in this AIF is provided as at December 31, 2022, the end of Thinkific's most recently completed fiscal year.

This AIF should be read in conjunction with the Company's audited consolidated financial statements and notes for Fiscal 2022 ("**2022 Financial Statements**") and Management's Discussion and Analysis for 2022 ("**2022 Management's Discussion and Analysis**"), but which, for greater certainty, are not incorporated by reference within this AIF.

Trademarks and Trade Names

This AIF includes certain trademarks, such as "Thinkific", which is protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this AIF may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

Presentation of Financial Information and Other Information

We present our financial statements in United States dollars and disclose certain financial information in this AIF in United States dollars. References to "$" or "U.S. dollars" are to United States dollars and references to "CDN$" are to Canadian dollars. Amounts are stated in U.S. dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this AIF may not reconcile due to rounding.

Non-IFRS Measure and Industry Metrics

The information presented within this AIF includes "Adjusted EBITDA", which is not a recognized measure under International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), does not have a standardized meaning prescribed by IFRS, and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, it should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We also use certain industry metrics: "Monthly Recurring Revenue" or "MRR", "Annual Recurring Revenue" or "ARR", "Paying Customers", "Average Revenue per User" or "ARPU", "Gross Merchandise Volume" or "GMV", and "Gross Payments Volume" or "GPV". These industry metrics are unaudited and are not directly derived from our financial statements. Adjusted EBITDA and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and industry metrics in the evaluation of issuers. Our management also uses the non-IFRS measure and industry metrics to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Non-IFRS Measure

"**Adjusted EBITDA**" is calculated as net income (loss) excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange loss (gain), net finance (income) expense, restructuring costs and transaction-related expenses.

Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations.

Management believes that Adjusted EBITDA is a useful measure of operating performance and our ability to generate cash-based earnings, as it provides a more relevant picture of operating results by excluding the effects of financing and investing activities, which removes the effects of interest, depreciation and amortization expenses as non-cash items and other one-time or non-recurring expenses that are not reflective of our underlying business.

See our Fiscal 2022 Financial Statements and the 2022 Management's Discussion and Analysis for a reconciliation of the foregoing non-IFRS measure to its most directly comparable measures calculated in accordance with IFRS.

Industry Metrics

"**Annual Recurring Revenue**" or "**ARR**" is 12 times the monthly value of all current Paying Customer subscriptions at the end of the period, with the number of Paying Customers multiplied by the average monthly subscription plan fee in effect on the last day of that period. Annual or other subscription durations are included as a prorated amount. ARR is used by management of the Company as a directional indicator of revenue going forward, assuming Paying Customers maintain their subscription plan the following month. ARR allows management to have a consolidated measure that accounts for our different subscription plan levels and term lengths. We further analyze the factors that make up ARR and track trends in customer behaviour with regard to the number of Creators (defined as customers on any plan, including free or trial) on each plan level, along with any movement of Creators between plan levels.

"**Average Revenue per User**" or "**ARPU**" is the average monthly revenue per Paying Customer in the quarter. ARPU is calculated by taking the average revenue for each month in the quarter (calculated in accordance with IFRS) and dividing this by the average number of Paying Customers for the same quarter. When stated as an annual number, the ARPU calculation utilizes the average Paying Customers and average monthly revenue from the last quarter of the year. ARPU growth primarily results from an increasing mix of (i) new Paying Customers choosing to subscribe to our higher tier plans, (ii) existing Paying Customers moving upwards in our plan tiers in order to access enhanced features and functionalities, (iii) Creators adopting and monetizing with Thinkific Payments and (iv) any changes that are made to existing pricing plans or structures.

"**Gross Payments Volume**" or "**GPV**" is the total dollar value of transactions processed using Thinkific Payments in the period, net of refunds and inclusive of sales taxes where applicable. GPV does not represent revenue earned by us. We believe that growth in GPV is an indicator of success of our Creators in monetizing their learning products and of our Thinkific Payments offering and is a positive growth driver of revenue and ARPU.

"**Gross Merchandise Volume**" or "**GMV**" is the total dollar value of all transactions of all Learning Products by our Creators, facilitated through Our Platform, including Thinkific Payments, during the period, net of refunds. GMV does not include transactions for course sales, membership subscriptions, or other products or services processed by application programming interfaces or certain apps where we do not record the transaction value. Accordingly, we estimate the total dollar value of all transactions to be greater than the sum of transactions facilitated exclusively through Our Platform and recognized as GMV. We believe GMV is an indicator of the success of our Creators in monetizing their Learning Products and the strengths of Our Platform. GMV may fluctuate quarter-to-quarter as a result of consumer behaviour and seasonal programs. GMV does not represent revenue earned by us.

"**Monthly Recurring Revenue**" or "**MRR**" is the monthly value of all current Paying Customer subscriptions at the end of the period, with the number of Paying Customers multiplied by the average monthly subscription plan fee in effect on the last day of that period. Annual or other subscription durations are included as a prorated amount.

"**Paying Customers**" is the count of unique Thinkific subscribers on paid plans as of period end, excluding all Creators on trial or free Thinkific subscriptions, and including both monthly and annual subscribers.

Exchange Rate Data

The following table sets out the high and low rates of exchange for one U.S. dollar expressed in Canadian dollars during each of the periods specified, the average rate of exchange for those periods and the rate of exchange in effect at the end of each of those periods, each based on the rate of exchange published by the Bank of Canada for conversion of U.S. dollars into Canadian dollars.

	Fiscal Year December 31,	
	2022	**2021**
	(C$)	**(C$)**
Highest rate during the period	1.37	1.29
Lowest rate during the period	1.26	1.20
Average rate for the period	1.30	1.25
Rate at the end of the period	1.36	1.27

Forward-Looking Information

This AIF contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "trends", "indicator", "expects" or "does not expect", "is expected", "an opportunity exists", "adoption", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "scalability", "trajectory", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: our future financial outlook and anticipated events or results; our intent, belief or current expectations of the Company or its management with respect to the consolidated results of operations and financial condition, financial position, financial outlook, revenue, Adjusted EBITDA and the revenue generation potential of our payment-related and other solutions, business strategy, growth strategies, overall market growth rates, addressable markets for our solutions, budgets, operations, future events, plans and objectives of the Company, industry trends, and our growth rates and growth strategies; our competitive position in our industry; retention and acquisition of Creators; the development and success of new products, features, and services on Our Platform; and expectations regarding the long-term ownership equity position of our Chief Executive Officer.

This forward-looking information and other forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the impact of the COVID-19 pandemic; our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to continue maintaining, innovating, improving and enhancing our technological infrastructure and functionality, performance, reliability, design, security and scalability of Our Platform; the effectiveness of our pricing plans and strategies; our ability to maintain existing relationships with Creators and to continue to expand our Creators' use of Our Platform; our ability to acquire new Creators; our ability to maintain existing material relationships on similar terms with service providers, suppliers, Partners and other third-parties; our ability to build our market share and enter new markets and industry verticals; the continued development and success of Our Platform including new products, features, and services, including Thinkific Communities, and Thinkific Payments; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion and growth plans; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors identified in our Final Long Form Prospectus, our 2022 Management's Discussion and Analysis and the Fiscal 2022 Financial Statements, which are available under our profile on SEDAR at www.sedar.com, and the following risk factors described in greater detail under "*Risk Factors*" of this AIF:

- Our growth may not be sustainable and depends on our ability to attract new customers, retain revenue from existing customers and increase revenue from existing high-volume customers.

- We have a history of incurred operating losses and negative cash flows and may not be able to achieve profitability exiting 2023 as planned, or in the future.

- Our business could be harmed if we fail to manage our growth effectively.

- Our limited operating history in new and developing markets and new geographic regions makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful.

- If we are unable to keep pace with technological and marketplace change and trends, including our ability to innovate, improve and enhance the features, functionality, performance, reliability, design, security and scalability of Our Platform with an effective price and in a manner that is appropriately timed to respond to our customers' evolving needs in a timely and effective manner, our business, operating results and financial condition may be adversely affected.

- The estimates of market opportunity and growth forecasts may prove to be inaccurate and may not be indicative of our future growth. Even if the market in which we compete achieves the estimated growth, our business could fail to grow at similar rates, if at all and may even decline.

- As technologies continue to develop, our competitors may be able to offer our customers experiences that are, or that are seen to be, substantially similar to or better than ours. This may force us to compete in different ways and expend significant resources in order to remain competitive.

- If our software or hardware contain serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers or other claimants.

- Security breaches, cyber attacks, denial of service attacks, or other hacking and phishing attacks on our systems or other security breaches could delay or interrupt service to our Creators, their Students, and others who use our services, harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

- System failures, interruptions, delays in service, catastrophic events, inadequate infrastructure and resulting interruptions in the availability or functionality of Our Platform could harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

- Our success depends on the ability of our Creators to achieve commercial success, to market or sell their Learning Products and to grow or sustain their businesses.

- Our growth depends in part on the success of our strategic relationships with third-parties.

- We may be unable to achieve or maintain data transmission capacity.

- We use a single cloud service provider to deliver our services and there may not be a suitable alternative cloud service provider. Any disruption of services from our cloud service provider could harm our business.

- We derive, and expect to continue to derive, substantially all of our revenues from a single cloud-based online course platform solution.

- We rely primarily on a single supplier to provide the technology we offer for video delivery.

- We store personal information including that of our Creators and their Students. If the security of this information is compromised or is otherwise accessed without authorization, our reputation may be harmed, and we may be exposed to liability and loss of business.

- If we or our third-party providers experience a security breach or unauthorized parties otherwise obtain access to the data and personal information of our Creators and their Students, Our Platform may be perceived as not being secure, our reputation may be harmed, demand for Our Platform may be reduced, and we may incur significant liabilities.

- A variety of new and existing laws and/or interpretations could harm our business.

- The impact of worldwide economic conditions, including the resulting effect on spending by small to medium sized businesses ("**SMBs**") and entrepreneurs or their Students, may adversely affect our business, operating results and financial condition.

- If we are unable to increase sales of subscriptions to Our Platform to Creators while mitigating the risks associated with serving such customers, our business, financial condition, and results of operations would suffer.

- Our risk management efforts in connection with the processing of payments may not be effective, which could expose us to losses and liability and otherwise harm our business.

- Our results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts, which could cause our share price to decline.

- Our growth strategy involves the improvement and enhancement of our payment processing solution, Thinkific Payments, which may present risks and challenges that we have not yet experienced.

- We rely on a single supplier to provide the technology we offer through Thinkific Payments.

- Thinkific Payments subjects us to regulatory requirements, payment card network rules, payment card transactions underwriting, fraud risk, tax risks and other risks that could be costly and difficult to comply with or that could harm our business.

- Our brand is integral to our success. If we fail to effectively protect, maintain, promote and enhance our brand or if we fail to maintain a consistently high level of customer support, our brand, business, financial results and competitive advantage may be harmed.

- If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

- Competition for top talent may lead to rising salaries and declining margins or limit our ability to achieve profitability.

- We rely on search engines and social networking sites to attract a meaningful portion of our customers. If we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new customers may be impaired and if our Creators are not able to generate traffic to their Learning Products through search engines and social networking sites, their ability to attract Students may be impaired. In addition, if the price of marketing our solutions over search engines or social networking sites increases, we may incur additional marketing expenses.

- We rely on computer hardware purchased or leased from, software licensed from, and services rendered by third-parties (or, in some instances, a single third-party) in order to provide our solutions and run our business, and interruptions or performance problems with these technologies may adversely affect our business and results of operations.

- Exchange rate fluctuations may negatively affect our results of operations.

- We do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new customers and retain existing customers which may adversely affect our ability to attract new customers and retain existing customers.

- Our business is highly competitive. We may not be able to compete successfully against current and future competitors.

- Our business is susceptible to risks associated with international sales and the use of Our Platform in various countries.

- Market adoption of cloud-based online course platform solutions is relatively new and unproven and may not grow as we expect, which may harm our business and results of operations and even if market demand increases, the demand for Our Platform may not increase.

- An assertion by a third-party that we are infringing its intellectual property could subject us to costly and time-consuming litigation which could harm our business.

- Activities of customers or Partners or the content of our customers' Learning Products could damage our brand, subject us to liability, and harm our business and financial results.

- If we are unable to successfully refresh or update our source code or other aspects of Our Platform or detect and adequately address technological deficiencies in a timely and adequate manner, our competitive position could be negatively affected.

- We may not receive significant revenue as a result of our current research and development efforts.

- If we are unable to ensure that Our Platform inter-operates with a variety of software applications that are developed by others, including our Partners, we may become less competitive and the results of our operations may be harmed.

- Changes in accounting standards and interpretations, and our adoption thereof, as well as subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.

- We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

- Thinkific may have new product offerings from time to time that are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.

- Mobile devices are increasingly being used for online course delivery, and if Our Platform does not operate as effectively when accessed through these devices, our Creators and their Students may not be satisfied with our services, which could harm our business.

- Our business could be adversely impacted by changes in internet access for our Creators or their Students or laws specifically governing the internet.

- We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

- Our use of open-source software could negatively affect our ability to sell our solutions and subject us to possible litigation.

- We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.

- We are dependent upon customers' willingness to use the internet for commerce and for offering Learning Products, as well as Students' willingness to use the internet for commerce and learning.

- We may in the future make acquisitions and investments, which could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results, or financial position.

- We may not be able to successfully drive customer interest through our various marketing strategies including our offer of free and trial subscription plans, and we may not be able to continue to realize the benefits of any of our marketing strategies.

- We may fail to appeal to social media influencers and become subjected to negative publicity leading to reputational and financial harms.

- Issues in the use of artificial intelligence in Our Platform may result in reputational harm or liability.

- The restated articles of incorporation of the Company (the "**Articles**") provide that any derivative actions, actions relating to breach of fiduciary duties and other actions asserting a claim relating to relationships among us, our affiliates and their respective shareholders, directors and/or officers are required to be litigated in British Columbia, which could limit your ability to obtain a favourable judicial forum for disputes with us.

- From time to time, we may become defendants in legal proceedings in which we are unable to assess our exposure and which could become significant liabilities in the event of an adverse judgment.

- Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

- New tax laws could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our solutions and adversely impact our business.

- U.S. federal, state and local, Canadian federal and provincial, and other foreign tax authorities may seek to assess state, provincial or local business taxes, sales and use taxes or other indirect taxes. If we are required to collect indirect taxes in additional jurisdictions, we might be subject to tax liability for past subscriptions.

- It may be difficult or impossible for investors to enforce judgements against the foreign subsidiary and the U.S. resident director of the Company.

- We may not be able to utilize our net operating loss carryforwards and other tax credits, which could adversely affect our profitability.

- The dual class structure contained in our Articles has the effect of concentrating voting control and the ability to influence corporate matters with Greg Smith, our co-founder and Chief Executive Officer, and others, which may have a negative impact on the trading price of the Subordinate Voting Shares.

- The market price of our Subordinate Voting Shares may be volatile and your investment could suffer or decline in value.

- We do not currently anticipate paying dividends on the Subordinate Voting Shares, and, consequently, shareholders may never receive a return on their investment.

- Future sales of Subordinate Voting Shares by existing shareholders or by us, or future dilutive issuances of Subordinate Voting Shares by us, could adversely affect prevailing market prices for the Subordinate Voting Shares.

- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline.

- Our senior management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

- Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Subordinate Voting Shares, which could depress the price of our Subordinate Voting Shares.

- Our constating documents permit us to issue an unlimited number of Subordinate Voting Shares and Multiple Voting Shares without additional shareholder approval.

- The degree to which the effects of the COVID-19 virus and its various permutations could materially and adversely affect our business, financial condition and results of operations remain speculative and unknown.

- Our remote workforce operating model may adversely affect our business, including our culture, and may adversely affect our financial position and operating results.

- Our development and publication of an environmental, social and governance report may not meet the needs of certain investors which may make it more difficult to attract and retain investment; may expose the company to reputational risk and negative publicity and could lead to increased regulatory scrutiny and other potential legal liabilities.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "*Risk Factors*" should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this AIF represents our expectations as of the date hereof (or as of the date they are otherwise stated to be made), and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this AIF are expressly qualified by the foregoing cautionary statements.

CORPORATE STRUCTURE

Thinkific Labs Inc. was incorporated in British Columbia on April 11, 2012 under the BCBCA.

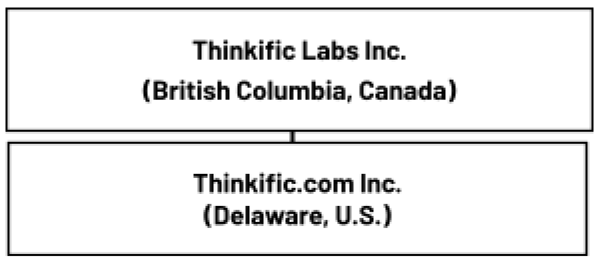
On February 23, 2016, the Company filed articles of amendment to redesignate its common shares as Class A Common Shares and create an unlimited number of Class B Common Shares. On March 4, 2016, the Company (i) redesignated its Class A Common Shares as Common Shares and created special rights for the Common Shares and (ii) eliminated the Class B Common Shares. On November 28, 2019, the Company created an unlimited number of seed preferred shares issuable in series, including the Class 1 Seed Preferred and the Class 2 Seed Preferred Shares. On July 16, 2020, the Company created an unlimited number of Class A preferred shares issuable in series, including the series 1 Class A Preferred Shares and the series 2 Class A Preferred Shares (the "**Existing Preferred Shares**").

Immediately prior to closing of our IPO on April 27, 2021 (the "**IPO Closing Date**"), we implemented a number of pre-closing capital changes. We converted all of the issued and outstanding preferred shares into Common Shares on a one-for-one basis in accordance with their terms. On April 23, 2021, we filed restated articles of incorporation so as to amend and redesignate our Common Shares as Subordinate Voting Shares, create a new class of Multiple Voting Shares, repeal the classes of shares relating to the Existing Preferred Shares, create a new class of preferred shares, issuable in series and effected a four-for-one split of each of our outstanding Multiple Voting Shares and Subordinate Voting Shares.

The Company's head office is located at #400 – 369 Terminal Avenue, Vancouver, British Columbia, Canada V6A 4C4 and records office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3.

Intercorporate Relationships

As at the date of this AIF, the Company has one wholly-owned subsidiary, Thinkific.com Inc., which was incorporated on September 3, 2020 in Delaware, U.S. The chart below illustrates the Company's intercorporate relationship to its material subsidiary as at the date hereof.



BUSINESS OF THINKIFIC

Business of the Company

We believe any business can use education as a tool for growth. Our mission is to make it simple for entrepreneurs and established businesses – our "Creators" - to scale and generate revenue by teaching what they know. Thinkific offers a cloud-based, multi-tenant platform that enables business-building. Our Platform provides our Creators with the functionality needed to launch, grow, and diversify their businesses by creating and selling Learning Products composed of customized courses, communities, membership sites, and other experiences that Our Creators can create, sell and deliver using our Platform. We make it simple for our Creators to build and deliver Learning Products for their audiences under their own brands, with no specialized technical expertise required. Our Platform enables our Creators to build, market, sell and deliver their products with enterprise-grade functionality and extensibility for growth.

Our Creators identify as entrepreneurs, business owners, consultants, authors, speakers, coaches, professionals, trainers, and social media influencers as well as larger businesses. Our Creators span nearly every industry vertical worldwide. The majority of our Creators were already in business or earning an income with their expertise when they joined Our Platform, and many are adding an education component to their business for the first time with Our Platform.

The Thinkific Platform

Thinkific was founded to solve problems for entrepreneurs and businesses seeking to use online education for growth. As a complete business solution for our Creators, Our Platform provides both the e-commerce and management functionality they need. Additionally, the Learning Products they create on Our Platform serve as the end product that our Creators are selling. By focusing on creating business success for our Creators, Thinkific acts as a partner in supporting their ongoing growth. We do this with features and tools built around four core functions:

- **First, we make it easy for anyone to create and deliver their own customized Learning Products.** Entrepreneurs and businesses have a vision for the courses and other Learning Products they want to create for their Students. We help them accomplish that vision. Our Platform offers tools to create courses, memberships, communities, and other interactive experiences that can be setup easily and customized to fit the brand and vision of the business.

- **Second, we help our Creators market and sell with full e-commerce functionality.** Thinkific provides the tools to help our Creators market and sell. This includes customized websites and landing pages, checkout pages, payment processing and flexible pricing models tailored for selling online courses and other Learning Products, including Thinkific Communities. This also includes Thinkific Payments, which enables Creators to accept payments, manage payouts to bank accounts, process refunds, and update banking and business information with ease and without the friction of integrating a third-party payment provider.

- **Third, we have an app store and a network of Partners to expand and promote our offering.** Thinkific's ecosystem of Partners adds flexibility and extends the functionality of Our Platform for each of our Creators. We offer a customizable experience through our Thinkific API[1], integrations and customizable site themes which allow Creators to integrate Our Platform with their existing technology stack. We enable app developers and Partners to build on top of the Thinkific Platform, accelerating innovation, research and development to meet the needs of a broader range of Creators. Our partner agencies, influencers and affiliates help to market our products and bring new customers to build their business using Thinkific's Platform. As our ecosystem grows, Our Platform becomes even more attractive to new Creators, allowing for greater revenue opportunities for all participants, including Thinkific.

- **Fourth, our business management and scaling suite adds the back-office tools and workflows Creators require.** The Thinkific Platform is the hub of our Creators' Learning Products business. The Creator administration area within Our Platform allows our Creators to manage and grow their business including managing their Learning Products, engaging with their Students, tracking data and managing revenue. Our reporting and analytics give detailed insights on sales, registrations, Student activities and progress, quiz scores, survey results, content engagement, affiliate sales, co-owner revenue shares, and Student characteristics. This ensures our Creators are able to join Our Platform and grow to nearly any size.

Together, these core functions combine to make the Thinkific Platform a central business operating system for many of our Creators, encompassing not just e-commerce, but also the entire back office and the end products themselves.

For our Creators, these core functions combine to provide the following key benefits:

- ***High margins and scalability.*** Creators use Our Platform to monetize their expertise by selling multiple Learning Products and grow their business. Utilizing our Learning Products, they can create once and can sell many times over. This typically means they have high profit margins, as compared to many other business models such as selling physical goods. This profit provides them with more resources to reinvest in their businesses, allowing them to scale and reach their addressable audience. Learning Products can be delivered globally with low marginal costs and no need to manage the logistics of inventory, supply chains, and distribution networks.

- ***Save time.*** Ease of use is a core principle of our product design philosophy. Building a business is hard; we believe using software should not be. Creators are able to set up and launch online courses, communities, and other Learning Products quickly with no specialized technical skills required.

- ***Earn revenue.*** Our Platform empowers the Creator to sell and generate revenue through multiple products beyond simply courses such as through communities, memberships and other features. While Thinkific supports a range of different use-cases, the majority of our Creators generate revenue from their Learning Products on Our Platform.

[1] Thinkific API is the set of definitions and protocols (the application program interface) that third-party software developers can use to write applications to interact with the Thinkific Platform.

- ***Make an impact.*** Although revenue is a primary goal for many of our Creators, they also value the impact they can deliver in the world by using Our Platform. Each of our Creators gets to create their own Learning Products by taking their special skills, knowledge, and passion and sharing them with others. Thinkific's Platform gives each of our Creators global reach to positively impact people and communities that access their content.

Thinkific succeeds when our Creators succeed. We generate revenues primarily through the sale of subscriptions to the Thinkific Platform. To complement our subscription offering, we are able to monetize a portion of our GMV through Thinkific Payments, our payment processing solution. With Thinkific Payments, Creators can accept payments, manage payouts to bank accounts, process refunds, and update banking and business information with ease and without the friction of integrating a third-party payment provider. Thinkific's business grows as we increase the number of Creators using our services and as we increase the ARPU of those customers.

As each Creator's business grows and their needs evolve, Our Platform encourages them to upgrade to higher-tier plans in order to gain access to more features and functionalities. ARPU growth results from an increasing mix of new Paying Customers choosing to subscribe to our highest tier plans, existing Paying Customers moving upwards in our plan tiers in order to access enhanced features and functionalities, and revenues from transactions processed on Thinkific Payments.

Our revenue is largely recurring due to the nature of our product and deep integration of our services into our Creators businesses, and we have a strong track-record of growing ARPU over time.

Competitive Strengths

Thinkific has several competitive strengths which we believe positions us well to meet market needs:

- ***All-in-one comprehensive platform.*** Our business-in-a-box software offers a breadth of features and functionality that Creators need to start and scale their businesses, with deep integrations and extensibility to connect with existing systems and scale with growth. Our Platform empowers entrepreneurs and companies of all sizes seeking to grow their businesses by offering end-to-end capabilities, fully integrated payment processing services and an easy-to-use application that enables them to create, market, sell and deliver online courses and other Learning Products with the ability to create online communities while building their brands. We serve Creators in any vertical and offer a compelling economic proposition for Creators to monetize their content. Many Creators have successfully grown their small online course business into significant businesses entirely on Thinkific's Platform.

- ***Simple user experience.*** We offer an easy-to-use and intuitive interface. At every stage from setting up a Creator's business, to managing Learning Products, and scaling their business, Thinkific aims to remove technical barriers through a simple user experience. Building a business can be hard, your software shouldn't be.

- ***Passionate base of Creators.*** We believe Our Platform is a comprehensive solution for Creators, which allows for a natural attraction of discerning users that are serious about building and growing their businesses online. Our Platform offers optionality for Creators to continually innovate and customize their Learning Products to realize their vision and optimize their Students' success, allowing for the creation of commercially successful and durable businesses that meet Students' desires for authenticity, community, and experience in an online learning platform. High levels of customer satisfaction as evidenced by an Net Promoter Score[2] of 85 for Q4 2022 drive additional customer acquisition through word-of-mouth marketing, contributing to an ecosystem for those with passionate interests.

- ***Ecosystem creates a differentiated approach.*** Thinkific allows Partners such as agencies and developers to create apps that increase Our Platform's capabilities. Partners also offer services such as marketing and

[2] "**Net Promoter Score**" is an index, calculated by Thinkific using surveys conducted by Thinkific, ranging from -100 to 100 that measures the willingness of Creators to recommend Thinkific's products or services to others.

content creation to further accelerate Creators' businesses. This creates an ecosystem with a self-reinforcing network effect. Partners add functionality and services which bring new customers to Thinkific, increasing the size of our economy and which in turn attracts more Partners to work with us.

- ***Highly scalable platform.*** Our Creators range from freelancers and new businesses to large, globally recognized enterprises. Creators of all sizes benefit from Our Platform's enterprise-grade standards and functionality, including security, scalability, and reliability, with the ability to process significant spikes in demand and traffic. Thinkific's pricing plans allow Creators to start at a level that fits their current size and graduate to higher tiers as their businesses grow with the value derived from Thinkific.

- ***Corporate culture and employees.*** We believe our corporate culture, values and high-quality team are key drivers of our success. We are committed to a work environment that fosters respect, integrity, teamwork, and growth. Our culture has been critical to our success in attracting and retaining high calibre team members in a competitive market for talent. We have won awards for our corporate culture and workplace, including being named "Tech Company of the Year - Scale" in the BC Tech Association's 2021 Technology Impact Awards, we are "Great place to work" certified for 2022 by greatplacetowork.ca and recognized by *The Globe and Mail's* publication, *Report on Business* for the third consecutive year in a row as one of Canada's Top Growing Companies in 2022. In 2023, we were awarded "Top BC Employer" recognition from Globe & Mail's Top 100 Canadian businesses accolade.

GROWTH STRATEGIES & NEW PRODUCTS

Backed by our strong cash reserves, we are focused on responsible long-term sustainable growth. Innovation forms the backbone of our growth by optimizing the experience for both our Creators and their Students, which in turn attracts more Creators and encourages upgrades to higher tiered priced plans. Our consistent focus on the success of our Creators and the innovation we deliver to support their businesses combined with the continued growth of our ecosystem are competitive differentiators for any Creator in the marketplace seeking to build their audience and monetize their content.

- ***Growing our customer base.*** We believe there is an opportunity to grow our customer base through strategic and targeted investment across all stages of marketing and branding, as Creators continue to choose Our Platform as their solution to build an online course and Learning Product business.

- ***Continued innovation to enhance success for our Creators and Thinkific.*** Our goals are aligned with our Creators'. Informed by customer feedback and market intelligence, we strategically invest in research and development to deliver enhanced features and increase the quality, functionality and user experience to ensure that Thinkific's Platform is the solution of choice in the marketplace for Creators. Our Platform helps our Creators add more users, create new Learning Products and generate more transaction volume by offering new solutions and resources, including options such as Thinkific Communities to enhance and optimize their success.

  In turn, as our Creators leverage these solutions to grow their businesses, their ARPU increases through expansion within our pricing tiers including adoption of Thinkific Plus, our highest tier subscription which is sought after by medium and larger businesses.

- ***Continued development of Thinkific Payments.*** Thinkific Payments is an embedded and complementary feature of Our Platform. This feature is another important tool that allows Creators to spend less time on administration and to sell more courses. As we continue to expand Thinkific Payments into new markets and develop new features to enable our Creators to sell on our platform, we expect that this will improve our GPV. Currently, Creators can accept payments, manage payouts to bank accounts, process refunds, and update banking and business information with ease and without the friction of integrating a third-party payment provider. This allows us to monetize a greater portion of our GMV.

- ***Building for the long-term.*** As part of our commitment to responsible long-term sustainable growth, we will continue to make strategic investments to Our Platform and services, target international expansion and localisation, and prudently pursue strategic partnership and acquisition opportunities.

Go To Market Strategy

Our go to marketing strategy is primarily focused on driving awareness of the Thinkific Platform, more specifically but not limited to our web properties, content, and how Our Platform enables acquisition, growth and retention for our Creators. We actively drive awareness through online channels, including search, advertising, events, education and content marketing, partnerships, affiliates and influencers. All of these channels are supported by a strong word of mouth component.

Once we introduce prospective Creators to Thinkific, the product coupled with our robust education and content systems take over, delivering a simple to use Creator experience that drives success for their business and prompts them to upgrade at the appropriate times. Many of our new Paying Customers initially adopted Our Platform through freemium self-service and free trials, but stay because they find success through our Creator funnels. By providing a free version of the Thinkific Platform and a free trial option on our paid plans, prospective Creators are able to evaluate Our Platform while finding success before upgrading to paid plans. Our paid plans include our Basic, Start, Grow and Thinkific Plus.

While most customers evaluate and select Thinkific by trying our Platform out we also have a sales led motion to assist in selection, in particular for larger customers at higher price points. We also offer dedicated customer success managers to our top customers to help in the ongoing development of their business.

Competition

We operate in a market that is continually evolving, and we expect competition to increase in the future. We most notably compete with other course creation tools that offer similar solutions to ours. We believe that the principal competitive factors in our market include:

- platform features and functionality;
- simplicity and ease of use;
- the ability for Creators to create the Learning Products and experiences they envision;
- ability to support Creators' growth and scalability;
- ability to create online communities;
- mobile functionality;
- brand recognition and reputation;
- quality of customer experience;
- platform connectivity and third-party API integration;
- support and control over brand development;
- comprehensive customer support;
- timely and intuitive analytics;
- continued innovation, research and development; and
- security and reliability.

Although we do not believe that our competitors offer a solution as comprehensive as ours, some Creators may choose to do business with alternatives that offer some of the solutions we provide. We differentiate ourselves on a myriad of factors that vary with the alternatives we are compared to. When compared to marketplaces, we offer the ability for Creators to host their courses on their own website under their own brand with a direct relationship with their Students as opposed to putting their course on a marketplace's site and under a marketplace's brand where control over customer relationships, revenue, pricing and content often resides with the marketplace. In relation to e-commerce, website, and course building platforms, we offer a customizable experience through our Thinkific API[3], integrations, customizable site

[3] Thinkific API is the set of definitions and protocols (the application program interface) that third-party software developers can use to write applications to interact with the Thinkific Platform.

themes, as well as a variety of learning and teaching experience features such as student communities, a variety of content types in our course builder and course player, reporting and analytics on student activities, student groups and cohorts, e-commerce features tied directly to courses and Learning Products such as installment plans, recurring membership subscriptions, upsells and after purchase flows automation. In relation to learning management systems, we focus more on the commerce and selling of courses as well as branding and conversion rates for Creators that plan to drive revenue directly or indirectly from courses. Our Partner network is also a competitive advantage in that many of our Partners both customize Thinkific for our customers and refer customers to us.

Additionally, some features or offerings of Our Platform may face competition from other solutions. For example, Thinkific Payments may face competition from existing payment processors or other software that includes payment processing. Our competitive strengths for Thinkific Payments include that it is built as part of Our Platform making it more deeply integrated than other payment processors, and it also has fewer setup steps than those required by other payment processors making it easier to get setup. We plan to continue to improve Thinkific Payments to add competitive advantages including more analytics and reporting capabilities and more ways of selling courses and collecting payments.

Facilities

The Company has employees located across Canada, though the majority of our workforce is located in the Greater Vancouver Area. The Company's head office is located at #400 – 369 Terminal Avenue, Vancouver, British Columbia, Canada V6A 4C4 and records office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3.

We believe that our current facilities are adequate to meet our ongoing needs and that, if we require additional space, we will be able to obtain additional facilities on commercially reasonable terms.

Intellectual Property

Our intellectual property rights are important to our business. We rely on a combination of intellectual property laws, confidentiality provisions, license agreements, trade secrets, copyrights and trademarks to protect our intellectual property, all of which offer only limited protection. We obtained registrations for the THINKIFIC trademark in Canada on March 22, 2021 (Registration No. TMA1096549) and in the United States on October 5, 2021 (Number 6504828).

We are subject to risks related to our intellectual property. For more information, see "*Risk Factors – Risks Related to our Business and Industry*".

GOVERNMENT REGULATIONS

We are subject to a number of federal, state, provincial and foreign laws and regulations (or new interpretations or applications of existing laws and regulations in a manner that may be inconsistent with our practices) that affect companies conducting business on the internet, including laws and regulations related to e-commerce, payment processing, accessibility for the disabled, cybersecurity and privacy. While we monitor changes in these laws and regulations, many are still evolving and it is possible that current or future laws or regulations could be interpreted or applied in a manner that could negatively impact our business.

Regulations Applicable to eCommerce

We are subject to laws, regulations and policies that govern the amount and type of taxes our customers are required to collect and remit. With subscriptions in various countries, we are subject to taxation in several jurisdictions around the world. Federal, state, provincial and foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. In addition, in many jurisdictions, laws relating to the liability of providers of online services for activities of their customers and other third-parties are currently being tested by a number of claims, including actions based on defamation, invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature of the relevant content. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances applicable to solutions provided over the internet could therefore be enacted at any time, possibly with retroactive effect. Our internal compliance team and external advisors ensure compliance with all required federal, state, provincial and foreign tax filings and remittances. As our business grows we expect to provide new services to our customers that may result in us being subject to additional taxation regimes. Further, we expect to pursue international opportunities which may result in us operating in new geographies which may make us subject to additional regulatory and taxation regimes. Our business process planning includes developing applicable compliance strategies, including retaining the appropriate external advisers, as we enter these new businesses and geographies. Non-compliance with current or the enactment of new tax laws may adversely affect our operations and cash flows. For more information, see "*Risk Factors – Risks Related to our Business and Industry*".

Regulations Concerning Payment Processing

Thinkific Payments is subject to a variety of laws and regulations in the United States and elsewhere related to payments processing, including those governing cross-border and domestic money transmission, gift cards and other prepaid access instruments, electronic funds transfers, taxation reporting requirements, foreign exchange, privacy and data protection, banking and import and export restrictions. We are also subject to various anti-corruption and anti-money laundering laws, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and its regulations, the Foreign Corrupt Practices Act (U.S.), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the Travel Act (U.S.), the *USA Patriot Act*, the *Bribery Act 2010* (U.K.) and *Proceeds of Crime Act 2002* (U.K.), and other anti-bribery and anti-money laundering laws in countries in which we conduct activities. Concern about the use of payment processing platforms for illegal conduct, such as money laundering or to support terrorist activities, may result in legislation or other governmental action that could require changes to Our Platform. Depending on how Thinkific Payments and our other customer solutions evolve, and as we expand into new geographies, we expect to become subject to additional laws in Canada, the United States, Europe and elsewhere.

Regulations Governing Cybersecurity and the Protection of Data and Privacy

Our customers can use Our Platform to collect, store and use personal or identifying information regarding their employees and Students. In addition, we store personal information and other confidential information of our Partners, Creators and their Students and employees, and may also store, transmit and process credit card information of our Creators and Students. Accordingly, we may be subject to federal, state, provincial and foreign laws regarding cybersecurity and the protection of data and privacy, including the Personal *Information Protection and Electronic Documents Act* (Canada) ("**PIPEDA**"), the *California Consumer Privacy Act* ("**CCPA**"), the *Digital Service Act 2022* ("**DSA**") and the European *General Data Protection Regulations* ("**GDPR**"). Further, some jurisdictions have enacted laws requiring companies to notify governmental authorities and/or individuals of certain security breaches, such as those involving certain types of personal data or those giving rise to significant risk of harm to an individual. Our agreements with certain Creators require us to notify them in the event of a security incident. Additionally, some jurisdictions, as well as our contracts with certain Creators, require us to use industry-standard or reasonable measures to safeguard personal or confidential information. We post on our website our privacy policy and terms of service, which describe the way we process customer data and data relating to their employees and Students.

In Canada, the regulatory authority responsible for enforcement of Canada's Anti-Spam Legislation ("**CASL**") has recently issued a bulletin that signals broad potential liability for electronic intermediaries (such as hosting providers, Software-as-a-Service ("**SaaS**") providers and payment processors) for failing to take sufficient steps to stop third-parties from using intermediary services and facilities to violate CASL, including prohibitions on sending electronic marketing messages or installing computer programs without consent.

The regulatory framework in Canada, the United States, Europe and in many other jurisdictions in respect of cybersecurity and the protection of data and privacy is constantly evolving and is likely to remain uncertain for the foreseeable future. Certain aspects of the interpretation and application of such laws and regulations are also ambiguous. We are subject to risks relating to protection of data and privacy. For more information, see "*Risk Factors – Risks Related to our Business and Industry*".

Export and Import Control Regulations

As a result of our international operations, we are subject to a number of Canadian and foreign laws and regulations relating to economic sanctions and to export and import controls which govern or restrict our business and activities in certain countries and with certain persons, including sanctions regulations administered or enforced by the Office of the Superintendent of Financial Institutions in Canada, the economic sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control and the export control laws administered by the U.S. Commerce Department's Bureau of Industry and Security, the U.S. State Department's Directorate of Defense Trade Controls and the Canadian Export and Import Controls Bureau.

GENERAL DEVELOPMENT OF THINKIFIC'S BUSINESS

Below is a summary of key general developments of our business over the last three completed financial years. As of December 31, 2022, Thinkific operates in a single operating and reportable segment.

Three-Year Business Development History

Fiscal 2020

In Fiscal 2020, Thinkific experienced significant growth on its platform as the onset of the COVID-19 global pandemic saw many traditional businesses move online.

Significant developments in Fiscal 2020 included:

- In Q1 2020, the Company conducted a financing with certain of its then shareholders who wished to sell securities to investors who wished to purchase securities. This financing closed in two tranches in July and November 2020.
- In Q4 2020, Corinne Hua was appointed as the Chief Financial Officer of the Company and Lisa Shields was appointed to the Company's Board.
- In Q4, 2020, the Company added affiliate management features to help Creators acquire Students, group management and reporting features, expansion of theme designs, and numerous third-party integrations for learning, selling and business operations.

Fiscal 2021

In Fiscal 2021, Thinkific advanced its business on a number of fronts. By broadening our feature set and product offerings, including the launch of Thinkific Payments and app store, and hosting events for Creators such as Amplify 2021, and Thinkific's annual Think in Color Summit, we executed on our strategy to be the platform of choice for Creators. To support Thinkific's growth, and have the leadership and talent required for a publicly-traded company, Thinkific continued to increase the strength and depth of the executive team and board of directors.

Significant developments in Fiscal 2021 included:

- In Q1 2021 the Company:
    - transitioned Matthew Smith from his role as a director of the Company to his new position as Chief Strategy Officer and was also appointed on January 21, 2022 as the Acting Chief Revenue Officer which he held until September 2022.
    - Brandon Nussey and Katie May were appointed to the Company's Board.
- During Q2 2021, the Company:
    - completed its IPO of 12,310,000 Subordinate Voting Shares at a price of C$13.00 per share, for total gross proceeds of C$160,030,000. On May 5, 2021, the Company announced that the underwriters exercised their over-allotment option in full and purchased an additional 1,846,500 Subordinate Voting Shares at a price of C$13.00 per share for additional gross proceeds of C$24,004,500. With the full exercise of the over-allotment option, the total gross proceeds from the IPO were C$184,034,500. The Subordinate Voting Shares are listed on the TSX under the symbol "THNC".

- announced the commercial launch of its app store.
- During Q3 of 2021, the Company:
  - initiated the rollout of Thinkific Payments, building on the initial success of its beta release in early 2021. This calibrated rollout of Thinkific Payments was to a broader group of new customers, while preparing for a full launch in North America before the end of 2021.
  - appointed Chris McGuire, Chief Technology Officer and Henk Campher, Chief Marketing Officer.
- In Q4 2021, the Company:
  - filed a base shelf prospectus (the "**Shelf Prospectus**"). The Shelf Prospectus will provide for the potential offering in Canada of up to an aggregate of C$300,000,000 of Thinkific's Subordinate Voting Shares, preferred shares, debt securities, warrants, subscription receipts and units from time to time over a 25-month period.
  - announced the rollout of Thinkific Payments to Creators across the U.S. and Canada. The Company's new embedded payment processor is integrated into each Creator's Thinkific Dashboard, where Creators can opt-in to use the tool, enabling them to spend less time on administration and to sell more courses. Creators can now accept payments, manage payouts to bank accounts, process refunds, and update banking and business information without the friction of integrating a third-party payment provider. The United States and Canadian deployment of Thinkific Payments comes after a successful, calibrated rollout of the platform to select groups of Creators which was first announced in July, 2021.

Fiscal 2022

In Fiscal 2022, Thinkific made significant strides in many areas of its business, as Thinkific has continued to invest in growth to capitalize on the market opportunity and the strength of Our Platform. This includes investment in R&D that has enhanced the product and feature set of Our Platform; marketing initiatives that are focused on both top of the funnel and conversion of freemium and trial customers to new customers. Thinkific also made strides towards a cost structure that supports a path toward profitability and long-term sustainable growth.

Significant developments in Fiscal 2022 included:
- Held Amplify 2022 and Think in Color (in January and July, respectively), two events that are key gatherings for Creators to learn from industry experts, network with global creators, and gain practical tools to build and scale their own successful online business.
- Broadened our Board of directors with the appointments of Melanie Kalemba and Steve Krenzer, in February and June, respectively. Lisa Shields resigned from the board in August of 2022. Thinkific's board currently consists of six directors, including CEO, Greg Smith.
- In March, Thinkific initiated a restructuring following a rigorous review of its organizational structure with a goal to increase efficiency and lower expenses without impacting its growth trajectory.
- Throughout the year, Thinkific continued to introduce important new products and features to the Thinkific Platform, including the introduction of additional features to Thinkific Payments and Thinkific Communities.
  - The introduction of "TCommerce", a feature developed for Thinkific Payments is a suite of business management tools that streamline Creators' business. This includes payment processing and subscriptions to automating upsells and integrated bookkeeping.
  - Thinkific Communities is a monetizable product that allows Creators to build and sell collaborative learning communities seamlessly with their courses, or stand alone as powerful Learning Products. Unlike other online communities, Creators have full ownership and control within a secure and familiar learning environment where their audience can connect and engage.
- In August, Thinkific announced the departure of Chief Marketing Officer, Henk Campher as we pivoted our marketing strategies.
- In September, board member Steve Krenzer was appointed President of Thinkific on an 18 month contract. Reporting to CEO, Greg Smith, Steve is responsible for driving operational excellence and further advancing the executional focus across the organization. Steve maintains his role and responsibilities on the Board of Directors.

Subsequent to Fiscal 2022

On January 10, 2023, the Company announced a further restructuring to reduce its cost structure and align its talent with key growth initiatives, as part of its plan to exit 2023 with positive Adjusted EBITDA.

RISK FACTORS

In addition to all other information set out in this AIF, our 2022 Management's Discussion and Analysis and our audited financial statements and related notes thereto for Fiscal 2022, the following specific factors could materially adversely affect us and/or our business, financial condition and results of operations. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may also become important factors that affect our future business, financial condition and results of operations. The occurrence of any of these risks could materially and adversely affect our business, prospects, financial condition, results of operations or cash flow. This AIF also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors including the risks described below. See "Forward Looking Information".

Risks Related to Our Business and Industry

Our growth may not be sustainable and depends on our ability to attract new customers, retain revenue from existing customers and increase revenue from existing high-volume customers.

We generate revenues primarily through the sale of subscriptions to Our Platform. Thinkific subscription plans come in different tiers with monthly or annual subscription terms. Thinkific Plus subscription plans are customized plans based on the service and infrastructural needs. We have changed our pricing plans in the past and may continue to iterate and make changes to these price plans in the future in response to customer needs and market trends. Creators on our *Free*, *Basic*, *Start, Grow, and Legacy* plans agree to and operate based on our standard self-serve terms of service. Businesses on Thinkific Plus operate pursuant to our Plus terms of service. See "*The Business of the Company – Customer Acquisition*" for a discussion on the differences between these plans.

Our future success depends, in part, on our ability to increase the adoption of Our Platform by our existing customers and future customers. In addition, our customers may initially use Our Platform for a specific use case. Our ability to grow our business depends in part on our ability to persuade customers to expand their use of Our Platform, including upgrading the subscription plans to a higher tier, to address additional use cases.

Further, to continue to grow our business, it is important that our Creators do not downgrade or cancel their subscription plans and that we expand our relationships with our existing Creators. Our Creators have no obligation to renew their subscriptions after their subscription term expires. In the past, some of our Creators have elected not to renew their agreements with us, and it is difficult to accurately predict whether we will have future success in retaining Creators or expanding our relationships with them. As a result, even though the number of customers using Our Platform has grown in recent years, there can be no assurance that we will be able to retain these customers. We have historically experienced turnover in subscriptions as a result of many of our Creators being SMBs and entrepreneurs that are more susceptible than large businesses to general economic conditions and other risks affecting their businesses. Many of these SMBs and entrepreneurs are in the entrepreneurial stage of their development and there is no guarantee that their business will succeed and continue to use or expand their use of Our Platform. New Creators joining Our Platform may also decide not to continue or renew their subscription for reasons outside of our control. Creator retention and expansion may decline or fluctuate as a result of a number of factors, including our Creators' satisfaction with our services and Our Platform, our pricing, the prices and features of competing solutions, accessibility, customer security, privacy and networking issues and requirements, the ability of Creators to market their businesses and Learning Products, the success of Creators' businesses or marketing efforts, the ability of Creators to attract Students to their Learning Products and to continue to sell their Learning Products, Student spending levels, insufficient Student adoption of Our Platform, decreases in the number of endpoints to which our customers deploy our solutions, industry developments, news releases regarding software solutions and general economic conditions. If our efforts to maintain our relationships with our existing Creators through subscription renewals or subscription upgrades are not successful, our business, results of operations and financial condition may materially suffer. Our costs associated with subscription renewals are substantially lower than costs associated with generating revenue from new Creators or costs associated with providing additional solutions to existing customers. Therefore, if we are unable to retain revenue from existing Creators, substantially increase revenues from existing customers or if customers do not upgrade their subscriptions or renew their existing subscriptions, renew on less favourable terms, or fail to expand to continue their engagement with Our Platform, even if such losses are offset by an increase in new customers or an increase in other revenues, our revenue may decline or grow less quickly than anticipated, which would adversely impact our operating results.

Additionally, as we increase our sales led motion to attract larger customers, we will be required to deploy sophisticated and costly sales efforts, which may result in longer sales cycles. Sales efforts targeted at larger businesses typically involve greater costs, longer sales cycles, greater competition, and less predictability in completing some of our sales. In the mid-market, businesses' decision to use Our Platform can sometimes be an enterprise-wide decision, in which case, we will likely be required to provide greater levels of customer education to familiarize potential customers with the use and benefits of Our Platform, as well as training and support. As a result of these factors, these sales opportunities may require us to devote greater sales, research and development, and support resources to these businesses, resulting in increased costs and lengthened sales cycles to a smaller number of larger Businesses. Moreover, these larger subscription plans may require us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met.

We may also fail to attract new Creators, retain revenue from existing Creators, increase revenue from both new and existing Creators or Creators may not upgrade their subscriptions or renew their existing subscriptions, renew on less favourable terms, or fail to expand or to continue their engagement with Our Platform as a result of a number of other factors, including:

- reductions in our current or potential customers' spending levels;
- competitive factors affecting the SaaS market, including the introduction of competing platforms, discount pricing and other strategies that may be implemented by our competitors;
- a pandemic similar to the COVID-19 pandemic, and its impacts on innovation, research and development, financial performance, employee health, hiring, and remote work, Creator and Student spending behaviors, among others;
- our ability to execute on our growth strategy and operating plans;
- our ability to increase revenues from existing Creators;
- our ability to expand usage within organizations and deploy sophisticated sales efforts to that effect;
- a decline in the number of SMBs and entrepreneurs;
- a decline in our Creators' level of satisfaction with Our Platform and Creators' usage of Our Platform;
- the ability of Creators to market their businesses and Learning Products, the success of Creators' businesses or marketing efforts, the ability of Creators to attract Students to their Learning Products and to continue to sell their Learning Products;
- the difficulty and cost to switch to a competitor not being significant for many of our customers;
- changes in our relationships with third-parties, including providers of software service inputs, Amazon Web Services ("**AWS**"), Wistia, Stripe and other suppliers;
- the timeliness and success of new products and services we may offer in the future;
- our ability to develop such new products and services, to integrate them with existing technologies, to test them adequately and price them competitively;
- expanding and scaling our customer base;
- the extent to which our new and existing customers will use new features, enhancements and improvements developed for Our Platform;
- concerns relating to actual or perceived privacy or security breaches;
- concerns relating to cyber attacks;
- the frequency and severity of any system outages;
- technological changes or problems; and
- our focus on long-term value over short-term results.

We may make strategic decisions that may not maximize our short-term revenue or profitability if we believe that the decisions are consistent with our mission and will improve our financial performance over the long-term. Additionally, we anticipate that our growth rate will decline over time to the extent that the number of customers using Our Platform increases and we achieve higher market penetration rates. As our growth rate declines, investors' perception of our business may be adversely affected and the trading price of our Subordinate Voting Shares could decline as a result. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to retain revenue from existing customers through subscription renewals and increase sales to existing customers through subscription upgrades.

We have a history of operating losses and negative cash flows and may not be able to achieve profitability in the future.
In the past, we have experienced net losses and negative cash flows from operations. For the year ended December 31, 2022, we had an operating loss of approximately $33.2. million and as of December 31, 2022 had an accumulated deficit of $65.2 million. We expect our operating expenses to increase in the future as we expand our operations. If our revenue does not grow to offset these increased expenses, we may not become profitable in the near term or at all. We can make no assurance that we will be able to achieve or maintain profitability. Recent revenue growth should not be considered as indicative of our future performance.

A significant part of our business strategy and culture is to focus on long-term sustainable growth and customer success over short-term financial results. For example, in Fiscal 2022, we increased our operating expenses to $72.3 million as compared to $53.5 million in Fiscal 2021. In Fiscal 2022, our net loss was $36.4 million compared to a net loss of $26.4 million in Fiscal 2021. These losses are a result of the substantial investments we made to grow our business and we expect to make significant expenditures to expand our business profitably in the future. We expect to continue making significant expenditures on sales and marketing efforts, and expenditures to grow Our Platform and develop new features, integrations, capabilities, and enhancements to Our Platform. Such expenditures may not result in improved business results or profitability over the short or long term. If we are unable to generate adequate revenue growth and manage our expenditures, we may continue to incur losses and may not achieve or maintain profitability in the near term or at all. Accordingly, if we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by securities or industry analysts and our stockholders, the trading price of our Subordinate Voting Shares may decline.

Our business could be harmed if we fail to manage our growth effectively.

The growth we have experienced in our business places significant demands on our operational infrastructure. The scalability and flexibility of Our Platform depends on the functionality of our technology and network infrastructure and its ability to handle increased traffic and demand. The growth in the number of customers using Our Platform and the number of orders processed through Our Platform has increased the amount of data and requests that we process. Any problems with the transmission or processing of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance its scalability in order to maintain the performance of Our Platform to the satisfaction of our customers.

Our growth has placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We have grown from approximately 223 employees and contractors as at December 31, 2020 to 450 employees and contractors as at December 31, 2021 and 354 employees and contractors as at December 31, 2022. As we focus on long-term sustainable growth, we intend to continuously evaluate our overall business, including headcount, with no assurance that our revenues will continue to grow or achieve profitability. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures and we may not be able to do so effectively. In addition, as we have grown, we have expanded our lease commitments and we may plan to further expand such commitments. Furthermore, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses. We are also subject to the risks of over-hiring and/or overcompensating our employees and over-expanding our operating infrastructure.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork and passion for our customers, and a focus on attractive design and technologically advanced and well-crafted software and products. As we continue to grow, we must effectively integrate, develop, and motivate a growing number of new employees, some of whom will be based in various countries around the world, and we must effectively preserve our ability to execute quickly on new features and initiatives uniformly. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, to continue to perform at current levels, or to execute on our business strategy effectively and efficiently.

Our limited operating history in new and developing markets and new geographic regions makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful.

We started Thinkific in 2012 and the majority of our revenue growth has occurred in the past few years. This makes it difficult to accurately assess our future prospects. We also operate in new and developing markets that may not develop as we expect and are prone to greater market uncertainty. You should consider our future prospects in light of the challenges and uncertainties that we face, including the fact that our business has grown rapidly and it may not be possible to fully discern the trends that we are subject to, that we operate in new and developing markets, and that elements of our business strategy are new and subject to ongoing development. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business. If we do not manage these risks successfully, our business, results of operations and prospects will be harmed.

Our future success will depend in part upon our ability to continue to expand into new geographic regions, and we will face risks entering markets in which we have limited or no experience, which have additional complexity and in which we do not have any brand recognition. It is costly to establish, develop and maintain international operations, and to promote our brand internationally. In addition, expanding into new geographic regions where the main language is not English will require substantial expenditures and take considerable time and attention, and we may not be successful enough in these new markets to recoup our investments in a timely manner, or at all. Our efforts to expand into new geographic regions may not be successful, which could limit our ability to grow our business.

If we are unable to keep pace with technological and marketplace change and trends, including our ability to improve and enhance the functionality, performance, reliability, design, security and scalability of Our Platform in a manner that responds to our customers' evolving needs in a timely and effective manner, our business, operating results and financial condition may be adversely affected.

The markets in which we compete are characterized by constant change and innovation and we expect them to continue to evolve rapidly. As the markets evolve, continued growth and demand for, and acceptance of, our services remains uncertain. Our success has been based on our ability to identify and anticipate the needs of our customers and design and maintain a platform that provides them with the tools they need to operate their businesses. Our ability to attract new customers, retain revenue from existing customers, and increase revenue to both new and existing customers will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security, and scalability of Our Platform in an effective and timely manner. We believe the simple and straightforward interface for Our Platform has helped us to expand and offer our solutions to customers with limited technical expertise. In the future, providers of internet browsers could introduce new features that would make it difficult for Creators or their Students to use Our Platform. In addition, internet browsers for desktop or mobile devices could introduce new features, change existing browser specifications such that they would be incompatible with Our Platform, or prevent Students from accessing our Creators' Learning Products. Any changes to technologies used in Our Platform, to existing features that we rely on, or to operating systems or internet browsers that make it difficult for Creators to access Our Platform or their Students to access our Creators' Learning Products, may make it more difficult for us to maintain or increase our revenues and could adversely impact our business and prospects while other emerging technology and services may impact the viability of the market for our services. Our continued success will depend upon our ability to keep pace with technological and marketplace change and to introduce, on a timely and cost-effective basis, new and enhanced services that satisfy changing customer requirements and achieve market acceptance. There can be no assurance that we will be able to respond effectively to changes in technology or customer demands. Moreover, there can be no assurance that our competitors or current Partners will not develop a competitive platform or that any such platform will not have an adverse effect upon our business, financial condition or results of operations.

Furthermore, as we continue to expand our offerings, and as the number of our Creators with a large volume of Students increases, so does the need for us to offer increased features, functionality, enhancements, scalability and support, which requires us to devote additional resources to such efforts. To the extent we are unable to fulfill all or any combination of these requirements, our business, operating results and financial condition could be adversely affected.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers months to update, code and test new and upgraded solutions and integrate them into Our Platform. We must also continually update, test and enhance Our Platform. For example, our design team spends a significant amount of time and resources incorporating various design enhancements into Our Platform. However, we cannot make any assurance that any future features or enhancements that we develop will be successful. The success of any modification, enhancement or new feature depends on several factors, including our understanding of market demand, timely execution, successful introduction, and market acceptance. We may not successfully develop new features or enhance the existing Thinkific Platform to meet customer needs or our new features and enhancements may not achieve adequate acceptance in the market. The continual improvement and enhancement of Our Platform requires significant investment and we may not have the resources to make such investment. Additionally, our improvements and enhancements may not result in our ability to recoup our investments in a timely manner, or at all. We may make significant investments in new solutions or enhancements that may not achieve expected returns. The improvement and enhancement of the functionality, performance, reliability, design, security and scalability of Our Platform is expensive and complex, and to the extent we are not able to perform it in a manner that responds to our customers' evolving needs in a timely and effective manner, our business, operating results and financial condition will be adversely affected.

The estimates of market opportunity and growth forecasts may prove to be inaccurate and may not be indicative of our future growth. Even if the market in which we compete achieves the estimated growth, our business could fail to grow at similar rates, if at all and may even decline.

Our estimates of market opportunity may prove to be inaccurate and may not be indicative of our future growth. Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. While our estimates of the total addressable market are made in good faith and are based on assumptions and estimates we believe to be reasonable under the circumstances, this estimate may not prove to be accurate. Further, even if the estimate of our market opportunity does prove to be accurate, we could fail to capture a significant portion, or any portion, of the available market. We may even concede a portion of our market to our competitors. In making such estimates, we rely on data provided by customers, among other things, and there can be no assurance that such data is accurate, and any inaccuracy will affect the accuracy of our estimates. In addition to market and geopolitical dynamics that are outside of our control, the accuracy of our estimates may also be affected by human error in the interpretation of such data.

We focus on five key performance metrics: Paying Customers, ARPU, MRR, ARR, and GMV. Due to, among other things, the subscription business model and the unpredictability of our emerging and competitive category of online course delivery, we may not be able to accurately forecast the rate of adoption of our services and hence our revenue growth and profitability. We base our current and future expense levels and our investment plans on estimates of future revenue growth. We may not be able to adjust our spending quickly enough if the rate of new or renewed subscriptions falls short of our expectations. In addition, the significant competition we face in the sales of our services and general economic and business conditions can put pressure on us to change our prices. If our competitors offer deep discounts on certain hosting services or develop a competing online course platform that the marketplace considers more valuable, we may need to lower our prices or offer other favorable terms in order to compete successfully and even those changes may not be enough for us to compete successfully. Any such changes may reduce margins and could adversely affect operating results. Also, our operating results may fluctuate significantly from period to period. In addition, we expect that COVID-19 and its effects on the global economy, our business and on our current and prospective customers could impact our revenue growth rate either positively or negatively. Accordingly, period-to-period comparisons of our operating results may not necessarily be a meaningful indicator of future performance. For more information regarding the estimates of market opportunity and the forecasts of market growth, see "*Business of Thinkific – Growth Strategies and New Products*".

If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers or other claimants.

Software such as ours often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, Our Platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market confidence and acceptance, and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, Our Platform is a multi-tenant cloud based system that allows us to deploy new versions and enhancements to all of our customers simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our customers.

Since our customers use our services for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in Our Platform could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, a Creator or its Students could share information about bad experiences on social media or other channels, which could result in damage to our reputation and loss of future sales. There can be no assurance that provisions typically included in our agreements with our customers that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

Security breaches, cyber attacks, denial of service attacks, or other hacking and phishing attacks on our systems or other security breaches could delay or interrupt service to our Creators, their Students, and others who use our services, harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

We operate in an industry that is prone to cyber attacks and other malicious assaults on our systems. Failure to prevent or mitigate security breaches could result in total service disruption and improper access to or disclosure of our data, our Creators' data, or their Students' data, could result in the loss or misuse of such data, all of which could detrimentally harm our business and reputation. The security measures we have integrated into our internal networks and Our Platform, which are designed to prevent or minimize security breaches, may not function as expected or may be insufficient to protect our internal networks and Our Platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently. As a result, we may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into our networks.

Our Creators' storage and use of data concerning their Learning Products and their Students are essential to their use of Our Platform, which stores, transmits and processes our customers' proprietary information and personal information relating to them and their Students. Breaches of our security measures or those of our third-party service providers or cyber security incidents could result in unauthorized access to our sites, networks, systems, and accounts; unauthorized access to, and misappropriation of, individuals' personal information or other confidential or proprietary information of ourselves, our customers, their Students, or other third-parties; viruses, worms, spyware, or other malware being served from Our Platform, mobile application, networks, or systems; deletion or modification of content or the display of unauthorized content on Our Platform; interruption, disruption, or malfunction of operations; costs relating to breach remediation, deployment of additional personnel and protection technologies, and response to governmental investigations and media inquiries and coverage; engagement of third-party experts and consultants; or litigation, regulatory action, and other potential liabilities.

Thinkific has security measures in place to prevent security breaches and attacks, however Thinkific may still be subject to and used in attacks and security breaches. If a security breach were to occur, as a result of third-party action, employee error, malfeasance, or otherwise, and the confidentiality, integrity or availability of our customers' data was disrupted, we could incur significant liability to our customers and to individuals whose information was being stored by our customers, and Our Platform may be perceived as less desirable, which could detrimentally impact and negatively affect our business and damage our reputation.

Thinkific's standard self-serve terms of service provide that we are not responsible or liable for any damages with respect to Creators' proprietary information and personal information relating to Creators and their Students, and that the maximum amount of our liability for any claim is the fees paid by the Creator in the one month prior to the date of the event giving rise to the claim. Thinkific's standard Plus terms of service state that our liability is limited to the amount of fees actually paid or payable by the Creator during the immediately preceding 12-month period, except for data incidents and intellectual property infringement (as defined in those standard Plus terms of service) for which the maximum liability may be many multiples of the fees actually paid or payable by the Creator during that same period.

In the past, we have been subject to distributed denial of service ("**DDoS**") attacks, a technique used by hackers to take an internet service offline by overloading its servers, and may experience such attacks in the future. A DDoS attack or security breach could delay or interrupt service to our Creators and their Students and may deter Students from using our Creators' Learning Products. Our Platform may be subject to DDoS attacks in the future and we cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. In addition, computer malware, viruses, and hacking and phishing attacks by third-parties are prevalent in our industry. As a result of our increased popularity and visibility, we believe that we are increasingly a target for such breaches and attacks.

Moreover, Our Platform could be breached if vulnerabilities in Our Platform are exploited by unauthorized third-parties or due to employee error, malfeasance, or otherwise. Further, third-parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information or otherwise compromise the security of our internal networks, electronic systems and/or physical facilities in order to gain access to our data or our customers' data. Since techniques used to obtain unauthorized access change frequently and the size and severity of DDoS attacks and security breaches are increasing, we may be unable to implement adequate preventative measures or stop DDoS attacks or security breaches while they are occurring.

In addition to Our Platform, some of the third-parties we work with, including service providers we use and other services used by our customers, may receive information provided by us, by our customers, or by our customers' Students through web or mobile applications integrated with Thinkific. If these third-parties fail to adhere to adequate data security practices, or in the event of a breach of their networks, our own and our customers' data may be improperly accessed, used or disclosed. Even if such a failure or breach is unrelated to our own action or inaction, an incident could negatively affect our business and damage our reputation.

Any actual or perceived DDoS attack or security breach could damage our reputation and brand, expose us to a risk of litigation and possible liability and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the DDoS attack or security breach. Some jurisdictions have enacted laws requiring companies to notify individuals or government regulators of data security breaches involving certain types of personal data and our agreements with certain customers and Partners require us to notify them in the event of a security incident. Such mandatory disclosures are costly, could lead to negative publicity, and may cause our customers to lose confidence in the effectiveness of our data security measures. Moreover, if a high profile security breach occurs with respect to another SaaS provider, customers may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain revenue from existing customers or attract new ones. Similarly, if a high profile security breach occurs with respect to an online course platform, Students may lose trust in online courses and other Learning Products more generally, which could adversely impact our customers' businesses. Any of these events could harm our reputation or subject us to significant liability, and materially and adversely affect our business and financial results.

System failures, interruptions, delays in service, catastrophic events, inadequate infrastructure and resulting interruptions in the availability or functionality of Our Platform could harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

Our brand, reputation and ability to attract, retain and serve our customers are also dependent upon the reliable performance of Our Platform, including our underlying technical infrastructure. Our Platform is critical for our Creators who rely on it to manage their businesses and the data collected in connection with Our Platform, including transaction records, information about Learning Products and their Students and other important business information and data. Our systems and those of our third-party data center facilities may experience service interruptions, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks and other geopolitical unrest, computer viruses, or other events. Our systems are also subject to break-ins, sabotage, and acts of vandalism. Our Platform and technical infrastructure may not be adequately designed with sufficient reliability and redundancy and our disaster recovery planning may not be sufficient to avoid performance delays or outages that could be harmful to the businesses of our customers and our business. We've implemented a formal disaster recovery program to enable us to move our systems to a back-up data center in the event of a catastrophe, but such a program may not be sufficient for all eventualities.We have in the past experienced and may in the future experience service interruptions which disrupt the availability or reduce the speed or functionality of Our Platform. These events have resulted and likely will result in loss of revenue. In addition, they could result in significant expense to remedy resultant data loss or corruption and/or recover from the interruption. A prolonged interruption in the availability or reduction in the speed or other functionality of Our Platform could materially harm our reputation and business. Frequent or persistent interruptions in access to functionality of Our Platform could cause our customers to believe that Our Platform is unreliable. If Our Platform is unavailable when our Creators or Students attempt to access it, or if it does not perform to expected levels, especially during peak periods, our Creators or their Students may cease to use Our Platform entirely. Moreover, to the extent that any system failure or similar event results in damages to customers or their businesses, these customers could seek compensation from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly to address. While we have implemented measures intended to prevent or mitigate such interruptions, there can be no assurance that such measures will successfully prevent service interruptions in the future.

A significant natural disaster could have a material and adverse effect on our business. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our headquarters, locations where we have a concentration of employees, or data centers could result in lengthy interruptions in access to or functionality of Our Platform or could result in related liabilities.

Our success depends on the ability of our Creators to achieve commercial success, to market or sell their Learning Products and to grow or sustain their businesses.

Our business succeeds when our Creators succeed. If Creators fail to achieve sufficient commercial success or to continue to grow their businesses, they may not be able to pay for Thinkific's products or services. If Creators fail to grow their businesses or attract more Students to take or purchase their Learning Products, they may not generate sufficient revenues to pay for Thinkific's products or services. Any harm to Creators' businesses will directly affect our ability to generate revenue from Creators, including through our subscription pricing plans and through Thinkific Payments revenue.

Our Creators rely on the ability to market their Learning Products. Much of that marketing occurs online through social media, search engines and paid advertising channels. Changes to permissions, procedures, internet cookies, retargeting or other changes may harm our Creators' ability to market or sell their Learning Products.

Our growth depends in part on the success of our strategic relationships with third-parties.

We anticipate that the growth of our business will continue to depend on third-party relationships, including relationships with our theme designers, referral sources, resellers, payment processors, integrated tools and other Partners. In addition to growing our third-party Partner ecosystem, we intend to pursue additional relationships with other third-parties, such as technology and content providers and implementation consultants. Identifying, negotiating, nurturing and documenting relationships with third-parties requires significant time and resources as does integrating third-party content and technology. Some of the third-parties that sell our services have direct contractual relationships with Creators, and therefore we risk the loss of such Creators if the third-parties fail to perform their obligations. Our agreements with providers of cloud hosting, technology, content and consulting services are typically non-exclusive and do not prohibit such service providers from working with our competitors or from offering competing services. These third-party providers may choose to terminate their relationship with us or to make material changes to their businesses, products or services. Our competitors may be effective in providing incentives to third-parties to favor their products or services or to prevent or reduce subscriptions to Our Platform. In addition, these providers may not perform as expected under our agreements or under their agreements with our Creators, and we or our Creators may in the future have disagreements or disputes with such providers. If we lose access to products or services from a particular supplier, or experience a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on our business and operating results.

We may be unable to achieve or maintain data transmission capacity.

Our Creators often draw significant numbers of Students to their Learning Products over short periods of time, including from events such as new course releases, live events, promotional sales and course bundles, which significantly increases the traffic and volume of transactions processed on Our Platform. Our servers may be unable to achieve or maintain data transmission capacity high enough to handle increased traffic or process orders in a timely manner. Our failure to achieve or maintain high data transmission capacity could significantly reduce demand for our solutions. Further, as we continue to attract larger customers, the volume of transactions processed on Our Platform will increase, especially if such Creators draw significant numbers of Students over short periods of time. In the future, we may be required to allocate resources, including spending substantial amounts of money, to expand and upgrade our technology and network infrastructure in order to handle the increased load. Our ability to deliver our solutions also depends on the development and maintenance of internet infrastructure by third-parties, including by our cloud service provider. Such development and maintenance includes the maintenance of reliable networks with the necessary speed, data capacity and bandwidth. If one of these third-parties suffers from capacity constraints, our business may be adversely affected.

We use a single cloud service provider to deliver our services and there may not be a suitable alternative cloud service provider. Any disruption of services from our cloud service provider could harm our business.

We host Our Platform on data centers provided by AWS, a provider of cloud infrastructure services. Our operations depend on the virtual cloud infrastructure hosted in AWS as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have a plan in place to restore our services in the event of a disaster, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, computer viruses, disabling devices, natural disasters, war, criminal act, military actions, terrorist attacks, and other similar events beyond our control could negatively affect the availability and reliability of Our Platform. A prolonged AWS service disruption affecting Our Platform for any of the foregoing reasons or the termination of our relationship with AWS could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use.

AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions, and provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement by providing 30 days prior written notice and may, in some cases, terminate the agreement immediately for cause upon notice. In addition, AWS may, in certain circumstances, suspend its provision of services to us upon notice. While there are alternative providers of cloud infrastructure services, if AWS were to terminate its relationship with us, we could incur substantial delays and expense in finding and integrating a cloud infrastructure service provider to host our Thinkific Platform, and the quality and reliability of such cloud infrastructure service provider may not be comparable. Any disruption of our use of, or interference with, AWS, including switching to an alternative cloud infrastructure service provider, would adversely affect the businesses, reputation and confidence of the Creators and their Students and could lead to Creator losses. Any of these events could harm our reputation or subject us to significant liability, and materially and adversely affect our business, revenue growth and financial results.

We have experienced significant growth in the number of customers, transactions, and data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our hosting network infrastructure to meet the needs of all of our customers**.** However, the provision of new hosting infrastructure may require significant lead time and resources. If we do not accurately predict our infrastructure capacity requirements, our existing clients may experience service outages that may adversely impact our results of operations and lead to customer losses. If our hosting infrastructure capacity fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could harm our reputation and adversely affect our revenue growth.

We derive, and expect to continue to derive, substantially all of our revenues from a single cloud-based online platform solution.

We derive, and expect to continue to derive, substantially all of our revenues from a single cloud-based online platform solution. As such, the continued growth in market demand for and market acceptance, including international market demand and acceptance, of Our Platform is critical to our continued success. Demand for Our Platform is affected by a number of factors, some of which are beyond our control, such as the rate and extent of market adoption of cloud-based online course platforms; the timing of development and release of competing new products; the development and acceptance of new features, integrations, and capabilities of Our Platform; price, product, and service changes by us or our competitors; technological changes and developments within the markets we serve; growth, contraction, and rapid evolution of our market; and general economic conditions and trends. If we are unable to continue to meet the demands of customers or trends in preferences for cloud-based online course platform solutions or to achieve more widespread market acceptance of Our Platform, our business, results of operations, and financial condition would be harmed. Changes in preferences of our current or potential customers may have a disproportionately greater impact on us than if we offered multiple products. In addition, some current and potential customers may use or piece together one or more direct or indirect substitutes to meet their online course platform needs, which would reduce or eliminate their demand for Our Platform. If demand for Our Platform declines for any of these or other reasons, our business, results of operations, and financial condition would be adversely affected.

We rely primarily on a single supplier to provide the technology we offer for video delivery.

In order to provide video delivery in Learning Products, we have entered into service provider agreements with Wistia. These service provider agreements renew every 12 months, unless either party provides a notice of termination at least two months prior to the end of the then current term. While there are alternative video service providers, if Wistia were to terminate its relationship with us, we could incur substantial delays and expense in finding and integrating an alternative video service provider into the Thinkific Platform, and the quality and reliability of such alternative video service provider may not be comparable. Any disruption of our use of, or interference with, Wistia, including switching to an alternative video service provider, would adversely affect the businesses, reputation and confidence of the Creators and their Students and could lead to Creator losses. Any of these events could harm our reputation or subject us to significant liability, and materially and adversely affect our business, revenue growth and financial results.

We store personal information including that of our Creators and their Students. If the security of this information is compromised or is otherwise accessed without authorization, our reputation may be harmed and we may be exposed to liability and loss of business.

We store and/or transmit personal information (including but not limited to names, email addresses, addresses etc.), credit card information and other confidential information of our Partners, our Creators and their Students. We also collect and maintain personal information of our employees. Third-party software applications integrated with Thinkific and the third-party applications available on Our Platform may also store personal information and/or other confidential information of our Creators and their Students. We do not regularly monitor or review the content that our customers upload and store, or the information provided to us through the applications integrated with Our Platform, and, therefore, we do not control the substance of the content hosted within Our Platform, which may include personal information and/or confidential information. Additionally, we use third-party service providers to help us deliver services to customers and their clients. These service providers may store personal information, credit card information and/or other confidential information. While we take precautions when sharing such information with such third-party service providers, if one of our service providers experiences a data breach or security incident, this may negatively affect our Creators, our Creators' Students, and our reputation. We have in the past experienced (minor) and may in the future experience successful attempts by third-parties to obtain unauthorized access to the personal information of our Partners, our Creators and our Creators' Students, and events or situations as a result of which this information was or could be exposed through human error, malfeasance or otherwise. The unauthorized or inadvertent release or access, or other compromise of this information could have a material adverse effect on our business, financial condition and results of operations. Even if such a data breach were to affect one or more of our competitors or our customers' competitors, rather than us, the resulting consumer concern could negatively affect our customers and/or our business.

We are also subject to federal, provincial and foreign laws regarding cybersecurity and the protection of data. Laws and regulatory frameworks in Canada, the United States, Europe and many other jurisdictions related to data privacy and the collection, processing, and disclosure of consumer personal information are constantly evolving, and are likely to remain uncertain for the foreseeable future. For example, Canada's PIPEDA may be amended by a successor to Bill C-11, *An Act to enact the Consumer Privacy Protection Act, the Personal Information and Data Protection Tribunal Act* and to make consequential and related amendments to other acts. Many of these laws and regulations, including Canada's PIPEDA, the GDPR and the California *Consumer Privacy Act* contain detailed requirements regarding collecting and processing personal information, and impose certain limitations on how such information may be used, the length for which it may be stored, with whom it may be shared, and the effectiveness of consumer consent. Such laws and regulations impose specific obligations regarding the storing and processing of personal data (in particular, for marketing, or advertising purposes), and may restrict our ability to control our costs by requiring us to use certain vendors or service providers, or impact our ability to offer certain services in certain jurisdictions. Moreover, such laws could restrict our Creators' ability to run their businesses, for example by limiting their ability to effectively market or advertise to interested Students and, in general, by increasing the resources required to operate their businesses. This could reduce our revenues and the general demand for our services. Additionally, such laws and regulations are often inconsistent and may be subject to amendment or re-interpretation, which may cause us to incur significant costs and expend significant effort to ensure compliance and make changes to Our Platform. Given that requirements may be inconsistent and evolving, how we choose to respond to these requirements globally may not meet the expectations of individual Creators, their Students, or other stakeholders, which could thereby reduce the demand for our services. Finally, some Creators or other service providers may respond to these evolving laws and regulations by asking us to make certain privacy or data related contractual commitments or services available that we are unable or unwilling to make. This could lead to the loss of current or prospective Creators or other business relationships.

Certain laws and regulations also include restrictions on the transfer of personal information across national and international borders. Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with such laws even in jurisdictions where we have no local entity, employees or infrastructure. Some of these laws include strict localization provisions that require certain data to be stored within a particular region or jurisdiction. We rely on globally distributed infrastructure in order to be able to provide our services efficiently, and consequently may not be able to meet the needs of customers who are located in or otherwise subject to such localization requirements, which may reduce the demand for our services. Other laws and regulations, like the General Data Protection Regulation, presumptively prohibit cross-border data transfers absent an "adequacy mechanism" that provides some assurances as to the treatment and protection of such data. We rely on a variety of these adequacy mechanisms, including the European Commission Decision 2002/2/EC regarding the adequacy of Canadian law, Standard Contractual Clauses, and Binding Corporate Rules, to enable us to provide our services around the globe at scale. The European Court of Justice's decision to invalidate the EU-U.S. Privacy Shield in July 2020, has resulted in us no longer being able to rely on that adequacy mechanism. There is a risk that further changes in adequacy decisions in the United Kingdom and the EU would result in us no longer being able to rely on a particular adequacy mechanism or are otherwise unable to transfer personal information across borders, we may not be able to operate in certain jurisdictions, which may reduce the demand for our services and limit our opportunities for international growth.

Some jurisdictions, including Canada, certain U.S. states and the European Union, among others, have enacted laws requiring companies to notify individuals and authorities of security breaches involving certain types of personal and other information and our agreements with certain customers and Partners require us to notify them in the event of a security incident. Similarly, if our Creators experience data breaches and do not notify us or honor their notification obligations to authorities or Students, we could be held liable for the breach. We may not be in a position to assess whether a data breach at one of our customers would trigger an obligation or liability on our part. Additionally, some jurisdictions, as well as our contracts with certain Creators, require us to use industry-standard or reasonable measures to safeguard personal information or confidential information, and thereby mitigate the risk of a security incident. These laws, which tend to focus on individuals' financial and payment-related information, are increasingly relevant to us, as we have started to process more information from our customers' clients through Our Platform.

Beyond impacting the demand for our services, our failure to comply with legal or contractual requirements around privacy and the security of personal information could lead to significant fines and penalties imposed by regulators, as well as claims by our Partners, our Creators and their Students, our employees or other relevant stakeholders. Some of these laws, such as the California *Consumer Privacy Act*, permit individual or class action claims for certain alleged violations, increasing the likelihood of such legal claims. Similarly, many of these laws require us to maintain an online privacy policy, terms of service, and other informational pages that disclose our practices regarding the collection, processing, and disclosure of personal information. If these disclosures contain any information that a court or regulator finds to be inaccurate or insufficient, we could also be exposed to legal or regulatory liability. These proceedings or violations could force us to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability or injunctive relief, diversion of management's time and attention, increase our costs of doing business, and materially adversely affect our reputation and the demand for our solutions.

In addition, while we employ security measures to protect any credit card information that we may collect and store, transmit and process such as encryption and authentication technology licensed from third-parties, advances in computer capabilities, new discoveries in the field of cryptography and other developments may result in a compromise or breach of the technology we use to protect credit card information. If our security measures fail to protect credit card information adequately, we could be liable to our Partners or our customers for their losses. As a result, we could be subject to fines, we could face regulatory or other legal action, and our customers could end their relationships with us. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. In addition, while we carry insurance against cybersecurity risks we consider appropriate, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that our insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

If we or our third-party service providers experience a security breach or unauthorized parties otherwise obtain access to the data and personal information of our Creators and their Students, Our Platform may be perceived as not being secure, our reputation may be harmed, demand for Our Platform may be reduced, and we may incur significant liabilities.

Third-party software applications integrated with Thinkific and the third-party applications available on Our Platform may store personal information and/or other confidential information of our Creators and their Students. Our Platform is hosted on data centres provided by AWS. Additionally, we use third-party service providers to help us deliver services to customers and their clients. These service providers may store personal information, credit card information and/or other confidential information. We take precautions when sharing such information with third-party service providers; however, if one of our service providers experiences a data breach or security incident, this may negatively affect our Creators, their Students and our reputation.

While we and our third-party service providers have implemented security measures designed to protect against security breaches, these measures could fail or may be insufficient, resulting in the unauthorized disclosure, modification, misuse, unavailability, destruction, or loss of our or our Creators' data or other sensitive information. Any security breach of Our Platform, our applications, our operational systems, physical facilities, or the systems of our third-party Partners, or the perception that one has occurred, could result in litigation, indemnity obligations, regulatory enforcement actions, investigations, fines, penalties, mitigation and remediation costs, disputes, reputational harm, diversion of management's attention, and other liabilities and damage to our business. Even though we do not control the security measures of third-parties, we may be responsible for any breach of such measures or suffer reputational harm even where we do not have recourse to the third-party that caused the breach. In addition, any failure by our Partners to comply with applicable law or regulations could result in proceedings against us by governmental entities or others.

A variety of new and existing laws and/or interpretations could harm our business.

As mentioned above, we are subject to federal, state, provincial and foreign laws regarding cybersecurity and the protection of data and privacy, including the CASL, PIPEDA, CCPA, DSA and the GDPR. We are also subject to numerous provincial, federal, U.S. and foreign laws and regulations covering a wide variety of subject matters. These laws and regulations are evolving and involve matters central to our business, including, among others:

- New competition laws and related regulations around the world, that can limit certain business practices, and in some cases, create the risk of significant penalties;
- Privacy laws, such as PIPEDA and the *California Consumer Privacy Act of 2018* that came into effect in January of 2020 and the *California Privacy Rights Act* which will go into effect in 2023, both of which give new data privacy rights to California residents, and SB-327 in California, which regulates the security of data in connection with internet connected devices;
- Data protection laws passed within Canada, the U.S. and by certain countries regarding notification to data subjects and/or regulators when there is a security breach of personal data;
- New laws further restricting the collection, processing and/or sharing of advertising-related data;
- Copyright or similar laws around the world, including the EU Directive on Copyright in the Digital Single Market of April 17, 2019. Similar laws that have been adopted or proposed introduce new constraining licensing regimes that could affect our ability to operate;
- Data localization laws, which generally mandate that certain types of data collected in a particular country be stored and/or processed within that country;
- Various Canadian, U.S. and international laws that govern the distribution of certain materials to children and regulate the ability of online services to collect information from minors;
- Various laws with regard to content removal and disclosure obligations, such as the *Network Enforcement Act* in Germany, which may affect our businesses and operations and may subject us to significant fines if such laws are interpreted and applied in a manner inconsistent with our practices or when we may not proactively discover such content due to the scale of third-party content and the limitations of existing technologies. Other countries, including Singapore, Australia and the United Kingdom, have implemented or are considering similar legislation imposing penalties for failure to remove certain types of content.
- Various legislative, litigation, and regulatory activities regarding Our Platform;
- Thinkific Payments and our business model, which could result in monetary penalties, damages and/or prohibition.

In addition, the applicability and scope of these laws, as interpreted by the courts, remain uncertain and could harm our business. For example:

- We rely on statutory safe harbors, as set forth in the *Digital Millennium Copyright Act* and Section 230 of the *Communications Decency Act* in the United States and the E-Commerce Directive in Europe, against liability for various linking, caching, and hosting activities. Any legislation or court rulings affecting these safe harbors may adversely affect us. There are legislative proposals in both the United States and EU that could reduce our safe harbor protection.

- Court decisions such as the judgment of the Court of Justice of the European Union (CJEU) on May 13, 2014 on the 'right to be forgotten,' which allows individuals to demand that we remove information about them in certain instances, may limit the content we can show to our users and impose significant operational burdens.

New laws and regulations (or new interpretations or applications of existing laws and regulations in a manner inconsistent with our practices) may make our products and services less useful, limit our ability to pursue certain business models or offer certain products and services, require us to incur substantial costs, expose us to civil or criminal liability, or cause us to change our business practices.

The impact of worldwide economic conditions, including the resulting effect on spending by SMBs and entrepreneurs or their Students, may adversely affect our business, operating results and financial condition.

A majority of the customers that use Our Platform are SMBs and entrepreneurs and many of our customers are in the entrepreneurial stage of their development. Our performance is subject to worldwide economic conditions and their impact on levels of spending by SMBs and entrepreneurs and their Students. SMBs and entrepreneurs may be disproportionately affected by economic downturns. SMBs and entrepreneurs frequently have limited budgets and may choose to allocate their spending to items other than Our Platform, especially in times of economic uncertainty or recessions.

Economic downturns or inflation may also adversely impact online course consumption, which could result in customers who use Our Platform going out of business or deciding to stop using our services in order to conserve cash. Weakening economic conditions may also adversely affect third-parties with whom we have entered into relationships and upon which we depend in order to grow our business. Uncertain and adverse economic conditions may also lead to increased refunds and chargebacks, any of which could adversely affect our business.

If we are unable to increase sales of subscriptions to Our Platform to Creators while mitigating the risks associated with serving such customers, our business, financial condition, and results of operations would suffer.

Our growth strategy is largely dependent upon increasing sales of subscriptions to Our Platform to our existing and new customers. As we seek to increase our sales to our customers, we face upfront sales costs and longer sales cycles, higher customer acquisition costs, and more complex customer requirements.

We may enter into customized contractual arrangements with our customers in which we offer more favorable pricing terms in exchange for larger total contract values that accompany broader use cases. As we drive a greater portion of our revenue through larger contracts with customers, we expect that our revenue will continue to grow significantly but the price we charge customers per subscription may decline. This may result in reduced margins in the future if our cost of revenue increases. In addition, customers often begin to use Our Platform on a limited basis, but nevertheless require education and interactions with our sales and support teams, which increases our upfront investment in the sales effort with no guarantee that these customers will use Our Platform widely enough across their organization increasing revenue to justify our upfront investment. As we continue to expand our sales efforts to customers, we will need to continue to increase the investments we make in sales and marketing, and there is no guarantee that our investments will succeed and contribute to additional customer acquisition and revenue growth. If we are unable to increase sales of subscriptions to Our Platform to customers while mitigating the risks associated with serving such customers, our business, financial condition, and results of operations will suffer.

Our risk management efforts in connection with the processing of payments may not be effective, which could expose us to losses and liability and otherwise harm our business.

Thinkific Payments will require greater efforts to vet and monitor our customers and to determine whether the transactions we process for them are legitimate. If our solutions are used to process illegitimate transactions, we may be expected to settle those funds to customers, may be unable to recover them and may suffer losses and liability. These types of illegitimate transactions can also expose us to governmental and regulatory scrutiny. The highly automated nature of, and liquidity offered by, our payments services make us a target for illegal or improper uses, including fraudulent or illegal sales of goods or services, money laundering, and terrorist financing. Identity thieves and those committing fraud using stolen or fabricated credit card or bank account numbers, or other deceptive or malicious practices, potentially can steal significant amounts of money from businesses like ours. In configuring our payments services, we face an inherent trade-off between security and customer convenience. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. As a greater number of customers use our services, our exposure to material risk losses from a single customer, or from a small number of customers, will increase. In addition, when we introduce new services, focus on new business types or begin to operate in markets where we have a limited history of fraud loss, we may be less able to forecast and reserve accurately for those losses. Furthermore, if our risk management policies and processes contain errors or are otherwise ineffective, we may suffer large financial losses and our business may be materially and adversely affected.

Similarly, we may be exposed to risks associated with chargebacks and refunds in connection with payment card fraud or relating to the goods or services provided by our customers. In the event that a billing dispute between a cardholder and a customer is not resolved in favor of the customer, including in situations where the customer engaged in fraud, the transaction is typically "charged back" to the customer and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect chargeback or refunds from the customer's account, or if the customer refuses to or is unable to reimburse us for a chargeback or refunds due to closure, bankruptcy, or other reasons, we may bear the loss for the amounts paid to the cardholder, in addition to corresponding fees and fines. While we have the right to do so, we do not typically collect and maintain reserves from our customers to cover these potential losses, and for customer relations purposes we sometimes decline to seek reimbursement for certain chargebacks. The risk of chargebacks is typically greater with those of our customers that promise future delivery of goods and services. If we are unable to maintain our losses from chargebacks at acceptable levels, the payment card networks could fine us, increase our operating costs or terminate our ability to process payment cards. Any increase in our operating costs could damage our business, and if we were unable to accept payment cards, our business would be materially and adversely affected.

Our results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts, which could cause our share price to decline.

Our results of operations, including the levels of our revenues, deferred revenue, working capital, and cash flows, may vary significantly in the future, such that period-to-period comparisons of our results of operations may not be meaningful. Our financial results may fluctuate due to a variety of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- the level of demand for Our Platform;
- our ability to grow or maintain our dollar-based net retention rate, expand usage within organizations, and sell subscriptions to Our Platform;
- our ability to convert customers using our free and trial versions into Paying Customers;
- the timing and success of new innovations, features, integrations, capabilities, and enhancements by us to Our Platform, or by our competitors to their products, or any other changes in the competitive landscape of our market;
- our ability to achieve widespread and continued acceptance and use of Our Platform;
- errors in our forecasting of the demand for Our Platform, which would lead to lower revenues, increased costs, or both;
- the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and to remain competitive;
- the timing of expenses and recognition of revenues;
- security or privacy breaches, technical difficulties, or interruptions to Our Platform;
- pricing pressure as a result of competition or otherwise;
- our ability to monetize Thinkific Payments, the adoption rate of Thinkific Payments and the margin structure of Thinkific Payments;
- adverse litigation judgments, other dispute-related settlement payments, or other litigation-related costs;
- the number of new employees hired or departed;
- the timing of the grant or vesting of equity awards to employees, directors, or consultants;
- seasonal patterns for software spending;
- the ability of Creators to market their businesses and Learning Products, the success of Creators' businesses or marketing efforts, the ability of Creators to attract Students to their Learning Products and to continue to sell their Learning Products;
- declines in the values of the U.S. dollar relative to the Canadian dollar;
- changes in, and continuing uncertainty in relation to, the legislative or regulatory environment;

- legal and regulatory compliance costs in new and existing markets;
- costs and timing of expenses related to the potential acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- health epidemics, such as the COVID-19 pandemic, influenza, and other highly communicable diseases or viruses; and
- general economic conditions in either domestic or international markets, including acts of terrorism, geopolitical uncertainty and instability and their effects on software spending.

Any one or more of the factors above may result in significant fluctuations in our results of operations, which may negatively impact the trading price of the Subordinate Voting Shares. You should not rely on our past results as an indicator of our future performance. The variability and unpredictability of our results of operations or other operating metrics could result in our failure to meet our expectations or those of investors or analysts with respect to revenues or other metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of the Subordinate Voting Shares could fall, and we could face costly litigation, including securities class action lawsuits.

Our growth strategy involves the adoption of our payment processing solution, Thinkific Payments, which may present risks and challenges that we have not yet experienced.

Thinkific Payments continues to become an increasingly important part of our business as it represents a source of revenue for our Company. However, we and our management have limited operating experience executing this strategy. This strategy has and will continue to require significant investment in cross-functional operations and management focus, along with investment in supporting technologies and people. Implementation of this strategy may also divert management's attention from other aspects of our business and place a strain on our management, operational, development and financial resources, as well as our information systems. Thinkific Payments requires us to comply with different and evolving laws governing payment processing, as well as the collection, storage and use of information on consumers involved in transactions, including both Creators and Students. We may incur additional costs and operational challenges in complying with these laws, and differences in these laws may cause us to operate our businesses differently in different territories. If so, we may incur additional costs and may not fully realize the investment in our international expansion. These costs may vary according to the location of our Creators and Students, and we cannot predict how they will affect our financial results.

As adoption of Thinkific Payments increases, total revenues may grow significantly, however our gross margin percentage will decrease over time due to the lower gross margin profile of our payment processing revenue stream, relative to the higher gross margin percentage profile of our subscription revenue stream.

We are internally developing certain solutions that form a part of Thinkific Payments. Development of new solutions incorporating advanced technology is a complex process and subject to numerous uncertainties. Our success in developing such solutions will depend in part on our ability to develop them in a manner that keeps pace with continuing changes in technology, evolving industry standards, new solution and product introductions by competitors, changing client preferences and requirements and the interoperability of such solutions with the rest of Our Platform and third-party developed portions thereof.

In addition, we face competition from established payment processors offering existing and proven payment solutions. These payment processors and their product offerings benefit from a long history of market acceptance and familiarity as compared to Thinkific Payments. Potential customers for Thinkific Payments may be reluctant to adopt our solution over existing solutions, or may consider Thinkific Payments as inferior to similar solutions offered by our competitors. Further, many of our customers currently rely on our existing integrated payments solutions, on which we achieve lower margins compared to Thinkific Payments. The marketability of Thinkific Payments could be significantly affected by changes in economic or market conditions or by the adoption of new payment technologies. There can be no assurance that our customers will adopt Thinkific Payments over other competing payment solutions or our existing integrated payments solutions.

If we are unable to provide a convenient and consistent payment experience for our Creators and their Students, our ability to compete and our results of operations could be adversely affected. In addition, if the solutions we have incorporated into Thinkific Payments do not appeal to our Creators or their Students, reliably function as designed, or maintain the privacy and security of customer data, we may experience a loss of customer confidence or lost revenue, which could adversely affect our reputation and results of operations. Our inability to provide a convenient and consistent payment experience for our Creators and their Students could adversely impact our ability to compete and could adversely impact our Creators' businesses. In addition, if the solutions we have incorporated into Thinkific Payments do not appeal to our Creators or their Students, reliably function as designed, or maintain the privacy and security of customer data, the businesses of our Creators could be adversely affected and could also affect the confidence of their Students or lead to financial and/or reputational loss to the Creators. Any of these events could harm our reputation or subject us to significant liability, and materially and adversely affect our business and financial results.

We rely on a single supplier to provide the technology we offer through Thinkific Payments.

In order to provide Thinkific Payments, we have entered into payment service provider agreements with Stripe. These payment service provider agreements renew every 12 months, unless either party provides a notice of termination at least 30 days prior to the end of the then current term. These agreements are integral to Thinkific Payments and any disruption or problems with Stripe or its services could have an adverse effect on our reputation, results of operations and financial results. While there are alternative payment service providers, if Stripe were to terminate its relationship with us, we could incur substantial delays and expense in finding and integrating an alternative payment service provider into Thinkific Payments, and the quality and reliability of such alternative payment service provider may not be comparable. Any long term or permanent disruption in Thinkific Payments would decrease our revenues from Creators, since our Creators would be required to use one of the alternative payment gateways offered through Our Platform. Any of these events could harm our reputation and materially and adversely affect our business, revenue growth and financial results.

Thinkific Payments subjects us to regulatory requirements, payment card network rules, underwriting rules, payment card transaction requirements, platform service provider requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Thinkific Payments subjects us to a number of risks related to payments processed through Our Platform. These risks include, but are not limited to, the following:

- we pay interchange and other fees, which may increase our operating expenses;
- interchange fees may increase significantly, which may reduce or eliminate the viability of Thinkific Payments as a revenue source;
- the continued use and acceptance of payment methods supported by Thinkific Payments;
- our payments processor may terminate their relationship with us, fine us or increase our operation costs, if we are unable to maintain our chargeback ratios at acceptable levels, if we violate card network rules or if we engage in any other business or activity that in the view of our payments processor may increase our risk profile;
- increased costs and diversion of management time and effort and other resources to deal with fraudulent transactions, chargeback disputes and risk monitoring;
- potential fraudulent or otherwise illegal activity by our Creators, their Students, developers, employees or third-parties which could lead to increased liabilities;
- restrictions on funds or required reserves or other forms of security related to payments;
- data breaches involving credit card information, including security breaches of our customers' systems which could lead to increased liabilities; and
- additional disclosure and other requirements, including new reporting regulations and new payment card network operating rules.

We are required by our payments processor to comply with payment card network operating rules and those of the sponsor financial institution and we have agreed to reimburse our payments processor and the sponsor financial institution for any fees or fines they are assessed by payment card networks as a result of any unpaid liabilities or rule violations by us or our customers. The payment card networks set and interpret the card rules and the sponsor financial institution can add to these rules. In addition, we face the risk that one or more payment card networks or other processors may, at any time, assess penalties against us or terminate our ability to accept credit card payments or other forms of online payments from customers, which would have an adverse effect on our business, financial condition and operating results.

If we fail to comply with the rules and regulations adopted by the payment card networks, we would be in breach of our contractual obligations to our payments processor, sponsor financial institution, financial institutions, Partners and customers. Such failure to comply may subject us to fines, penalties, damages, higher transaction fees, increased security requirements and civil liability, and could eventually prevent us from processing or accepting payment cards or could lead to a loss of payment processor Partners, even if there is no compromise of customer information.

We are currently subject to a variety of laws and regulations related to payment processing, including those governing cross-border and domestic money transmission, gift cards and other prepaid access instruments, electronic funds transfers, taxation reporting requirements, foreign exchange, anti-money laundering, counter-terrorist financing, privacy and data protection, banking and import and export restrictions. Depending on how Our Platform and our other customer solutions evolve, and as we expand Thinkific Payments to new geographies, we expect to become subject to additional laws, either in existing or new jurisdictions. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make changes to Our Platform, any of which could have an adverse effect on our business, financial condition and results of operations.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand or if we fail to maintain a consistently high level of customer support, our brand, business, financial results and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing the Thinkific brand is critical to expanding our business. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative solutions, which we may not do successfully, in addition to dependable customer support, general publicity and marketing efforts to enhance brand recognition.

Our customers depend on our customer support teams to resolve technical and operational issues if and when they arise. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for customer support. The standard terms of service for our subscription plans (other than Plus) provide that the Thinkific Platform is provided on an 'as-is and as-available' basis. Thinkific does not warrant that the services it provides through Our Platform and the information provided through such services will be uninterrupted, timely, secure, or error-free, or that the quality of service provided by Thinkific will meet customer expectations. Services provided by Thinkific to Creators that are subscribed under the Thinkific Plus subscription plans will be governed by their respective service level agreements entered between them. Thinkific will not be liable for any direct, indirect, incidental, special, consequential or exemplary damages, including but not limited to, damages for loss of profits, goodwill, use, data or other intangible losses resulting from the use of or inability to use the service. Customer demand for support may also increase as we expand the features available on Our Platform. Increased customer demand for customer support, without corresponding revenue, could increase costs and harm our results of operations. In addition, as we continue to expand our customer base, we need to be able to provide efficient and effective customer support that meets our customers' needs and expectations globally at scale. As our customer base grows, this puts additional pressure on our support organization. In order to meet these needs, we have relied in the past and will continue to rely on self-service customer support to resolve common or frequently asked questions, which supplement our customer support teams. If we are unable to provide efficient and effective customer support globally at scale including through the use of self-service support, our ability to grow our operations may be harmed and we may need to hire additional support personnel, which could harm our margins and results of operations. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high- quality customer support, or a market perception that we do not maintain high-quality customer support, could harm our reputation, our ability to sell Our Platform to existing and prospective customers, our business, results of operations, and financial condition.

Errors, defects, disruptions or other performance problems with Our Platform or our solutions may also harm our reputation and brand. We may introduce new solutions or terms of service that our Creators and their Students do not like, which may negatively affect our brand. Additionally, if our Creators or their Students have a negative experience using our products or solutions, such an experience may affect our brand, especially as we continue to attract larger customers to Our Platform and expand our offerings.

We receive media coverage globally. Any unfavorable media coverage or negative publicity about our industry or the Company, for example, the quality and reliability of Our Platform, our privacy and security practices, our product changes, litigation, or regulatory activity, or regarding the actions of our Partners or our customers, could seriously harm our reputation. Such negative publicity could also adversely affect the size, demographics, engagement, and loyalty of our customers and result in decreased revenue, which could seriously harm our business. Critics of our industry, and others who may want to pursue an agenda have in the past and may in the future utilize the internet, the press and other means to publish criticisms of our industry, our Company and our competitors, or make allegations regarding our business and operations, or the business and operations of our competitors. We or others in our industry may receive similar negative publicity or allegations in the future, and it could be costly, time consuming, distracting to management, cause fluctuations in the market price of our Subordinate Voting Shares, and harm our business and reputation.

We believe that the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful solutions at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. While we market Our Platform primarily through advertisements on search engines and social networking and media sites, and paid banner advertisements on other websites, Our Platform is also marketed through a number of earned traffic sources, including customer referrals, word-of-mouth and search engines. We also hire sales personnel to market Our Platform to certain customer segments and certain of our solutions, our subscription plans for Creators with a higher Student base and additional functionality requirements, and our products, introducing additional costs with no assurance of success. Our efforts to market our brand have involved significant expenses, which we intend to increase. Our marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses we incur in building and maintaining our brand.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer. Competition for top talent may lead to rising salaries and declining margins or limit our ability to achieve profitability.

We operate in the tech sector with growing competition for top talent with more companies hiring remotely and salaries rising. We may struggle to pay competitive rates, to attract top talent, or our margins may decline due to higher salaries (the latter being the most likely).

Our future success depends on our ability to continue to attract and retain highly skilled personnel. Our ability to identify, hire, develop, motivate and retain qualified personnel will directly affect our ability to maintain and grow our business, and such efforts will require significant time, expense and attention. The inability to attract or retain qualified personnel or delays in hiring required personnel may seriously harm our business, financial condition and operating results. Our ability to continue to manage, attract and retain highly skilled personnel, specifically employees with technical and engineering skills and employees with high levels of experience in designing and developing software, hardware and internet-related services, will be critical to our future success. Competition for highly skilled personnel in the Vancouver area, Greater Toronto Area, and elsewhere can be intense due in part to the more limited pool of qualified personnel as compared to other places in the world, as well as with the increased prevalence of distributed teams making the market for talent more global. As we become a more mature company, we may find our recruiting efforts more challenging. The incentives to attract, retain, and motivate employees provided by our stock options and other equity awards, or by other compensation arrangements, may not be as effective as in the past. Many of the companies with which we compete for experienced personnel have greater resources than we have. The cost of hiring highly skilled personnel in our industry is increasing, and this may have an adverse effect on our recruiting efforts. Our recruiting efforts may also be limited by laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of visas (including during the ongoing COVID-19 pandemic). Further, decreases in the Canadian dollar relative to the U.S. dollar and other currencies could make it more difficult for us to offer compensation packages to new employees that are competitive with packages in the United States or elsewhere and could increase our costs of acquiring and retaining qualified personnel. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information.

While we intend to issue stock options or other equity awards as key components of our overall compensation and employee attraction and retention efforts, we are required under IFRS to recognize compensation expenses in our operating results for employee stock-based compensation under our equity grant programs which may increase the pressure to limit stock-based compensation. Additionally, our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees and we may be required to grant additional awards or offer alternative forms of compensation to attract and retain highly skilled personnel.

Exchange rate fluctuations may negatively affect our results of operations.

Our presentation and functional currency is the U.S. dollar. We derive the largest portion of our revenues in U.S. dollars and incur operating expenses in U.S. dollars, while our head office and the majority of our employees are located in Canada and as such, a significant amount of our expenses is incurred in Canadian dollars. As a result, our results of operations may be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar.

We rely on search engines and social networking sites to attract a meaningful portion of our customers. If we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new customers may be impaired, and if our Creators are not able to generate traffic to their Learning Products through search engines and social networking sites, their ability to attract Students may be impaired. In addition, if the price of marketing our solutions over search engines or social networking sites increases, we may incur additional marketing expenses.

Many of our customers locate our website through internet search engines, such as Google, and advertisements on social networking sites, such as Facebook. The prominence of our website in response to internet searches is a critical factor in attracting potential customers to Our Platform. If we are listed less prominently or fail to appear in search results for any reason, visits to our website could decline significantly, and we may not be able to replace this traffic.

Similarly, many Students locate our Creators' Learning Products through internet search engines and advertisements on social networking sites. If our customers' Learning Products are listed less prominently or fail to appear in search results for any reason, visits to our customers' Learning Products could decline significantly. As a result, our customers' businesses may suffer, which would affect the GMV that they process through Our Platform and could affect the ability of such customers to pay for our solutions.

Search engines revise their algorithms from time to time in an attempt to optimize their search results. If search engines modify their algorithms, our website and our customers' Learning Products may appear less prominently or not at all in search results, which could result in reduced traffic to our website and to our customers' Learning Products.

Additionally, if the price of marketing our solutions over search engines or social networking sites increases, we may incur additional marketing expenses or may be required to allocate a larger portion of our marketing spend to search engine marketing and our business and operating results could be adversely affected. Furthermore, competitors may in the future bid on the search terms that we use to drive traffic to our website. Such actions could increase our marketing costs and result in decreased traffic to our website. In addition, search engines or social networking sites may change their advertising policies from time to time. If any change to these policies delays or prevents us from advertising through these channels, it could result in reduced traffic to our website and sales of our solutions. As well, new search engines or social networking sites may develop, particularly in specific jurisdictions, that reduce traffic on existing search engines and social networking sites and, if we are not able to achieve awareness through advertising or otherwise, we may not achieve significant traffic to our website through these new platforms. If we are unable to continue to successfully promote and maintain our websites, or if we incur excessive expenses to do so, our business and operating results could be adversely affected.

We rely on computer hardware purchased or leased from, software licensed from and services rendered by third-parties (or, in some instances, a single third-party) in order to provide our solutions and run our business, and interruptions or performance problems with these technologies may adversely affect our business and results of operations.

We rely on computer hardware purchased or leased from, software licensed from and services rendered by third-parties (or, in some instances, a single third-party) in order to provide our solutions and run our business. In addition, we rely on hosted SaaS applications from third-parties in order to operate critical functions of our business, including platform delivery, enterprise resource planning, customer relationship management, billing, project management and accounting and financial reporting.

If these services become unavailable due to extended outages, interruptions, or because they are no longer available on commercially reasonable terms, we could experience delays in our ability to provide our solutions or run our business and our expenses could increase, our ability to manage finances could be interrupted, and our processes for managing sales of Our Platform and supporting our customers could be impaired until equivalent services, if available, are identified, obtained, and implemented, all of which could adversely affect our business and operating results.

Further, customers could assert claims against us in connection with such service disruption or cease conducting business with us altogether. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

We do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new customers and retain existing customers, which may adversely affect our ability to attract new customers and retain existing customers.

We have limited experience determining the optimal prices for our solutions. We have changed our pricing model from time to time and expect to do so in the future. Given our limited experience with selling new solutions, we may not offer new solutions at the optimal price, which may result in our solutions not being profitable or not gaining market share. As competitors introduce new solutions that compete with ours, especially in the cloud-based online course platform space where we face significant competition, we may be unable to attract new customers at the same price or based on the same pricing models as we have used historically. Pricing decisions may also impact the mix of adoption among our plans and negatively impact our overall revenue. Moreover, small businesses, which comprise the majority of customers using Our Platform, may be quite sensitive to price increases or prices offered by competitors. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenue, gross profit, profitability, financial position and cash flows. Potential and existing customers may be unwilling to accept any price increases and decide not to subscribe or to continue or renew their subscriptions.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of Our Platform in a manner that responds to our customers' evolving needs, our business may be adversely affected.

The markets in which we compete are characterized by constant change and innovation and we expect them to continue to evolve rapidly. Our success has been based on our ability to identify and anticipate the needs of our customers and design a platform that provides them with the tools they need to operate their businesses. Our ability to attract new customers, retain existing customers and increase sales to both new and existing customers will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, accessibility, security and scalability of Our Platform. We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers months to update, code and test new and upgraded solutions and integrate them into Our Platform. We must also continually update, test and enhance Our Platform. The continual improvement and enhancement of Our Platform requires significant investment and we may not have the resources to make such investment. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security and scalability of Our Platform in a manner that responds to our customers' evolving needs, our business, operating results and financial condition will be adversely affected.

Our business is highly competitive. We may not be able to compete successfully against current and future competitors.

We face competition in various aspects of our business and we expect such competition to intensify in the future, as existing and new competitors introduce new services or enhance existing services and as our business continues to evolve. We have competitors with longer operating histories, larger customer base by number and/or value, greater brand recognition, greater industry experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing, and other resources than we do. Our potential new or existing competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or customer requirements. In addition, some of our larger competitors may be able to leverage a larger installed customer and distribution network to adopt more aggressive pricing policies and offer more attractive subscription plans, which could cause us to lose potential sales or to sell our solutions at lower prices.

We face competition from traditional enterprise SaaS solutions, consumer-centric SaaS solutions, and free solutions. We most notably compete with other course building providers who offer similar solutions to ours. Some customers may choose to do business with different vendors in our space including but not limited to Teachable, Podia, and Kajabi.

Competition may intensify as our competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into our market segments or geographic markets. For instance, certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against us in areas where we operate including: by integrating competing platforms or features into products they control such as search engines, web browsers, mobile device operating systems or social networks, marketing technology solutions, course or digital goods marketplaces, e-commerce software, or website builders; by making acquisitions; or by making access to Our Platform more difficult.

Further, current and future competitors could choose to offer a different pricing model or to undercut prices in an effort to increase their market share. Some of our principal competitors offer their solutions at a lower price or for free, which may result in pricing pressures on us. We also expect new entrants to offer competitive services. If we cannot compete successfully against current and future competitors, our business, results of operations and financial condition could be negatively impacted.

Our business is susceptible to risks associated with international sales and the use of Our Platform in various countries.

We currently have Creators in approximately more than 168 countries and we expect to continue to expand our international operations in the future. However, our international sales and the use of Our Platform in various countries subject us to risks that we do not generally face with respect to domestic sales within North America. These risks include, but are not limited to:

- greater difficulty in enforcing contracts, including our universal terms of service and other agreements;
- lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing foreign laws, standards, regulatory requirements, tariffs, export controls and other barriers.
- lack of familiarity with market demands and needs;
- difficulties in ensuring compliance with countries' multiple, conflicting and changing international trade, customs and sanctions laws;
- data privacy laws which may require that customer and consumer data be stored and processed in a designated territory;
- difficulties in managing systems integrators and technology Partners;
- different technology and privacy standards;
- different payment processing requirements or standards;

- potentially adverse tax consequences, including the complexities of foreign value-added tax (or other tax) systems and restrictions on the repatriation of earnings;
- uncertain political and economic climates;
- difficulties in establishing and protecting intellectual property;
- difficulties in ensuring compliance with government regulations of e-commerce and other services, which could lead to lower adoption rates, potentially restrictive governmental actions and restrictions on foreign ownership;
- fiscal recording requirements;
- lower levels of credit card usage and increased payment risks;
- currency exchange rates;
- reduced or uncertain protection for intellectual property rights in some countries;
- new and different sources of competition;
- reduced demand for Our Platform at historical price points;
- lower levels of consumer spending;
- translation costs including our ability to hire appropriate translators; and
- restricted access to and/or lower levels of use of the internet.

These factors may cause our international costs of doing business to exceed our comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from our international business efforts could adversely affect our business, results of operations and financial condition.

Market adoption of cloud-based online course platform solutions is relatively new and unproven and may not grow as we expect, which may harm our business and results of operations and even if market demand increases, the demand for Our Platform may not increase.

We believe our future success will depend in part on the growth, if any, in the demand for cloud-based online course platform solutions. The widespread adoption of Our Platform depends not only on strong demand for new forms of online course delivery or methods, but also for solutions delivered via a SaaS business model in particular. As such, it is difficult to predict customer demand for Our Platform, customer adoption and renewal, the rate at which existing customers will expand their engagement with Our Platform, the size and growth rate of the market for Our Platform, the entry of competitive products into the market, or the success of existing and future competitive products. Furthermore, even if businesses want to adopt a cloud-based online course platform solution, it may take them a long time to fully transition to this type of solution or they could be delayed due to budget constraints, weakening economic conditions, or other factors. Even if market demand for cloud-based online course platform solutions generally increases, we can make no assurance that adoption of Our Platform will also increase. If the market for cloud-based online course platform solutions does not grow as we expect or Our Platform does not achieve widespread adoption it could result in reduced customer spending, increased customer attrition, and decreased revenue, any of which would adversely affect our business and results of operations.

An assertion by a third-party that we are infringing its intellectual property could subject us to costly and time-consuming litigation which could harm our business.

Our success depends in part upon our not infringing the intellectual property rights of others. However, our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry or, in some cases, our technology. Such claims may occur in the future, and we may actually be found to be infringing on such rights. We may be found to be infringing on patent rights or other intellectual property rights despite being unaware of such rights or infringement. Any claims or litigation could cause us to incur significant expenses, and if successfully asserted against us, could require that we pay substantial damages or ongoing revenue share payments, indemnify our customers or distributors, obtain licenses, modify products, or refund fees, any of which would deplete our resources and adversely impact our business.

Activities of customers or Partners or the content of our customers' Learning Products could damage our brand, subject us to liability, and harm our business and financial results.

Our terms of service and acceptable use policy prohibit our customers and our Partners from using Our Platform to engage in illegal or otherwise prohibited activities and our terms of service and acceptable use policy permit us to terminate a customer's course or Partners' account if we become aware of such use. Customers or Partners may nonetheless engage in prohibited or illegal activities or upload content in violation of applicable laws, without our knowledge, which could subject us to liability. Furthermore, our brand may be negatively impacted by the actions of customers or Partners that are deemed to be threatening, abusive, harassing, deceptive, false, misleading, vulgar, obscene, hostile, offensive, or inappropriate. While such content may not be illegal, use of Our Platform for such content could harm our reputation resulting in a loss of business. While we use technology to monitor for compliance with or eligibility for certain Thinkific offerings, we do not proactively monitor or review the appropriateness of the content of our customers' Learning Products in connection with our services and we do not have control over customer activities or the activities in which our Creators' Students engage. The safeguards we have in place may not be sufficient for us to avoid liability or avoid harm to our brand, especially if such be threatening, abusive, harassing, deceptive, false, misleading, vulgar, obscene, hostile, offensive, inappropriate or illegal use is high profile, which could adversely affect our business and financial results. Customers using the Thinkific Platform may also operate businesses in regulated industries, which are subject to additional scrutiny, increasing the potential liability we could incur. In addition, due to our international expansion, we may be subject to international actions alleging that customers' store content violate laws in foreign jurisdictions, which could negatively affect our business and operations.

If we are unable to successfully refresh or update our source code or other aspects of Our Platform or detect and adequately address technological deficiencies in a timely and adequate manner, our competitive position could be negatively affected.

Our competitiveness depends, in part, on our ability to deliver up to date Creator and Student interfaces and to promptly address technical deficiencies in a timely and efficient manner. Updates to our source code and other aspects of Our Platform require significant investment and we may not have the resources to make such investment. We may not be able to expand and upgrade our personnel, technology systems and infrastructure to accommodate increases in our business activity in a timely manner, which could lead to operational breakdowns and delays, loss of customers, a reduction in the growth of our customers, increased operating expenses or financial losses.

Our products and services are complex and sophisticated and may contain design defects or errors that are difficult to detect and correct. Errors or defects may be found in new products or services after launch and, even if discovered, we may not be able to successfully correct such errors or defects in a timely manner or at all, which could adversely impact our business.

We may not receive significant revenue as a result of our current innovation, research and development efforts.

We reinvest a large percentage of our revenue toward innovation, research and development. Our investment in our current research and development efforts may not provide a sufficient, timely return. We make and will continue to make significant investments in software research and development and related product opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors including the degree of innovation of the products developed through our research and development efforts, sufficient support from our strategic Partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may materially adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not be profitable.

If we are unable to ensure that Our Platform inter-operates with a variety of software applications that are developed by others, including our integration Partners, we may become less competitive and our results of operations may be harmed.

Our Platform must integrate with a variety of software platforms, and we need to continuously modify and enhance Our Platform to adapt to changes in software, and browser technologies. In particular, we have developed Our Platform to be able to easily integrate with third-party applications, including the applications of software providers that compete with us as well as our Partners, through the interaction of APIs. We rely on the providers of such software systems to allow us access to their APIs to enable these integrations, which are critical to our payment processing, web hosting, video hosting, customer service, and other systems essential to operating our business. It may be difficult to switch providers or terminate or alter our agreements with such providers, which could adversely affect our business and our customers' businesses. We are typically subject to standard terms and conditions of such providers, which govern the distribution, operation, and fees of such software systems, and which are subject to change by such providers from time to time. Our business will be harmed if any provider of such software systems:

- discontinues or limits our access to its software or APIs;
- modifies its terms of service or other policies, including fees charged to, or other restrictions on us, or other application developers;
- changes how information is accessed by us or our customers;
- establishes more favorable relationships with one or more of our competitors; or
- develops or otherwise favors its own competitive offerings over Our Platform.

Third-party services and products are constantly evolving, and we may not be able to modify Our Platform to assure its compatibility with that of other third-parties. In addition, some of our competitors may be able to disrupt the operations or compatibility of Our Platform with their products or services, or exert strong business influence on our ability to, and terms on which we operate Our Platform. Should any of our competitors modify their products or standards in a manner that degrades the functionality of Our Platform or gives preferential treatment to competitive products or services, whether to enhance their competitive position or for any other reason, the interoperability of Our Platform with these products could decrease and our business, results of operations, and financial condition would be harmed. If we are not permitted or able to integrate with these and other third-party applications in the future, our business, results of operations, and financial condition would be harmed.

Further, Our Platform interoperates with servers, devices, and software applications predominantly through the use of protocols, many of which are created and maintained by third-parties. We, therefore, depend on the interoperability of Our Platform with such third-party services, devices, and operating systems, as well as cloud-enabled hardware, software, networking, browsers, database technologies, and protocols that we do not control. The loss of interoperability, whether due to actions of third-parties or otherwise, and any changes in technologies that degrade the functionality of Our Platform or give preferential treatment to competitive services could adversely affect adoption and usage of Our Platform. Also, we may not be successful in ensuring that Thinkific operates effectively with a range of operating systems, networks, devices, browsers, protocols, and standards. If we are unable to effectively anticipate and manage these risks, or if it is difficult for customers to access and use Our Platform, our business, results of operations, and financial condition may be harmed.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our Chief Executive Officer and co-founder Greg Smith, and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The failure to properly manage succession plans, develop leadership talent, and/or the loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not maintain key person life insurance policies on any of our employees. The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our business, financial condition and operating results and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business, and could affect our corporate culture.

Thinkific may have new product offerings from time to time that are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.

From time to time, Thinkific may launch new lines of business, offer new products and services within existing lines of business or undertake other strategic projects. For clarity, such product offerings may include the development of mobile applications and other technologies. There are substantial risks and uncertainties associated with these efforts and Thinkific would invest significant capital and resources in such efforts. Regulatory requirements can affect whether initiatives are able to be brought to market in a manner that is timely and attractive to customers of Thinkific. Initial timetables for the development and introduction of new lines of business, products or services and price and profitability targets may not be met. Our ability to increase revenue from customers will depend in significant part on our ability to continue to enhance existing product offerings or introduce or acquire new product offerings on a timely basis to keep pace with technological developments. Further, Thinkific's revenues and costs may fluctuate due to costs associated with new product offerings while revenues may take time to develop, which may adversely impact Thinkific's results of operations. Our growth strategy depends on such new product and service offerings, and the financial results of such offerings are difficult to predict.

The success of any new product offering or enhancement depends on several factors, including the timely completion and market acceptance of the enhancement or new product offering. Any new product offering we develop or acquire might not be introduced in a timely or cost-effective manner (if at all) and might not achieve the broad market acceptance necessary to generate significant revenue. In addition, because our products are designed to operate on a variety of network, hardware and software platforms using internet tools and protocols, we will need to continuously modify and enhance our products to keep pace with changes in internet-related hardware, software, communication, browser and database technologies. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments, Our Platform may become less marketable and less competitive or obsolete and our operating results may be negatively impacted. Our ability to grow is subject to the risk of future disruptive technologies. If new technologies emerge that are able to deliver similar products and services at lower prices, more efficiently or more conveniently, such technologies could adversely impact our ability to compete.

Mobile devices are increasingly being used for online course delivery, and if our solutions do not operate as effectively when accessed through these devices, our Creators and their Students may not be satisfied with our services, which could harm our business.

Learning Products accessed over mobile devices continues to grow rapidly. We are dependent on the interoperability of Our Platform with third-party mobile devices and mobile operating systems as well as web browsers that we do not control. Any changes in such devices, systems or web browsers that degrade the functionality of Our Platform or give preferential treatment to competitive services could adversely affect usage of Our Platform. Mobile online course delivery is a key element in Thinkific's strategy and effective mobile functionality is integral to our long-term development and growth strategy. In the event that our Creators and their Students have difficulty accessing and using Our Platform on mobile devices, our business and operating results could be adversely affected.

Our business could be adversely impacted by changes in internet access for our Creators or their Students or laws specifically governing the internet.

Our Platform depends on the quality of our Creators and their Students' access to the internet. Certain features of Our Platform require significant bandwidth and fidelity to work effectively. Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt, or increase the cost of access to Our Platform, which would negatively impact our business. We could incur greater operating expenses and our ability to acquire and retain customers could be negatively impacted if network operators:

- implement usage-based pricing;
- discount pricing for competitive products;
- otherwise materially change their pricing rates or schemes;
- charge us to deliver our traffic at certain levels or at all;
- throttle traffic based on its source or type;
- implement bandwidth caps or other usage restrictions; or
- otherwise try to monetize or control access to their networks.

As the internet continues to experience growth in the number of users, frequency of use, and amount of data transmitted, the internet infrastructure that we or our Creators and their Students rely on may be unable to support the demands placed upon it. The failure of the internet infrastructure that we or our Creators and their Students rely on, even for a short period of time, could undermine our operations and harm our results of operations.

In the future, providers of internet browsers could introduce new features that would make it difficult for customers to use Our Platform. In addition, internet browsers for desktop, tablets or mobile devices could introduce new features, change existing browser specifications such that they would be incompatible with Our Platform. Any changes to technologies used in Our Platform, to existing features that we rely on, or to operating systems or internet browsers that make it difficult for customers to access Our Platform may make it more difficult for us to maintain or increase our revenues and could adversely impact our business and prospects.

In addition, there are various laws and regulations that could impede the growth of the internet or other online services, and new laws and regulations may be adopted in the future. These laws and regulations could, in addition to limiting internet neutrality, involve taxation, tariffs, privacy, data protection, information accessibility for the disabled, security, content, copyrights, distribution, electronic contracts and other communications, consumer protection, and the characteristics and quality of services, any of which could decrease the demand for, or the usage of, Our Platform. We do not regularly monitor or review the content that our customers upload and store, or the information provided to us through the applications integrated with Our Platform, and, therefore, we do not control the substance of the content hosted within Our Platform. The laws governing Our Platform, and the content hosted within Our Platform, are uncertain. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. These changes or increased costs could materially harm our business, results of operations, and financial condition.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance Our Platform, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise; in each case may have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our Shares.

Our use of open source software could negatively affect our ability to sell our solutions and subject us to possible litigation.

Our solutions incorporate and are dependent to a significant extent on the use and development of open source software and we intend to continue our use and development of open source software in the future. Such open source software is generally licensed by its authors or other third-parties under open source licenses and is typically freely accessible, usable and modifiable. Pursuant to such open source licenses, we may be subject to certain conditions, including requirements that we offer our proprietary software that incorporates the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third-party that uses or distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained or are dependent upon the open source software, and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change Our Platform. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. As there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses, the potential impact of these terms on our business is uncertain and may result in unanticipated obligations regarding our solutions and technologies. It is our view that we do not distribute our core software offering, since no installation of our software is necessary and Our Platform is accessible solely through the cloud. Nevertheless, this position could be challenged. Any requirement to disclose our proprietary source code, termination of open source license rights or payments of damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties, controls on the origin or development of the software, or remedies against the licensors. Many of the risks associated with usage of open source software cannot be eliminated and could adversely affect our business.

Although we believe that we have complied with our obligations under the various applicable licenses for open source software, it is possible that we may not be aware of all instances where open source software has been incorporated into our proprietary software or used in connection with our solutions or our corresponding obligations under open source licenses. We do not have robust open source software usage policies or monitoring procedures in place. We rely on multiple software programmers to design our proprietary software and we cannot be certain that our programmers have not incorporated open source software into our proprietary software that we intend to maintain as confidential or that they will not do so in the future. To the extent that we are required to disclose the source code of certain of our proprietary software developments to third-parties, including our competitors, in order to comply with applicable open source license terms, such disclosure could harm our intellectual property position, competitive advantage, results of operations and financial condition. In addition, to the extent that we have failed to comply with our obligations under particular licenses for open source software, we may lose the right to continue to use and exploit such open source software in connection with our operations and solutions, which could disrupt and adversely affect our business.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.

Our trade secrets, trademarks, trade dress, domain names, copyrights and other intellectual property rights are important to our business. We rely on a combination of confidentiality clauses, assignment agreements and license agreements with employees and third-parties, trade secrets, copyrights and trademarks to protect our intellectual property and competitive advantage, all of which offer only limited protection. The steps we take to protect our intellectual property require significant resources and may be inadequate. We have not applied for any patents to protect some of the technology that may be proprietary to Thinkific. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. We may be required to use significant resources to obtain, monitor and protect these rights. We have applied, but have not obtained registration, for the THINKIFIC trademark in Canada or the United States. We may not be able to acquire or maintain trademark registration or protection in all countries in which we do business or prevent third-parties from acquiring or using marks which are similar to our trademarks. Despite our precautions, it may be possible for unauthorized third-parties to copy Our Platform and use information that we regard as proprietary to create services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our proprietary information may be unenforceable under the laws of certain jurisdictions and foreign countries. In addition, we may not be able to acquire or maintain appropriate domain names in all countries in which we do business or prevent third-parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. Furthermore, regulations governing domain names may not protect our trademarks or similar proprietary rights. Thinkific has no claim to any intellectual property rights over the materials that Creators provide to Thinkific, nor any of the content uploaded to the Thinkific Platform by Creators.

We enter into confidentiality and intellectual property agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in securing ownership of our intellectual property or controlling access to our proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing software that is substantially equivalent or superior to our software. In addition, others may independently discover our trade secrets and confidential information, and in such cases, we likely would not be able to assert any trade secret rights against such parties. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including our trademarks. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third-parties may have already registered or otherwise acquired rights to identical or similar marks for services that also address our market. We rely on our brand and trademarks to identify Our Platform and to differentiate Our Platform and services from those of our competitors, and if we are unable to adequately protect our trademarks, third-parties may use our brand names or trademarks similar to ours in a manner that may cause confusion in the market, which could decrease the value of our brand and adversely affect our business and competitive advantages.

Policing unauthorized use of our intellectual property and misappropriation of our technology and trade secrets is difficult and we may not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third-parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop services with the same or similar functionality as Our Platform. If our competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if our competitors are able to develop a platform with the same or similar functionality as ours without infringing our intellectual property, our competitive advantage and results of operations could be harmed. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. As a result, we may be aware of infringement by our competitors, but may choose not to bring litigation to enforce our intellectual property rights due to the cost, time and distraction of bringing such litigation. Furthermore, if we do decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services and technology or the enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our solutions, impair the functionality of Our Platform, prevent or delay introductions of new or enhanced solutions, result in our substituting inferior or more costly technologies into Our Platform or injure our reputation. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to developing and protecting their technology or intellectual property rights than we do.

We are dependent upon customers' willingness to use the internet for commerce and for offering Learning Products, as well as Students' willingness to use the internet for commerce and learning.

Our success depends upon the general public's continued willingness to use the internet as a means to pay for purchases, communicate, access social media, research and conduct commercial transactions, and to offer and access Learning Products, including through mobile devices. If customers become unwilling or less willing to use the internet for commerce for any reason, including lack of access to high-speed communications equipment, congestion of traffic on the internet, internet outages or delays, disruptions or other damage to customers' computers, concern over government censorship in certain jurisdictions, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, our business could be adversely affected.

We may in the future make acquisitions and investments, which could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results, or financial position.

From time to time, we evaluate potential strategic acquisition or investment opportunities. Any transactions that we enter into could be material to our financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- in the case of an acquisition, implementation or remediation of controls, procedures and policies of the acquired company;
- in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company, including potential risks to our corporate culture;
- in the case of an acquisition, coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company, as applicable, difficulties associated with supporting new products or services, difficulty converting the customers of the acquired company onto Our Platform and difficulties associated with contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- in the case of an acquisition, retention and integration of employees from the acquired company;
- in the case of an acquisition, past intellectual property infringement or data security issues arising from the acquired company;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships with Partners and customers as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect our share price, or result in issuances of securities with superior rights and preferences to the Subordinate Voting Shares or the incurrence of debt with restrictive covenants that limit our future uses of capital in pursuit of business opportunities.
We may not be able to identify acquisition or investment opportunities that meet our strategic objectives, or to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. At this time we have made no commitments or agreements with respect to any such material transactions.

One of our marketing strategies is to offer free and trial subscription plans, and we may not be able to continue to realize the benefits of this strategy.

We offer free and trial subscription plans to promote brand awareness and organic adoption of Our Platform by customers. Our marketing strategy depends in part on individuals, teams, and organizations who use our free and trial versions of Our Platform to get business value from Thinkific and subsequently become Paying Customers. To the extent that increasing numbers of these individuals, teams, and organizations do not become, or lead others to become, Paying Customers, we will not realize the intended benefits of this marketing strategy, we will continue to pay the costs associated with hosting such free and trial versions, our ability to grow our business will be harmed, and our business, results of operations, and financial condition will suffer. We have a product-led growth strategy and may not continue to offer free and trial subscriptions in the future.

Issues in the use of artificial intelligence in Our Platform may result in reputational harm or liability.

We expect to use and build artificial intelligence ("**AI**") into Our Platform in the future. We envision a future in which AI operates within our cloud-based platform to offer an efficient and effective course platform solution for our customers. As with many disruptive innovations, AI presents risks and challenges that could affect its adoption, and therefore our business. AI algorithms may be flawed. Datasets may be insufficient or contain biased information. Inappropriate or controversial data practices by us or others could impair the acceptance, utility and effectiveness of AI solutions. Some jurisdictions, such as the European Union require human agency and oversight in AI systems and automated decision-making processes, which we may not be able to do. These deficiencies could undermine the decisions, predictions, or analysis AI applications produce, subjecting us to competitive harm, legal liability, and brand or reputational harm. Some AI scenarios present ethical issues. If we enable or offer AI solutions that are controversial because of their impact on human rights, privacy, employment, equity, accessibility or other social issues, we may experience brand or reputational harm. In addition, if we adopt the use of AI into Our Platform in the future and our competitors offer controversial AI solutions, there could be a negative impact on our brand.

Our Articles provide that any derivative actions, actions relating to breach of fiduciary duties and other actions asserting a claim relating to relationships among us, our affiliates and their respective shareholders, directors and/or officers are required to be litigated in British Columbia, which could limit your ability to obtain a favourable judicial forum for disputes with us.

We have included a forum selection provision in our Articles that provides that, unless we consent in writing to the selection of an alternative forum, the Supreme Court of British Columbia of the Province of British Columbia, Canada and appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the BCBCA or our Articles; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among us, our affiliates and our and their respective shareholders, directors and/or officers, but excluding claims related to our business or the business of such affiliates. Our forum selection provision also provides that our security holders are deemed to have consented to personal jurisdiction in the Province of British Columbia and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions. Therefore, it may not be possible for our shareholders to litigate any action relating to the foregoing matters outside of the Province of British Columbia. Our forum selection provision seeks to reduce litigation costs and increase outcome predictability by requiring derivative actions and other matters relating to our affairs to be litigated in a single forum. While forum selection clauses in corporate charters, articles and by-laws are becoming more commonplace for public companies in the U.S. and have been upheld by courts in certain states, they are untested in Canada. It is possible that the validity of our forum selection provision could be challenged and that a court could rule that such provision is inapplicable or unenforceable. If a court were to find our forum selection provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

From time to time, we may become defendants in legal proceedings as to which we are unable to assess our exposure and which could become significant liabilities in the event of an adverse judgment.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. In addition, our insurance or indemnities may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results or financial condition.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

With subscriptions in various countries, we are subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations.

In addition, the authorities in several jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and on our results of operations. We believe our tax estimates to be reasonable; however, the final determination of any tax audit or litigation could be materially different from our historical tax provisions and accruals, the content of our tax filings or positions, which could result in additional tax and penalties and negatively impact our results of operations. We previously have participated in government programs with both the Canadian federal government and the Government of British Columbia that provided refundable investment tax credits based upon qualifying research and development expenditures.

If Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, our historical operating results could be adversely affected.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

We currently conduct activities in Canada, and other jurisdictions through our subsidiary pursuant to transfer pricing arrangements and may in the future conduct operations in other jurisdictions pursuant to similar arrangements. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us. Furthermore, there is also the added possibility that we may be subject to retroactive adjustments, taxes, fines and penalties.

New tax laws could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our solutions and adversely impact our business.

The application of federal, state, provincial, local and foreign tax laws to solutions provided over the internet continues to evolve. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, possibly with retroactive effect, and could be applied solely or disproportionately to solutions provided over the internet. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent, and could ultimately result in a negative impact on our results of operations and cash flows.

U.S. federal, state and local, Canadian federal and provincial, and other foreign tax authorities may seek to assess state, provincial or local business taxes, sales and use taxes or other indirect taxes. If we are required to collect indirect taxes in additional jurisdictions, we might be subject to tax liability for past subscriptions.

There is a risk that various jurisdictions could assert that we are liable for business activity taxes, which are levied upon income or gross receipts, or for the collection of local sales and use taxes or other indirect taxes. This risk exists regardless of whether we are subject to U.S. federal, state, Canadian federal, provincial, or city income tax or other foreign taxes. Tax authorities are becoming increasingly active in asserting nexus for business activity tax purposes and imposing sales and use taxes and other indirect taxes on products and services provided over the internet. We may be subject to indirect taxes if a local tax authority asserts that our activities or the activities of our subsidiary are sufficient to establish nexus. We could also be liable for the collection of indirect taxes if a local tax authority asserts that distribution of our solutions over the internet is subject to indirect taxes. Each jurisdiction has different rules and regulations governing indirect sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review U.S., Canadian, and other foreign rules and regulations periodically and, when we believe we are subject to indirect taxes in a particular state, province or jurisdiction, we voluntarily engage national, state, provincial, and local tax authorities in order to determine how to comply with their rules and regulations. If a tax authority asserts that distribution of our solutions is subject to such taxes, the additional cost may decrease the likelihood that such customers would purchase our solutions or continue to renew their subscriptions. In addition, in June 2018 the U.S. Supreme Court ruled in *South Dakota v. Wayfair, Inc.* that U.S. states may collect internet sales tax on online purchases made outside of the state. Legislation adopted in the wake of this decision could require our customers to incur substantial costs in order to comply, which could adversely affect Students' behaviour, adversely affect some of our customers and indirectly harm our business.

A successful assertion by one or more jurisdictions requiring us to collect sales or other taxes on subscription service revenue could result in substantial tax liabilities for past transactions and otherwise harm our business. We cannot assure you that we will not be subject to indirect taxes or related penalties for past sales in jurisdictions where we currently believe no such taxes are required. New obligations to collect or pay taxes of any kind could increase our cost of doing business.

It may be difficult or impossible for investors to enforce judgements against the foreign subsidiary and the resident director of the Company.

A certain director of the Company is a resident of the United States. In addition, The Company's subsidiary is organized under the laws of Delaware. As a result, it may be difficult or impossible for investors to effect service within Canada upon such director and the Company's subsidiary, or to realize against such director or the Company's subsidiary in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

There is some doubt as to the enforceability in the United States or other foreign courts by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws.

We may not be able to utilize our net operating loss carryforwards and other tax credits, which could adversely affect our profitability.

We have net operating loss carryforwards and non-refundable Canadian investment tax credits that could both expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

Changes in accounting standards and interpretations, and our adoption thereof, as well as subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.

Our Financial Statements have been prepared in accordance with IFRS accounting principles, related accounting pronouncements, and application guidance as issued by the IASB and interpretations of the IFRS Interpretations Committee with regard to a wide range of matters that are relevant to our business including: revenue and expense recognition, equity-based compensation, sales commission costs, long-lived assets, and accounting for income tax which are all highly complex and involve many subjective assumptions, estimates and judgments.

Changes in any of these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported financial performance or financial condition in accordance with IFRS.

Further, our implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, could adversely affect our reported financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

As a public company, we are required to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be effective, which could adversely affect investor confidence in us and as a result, negatively impact the value of our Subordinate Voting Shares.

As a publicly traded company, we are subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109[4], and the rules of the TSX. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. In order to meet such requirements, we, among other things, establish systems, implement financial and management controls, reporting systems and procedures and, if necessary, hire qualified accounting and finance staff. However, if we are unable to accomplish any such necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the market price of our Subordinate Voting Shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

[4] National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, as amended from time to time.

Risks Related to the Ownership of the Shares

The dual class structure contained in our Articles has the effect of concentrating voting control and the ability to influence corporate matters with Greg Smith, our co-founder and Chief Executive Officer, and others, which may have a negative impact on the trading price of the Subordinate Voting Shares.

Our Multiple Voting Shares have ten votes per share and our Subordinate Voting Shares have one vote per share. Greg Smith, our co-founder and Chief Executive Officer, Matthew Smith, our co-founder and Chief Strategy Officer and the Rhino Group (as defined below) (together, the "**Principal Shareholders**"), beneficially own and control all of our Multiple Voting Shares and hold approximately 96.17% of the voting power attached to our outstanding voting shares and therefore have significant influence over our management and affairs and over all matters requiring shareholder approval, including election of directors and significant corporate transactions. In the event that Multiple Voting Shares are converted to Subordinate Voting Shares, the Principal Shareholders would hold approximately 71.55% of the voting power attached to our outstanding voting shares and therefore maintain a similar level of influence. The Principal Shareholders are parties to the Investor Rights Agreement (as defined below) providing for certain registration and other rights. See "*Description of Share Capital – Investor Rights Agreement*".

In addition, because of the ten to one voting ratio between our Multiple Voting Shares and Subordinate Voting Shares, the holders of our Multiple Voting Shares control a significant portion of the combined voting power of our voting shares, even where the Multiple Voting Shares represent a substantially reduced percentage of our total outstanding Shares. The concentrated voting control of the holders of our Multiple Voting Shares limit the ability of the holders of our Subordinate Voting Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to decisions regarding amendments of our share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of our business, merging with other companies and undertaking other significant transactions. As a result, the holders of Multiple Voting Shares have the ability to influence many matters affecting us and actions may be taken that our holders of Subordinate Voting Shares may not view as beneficial. The market price of our Subordinate Voting Shares could be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant influence and voting interest of the holders of Multiple Voting Shares may discourage transactions involving a change of control, including transactions in which an investor, as a holder of Subordinate Voting Shares, might otherwise receive a premium for Subordinate Voting Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by the holders of Multiple Voting Shares.

Any future transfers by holders of Multiple Voting Shares, other than permitted transfers to such holders' respective affiliates or direct family members or to other Permitted Holders, will result in those Multiple Voting Shares automatically converting to Subordinate Voting Shares, which will have the effect, over time, of increasing the relative voting rights of those holders who retain their Multiple Voting Shares. See "*Description of Share Capital*".

Each of our directors and officers owes a fiduciary duty to the Company and must act honestly and in good faith with a view to the best interest of the Company. However, any director and/or officer that is a shareholder, including a controlling shareholder, is entitled to vote his or her shares in his or her own interests, which may not always be in the interest of our shareholders generally. The concentration of the voting power attached to our issued and outstanding shares in favour of our Principal Shareholders may also have an adverse effect on the price of our Subordinate Voting Shares. As a result of such concentration of voting power, we may also take actions that our other shareholders do not view as beneficial, which may adversely affect our results of operations and financial condition and cause the value of your investment to decline.

The market price of our Subordinate Voting Shares may be volatile and your investment could suffer or decline in value.

The market price of our Subordinate Voting Shares could be subject to significant fluctuations and it may decline below the price at which you purchased the Subordinate Voting Shares. Some of the factors that may cause the market price of our Subordinate Voting Shares to fluctuate include: volatility in the market price and trading volume of comparable companies; actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts; adverse market reaction to any indebtedness we may incur or securities we may issue in the future; short sales, hedging and other derivative transactions in our Subordinate Voting Shares; litigation or regulatory action against us; investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements; publication of research reports or news stories about us, our competitors or our industry; positive or negative recommendations or withdrawal of research coverage by securities analysts; changes in general political, economic, industry and market conditions and trends; sales of our Subordinate Voting Shares and Multiple Voting Shares by existing shareholders; recruitment or departure of key personnel; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and the other risk factors described in this section of this AIF.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Subordinate Voting Shares by those institutions, which could materially adversely affect the trading price of our Subordinate Voting Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our Subordinate Voting Shares may be materially adversely affected.

In addition, the stock market in general has experienced substantial price and volume fluctuations that may be unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may harm the market price of our Subordinate Voting Shares. Therefore, the price of our Subordinate Voting Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Subordinate Voting Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results and financial condition.

We do not currently anticipate paying dividends on the Subordinate Voting Shares, and, consequently, purchasers of Subordinate Voting Shares may never receive a return on their investment.

Our current policy is to reinvest our earnings to finance the growth of our business. Therefore, we do not anticipate paying any cash dividends on our securities, including the Subordinate Voting Shares, in the foreseeable future. Any future determination to pay dividends on our securities will be at the discretion of the Board and will depend on, among other things, our results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. Until the time that we do pay dividends, which we might never do, our shareholders will not be able to receive a return on their Subordinate Voting Shares unless they sell such Subordinate Voting Shares for a price greater than their acquisition price, and such appreciation may never occur. See "*Dividend Policy*".

Future sales of Subordinate Voting Shares by existing shareholders or by us, or future dilutive issuances of Subordinate Voting Shares by us, could adversely affect prevailing market prices for the Subordinate Voting Shares.

Subject to compliance with applicable securities laws, sales of a substantial number of Subordinate Voting Shares in the public market could occur. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares or securities convertible into Subordinate Voting Shares intend to sell Subordinate Voting Shares, could reduce the market price of our Subordinate Voting Shares.

In addition, certain holders of options will have an immediate income inclusion for Canadian tax purposes when they exercise their options (that is, Canadian tax is not deferred until they sell the underlying Subordinate Voting Shares). As a result, these holders may need to sell Subordinate Voting Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Subordinate Voting Shares being sold in the public market and reduced long-term holdings of Subordinate Voting Shares by our management and employees.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline.

The trading market for our Subordinate Voting Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Subordinate Voting Shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Subordinate Voting Shares could decrease, which could cause our trading price and volume to decline.

We incur increased expenses as a result of being a public company.

We have incurred and will continue to incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact our performance and could cause our results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSX substantially increases our expenses, including our legal and accounting costs, and make some activities more time consuming and costly. Reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes and controls, as well as on our personnel.

We also expect these laws, rules and regulations to make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board or as officers. As a result of the foregoing, we expect a substantial increase in legal, accounting, insurance and certain other expenses in the future, which will negatively impact our financial performance and could cause our results of operations and financial condition to suffer.

Our senior management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

The individuals who now constitute our senior management team have limited experience managing a publicly traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business.

Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Subordinate Voting Shares, which could depress the price of our Subordinate Voting Shares.

Our Board has the authority to issue preferred shares and to determine the preferences, limitations and relative rights of preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred shares may be issued with liquidation, dividend and other rights superior to the rights of our Subordinate Voting Shares and Multiple Voting Shares. The potential issuance of preferred shares may delay or prevent a change in control of the Company, discourage bids for our Subordinate Voting Shares at a premium over the market price and adversely affect the market price and other rights of the holders of our Subordinate Voting Shares.

Our constating documents permit us to issue an unlimited number of Subordinate Voting Shares and Multiple Voting Shares without additional shareholder approval.

Our Articles permit us to issue an unlimited number of Subordinate Voting Shares and Multiple Voting Shares. We anticipate that we will, from time to time, issue additional Subordinate Voting Shares in the future. Subject to the requirements of the TSX, we will not be required to obtain the approval of shareholders for the issuance of additional Subordinate Voting Shares. Although the rules of the TSX generally prohibit us from issuing additional Multiple Voting

Shares, there may be certain circumstances where additional Multiple Voting Shares may be issued, including upon receiving shareholder approval. Any further issuances of Subordinate Voting Shares or Multiple Voting Shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings. Additionally, any further issuances of Multiple Voting Shares may significantly lessen the combined voting power of our Subordinate Voting Shares due to the ten-to-one voting ratio between our Multiple Voting Shares and Subordinate Voting Shares.

Risks Related to COVID-19

The COVID-19 pandemic could materially adversely affect our business, financial condition and results of operations.

The COVID-19 pandemic, the measures attempting to contain and mitigate the effects of the virus and its various permutations, including waves of travel bans and restrictions, quarantines, shelter-in-place orders, shutdowns and restrictions on trade, and the resulting changes in Creator and Student behaviours continue to disrupt our normal operations and impact our employees, Partners, and our Creators and their Students. We have modified our business practices in response to the COVID-19 pandemic and we may take further actions as required by government authorities or that we determine are warranted. However, there is no certainty that such measures will be sufficient to mitigate the direct and indirect effects of the virus and our business, financial condition and results of operations could be affected. Additionally, the impact of new products and initiatives launched during the COVID-19 pandemic and other future initiatives on our operations and results is uncertain and we may be subject to additional risks in connection with such products and initiatives.

The degree to which COVID-19 will affect our results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic including any variants thereof, actions taken to contain the virus, the impact of the COVID-19 pandemic and related restrictions on economic activity and domestic and international trade during the pandemic and in the post-pandemic recovery period, and the extent of the impact of these and other factors on our employees, Partners, suppliers and vendors, service providers and our Creators and their Students. The COVID-19 pandemic and related restrictions could limit our Creators' ability to continue to operate (limiting their abilities to offer new Learning Products, attract Students or make timely payments to Thinkific), disrupt or delay the ability of employees to work because they become sick or are required to care for those who become sick, cause delays or disruptions in services provided by key suppliers and vendors, increase vulnerability of Thinkific and our Partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks, or cause other unpredictable events. Since the onset of COVID-19, we have seen an increase in customers engaging in illegal or prohibited activities in violation of the terms of our Acceptable Use Policy and our results of operations may be negatively impacted if a large number of Learning Products are terminated from the Thinkific Platform or these activities may subject us to liability or damage our brand. Since the onset of COVID-19 we have seen accelerated adoption of Our Platform by new and existing Creators and their Students. Customer acquisition and customer usage patterns have been atypical during the COVID-19 pandemic and are not expected to continue. As COVID-19 related lockdowns and restrictions ease, usage of Our Platform by new and existing Creators and their Students may decrease, and customers may downgrade or cancel their subscriptions at a greater rate than expected.

COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops, consumers may not have the financial means to make course purchases from our customers and may delay or reduce discretionary purchases, negatively impacting our customers (many of which are SMBs and entrepreneurs that may be more susceptible than larger businesses to general economic conditions) and our results of operations. Uncertain and adverse economic conditions may also lead to increased refunds and chargebacks, which could adversely affect our business and may require us to recognize an impairment related to our assets in our financial statements. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 pandemic and the related impact on the global economy may not be fully reflected in our results of operations until future periods. Further, volatility in the capital markets may be heightened and such volatility may cause declines in the price of our Subordinate Voting Shares, increasing the risk that securities class action litigation could be instituted against us, and may also impact our investment portfolio of marketable securities, which is subject to general credit, liquidity, market, foreign exchange, and interest rate risks.

Our remote workforce operating model may adversely affect our business, including our culture, and may adversely affect our financial position and operating results.

Thinkific embraces a remote workforce operating model. While most of our operations can be performed remotely, there is no guarantee that we will be as effective while working remotely over the long term or that we will be able to fully scale our operations to support effective global remote work. Shifting to remote work may negatively impact our ability to attract, train, and retain talent. In addition, as new remote employees join our company, the risk of fraud and security breaches may also increase. To the extent our current or future measures result in decreased employee satisfaction or team productivity, impact our product development and research & development functions, impact our company culture or otherwise negatively affect our business, our financial position and operating results could be adversely affected. We plan to continue leasing office space and may reduce or increase the amount of office space leased and may add offices in new locations to offer part- or full-time office space to employees. However, our plans may continue to change as we adapt to market trends.

DIVIDEND POLICY

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Subordinate Voting Shares and Multiple Voting Shares. Any determination to pay dividends in the future will be at the discretion of the Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that the Board may deem relevant.

DESCRIPTION OF SHARE CAPITAL

The following description of our share capital summarizes certain provisions contained in our Articles and by-laws. These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of our Articles and by-laws.

The authorized share capital of the Company consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares and (iii) an unlimited number of preferred shares, issuable in series. As of the date of this AIF, there were 22,756,205 Subordinate Voting Shares, 56,993,752 Multiple Voting Shares and no preferred shares issued and outstanding. In addition, as of the date of this AIF, there were (i) 2,989,893 Subordinate Voting Shares issuable upon the exercise of outstanding stock options and (ii) 1,176,000 Subordinate Voting Shares issuable upon the settlement of outstanding restricted share units, and (iii) 65,500 Subordinate Voting Shares issuable upon the settlement of outstanding performance share units. As of the date of this AIF, there were a total of 83,981,350 Subordinate Voting Shares, on a fully-diluted basis.

Subordinate Voting Shares and Multiple Voting Shares

Except as provided for herein, the Subordinate Voting Shares and Multiple Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were one class of shares. Holders of Multiple Voting Shares and Subordinate Voting Shares have no conversion or exchange rights or other subscription rights, except that each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share and each outstanding Multiple Voting Share will automatically convert into one Subordinate Voting Share upon certain transfers and other events. There are no redemption, retraction, purchase for cancellation or surrender provisions or sinking or purchase fund provisions applicable to our Subordinate Voting Shares or Multiple Voting Shares. There is no provision in our Articles requiring holders of Subordinate Voting Shares or Multiple Voting Shares to contribute additional capital, or permitting or restricting the issuance of additional securities or any other material restrictions. The special rights or restrictions attached to the Subordinate Voting Shares and Multiple Voting Shares are subject to and may be adversely affected by, the rights attached to any series of preferred shares that we may designate in the future.

Rank

The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company. In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares are entitled to participate equally in the remaining property and assets of the Company available for distribution to the holders of shares, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares, subject to the rights of the holders of any preferred shares.

Pre-Emptive and Redemption Rights

Holders of Subordinate Voting Shares will have no pre-emptive or redemption rights. Holders of Multiple Voting Shares will not have pre-emptive or redemption rights under our Articles. However, the Rhino Group Permitted Holders will be entitled to certain pre-emptive rights to subscribe for additional Shares as provided for in the Investor Rights Agreement (as defined below). See "*Agreements with Principal Shareholders – Investor Rights Agreement – Pre-Emptive Rights*" in the Final Long Form Prospectus.

Dividends

The holders of outstanding Subordinate Voting Shares and Multiple Voting Shares are entitled to receive dividends at such times and in such amounts and form as our Board may from time to time determine, but subject to the rights of the holders of any preferred shares, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares. We are permitted to pay dividends unless there are reasonable grounds for believing that we are, or would after such payment be, unable to pay our liabilities as they become due in the ordinary course of business. In the event of a payment of a dividend in the form of shares, Subordinate Voting Shares shall be distributed with respect to outstanding Subordinate Voting Shares and Multiple Voting Shares shall be distributed with respect to outstanding Multiple Voting Shares, unless otherwise determined by our Board.

Voting Rights

The holders of outstanding Subordinate Voting Shares are entitled to one vote per share and the holders of Multiple Voting Shares are entitled to ten votes per share. As of the date of this AIF, the Subordinate Voting Shares collectively represent approximately 28.46% of our issued and outstanding shares and approximately 3.83% of the voting power attached to all of our issued and outstanding shares and the Multiple Voting Shares collectively represent approximately 71.54% of our issued and outstanding shares and approximately 96.17% of the voting power attached to all of our issued and outstanding Shares.

Conversion

The Subordinate Voting Shares are not convertible into any other class of shares. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share. Upon the first date that a Multiple Voting Share shall be held by a Person other than a Permitted Holder (as defined below), the Permitted Holder which held such Multiple Voting Share until such date, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert such Multiple Voting Share into a fully paid and non-assessable Subordinate Voting Share.

In addition:

- all Multiple Voting Shares held by the Rhino Group Permitted Holders will convert automatically into Subordinate Voting Shares at such time that is the earlier to occur of the following: (i) the Rhino Group Permitted Holders that hold Multiple Voting Shares no longer as a group beneficially own, directly or indirectly and in the aggregate, at least 10% of the issued and outstanding Shares (on a non-diluted basis); (ii) neither Braden Fraser Hall nor Julian Rhind serve as a member of senior management of the Rhino Group Permitted Holders; and (iii) ten (10) years from the IPO Closing Date.

- all Multiple Voting Shares held by the Greg Smith Permitted Holders (as defined below) will convert automatically into Subordinate Voting Shares at such time that the Greg Smith Permitted Holders that hold Multiple Voting Shares no longer as a group beneficially own, directly or indirectly and in the aggregate, at least 10% of the issued and outstanding Shares (on a non-diluted basis); and

- all Multiple Voting Shares held by the Matthew Smith Permitted Holders (as defined below) will convert automatically into Subordinate Voting Shares at such time that the Matthew Smith Permitted Holders that hold Multiple Voting Shares no longer as a group beneficially own, directly or indirectly and in the aggregate, at least 10% of the issued and outstanding Shares (on a non-diluted basis).

For the purposes of the foregoing:

"**Affiliate**" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person, including, without limitation, any general partner, managing member or trustee of such Person or any venture capital fund or other investment fund now or hereafter existing that is controlled by one (1) or more general partners, managing members or investment adviser of, or shares the same management company or investment adviser with, such Person;

"**Greg Smith Permitted Holders**" means (i) Mr. Greg Smith and any Members of the Immediate Family of Mr. Greg Smith, and (ii) any Person controlled, directly or indirectly, by one or more Persons referred to in clause (i) above;

"**Matthew Smith Permitted Holders**" means (i) Mr. Matthew Smith and any Members of the Immediate Family of Mr. Matthew Smith, and (ii) any Person controlled, directly or indirectly, by one or more Persons referred to in clause (i) above;

"**Members of the Immediate Family**" means with respect to any individual, each parent (whether by birth or adoption), spouse, child (including any step-child) or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons, and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the *Income Tax Act* (Canada) as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual;

"**Permitted Holders**" means any of (i) the Rhino Group Permitted Holders, (ii) the Greg Smith Permitted Holders, and (iii) the Matthew Smith Permitted Holders;

"**Person**" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company;

"**Rhino Group Permitted Holders**" means Vancouver Founder Fund Limited Partnership, VFF II Limited Partnership, Rhino Co-Invest 1 Limited Partnership, Vancouver Founder Fund (VCC) Inc., Rhino Co-Invest 2 Limited Partnership (together, the "**Rhino Group**"), any fund managed by Julian Rhind and/or Braden Fraser Hall and any of their respective Affiliates; and

"**Shares**" means, collectively, the Subordinate Voting Shares and the Multiple Voting Shares.

A Person is "**controlled**" by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; (ii) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; or (iii) in the case of a Person that is a limited partnership, the general partner, and "**controls**", "**controlling**" and "under common control with" shall be interpreted accordingly.

Subdivision or Consolidation

No subdivision or consolidation of the Subordinate Voting Shares or the Multiple Voting Shares may be carried out unless, at the same time, the Multiple Voting Shares or the Subordinate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis.

Certain Class Votes

In addition to any other voting right or power to which the holders of Subordinate Voting Shares shall be entitled by law or regulation or other provisions of our Articles from time to time in effect, but subject to the provisions of our Articles, holders of Subordinate Voting Shares shall be entitled to vote separately as a class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of our Articles which would adversely affect the rights or special rights of the holders of Subordinate Voting Shares or affect the holders of Subordinate Voting Shares and Multiple Voting Shares differently, on a per share basis, including an amendment to the terms of our Articles that provide that any Multiple Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Subordinate Voting Shares.

Pursuant to our Articles, holders of Subordinate Voting Shares and Multiple Voting Shares are treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the BCBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of our Subordinate Voting Shares and Multiple Voting Shares, each voting separately as a class.

Shareholder Meetings

Holders of our Subordinate Voting Shares and Multiple Voting Shares are entitled to attend and vote at meetings of our shareholders except meetings at which only holders of a particular class are entitled to vote.

Take-Over Bid Protection

Under applicable Canadian securities laws, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares. The holders of Multiple Voting Shares entered into a customary coattail agreement with us and a trustee (the "**Coattail Agreement**") in connection to the IPO. The Coattail Agreement contains provisions customary for dual-class, TSX-listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable Canadian securities laws to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by Permitted Holders of Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- offers a price per Subordinate Voting Share at least as high as the highest price per share to be paid or required to be paid pursuant to the take-over bid for the Multiple Voting Shares;

- provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of outstanding Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);

- has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and

- is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the Coattail Agreement does not prevent the transfer of Multiple Voting Shares to Permitted Holders, provided such transfer is not or would not have been subject to the requirements to make a take-over bid or constitutes or would constitute a take-over bid exempt from certain requirements applicable to take-over bids, all as under applicable Canadian securities laws. The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not, in itself, constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any sale of Multiple Voting Shares by a holder of Multiple Voting Shares party to the Coattail Agreement is conditional upon the transferee becoming a party to the Coattail Agreement, to the extent such transferred Multiple Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with our Articles.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on us or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may reasonably require. No holder of Subordinate Voting Shares have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares, reasonable funds and indemnity have been provided to the trustee and the trustee has failed to so act within 30 days after the provision of such funds and indemnity.

Other than in respect of non-material amendments and waivers that do not adversely affect the interests of holders of Subordinate Voting Shares, the Coattail Agreement provides that, among other things, it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authorities in Canada; and (b) the approval of at least two-thirds of the votes cast by holders of Subordinate Voting Shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Subordinate Voting Shares held directly or indirectly by the holders of Multiple Voting Shares and their affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement, other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares under applicable law.

Preferred Shares

Under the Company's Articles, the preferred shares may be issued in one or more series. Accordingly, our Board is authorized, without shareholder approval but subject to the provisions of the BCBCA, to determine the maximum number of shares of each series, create an identifying name for each series and attach such special rights or restrictions, including dividend, liquidation and voting rights, as our Board may determine, and such special rights or restrictions, including dividend, liquidation and voting rights, may be superior to those of each of the Subordinate Voting Shares and the Multiple Voting Shares. The issuance of preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change of control of the Company and might adversely affect the market price of our Subordinate Voting Shares and Multiple Voting Shares and the voting and other rights of the holders of Subordinate Voting Shares and Multiple Voting Shares. We have no current plan to issue any preferred shares.

Other Important Provisions of our Constating Documents

Investor Rights Agreement

In connection with the closing of our IPO, we entered into an investor rights agreement (the "**Investor Rights Agreement**") with the Principal Shareholders, with respect to certain shareholder rights. The following is a summary of the material attributes and characteristics of the Investor Rights Agreement. This summary is qualified in its entirety by reference to the provisions of that agreement, which contains a complete statement of those attributes and characteristics. The Investor Rights Agreement has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com.

Registration Rights

The Investor Rights Agreement provides for demand registration rights in favour of the Principal Shareholders that enable them, under certain circumstances, to require the Company to qualify by prospectus in Canada all or any portion of the Subordinate Voting Shares held by them for a distribution to the public, provided that the Company will not be obliged to effect (i) more than one demand registrations in any 12-month period or (ii) any demand registration where the value of the Subordinate Voting Shares offered under such demand registration is less than CDN$30 million.

The Investor Rights Agreement also provides for incidental registration rights allowing the Principal Shareholders to include their Subordinate Voting Shares in certain public offerings of Subordinate Voting Shares, subject to certain underwriters' cutback rights.

Pre-Emptive Rights

In the event that the Company decides to issue or allot shares or any type of securities convertible into or exchangeable for Shares or a right to acquire such securities, the Rhino Group Permitted Holders, for so long as they continue to together beneficially own or exercise control or direction over at least 10% of the issued and outstanding Shares on a non-diluted basis, shall have pre-emptive rights (the "**Pre-Emptive Rights**") to purchase Shares or such other securities as are being contemplated for issuance to maintain its pro rata ownership interest. Notice of exercise of such rights is to be provided in advance of the commencement of any offering of securities of the Company or such other securities as are being contemplated for issuance and otherwise in accordance with the terms and conditions to set out in the Investor Rights Agreement. Pursuant to the Investor Rights Agreement, the Pre-Emptive Rights will not apply to issuances in the following circumstances:

- to holders of Shares in lieu of cash dividends;
- the automatic conversion of the Multiple Voting Shares issued in accordance with the Investor Rights Agreement;
- options or other securities issued under compensatory plans or other plans to purchase Shares or any other securities in favour of the management, directors, employees or consultants of the Company;

- exercise by a holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which the Rhino Group Permitted Holders were granted the right to exercise its Pre-Emptive Rights or in respect of which the Pre-Emptive Rights did not apply;

- as full or partial consideration for any shares, business, assets or property acquired by the Company or its subsidiaries pursuant to a bona fide arm's length acquisition;

- a share split, share dividend or any similar recapitalization offered to all shareholders holding Shares; and

- pursuant to a shareholders' rights plan of the Company.

MARKET FOR SECURITIES

Trading Price and Volume

Our Subordinate Voting Shares are listed for trading on the TSX under the symbol "THNC". The following table sets forth the price ranges and volumes of our Subordinate Voting Shares traded on the TSX for each month of Fiscal 2022 during which our shares traded on the TSX.

2022	High (C$)	Low (C$)	Volume (#)
January	$9.27	$5.03	2,145,765
February	$6.87	$3.96	2,268,561
March	$4.12	$2.46	6,579,902
April	$3.53	$2.58	2,090,332
May	$3.10	$1.88	2,494,383
June	$2.47	$1.58	1,410,435
July	$1.99	$1.67	545,572
August	$2.50	$1.85	1,019,896
September	$2.08	$1.58	576,171
October	$2.24	$1.61	535,902
November	$1.75	$1.51	637,325
December	$1.93	$1.40	1,703,393

None of our other securities were listed for trading or quoted on any exchange or market, however, as described further above, our Multiple Voting Shares can be converted into Subordinate Voting Shares on a one-for-one basis at any time, at the option of the holder thereof.

DIRECTORS AND EXECUTIVE OFFICERS

The following tables set out, as at December 31, 2022, for each of our directors and executive officers, the person's name, municipality of residence, position(s) with the Company, previously held positions for the last five (5) years and, if a director, the year in which the person became a director. Our directors are either elected annually by the shareholders at the annual meeting of shareholders or, subject to our Articles and applicable law, appointed by our Board between annual meetings. Each director holds office until the close of the next annual meeting of our shareholders or until he or she ceases to be a director by operation of law, or until his or her removal or resignation becomes effective. Executive officers are appointed by the Board to serve, subject to the discretion of the Board, until their successors are appointed.

Name, Residence and Position with Thinkific	Position and Principal Occupation in the Past Five Years[1]	Date Appointed[2]	Number and Percentage of Subordinate Voting Shares and Multiple Voting Shares Beneficially Owned as at December 31, 2022[1]
Greg Smith British Columbia, Canada Chief Executive Officer & Director	2012 – Present, Co-Founder, Chief Executive Officer, and Director, Thinkific Labs Inc. 2010 – Present, Chief Executive Officer and Co-Founder of Alpha Score Seminars Inc.	April 11, 2012	26,000,000 (45.62%) Multiple Voting Shares 6,100 (0.03%) Subordinate Voting Shares
Matthew Smith British Columbia, Canada Chief Strategy Officer	2021 – Present, Co-Founder, Chief Strategy Officer, Thinkific Labs Inc. 2021 - 2022 - Acting Chief Revenue Officer, Thinkific Labs Inc. 2012 – 2021, Director, Thinkific Labs Inc. 2014 – 2021, Chief Operating Officer, Victory Square Media Inc. (dba Later.com) 2010 – Present, Co-Founder of Alpha Score Seminars Inc.	March 22, 2021	10,255,640 (17.99%) Multiple Voting Shares 2,800 (0.01%) Subordinate Voting Shares
Corinne Hua British Columbia, Canada Chief Financial Officer	2020 – Present, Chief Financial Officer, Thinkific Labs Inc. 2015 – 2019, Chief Financial Officer, Traction Sales & Marketing Inc.	May 27, 2020	6,915 (0.03%) Subordinate Voting Shares
Steve Krenzer[3] California, USA President & Director	2022 - Present, President and Director, Thinkific Labs Inc. 2020 - Present, Co-Founder, Works Capital, LLC 2020 - Present, Founder, Trabuco Canyon Advisors 2020 - 2021, Chief Financial Officer, Alkuri Global Acquisition Corp.	February 22, 2022	Nil (0%)

	2017 - 2020, Chief Operating Officer, Groupon Inc.		
Miranda Lievers[8] British Columbia, Canada Chief Operating Officer	2015 – 2023, Chief Operating Officer, Thinkific Labs Inc.	October 1, 2015	5,800 (0.03%) Subordinate Voting Shares
Chris McGuire British Columbia Canada Chief Technology Officer	2021 - Present, Chief Technology Officer, Thinkific Labs Inc. 2018 – 2021, Chief Technology Officer, Checkfront Inc. 2016 – 2018, Chief Technology Officer, Foodee Media Inc.	September 15, 2021	7,722 (0.03%) Subordinate Voting Shares
Braden Fraser Hall British Columbia, Canada Chairperson, Director	2016 – Present, Director, Thinkific Labs Inc. 2015-Present, Partner Rhino Ventures.	March 4, 2016	20,738,112 (36.39%) Multiple Voting Shares
Brandon Nussey[5][6][7] Ontario, Canada Director	2021 – Present, Director, Thinkific Labs Inc. 2018 – Present, Chief Operating Officer, Lightspeed Commerce Inc. 2018 - 2022, Chief Financial Officer, Lightspeed Commerce Inc. 2010 – 2018, Chief Financial Officer, Desire2Learn Inc.	March 3, 2021	4,000 (0.02%) Subordinate Voting Shares
Katie May[5][6][7] Texas, USA Director	2021 – Present, Director, Thinkific Labs Inc. 2019 – 2021, Consultant and Director, Stamps.com, Inc. 2012 – 2020, Chief Executive Officer, ShippingEasy, Inc.	April 2, 2021	Nil (0%)
Melanie Kalemba[5][6][7] Texas, USA Director	2022 - Present, Director, Thinkific Labs Inc. 2019 - 2022, General Manager, Americas, Amazon Pay 2018 - 2019 Senior Vice President Sales & Marketing, Miva Inc. 2016 - 2017 Senior Vice President and General Manager, Enterprise Business, Verve Group	June 8, 2022	Nil (0%)

Notes:
(1) This information has been provided by each of the directors and executive officers individually.
(2) All director appointments expire at the next annual meeting of the shareholders of the Company.
(3) Steve Krenzer was appointed as President of Thinkific on September 15, 2022, as previously disclosed in this AIF.
(4) Ed Ma was appointed Corporate Secretary and Corporate Counsel on November 15, 2021. As of September 1, 2022, and now acts as VP General Counsel and Corporate Secretary.

(5) Member of our Audit Committee, with Brandon Nussey as chair.
(6) Member of our CCGN Committee, with Katie May as chair.
(7) Independent director for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.
(8) On February 7, 2023, Miranda Lievers transitioned from COO to an advisor.

Ownership of Securities

As of the date hereof, as a group, our directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 19,862 Subordinate Voting Shares and 56,993,752 Multiple Voting Shares, representing 0.09% of the Subordinate Voting Shares and 100% of the Multiple Voting Shares outstanding and 96.18% of the voting power attached to all of our issued and outstanding shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Company's directors or executive officers are, as at the date of this AIF, or have been within ten (10) years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

- was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, none of the Company's directors, executive officers or shareholders holding a sufficient number of the Company's securities to materially affect the control of the Company:

- is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

- has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Braden Fraser Hall was a director of AvenueHQ Technology Inc. ("**Avenue**") from May 7, 2018 until January 3, 2020. Avenue was a portfolio company investment of Rhino Ventures, a venture capital fund founded by Mr. Hall that focuses on high growth technology companies in Western Canada. Mr. Hall joined the Avenue board in connection with Rhino Venture's investment in Avenue. In 2019, Rhino determined that it would not participate in any further financing or corporate reorganization transactions that Avenue would be required to pursue, and Mr. Hall resigned from the board of

Avenue on January 3, 2020. Subsequent to Mr. Hall's tenure on Avenue's board, on November 5, 2020, Avenue filed a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, and on November 27, 2020, Avenue filed an assignment into bankruptcy.

Conflicts of Interest

To the knowledge of Thinkific, there are no existing or potentially material conflicts of interest between Thinkific or a subsidiary of Thinkific and any director or officer of Thinkific or of a subsidiary of Thinkific, except that certain of our directors and officers also serve as directors or officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. Directors are required to comply with the relevant provisions of the BCBCA regarding conflicts of interest.

AUDIT COMMITTEE

Composition of the Audit Committee

Our Audit Committee consists of three directors, all of whom are determined by our Board to be both independent directors and financially literate within the meaning of NI 52-110. Our Audit Committee is comprised of Brandon Nussey, who acts as chair of this committee, Katie May, and Melanie Kalemba.

Relevant Education and Experience of the Audit Committee Members

Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. The education and experience of each Audit Committee member that is relevant to the performance of each of their responsibilities as an Audit Committee member is as follows:

Brandon Nussey (Chair)

Brandon has served as a Board member to Thinkific since March 3, 2021. Brandon also currently serves as Chief Operating Officer at Lightspeed (TSX: LSPD). Brandon brings almost 20 years of technology leadership experience to the Board. Prior to joining Lightspeed, Brandon was the Chief Financial Officer at D2L Inc., a SaaS-based education technology provider. From 2000 to 2007, Brandon held various roles at The Descartes Systems Group, ultimately being appointed Chief Financial Officer in 2004. Brandon is a Chartered Accountant and holds an Honours in Business Administration from Wilfrid Laurier University.

Katie May

Katie has served as a Board member to Thinkific since April 2, 2021. She currently serves as an independent director on the boards of Rokt, a global leader in e-commerce marketing technology, Vivi, a leading Australia-based education technology company, and Onramp Funds, a disruptive working capital solution for ecommerce merchants. Katie has also served as past director of Alkuri Global Acquisition Corp (Nasdaq: KURI), a blank check company focused on the technology sector and as a non-executive director of Stamps.com, Inc. (Nasdaq: STMP), the leading provider of e-commerce shipping software in the US. As an operator, Katie led three technology companies to successful exits, including her own Australian based start-up, Kidspot. Katie earned her Bachelors in Accounting and MBA, both with Honours, from the University of Texas.

Melanie Kalemba

Melanie has served as advisor to several SaaS ecommerce start-ups. Most recently, Melanie was the General Manager, Americas for Amazon Pay, an alternative payment solution for online merchants. Prior to Amazon, she was SVP of Global Sales and Partnerships at BigCommerce, a leading ecommerce SaaS company supporting small and medium retail customers with tools to scale their online business. In addition to several operating leadership roles in sales and business development at venture-backed companies. Melanie brings several years of experience as a CEO with Movero Technology, Inc. (acquired by Calero Software). Melanie holds an MBA from Indiana University and her Bachelors in Accounting from Muskingum College.

Charter of the Audit Committee

The Board has adopted a written charter, the text of which is reproduced in its entirety as Exhibit A, setting forth the purpose, composition, authority and responsibility of the Audit Committee, consistent with NI 52-110. The Audit Committee assists the Board in fulfilling its oversight of, among other things:

- the quality and integrity of the Company's financial statements and related information;
- the qualifications, independence, appointment and performance of the external auditor;
- the Company's disclosure controls and procedures;
- the internal control over financial reporting and management's responsibility for assessing and reporting on the effectiveness of such controls;
- the monitoring and periodic review of the Company's whistleblower policy; and
- transactions with related parties.

The Audit Committee has access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It also has the authority, in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities. Our Audit Committee also has direct communication channels with the Chief Financial Officer and our external auditors to discuss and review such issues as our Audit Committee may deem appropriate.

Audit Committee Pre-Approval Policies and Procedures

Under its charter, the Audit Committee is required to pre-approve all non-audit services to be performed by the external auditors in relation to us, together with approval of the engagement letter for such non-audit services and estimated fees thereof. The pre-approval process for non-audit services also involves consideration of the potential impact of such services on the independence of the external auditors.

The Audit Committee may delegate the pre-approval of services provided by the external auditor to one or more members of the Audit Committee, which member(s) shall be independent to the extent required by any applicable law, regulation, rule or listing standard. Any such delegate shall report his or her approvals to the Audit Committee at the next scheduled meeting.

External Auditor Service Fee

For Fiscal 2022 and Fiscal 2021, we incurred the following fees:

CDN$	**Year Ended 2022**	**Year Ended 2021**
Audit fees [1]	368,758	348,714
Audit-related fees[2]	-	40,500
Tax compliance fees[3]	41,195	81,534
Regulatory and reporting total	409,953	470,748
Other services		
Fees for tax advice and planning[4]	132,985	87,390
Other services total	132,985	87,390
Total fees paid	542,938	558,138

Notes:
(1) Fees for annual audit, quarterly reviews and fees related to the IPO.
(2) Fees for assurance and related services not included in audit service above.

(3) Fees for tax compliance.
(5) Fees for tax advice and planning.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the Company's knowledge, there are no legal proceedings or regulatory actions material to the Company to which it is a party, or has been a party to, or of which any of its property is the subject matter of, or was the subject matter of, since the beginning of Fiscal 2022, and no such proceedings or actions are known by the Company to be contemplated. The Company is from time to time involved in legal proceedings of a nature considered normal to its business. The Company believes that none of the litigation in which the Company is currently involved, or has been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to its consolidated financial condition or results of operations.

There have been no penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, since its incorporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and described elsewhere in this AIF, the Company's audited consolidated financial statements and notes for Fiscal 2022 and Management's Discussion and Analysis for Fiscal 2022, no director or executive officer of Thinkific, and to the knowledge of the directors and executive officers of Thinkific, (i) no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of Thinkific's voting shares, (ii) nor any of such persons' or companies' associates or affiliates, (iii) nor any associates or affiliates of any director of executive officer of Thinkific, has had a material interest, direct or indirect, that has materially affected or is reasonably expected to materially affect the Company within the three most recently completed financial years or during the current financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Subordinate Voting Shares of the Company is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last financial year ended December 31, 2022, or entered into prior to such date, but which are still in effect and that are required to be filed with the Canadian securities regulatory authorization in accordance with Section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations*:

- the Investor Rights Agreement; and
- the Coattail Agreement.

See "*Description of Share Capital – Investor Rights Agreement*" and "*Description of Share Capital – Coattail Agreement*", for a summary of the Investor Rights Agreement and the Coattail Agreement, respectively. Copies of the foregoing agreements are available on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

KPMG LLP are the auditors of the Company and have confirmed with respect to the Company that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

ADDITIONAL INFORMATION

Additional information about Thinkific is available on our website at www.thinkific.com or the website maintained by the Canadian Securities Administrators at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans will be contained in our management information circular that will be filed in connection with our next annual meeting of shareholders. Once filed, the circular will be available on our website at www.thinkific.com and at www.sedar.com.

References to our website in this AIF or any documents that are incorporated by reference in this AIF do not incorporate by reference the information on such website into this AIF, and we disclaim any such incorporation by reference.

EXHIBIT A
THINKIFIC LABS INC.
AUDIT COMMITTEE CHARTER

Effective Date: April 21, 2021

1. Purpose and Scope

The Audit Committee (the "**Committee**") of Thinkific Labs Inc. (the "**Company**") is a committee of the Board of Directors (the "**Board**"). As delegated by the Board, the Committee shall attend to the responsibilities set out in this Charter.

2. Membership

Number of Members
The Committee shall be composed of three or more members of the Board.

Independence of Members
Each member of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – Audit Committees, as may be amended or replaced from time to time.

Term of Members
The members of the Committee shall be appointed annually by the Board, provided that if the composition of the Committee is not so determined, each director who was then serving as a member of the Committee shall continue as a member of the Committee until their successor is appointed. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

Committee Chair
At the time of the annual appointment of the members of the Committee, the Board may appoint a Chair of the Committee (the "**Committee Chair**"). If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership, provided that if the designation of the Committee Chair is not made, then the director who was then serving as Committee Chair shall continue as Committee Chair until their successor is appointed. Notwithstanding any of the foregoing, the Committee Chair must be a member of the Committee.
In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

Financial Literacy of Members
At the time of their appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

3. Meetings

Frequency of Meetings
The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter.

Quorum
No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

Calling of Meetings
The Committee Chair, any member of the Committee, the Company's external auditors, the Chair of the Board, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company's Corporate Secretary who will notify the members of the Committee.

Minutes; Reporting to the Board
The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board.

However, the Committee Chair may report orally to the Board on any matter in their view requiring the immediate attention of the Board.

Attendance of Non-Members
The Company's external auditors are entitled to receive reasonable notice of, to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management to discuss any matters that the Committee or such individuals consider appropriate.

Meetings Without Management and Executive Sessions
The Committee shall regularly hold an in camera session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

The Committee shall also periodically meet separately, at unscheduled or regularly scheduled meetings or portions of meetings, in executive session or otherwise with each of the Company's external auditor and management, as the Committee deems appropriate.

Access to Management and Books and Records
The Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the Company's management and employees and the books and records of the Company.

4. Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "Applicable Requirements") or as the Board otherwise deems necessary or appropriate.

Financial Reports
(a) General
The Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The Company's external auditors are responsible for auditing the Company's annual financial statements and for reviewing the Company's unaudited interim financial statements.

(b) Review of Annual Financial Reports
The Committee shall review the annual audited financial statements of the Company, the auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and financial performance ("**MD&A**").

After completing its review, if advisable, the Committee shall approve and recommend the annual audited financial statements and the related MD&A for Board approval.

(c) Review of Interim Financial Reports

The Committee shall review the interim financial statements of the Company, the auditors' review report thereon, if any, and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim financial statements and the related MD&A for Board approval.

(d) Review Considerations

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

(i) meet with management and the auditors to discuss the financial statements and MD&A;

(ii) review the disclosures in the financial statements;

(iii) review the audit report or review report, if any, prepared by the external auditors;

(iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the Company's financial statements;

(v) regularly review the Company's critical accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

(vi) consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

(vii) review management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;

(viii) review significant recorded and unrecorded audit adjustments;

(ix) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable IFRS;

(x) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;

(xi) inquire at least annually of the Company's management, accounting group and the Company's auditors as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies;

(xii) review with the auditors alternative accounting treatments that have been discussed with management;

(xiii) review with management any significant changes in IFRS, as well as emerging accounting and auditing issues, and their potential effects;

(xiv) review with management matters that may have a material effect on the financial statements;

(xv) review management's report on the effectiveness of internal controls over financial reporting;

(xvi) review the factors identified by management as factors that may affect future financial results;

(xvii) review results of the Company's audit committee whistleblower hotline program; and

(xviii) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) Other Financial Disclosures

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Company, as well as press releases disclosing, or based upon, financial results of the Company and any other publicly disseminated material financial disclosure, including, in accordance with the Company's Disclosure Policy, material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to analysts, rating agencies or otherwise publicly disseminated, and material non-IFRS financial measures.

The Committee is responsible for ensuring that satisfactory procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures.

External Auditors

(a) General

The Committee shall be directly responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. When a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.

(b) Nomination and Compensation

The Committee shall review and, if advisable, recommend for Board approval the Company's external auditors to be nominated and shall approve the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

(c) Resolution of Disagreements

The Committee shall assess the effectiveness of the working relationship of the Company's external auditors with management and resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Company's auditors, whether or not there is to be a change of auditors, and receive and review all reports prepared by the auditors.

(d) Discussions with Auditors

At least annually, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(e) Audit Plan

At least annually, the Committee shall review a summary of the auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) Quarterly Review Report

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Company.

(g) Independence of Auditors

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(h) Evaluation of Lead Partner

At least annually, the Committee shall review the qualifications and performance of the lead partner(s) of the auditors.

(i) Requirement for Pre-Approval of Non-Audit Services

The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the auditors for the Company or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures, and adopt and implement policies for such pre-approval. The Committee shall consider the impact of such service and fees on the independence of the auditor. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(j) Approval of Hiring Policies

The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(k) Financial Executive

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Compensation, Corporate Governance and Nominating Committee, as appropriate.

Internal Controls

(a) General

The Committee shall review the Company's system of internal controls.

(b) Establishment, Review and Approval

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the auditors:

(i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

(iii) any material issues raised by any inquiry or investigation by the Company's regulators;

(iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

(v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Whistleblower Procedures

The Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage external advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

Audit Committee Disclosure

The Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

Delegation

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate**.**

5. Conflicts of Interest

The Committee shall review the Company's policies relating to the avoidance of conflicts of interest and review and approve all payments to be made pursuant to any related party transactions involving executive officers and members of the Board of the Company or any significant shareholders of the Company, as may be necessary or desirable under the Applicable Requirements. The Committee shall consider the results of any review of these policies and procedures by the Company's external auditors.

6. External Advisors

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Company, with notice to the Chair of the Board or the Chief Executive Officer of the Company, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate, from a source independent of management, any such consultant or advisor to be used to assist in the evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

7. No Rights Created

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Company. While it should be interpreted in the context of all Applicable Requirements, as well as in the context of the Company's Articles, it is not intended to establish any legally binding obligations.

8. Charter Review

The Committee shall review and update this Charter annually and, in conjunction with the review and recommendations of the Compensation, Corporate Governance and Nominating Committee regarding same, present the updated Charter to the Board for approval.