

# **INTOUCH INSIGHT LTD.**

**DATED: NOVEMBER 26, 2018**

**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Intouch Insight Ltd. ("Intouch" or the "Company") and the notes to those statements as at and for the year ending December 31, 2017.

The accompanying audited consolidated financial statements have been prepared by and are the responsibility of Intouch's management. The audited consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Dollar amounts are expressed in Canadian dollars unless otherwise noted.

## **FORWARD-LOOKING STATEMENTS**

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve several risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will", "may", "should", "continue", "anticipate", "believe", "plan", "estimate", "project", "expect", "intend" and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the MD&A and as discussed in public disclosure documents filed with Canadian regulatory authorities. Forward-looking statements are provided to assist external stakeholders in understanding management's expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A and Intouch disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise. Readers should not place undue reliance in the Company's forward-looking statements.

## **OVERVIEW OF THE BUSINESS**

Intouch Insight Ltd. does business as Intouch Insight Inc. and Intouch Insight Corp. (collectively referred to as "Intouch").

Intouch's vision is to provide perfect information, instantly. Our mission is to design, build and deliver solutions that collect data for customers to provide information that improves business outcomes.

Intouch develops managed mobile software applications and software-as-a-service (SaaS) platforms, and delivers services for private businesses, governments and regulators. These stakeholders need mobile, real-time information about leads, customer feedback, operational compliance, employee feedback and new product analysis. Intouch has developed comprehensive software platforms including IntouchCapture™, IntouchCheck™, IntouchSurvey™, and most recently a customer experience management platform, LiaCX™. These products facilitate the rapid development of data collection programs including event lead capture, customer satisfaction surveys, and mobile forms, checklist and audits. All products include real-time, online reporting and advanced analytics to help clients focus their time on the most strategic projects. Intouch also uses its technology to enable its data collection services including mystery shopping, third party audit and customer experience measurement programs.

IntouchCapture is a software application that provides event marketing solutions including analytics, logistics and support. With thousands of event days and millions of customer interactions every year, IntouchCapture is used by Fortune 1000 brands, agencies, government and military across North America. The Company's complete software stack, stocked hardware warehouse and technical engineers bring big data, analytics, mobile-first design and data collection expertise to our customers.

IntouchCheck is a powerful mobile application that helps organizations easily measure their operational standards internally and implement changes to drive lasting business improvements. The software allows businesses to create unlimited mobile forms and checklists to easily collect and aggregate data from all locations. Key product features include the ability to add photos and signatures to forms and issue management automation. The issue management functionality allows users to flag issues, automatically alert key stakeholders, assign issues and set due dates, and track issues through to resolution. IntouchCheck also includes real-time reporting on performance and the ability to view performance by location, region, date and more.

IntouchSurvey is a software application that allows businesses to perform web-based surveys to collect feedback and view results using robust, real-time dashboards. The most common application of this product is as a customer satisfaction survey tool. IntouchSurvey has an easy-to-use drag and drop survey builder, offers a wide range of question types, and includes more complex functionality like skip logic and conditional questions. The software also includes case management functionality, which allows key stakeholders to automatically be alerted of a low survey score or negative response to a specific question. The case can be assigned to another employee with a due date, and the stakeholder can view the outcome of the case.

LiaCX is a complete, SaaS-based solution that helps customer experience (“CX”) professionals make targeted improvements to accelerate the delivery of a world class customer experience. “Lia” stands for Listen, Interpret & Act representing the closed loop capabilities of the software. The platform centralizes all channels of feedback, operational and back-office system data within a centralized platform and presents it in a logical manner for ease of interpretation and organizational alignment. Intelligent and predictive analytics, and task completion accountability help mobilize customer-facing staff to close the loop on customer experience problems and drive better business results.

## **OUTLOOK**

Revenue, earnings and EBITDA obtained in Q3 were within Management expectations. As previously stated, because of our major investment in the LiaCX product, Management is expecting significant losses to occur throughout 2018. While Q3 did see the first revenue from LiaCX, management does not expect significant sales from this new product line until Q2 2019. In accordance with its business plan it is expected that Intouch will continue to have negative profits through 2019 as planned investment in product development, sales and marketing activities continue in advance of sales. Based on the strength of the underlying business, including its new technologies, however, it is expected that Intouch revenue for 2018 will be close to \$15M.

It is anticipated that growth rates in recurring software sales will begin to outpace growth rates in recurring services revenue in 2019 and that software sales will become not only the focus of the organization, but also start to make up a significant share of its revenue in the coming years. As the future product mix shift becomes a reality the Company will also benefit from improved overall margins driven through software sales. The Company believes that its new LiaCX family of products are strong, well priced compared to competitors in the CEM space and Management is optimistic with the future of its SaaS based business.

Management expects revenue from the new product lines in the CEM software space to grow through new customer acquisition as well as sales to its large existing customer base as evidenced through its initial contracts. Intouch has an increased focus on Artificial Intelligence (“AI”) and plans to be the leading company providing AI in the customer experience management software industry. Management also plans to protect its investments in intellectual property including extending coverage of its Action Campaign™ patent beyond the United States with additional patent filings in the future.

The Company continues to be open to acquisitions.

## **RESULTS OF OPERATIONS**

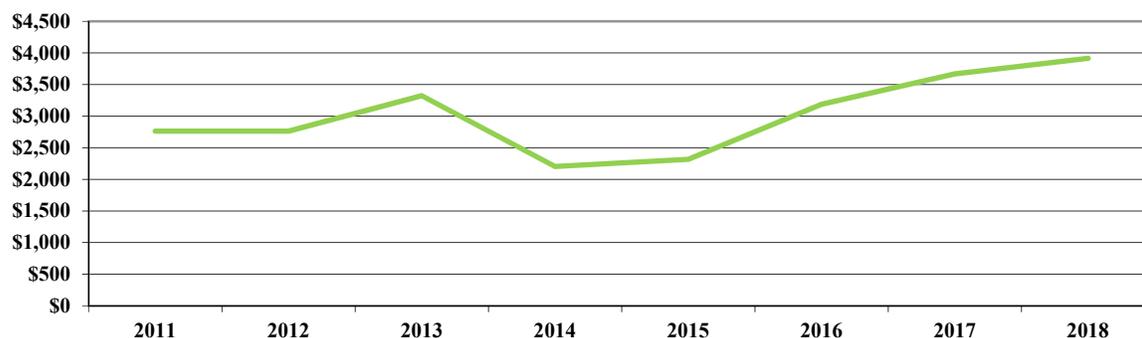
### **a) Revenue**

The Company receives revenue from software applications and related services to its customers in a market referred to as data collection and reporting services.

The Company’s strategy is to focus on software applications, and long-term services contracts and as a result tracks its recurring revenue from both software and services. The following chart shows the breakdown of recurring software revenue as well as recurring and non-recurring services revenue for the three and nine months ended September 2018 and 2017.

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Recurring software revenue	\$ 664,344	\$ 618,217	7%	\$ 1,842,575	\$ 1,720,916	7%
Recurring services revenue	\$ 3,232,127	\$ 2,960,759	9%	\$ 9,426,307	\$ 8,758,215	8%
Non-recurring services revenue	\$ 18,490	\$ 90,485	-80%	\$ 75,254	\$ 249,086	-70%
<b>Total revenue</b>	<b>\$ 3,914,961</b>	<b>\$ 3,669,461</b>	<b>7%</b>	<b>\$ 11,344,136</b>	<b>\$ 10,728,217</b>	<b>6%</b>

**Yearly Q3 Revenue (,000s)**



The Company's third quarter 2018 revenues were \$3,914,961, an increase of 7% compared to third quarter 2017 revenues of \$3,669,461. For the nine months ended September 30, 2018, revenues increased 6% from \$10,728,217 in 2017 to \$11,344,136 in 2018. The recurring revenue increased from growth within current customers as well as from new customer growth. Services revenue growth increased 9% from growth within current customers as well as from new customer growth. Non-recurring services revenue, which consists of one-time set-up fees and technical services work, decreased from \$90,485 in Q3 2017 to \$18,490 in Q3 2018.

The Company also measures its revenue geographically. The following chart shows the breakdown of revenues from Canada and the U.S.

	Three months ended September 30				Nine months ended September 30			
	2018	%	2017	%	2018	%	2017	%
Canada	\$ 1,611,851	41%	\$ 1,599,341	44%	\$ 4,770,316	42%	\$ 4,647,168	43%
U.S.	\$ 2,303,110	59%	\$ 2,070,120	56%	\$ 6,573,820	58%	\$ 6,081,049	57%
<b>Total revenue</b>	<b>\$ 3,914,961</b>	<b>100%</b>	<b>\$ 3,669,461</b>	<b>100%</b>	<b>\$ 11,344,136</b>	<b>100%</b>	<b>\$ 10,728,217</b>	<b>100%</b>

Revenues generated from Canadian clients in Q3 2018 were 1% higher (YTD 2018 – 3% higher) compared to Q3 2017. U.S. revenues increased 11% in Q3 2018 (YTD 2018 – 8% higher). The Company continues to benefit from the foreign exchange rate effect of a lower Canadian dollar. The Company's largest U.S. based client, an automobile manufacturer, provided revenue of \$613,203, very similar compared to revenue of \$608,266 in Q3 2017 (YTD 2018 revenue decrease of 9% or \$163,324). Revenue from this client, although stable in Q3 2018, may be affected by the frequency and size of the projects as well as any fluctuations in foreign exchange rates for the remainder of this year.

Included in Q3 2018 revenues were approximately \$642,296 (YTD 2018 - \$1,612,478) compared to \$513,923 in Q3 2017 (YTD 2017 - \$1,091,970) from customers acquired through an outsourcing and business transfer agreement with Global Compliance Services, Inc. in August of 2011. Of this Q3 2018 revenue approximately \$492,833 or 77% was generated from U.S. customers and \$149,463 or 23% from Canadian customers (Q3 2017 - \$355,802 or 69% from U.S. customers and \$158,121 or 31% from Canadian customers).

Also included in Q3 2018, were revenues of approximately \$548,152 (Q3 2017 - \$541,863) from customers acquired through a business transfer agreement with NAVEX Global, Inc. in April 2013. Of this revenue, approximately \$510,143 or 93% was generated from U.S. sales and \$38,009 or 7% from Canadian sales. Year-to-date 2018 revenues were \$1,764,844 compared to \$2,027,819 year-to-date 2017.

Management expects fluctuations in quarter-over-quarter operating results. Overall, management expects 2018 revenues to be higher than 2017 revenues as the Company was successful in securing existing clients as well as attracting new clients and continues to focus more on its sales and marketing efforts behind the recent launch of LiaCX.

**Revenue recognition:** The Company follows International Financial Reporting Standards in recognizing its revenue from operations. For further information on revenue recognition, refer to Note 2 in the audited consolidated financial statements dated December 31, 2017.

#### b) Cost of Services and Gross Margin

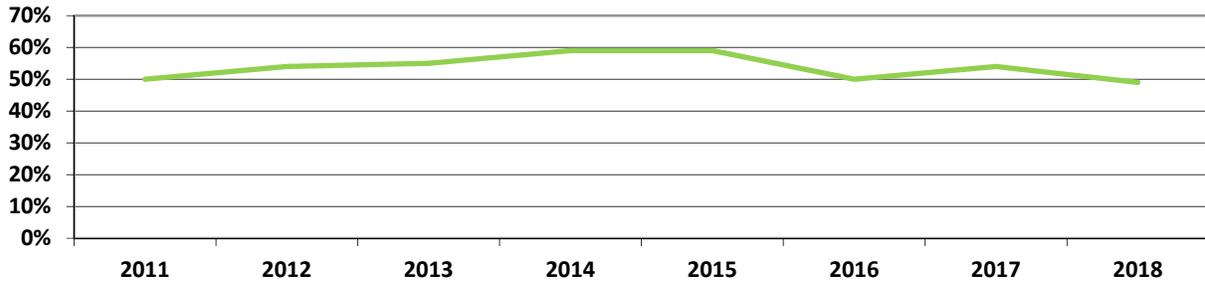
The Company's cost of services includes all direct costs incurred in the provision of its products and services. These costs include items such as expenses related to staff and independent contractors, delivery charges, communication costs (as each mobile unit or other device is equipped with cellular and/or wireless technology in order to transmit results or program updates live in the field) and amortization associated to the data collection units.

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Staff/contractor expense	\$ 1,493,508	\$ 1,301,730	15%	\$ 4,303,099	\$ 3,931,618	9%
Delivery/communication costs	\$ 240,547	\$ 169,589	42%	\$ 622,813	\$ 585,855	6%
Amortization	\$ 67,381	\$ 61,530	10%	\$ 196,055	\$ 167,074	17%
Other	\$ 206,971	\$ 139,430	48%	\$ 398,590	\$ 297,634	34%
<b>Cost of services</b>	<b>\$ 2,008,407</b>	<b>\$ 1,672,279</b>	<b>20%</b>	<b>\$ 5,520,557</b>	<b>\$ 4,982,181</b>	<b>11%</b>

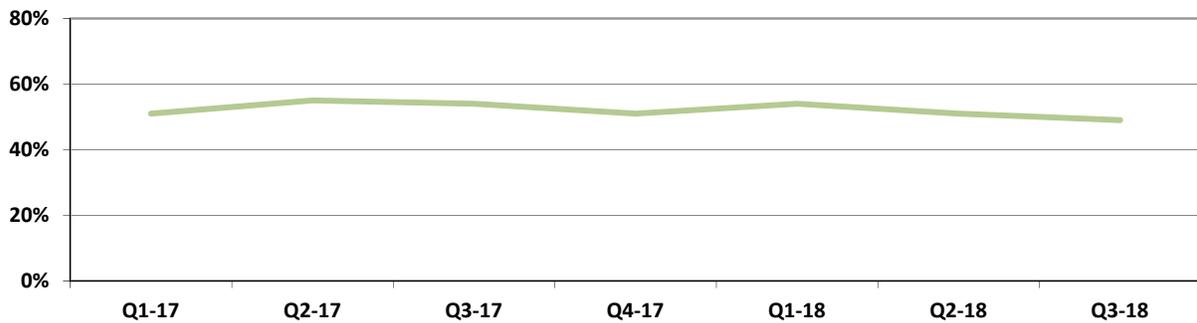
Consolidated cost of services increased 20% from \$1,672,279 in Q3 2017 (YTD 2017 - \$4,982,181) to \$2,008,407 in Q3 2018 (YTD 2018 - \$5,520,557). Staff and contractor expense increased as various vacant positions were filled both in the shop and audit part of the business. Delivery/communication costs increased as the Company now uses a third-party software platform to dispatch its shoppers and auditors. Amortization increased to reflect the purchase of new technology to be used in the field as data collection devices.

The consolidated gross margin decreased by \$90,628 or 5% from \$1,997,182 in Q3 2017 to \$1,906,554 in Q3 2018. The margin percentage of 49% in Q3 2018 is the lowest quarter of the year which is still tracking to last year's number of 51%. The percentage for Q3 2018 is lower than the 54% obtained in Q3 2017 due to positive growth from historic product lines.

Yearly Q3 Gross Margin as a percentage of sales



Quarterly gross margin as a percentage of revenue



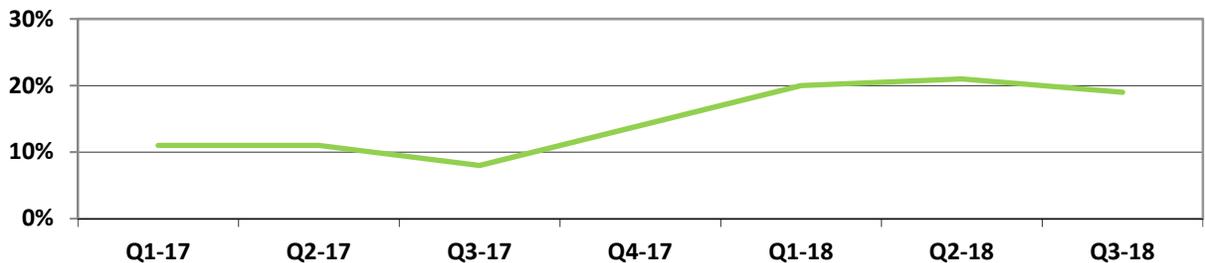
c) **Selling**

The Company includes marketing, travel, salaries and benefits in selling expenses and are broken down as follows:

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Marketing expense	\$ 315,469	\$ 73,955	327%	\$ 875,944	\$ 286,448	206%
Travel expense	\$ 81,883	\$ 29,585	177%	\$ 270,784	\$ 140,282	93%
Salaries and benefits expense	\$ 353,661	\$ 189,500	87%	\$ 1,129,960	\$ 607,598	86%
<b>Selling expenses</b>	<b>\$ 751,013</b>	<b>\$ 293,040</b>	<b>156%</b>	<b>\$ 2,276,688</b>	<b>\$ 1,034,328</b>	<b>120%</b>

Selling expenses increased by 156% from \$293,040 in Q3 2017 to \$751,013 in Q3 2018. Year-to-date 2018, selling expenses increased as well to \$2,276,688. Marketing initiatives increased 327% in Q3 2018 and increased 206% YTD. Travel increased 177% quarter over quarter and 93% YTD. The Company expects marketing and travel expense to remain stable for the balance of 2018 as it continues to bring its new products to market. Salaries and benefits expense for Q3 2018 and year-to-date 2018 are higher than in the same periods of 2017 and the Company expects the increased expenses to continue for the remainder of the year. Management continues to watch the marketplace very closely and will aggressively react to pursue new business opportunities.

Selling expenses as a percentage of sales



d) **General and Administrative**

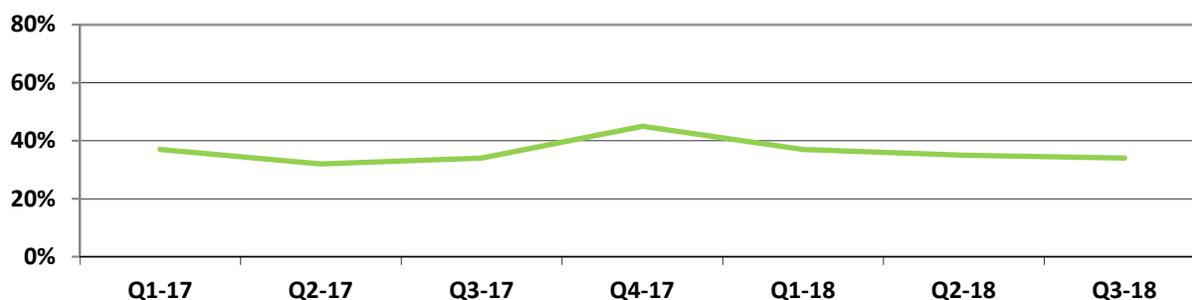
	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Corporate administration	\$ 300,505	\$ 200,952	50%	\$ 942,925	\$ 812,455	16%
Consultant fees	\$ 31,813	\$ 5,507	478%	\$ 53,879	\$ 56,610	-5%
Professional fees	\$ 19,367	\$ 6,586	194%	\$ 153,369	\$ 90,274	70%
Listing fees	\$ 22,919	\$ 20,894	10%	\$ 94,983	\$ 61,484	54%
Salaries and benefits	\$ 798,973	\$ 817,802	-2%	\$ 2,409,633	\$ 2,088,560	15%
Loss (gain) on disposal of property and equipment	\$ (1,928)	\$ -		\$ (20,839)	\$ (2,654)	685%
Loss (gain) on foreign exchange	\$ 30,907	\$ 48,006	-36%	\$ (17,597)	\$ 113,651	-115%
Amortization expense	\$ 133,809	\$ 150,615	-11%	\$ 400,292	\$ 426,653	-6%
<b>Total general and administrative</b>	<b>\$ 1,336,365</b>	<b>\$ 1,250,362</b>	<b>7%</b>	<b>\$ 4,016,645</b>	<b>\$ 3,647,033</b>	<b>10%</b>

General and administrative expenses increased by 7% from Q3 2017 to Q3 2018. Year-to-date, the increase in 2018 amounts to 10% compared to 2017. Management expects general and administrative expenses to remain at these levels for the remainder of 2018. Stock-based compensation added \$15,789 in non-cash salary expense to the Q3 2018 (YTD 2018 - \$42,910) general and administrative expense compared to \$5,986 for Q3 2017 (YTD 2017 - \$17,735). Management anticipates that share-based compensation will increase slightly from Q3 2018 and will fluctuate based on issuances of common share options.

The Company recorded a loss on U.S. exchange of \$30,907 in Q3 2018 (YTD 2018 – gain of \$17,597) compared to a loss of \$48,006 in Q3 2017 (YTD 2017 – loss of \$113,651). Any further gains or losses will be dependent on the fluctuation of the Canadian dollar.

Amortization associated with general and administrative expenses was \$133,809 for Q3 2018 compared to \$150,615 in Q3 2017. Amortization of intangible assets of \$105,717 was included in the \$133,809 for Q3 2018 as a result of business acquisitions. Q3 2017 amortization of intangible assets was \$125,941. Management expects that the amortization of intangible assets will continue at a similar rate for the remainder of 2018.

**General and administrative expenses as a percentage of sales**

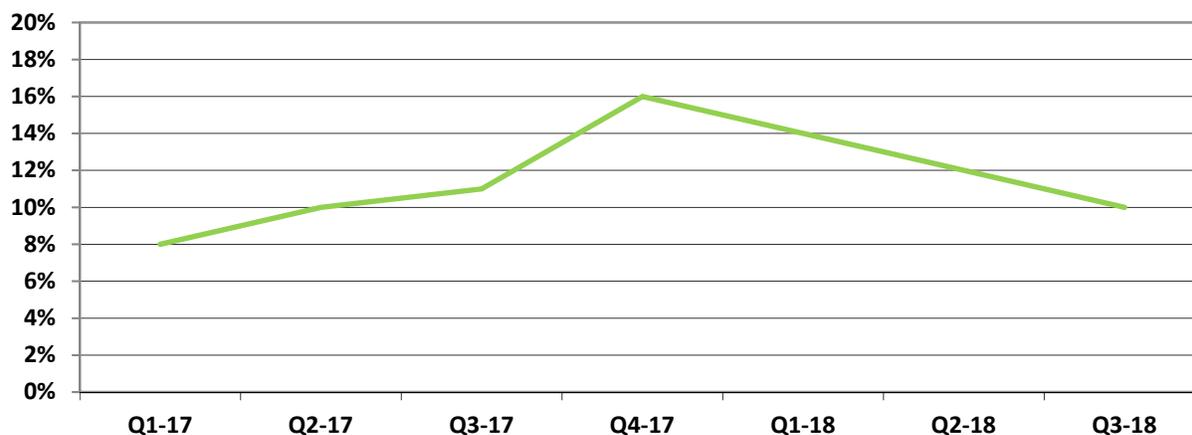


e) **Product Development**

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Salaries and benefits	\$ 530,835	\$ 402,973	32%	\$ 1,611,337	\$ 1,251,664	29%
Government agency contribution	\$ (126,702)	\$ -		\$ (215,900)	\$ (191,500)	13%
<b>Product development expenses</b>	<b>\$ 404,133</b>	<b>\$ 402,973</b>	<b>0%</b>	<b>\$ 1,395,437</b>	<b>\$ 1,060,164</b>	<b>32%</b>

Q3 2018 product development expenses of \$402,973 were similar to \$404,133 in Q3 2018. Salaries and benefits expense increased 32% in Q3 2018 (YTD 2018 – increased 29%). The Company successfully applied for and received government contributions to assist in developing its CEM (Customer Experience Measurement) platform with single sign on capabilities and new reporting features. There are no financial covenants attached to the grants. The total government contribution committed to Intouch is \$220,000. The Company will claim the remaining contribution in Q4 2018. Product development costs for 2018 will be substantially higher than 2017 levels as the Company continues to develop the LiaCX CEM platform.

### Product Development expenses as a percentage of sales



#### f) Earnings (loss) from operating activities

Loss from operating activities for Q3 2018 was \$584,957 compared to earnings of \$50,807 in Q3 2017. For the first three quarters of 2018, the loss from operating activities was \$1,865,191, an increase of \$1,869,702 compared to earnings of \$4,511 in the same period 2017. The increase in operating losses is attributable to the increase in planned expenses as the Company accelerates its journey into the recurring revenue software marketplace. Further quarterly losses will be expected as the Company will continue its focus on product development and increase its focus on sales and marketing throughout 2018.

#### g) Non-operating earnings (expenses)

Finance costs for Q3 2018 were \$5,007 (YTD 2018 - \$8,865). In Q3 2017, finance costs were \$17,424 (YTD 2017 - \$47,519). Finance costs decreased because of interest received from investments made in short-term deposits. Interest received in Q3 was \$3,475 and YTD 2018 was \$17,857. The Company expects finance costs to increase as its cash currently invested will be needed to fund operations.

On June 30, 2017, the Company finalized an agreement to sell its shares of IPSP Technology Inc. ("IPSP") to the CEO and other shareholder and director of IPSP. The Company had previously recorded losses that exceeded the original investment and therefore had deemed the carrying amount of the investment as \$Nil. In exchange for the Company's 49% share in IPSP, the cancellation of the service level agreement and an agreement not to incur any future contingent liabilities or other commitments, the Company received a one-time payment of \$10,000. The shares of IPSP are not publicly listed on a stock exchange and hence published price quotes are not available.

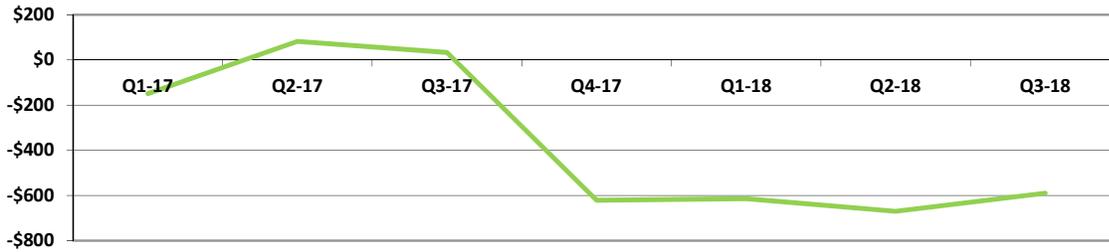
#### h) Income taxes

Income tax expense (recovery) is recognized at each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year should the estimate of the annual income tax rate change.

#### j) Net earnings (loss) and comprehensive income (loss)

The Company reported a net loss and comprehensive loss of \$589,964 for Q3 2018 (YTD 2018 – loss of \$1,874,056) compared to earnings of \$33,383 (YTD 2017 – loss of \$33,008) for the same period last year. Basic and diluted earnings (loss) per share for Q3 2018 were \$(0.03) compared to \$0.00 for Q3 2017. Year-to-date loss per share for 2018 is \$(0.09) while earnings per share for 2017 were \$0.00.

**Net earnings (loss) and comprehensive income (loss) (in '000s)**



**k) Cash Flows**

The Company's cash position was \$880,187 at September 30, 2018 compared to \$3,426,398 at December 31, 2017 and \$2,355 at September 30, 2017.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash flows from operating activities before changes in working capital				
changes in working capital	\$ (369,697)	\$ 269,653	\$ (1,280,666)	\$ 624,685
Changes in working capital	\$ (30,975)	\$ 80,126	\$ (862,158)	\$ (542,027)
Cash flows from operating activities	\$ (400,672)	\$ 349,779	\$ (2,142,824)	\$ 82,658
Cash flows from financing activities	\$ (108,739)	\$ (121,515)	\$ (255,807)	\$ 223,674
Cash flows used in investing activities	\$ (3,833)	\$ (262,823)	\$ (147,580)	\$ (713,249)
Increase (decrease) in cash	\$ (513,244)	\$ (34,559)	\$ (2,546,211)	\$ (406,917)

**Operating activities:**

Cash outflows from operating activities for the quarter ended September 30, 2018 were \$400,672 (YTD 2018 - \$2,142,824) compared to an inflow of \$349,779 in Q3 2017 (YTD 2017 - \$82,658). This quarter's decrease was mostly due to the continued push to market of its CEM products. Accounts receivable were \$2,563,870 at September 30, 2018, compared to \$2,616,157 at June 30, 2018 and \$1,925,165 at December 31, 2017. Accounts payable and deferred revenue decreased from \$1,154,874 at December 31, 2017, to \$890,035 at September 30, 2018. The Company expects fluctuations in working capital and considers them in line with the normal flows of the business.

**Financing activities:**

As at September 30, 2018, the Company had not drawn on its bank line of credit (June 30, 2018 - \$Nil, December 31, 2017 - \$Nil). Share capital of \$1,066 was issued during Q3 2018, (YTD 2018 - \$77,455) resulting from the exercise of stock options (\$Nil in Q3 2017 and \$76,400 YTD 2017). The Company repaid long-term debt of \$104,796 in Q3 2018 (YTD 2018 - \$324,408) compared to \$62,500 in Q3 2017 (YTD 2017 - \$187,500). Financing costs paid during Q3 2018 were \$5,009 (YTD 2018 - \$8,865) compared to \$17,424 in Q3 2017 (YTD 2017 - \$47,519).

**Investing activities:**

During the third quarter 2018, the Company purchased property and equipment for \$5,760 (YTD 2018 - \$174,203) compared to \$262,823 during Q3 2017 (YTD 2017 - \$718,486). The bulk of the 2017 purchases were for new data collection units required to update the Company's fleet as a result of signing a new 3-year agreement with its largest customer, as well as leasehold improvements to the Company's head office facility as it prepared to hire on new staff. The Company finalized a loan with its financial institution for this purchase of \$394,760 which was drawn in Q3 2017 which explains the higher loan payments made in 2018 (see above). There were no new loans in 2018.

**l) Liquidity and Capital Resources**

Working capital was \$2,473,744 as at September 30, 2018 with a current ratio of 3.23:1 compared to \$3,928,614 as at December 31, 2017 and \$1,285,452 as at September 30, 2017. The table below shows other balance sheet accounts compared to previous year including the percentage change:

	As at Sep 30	As at Dec 31	
	2018	2017	% change
Long-term debt	\$ 239,046	\$ 567,533	-58%
Current portion of long-term debt	\$ 210,849	\$ 398,350	-47%
Deferred revenue	\$ 199,081	\$ 481,700	-59%
Trade and other liabilities	\$ 698,954	\$ 685,489	2%

Debt to equity decreased from 0.32 as at December 31, 2017 to 0.24 at September 30, 2018. The decrease in the ratio is mostly due to the decrease in deferred revenue and the repayment of long-term debt.

The Company has credit facilities that include a \$2,100,000 demand operating loan. The Company had not drawn on this facility as at September 30, 2018. The Company had cash and cash equivalents in the bank as at September 30, 2018 of \$880,187 and good quality accounts receivable of over \$2,500,000. Management believes that the Company currently has sufficient cash resources to continue to finance its working capital requirements. In the past and up to the midpoint of 2017, the Company targeted year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). The Company is currently focused on completing and bringing to market its new CEM SaaS product, LiaCX. Risks include the delay of long sales cycles and the ability of the Company to produce cash flows through revenues to meet our obligations along with the continued support from our debt lenders.

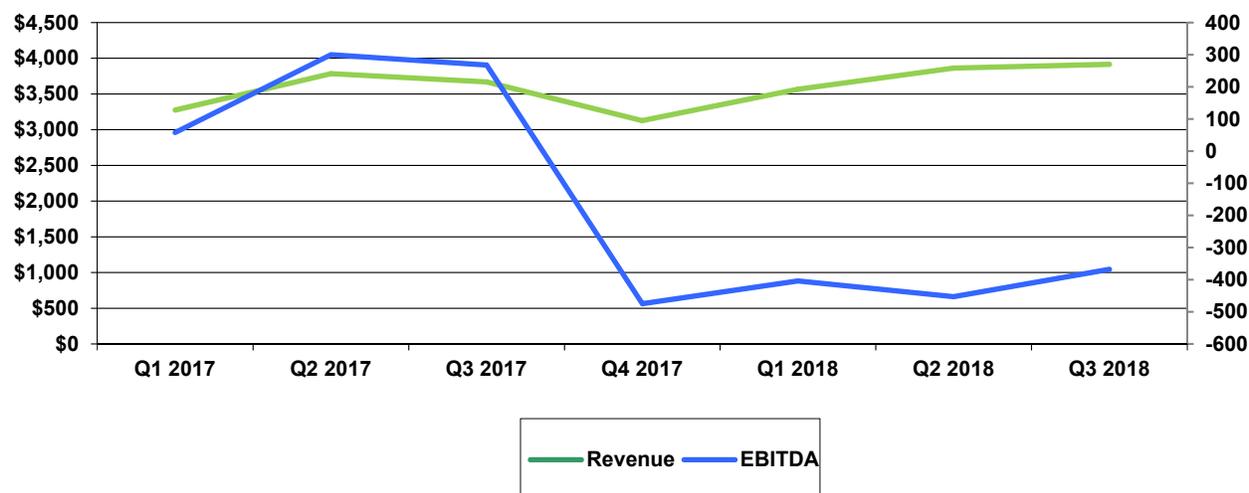
#### Review of quarterly operating results (.000s)

	In accordance with IFRS							
	2018				2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Revenue</b>	<b>\$ 3,915</b>	<b>\$ 3,862</b>	<b>\$ 3,567</b>	<b>\$ 3,127</b>	<b>\$ 3,669</b>	<b>\$ 3,784</b>	<b>\$ 3,275</b>	<b>\$ 3,359</b>
Cost of services	2,008	1,885	1,625	1,520	1,672	1,713	1,597	1,480
Gross profit	1,907	1,977	1,942	1,607	1,997	2,071	1,678	1,879
Total operating expenses	2,492	2,646	2,553	2,309	1,947	1,982	1,813	1,741
<b>Earnings (loss) from operating activities</b>	<b>\$ (585)</b>	<b>\$ (669)</b>	<b>\$ (611)</b>	<b>\$ (702)</b>	<b>\$ 50</b>	<b>\$ 89</b>	<b>\$ (135)</b>	<b>\$ 138</b>
Finance costs	(5)	(1)	(4)	(26)	(17)	(17)	(13)	(26)
Gain (loss) on dilution of associate	-	-	-	-	-	-	-	-
Gain from sale of investment in IPSP Technology	-	-	-	-	-	10	-	-
Negative goodwill	-	-	-	-	-	-	-	46
<b>Net earnings (loss) before income taxes</b>	<b>\$ (590)</b>	<b>\$ (670)</b>	<b>\$ (615)</b>	<b>\$ (728)</b>	<b>\$ 33</b>	<b>\$ 82</b>	<b>\$ (148)</b>	<b>\$ 158</b>
<b>Calculation of adjusted EBITDA earnings from operations</b>	<b>Non-IFRS financial measurement</b>							
<b>To net earnings (loss) before taxes add:</b>								
Finance costs	5	1	4	26	17	17	13	26
Amortization of property and equipment	95	94	90	97	86	69	61	79
Amortization of intangible assets	106	106	106	121	126	126	126	119
Share-based compensation	16	16	11	9	6	6	6	10
Negative goodwill	-	-	-	-	-	-	-	(46)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ (368)</b>	<b>\$ (453)</b>	<b>\$ (404)</b>	<b>\$ (475)</b>	<b>\$ 268</b>	<b>\$ 300</b>	<b>\$ 58</b>	<b>\$ 346</b>

Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

### Quarterly Adjusted EBITDA and revenue ('000)



## ACCOUNTING POLICIES

### a) Critical Accounting Estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### Estimates

##### *Useful lives of depreciable assets*

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

##### *Useful lives of intangible assets*

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

##### *Share-based compensation*

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

##### *Warrants*

In calculating the value of the warrants, key estimates such as the value of the common share, the expected life of the warrant, the volatility of the Company's stock price and the risk-free interest rate are used.

### *Business combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates.

### Judgments

#### *Control and significant influence assessment*

The assessment of control and significant influence over an investment requires judgment

#### *Assessing the stage of completion of revenue*

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in the consolidated financial statements Note 2.

#### *Assessing the probability of utilizing deferred tax assets and investment tax credits*

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in the consolidated financial statements Note 24. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

#### *Impairment*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

#### *Functional currency*

An area of judgment that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of functional currency.

The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

### **b) Statement of compliance**

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards. On November 26, 2018 the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

### **c) Management's Conclusion on the design of Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure and internal controls and procedures as at September 30, 2018 and have concluded that the Company's controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which this report was being prepared.

### **d) Management's Conclusion on the effectiveness of Disclosure Controls**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2018 and have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

## **CORPORATE GOVERNANCE**

The five-person Board of Directors of Intouch is composed of three independent directors who are not related to the Company. One director has been appointed as the Executive Chairman of the Board of Directors and the other as Chief Executive Officer of the Company. The entire Board fulfils the Audit Committee and all directors other than the Chief Executive Officer fulfils the Compensation Committee mandates. The Board and Management will continue to ensure compliance with regulatory requirements.

## **RISK FACTORS AND UNCERTAINTIES**

The Company is focused on expanding its business internally as well as through strategic partnerships and acquisitions to achieve continued growth and profitability. Nevertheless, the Company's future results will depend on its ability to find financing and to continuously introduce new products and enhancements to its customers. There are other additional risks and uncertainties described below.

### **a) Lengthy and Complex Sales Cycle**

Intouch sales efforts target large companies requiring Intouch to expend significant resources educating prospective customers about the uses and benefits of Intouch products. Because the purchase of Intouch's solution is a significant decision for these companies, prospective customers generally take a long time to evaluate the product. The sales cycle may range from four to six months for larger accounts, although these cycles can be longer due to significant delays over which Intouch has little or no control.

### **b) Increasing Competition**

The markets in which Intouch operates and intends to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of larger industry participants including large companies that have substantially greater market presence and financial, technical, operational, marketing and other resources and experience than Intouch.

### **c) Evolving Business Model**

The Intouch business model continues to evolve. Intouch seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Intouch will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

### **d) Need to Manage Growth**

The growth of Intouch's business and its products and services cause significant demands on Intouch's managerial, operational and financial resources. Demands on Intouch's financial resources will grow rapidly with Intouch's expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

### **e) Dependency on Key Personnel**

Intouch's success will depend upon the continued service of its senior management team. Intouch employees may voluntarily terminate their employment with Intouch at any time. The loss of services of key personnel could have a material adverse effect upon Intouch's business, financial condition and results of operation.

### **f) Future Capital Needs**

Intouch may need to raise funds through public or private financing in the event that Intouch incurs operating losses or requires substantial capital investment or in order for Intouch to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurances that additional financing will be available on terms favourable to Intouch or at all.

### **g) Foreign Exchange Exposure**

Intouch continues to seek expanding its operations into the US market. Fluctuations in the currency exchange rate may affect the revenue and operations of the company. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales to the US market grows.

### **h) Cybersecurity**

Security breaches and other disruptions to our information technology networks and systems could interfere with our operations and could compromise the confidentiality of private customer data or our proprietary information. While we attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and having developed contingency plans, we remain potentially vulnerable to additional known or unknown threats. We collect and store

sensitive data including intellectual property, proprietary business information as well as personally identifiable information of our customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to our business operations and strategy. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

## **SHARES**

The share capital of the Company consists of an unlimited number of common shares, without par value. All shares are equally eligible to receive dividends, the repayment of capital and represent one vote at the shareholders' meetings.

During the quarter ended September 30, 2018, the Company issued 3,333 common shares through the exercise of stock options for gross proceeds of \$1,067. Year-to-date 2018, the Company issued 263,333 common shares through the exercise of stock options for gross proceeds of \$77,466.

At September 30, 2018, there were 22,021,811 common shares outstanding and as of the date of this Management Discussion and Analysis, there were 22,136,811 common shares outstanding.

## **RELATED PARTY TRANSACTIONS**

During Q3 2018, the Company expensed \$28,750 (YTD 2018 - \$86,250) as compensation to non-management directors within general and administrative expenses in the statement of operations. The expense for Q3 2017 was \$15,823, and YTD 2017 was \$40,823.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

## **MANAGEMENT'S STATEMENT OF RESPONSIBILITY**

The accompanying consolidated financial statements of Intouch Insight Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates that have been made using careful judgment.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the financial statements.

Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements. The Board of Directors meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal controls and to review and discuss the financial statements and financial reporting matters.

Additional information about the Company such as the 2017 audited consolidated financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com).