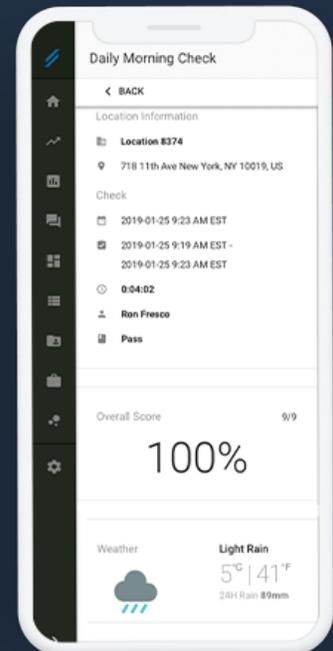
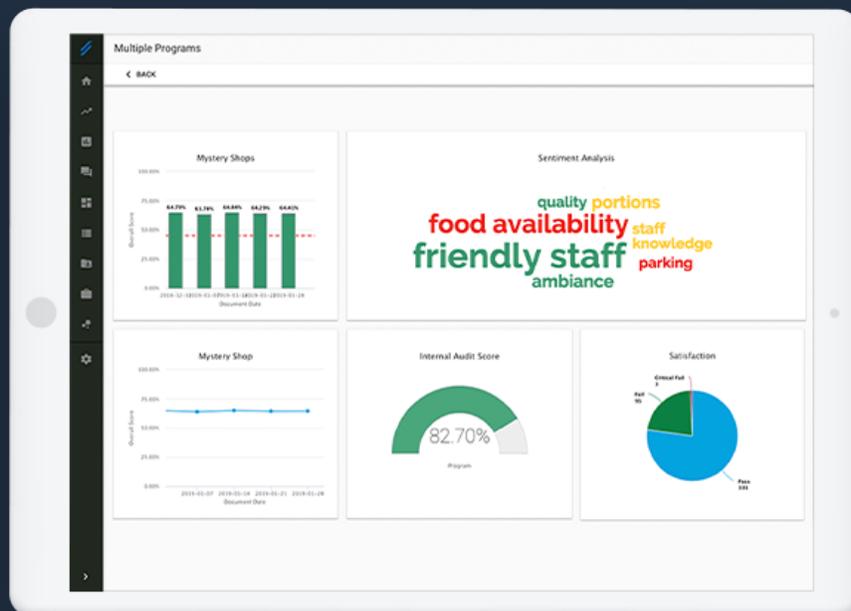
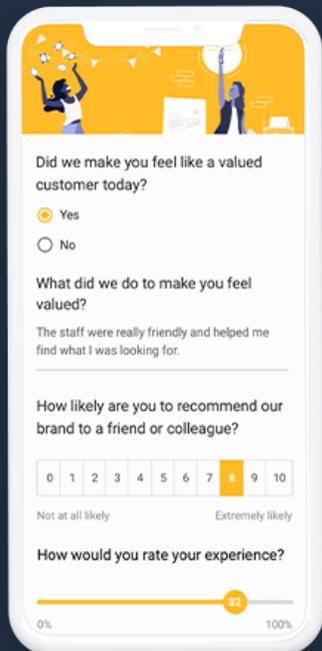


Artificial Intelligence-Powered Customer Experience Management Solutions



About Intouch

At the core of Intouch Insight (Intouch) is, and always has been, a focus on collecting insights to drive business improvement. A lot has changed over the last three decades, but that core goal has remained.



Our Mission

Create shareholder value by designing, building and delivering solutions that collect data for customers and provide information that improves business outcomes.

Products & Services

Intouch Insight offers customer experience management (CEM) products and services that help global brands delight their customers, strengthen brand reputation and improve financial performance. In 2018, the Company added an artificial intelligence-powered CEM software to its product line to round out its complete portfolio of CEM solutions for its growing list of Fortune 500 clients.

The Intouch product suite includes:

- customer experience management software
- survey software
- mobile forms software
- mystery shopping services
- operational and compliance audit services
- event marketing automation software



Cameron Watt, President & CEO

Words from the CEO

Dear Shareholders,

As promised, 2018 was a year of reinvention for Intouch. We launched our customer experience management (CEM) platform, LiaCX™, and filed a provisional patent for the platform's Action Campaign™ technology. By the fall, the technological advantages in the new platform were apparent as the business successfully bid to secure new customers. Marketplace feedback revealed that Intouch's new, modern codebase and software capabilities were unique when compared to any of our traditional competitors. This led to significant new customers being secured very early in 2019, while enabling exciting sales strategies and channels to be pursued using our key differentiation.

Intouch was also able to make progress towards its goal of creating valuable intellectual property (IP). With our focus on artificial intelligence and its practical application in the customer experience management space, we have been able to create new and unique applications which we believe hold strong future potential as we continue to innovate in the industry. In fact, in addition to our patent-pending Action Campaign technology, we filed for another provisional patent in April of 2019.

**Built foundation for IP strategy and filed for
two provisional patents!**

Of course, our business transformation and technological innovation came at a cost, albeit an expected one. As previously announced, funds were raised to accelerate LiaCX product development as well as to support sales and marketing efforts for the initial launch. As the

(continued)

strategic plan was executed through 2018, pressure was put against the company financial results which caused a significant loss, as well as a quarterly cash burn rate throughout the year. I am very pleased, however, that 112% of the EBITDA loss in 2018 was a result of increased spending against selling expenses and product development!

It is also important to understand that while the company was transforming its product and technology DNA, its core business lines were carefully maintained and we continued to retain 97% of our year over year revenue. We understand the importance of protecting the base business and client relationships and remain a strong, customer-centric organization. We also believe that continuing to develop new and innovative technology for the customer experience management industry is key to delivering the strongest possible long-term value to our shareholders.

2019 and Beyond

In the first few months of 2019 we have achieved several very positive results which speak to the strength of the business. A few examples that are worth mentioning are:

- Won contract expected to be worth \$1.8M per year with a US Vaping manufacturer
- Secured St. Hubert, a division of Recipe Unlimited (formerly Cara) on our new LiaCX platform
- Announced expected 2019 revenues of at least \$17M - representing 15% growth
- Announced a plan to return to positive EBITDA results in 2019

So, what should someone expect for the balance of the year? In March we announced a forecast for 15% growth to \$17 Million in revenue. Given the Q1 results, we are confident in this forecast and are expecting to be able to deliver even stronger results as the year goes on. With the health of the core business and the strength of the new products and technology we expect to continue to secure clients and add to our growing portfolio of brands.

We now have the products that we need to win in the marketplace and we do not require any dilution or additional funding in order to continue with our planned growth in 2019 or into the future.

Culture

I wanted to take a moment and reiterate what I said last year regarding the organizational culture at Intouch. It took us several years of difficult change management to get where we are, but now we have a culture that is a true differentiator for us at Intouch. This was made very clear when we embarked on the path to positive EBITDA. The entire company is rallying around the goal and we are confident that we will achieve it without any negative impact to the morale or organizational health in the company. Our work environment values:

- Entrepreneurial behavior and attitude
- Proactive cross-functional learning
- Challenging the status quo
- Customer-centric approaches
- Team based mentality

This key strength allows us to continue our growth by leveraging top quality employees despite the competitive marketplace within technology companies. We believe that you can only be the best if you are able to attract, retain and motivate the best to be part of your organization. We are very proud that we continue to attract, retain and motivate top talent for all of our teams, and we know that this will remain a key to our success as we move into the

Closing Thoughts

Everyone at Intouch is incredibly optimistic about our products, technology, and our future as a leader in providing artificial intelligence solutions in the customer experience management space. In 2019 we are in a position to leverage our past investments and are excited to be looking forward.

We appreciate everyone who has remained on this journey with us and we trust that you see now, more than ever, what a hidden gem Intouch Insight is as a company.



Cameron Watt
President & CEO

INTOUCH INSIGHT LTD.

DATED: MARCH 28, 2019

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, 2018.

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 a number of 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 as a result 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 in order 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

2018 was about executing the stated plan to enter the Customer Experience Management (“CEM”) software market. As a result, there was significant investment in product development, sales and marketing which resulted in the forecasted 2018 losses as LiaCX™ was brought to market. The increased spending against product development and selling expenses represented more than 100% of the year-over-year increased loss in 2018.

Management is very pleased with the state of the technology, products and prospects for sales as they look forward through 2019. Intouch filed its final patent application in January 2019, for its ActionCampaign™ technology and continues to work on Artificial Intelligence (“AI”) driven differentiators. As previously announced, Intouch plans to be the leading company providing AI in the customer experience management software industry and has several additional product initiatives underway. Management will continue to protect its investments in intellectual property including taking advantage of additional patent opportunities.

There has also been a positive outcome for the company’s traditional product lines as a result of the new focus on technological and product improvements. Intouch is now the leader as it relates to technological capabilities versus competition in the mystery shopping and operational auditing marketplace. This new disruptive positioning is expected to allow Intouch to accelerate growth of its traditional lines of business while the new software product lines secure their traction. At this time Management is forecasting \$17M (approximately 15% growth) for the business in 2019 driven by existing product lines as well as new software sales.

Margins remained slightly lower than the target of 55% with 2018 coming in at 52%. The margin pressure is related to sales mix and is expected to remain in the short term and improve once higher margin software sales become a larger portion of the overall revenue. Management is planning to return the business to positive EBITDA during 2019 and ensure that growth can be maintained without the need for additional financing activities.

Management continues to consider accretive acquisition opportunities that would increase the client base and revenues.

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 years ended 2018 and 2017.

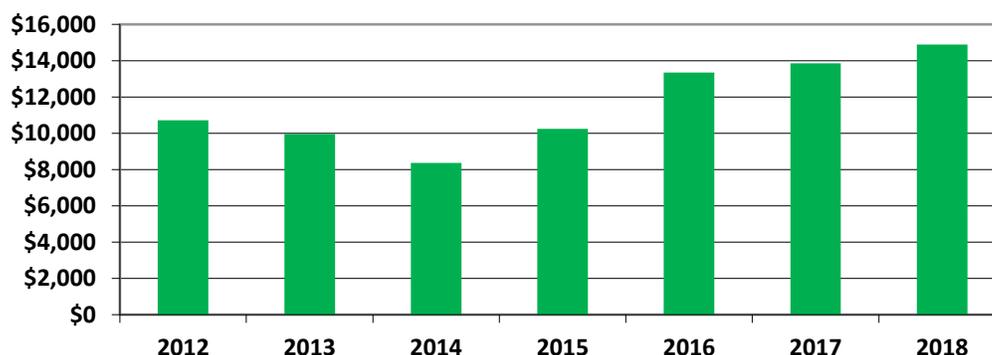
					2018	2017
Recurring software revenue					\$ 2,580,358	\$ 2,310,686
Recurring services revenue					\$ 12,219,359	\$ 11,265,395
Non-recurring services revenue					\$ 88,733	\$ 278,796
Total revenue					\$ 14,888,450	\$ 13,854,877

The Company's 2018 revenues increased 7% from 2017 revenues with its revenue from recurring revenue having increased by 9% and its revenue from non-recurring services decreasing by 68% in the same time period. This increase in overall revenue was a result of organic growth and the acquisition of new clients. The decrease in non-recurring services revenue was due to a large one-time Capture contract in 2017 that was not repeated in 2018. Management expects recurring revenues for both software and services to increase in 2019.

Recurring software revenue increased by 12% while recurring services revenue increased by 8%. The Company has a high customer retention rate and while the contracts with many clients are for one-year terms, the Company's experience is that customers tend to renew each year for another twelve-month period.

The Company feels that it has a strong customer base in each of its product lines going into 2019 and anticipates revenue growth again in 2019.

Yearly revenue (,000s)



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

	2018	%	2017	%
Canada	\$ 6,361,283	43%	\$ 5,883,382	42%
U.S.	\$ 8,527,167	57%	\$ 7,971,495	58%
Total revenue	\$ 14,888,450	100%	\$ 13,854,877	100%

Revenue generated from Canadian clients in 2018 was 8% higher compared to 2017 while U.S. revenues increased by 7%. The Company concentrates its sales efforts in the U.S. and was successful in securing existing clients as well as attracting new clients. The Company continued with many programs for its largest U.S. based client, an automobile manufacturer that first signed in late 2006. Revenues from this client of \$2,312,601 were realized in 2018 compared to \$2,462,229 in 2017. Revenues from this client are expected to continue throughout 2019 at similar levels as 2018. The Company's U.S. revenues are subject to the fluctuation of foreign exchange.

Included in 2018 revenues were approximately \$2,261,050 (2017 - \$2,481,916) from customers acquired through a business transfer agreement with NAVEX Global, Inc. in April of 2013. This revenue is predominately generated from U.S. sales. While revenues were 9% lower than in those of 2017, the Company has generally been successful in securing its client base and the building of other partnerships and expects similar revenues for 2019.

Management expects fluctuations in quarter-over-quarter operating results. Overall, management expects 2019 revenues to be significantly higher than 2018 revenues as the Company focuses more on its sales and marketing as many of the new products the Company has been developing over the past two years come to market.

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, 2018.

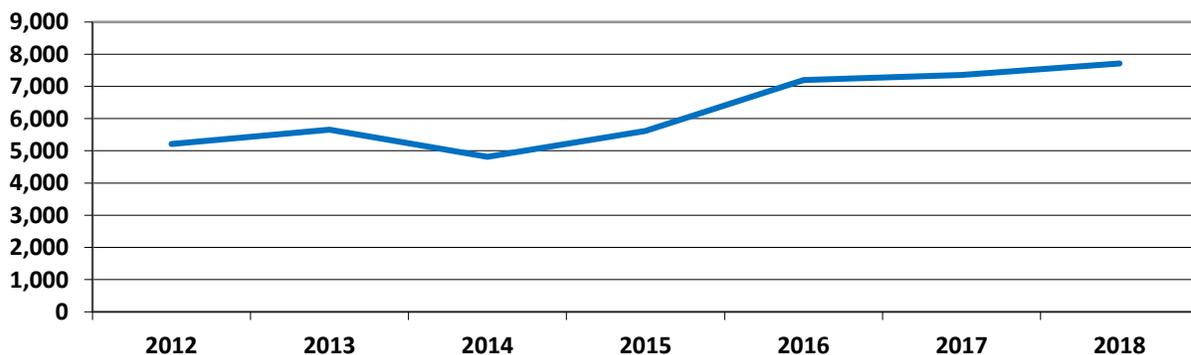
b) Cost of Services/Gross Margin

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.

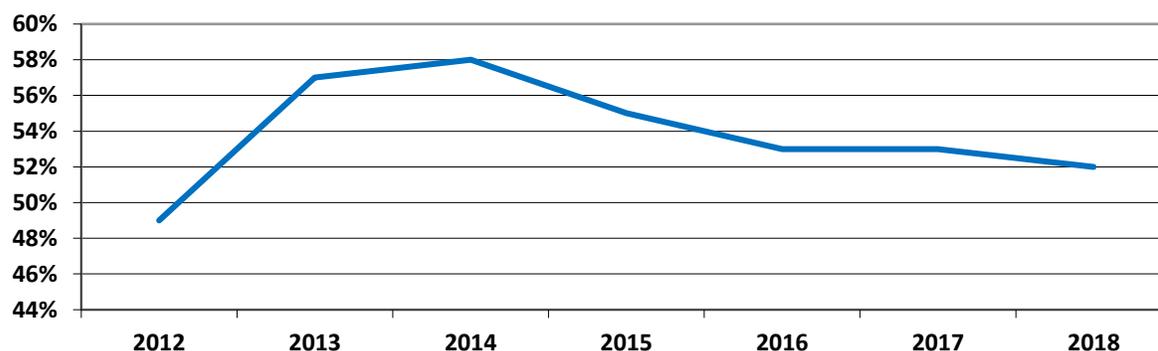
	2018	2017
Staff and contractor expense	\$ 5,750,243	\$ 5,049,697
Delivery and communication costs	\$ 857,935	\$ 786,617
Amortization	\$ 246,074	\$ 238,341
Other	\$ 321,054	\$ 427,957
Cost of services	\$ 7,175,306	\$ 6,502,612

Consolidated cost of services increased 10% in 2018 compared to 2017. For 2018, staff and contractor expense increased by 14% compared to 2017. The increase was due to the increase in revenue. Management expects this expense to increase somewhat throughout 2019 as we acquire new business from new and existing customers but expects this expense to remain in line as a percentage of revenue. Delivery and communication costs increased by \$71,318 or 9% year-over-year, due to new software being used in the field and is expected to remain at these rates for 2019. Amortization increased 3% as the Company has purchased and deployed new data collection devices in the field. It is expected that this expense will remain stable in 2019 as no new purchases are being considered at this time. Included in the other expenses for 2018 are commissions of \$267,264 compared to \$326,903 in 2017. Management expects commission expense to fluctuate based on revenues.

Yearly gross margin (in 000's)



Yearly gross margin results as a percentage of revenue



The consolidated gross margin increased by \$360,879 or 5% to \$7,713,144 in 2018 from \$7,352,265 in 2017 and the margin percentage of 52% in 2018 is marginally lower than the 53% achieved in 2017. Product mix affects gross margin as IntouchCapture, IntouchSurvey and IntouchCheck gross margins are higher than those of IntouchShop and IntouchAudit. Since the recurring services revenue increased the most dollar wise, and these revenues are at a lower margin than software related revenue, Management expected the margin to remain stable. The gross margin percentage of 52% obtained during 2018 is slightly lower than Management's target of 55 to 60%, however, Management expects gross margin percentage to be more in line with targets by the end of 2019 as the revenue mix changes to reflect increased software sales.

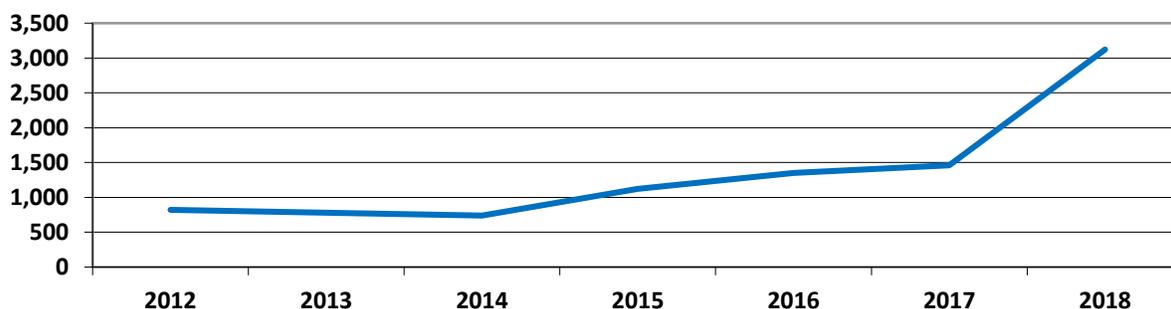
c) Selling

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

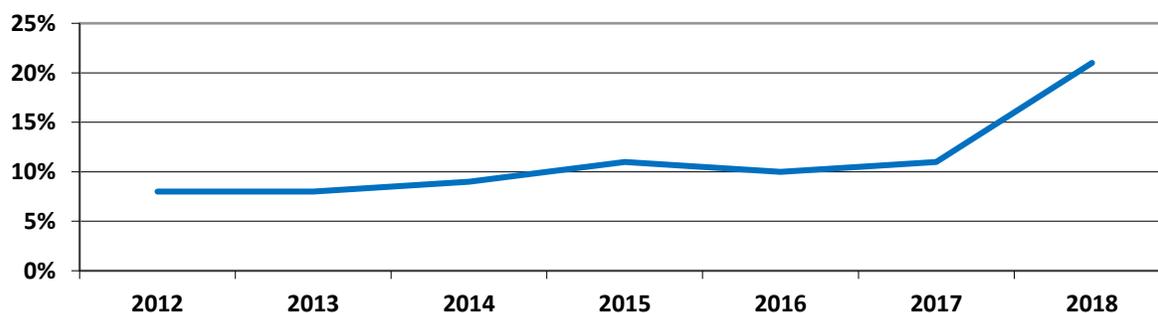
	2018	2017
Marketing expenses	\$ 1,220,741	\$ 408,839
Travel expenses	\$ 336,398	\$ 193,852
Salaries and benefits	\$ 1,565,155	\$ 858,935
Selling expenses	\$ 3,122,294	\$ 1,461,626

Selling expenses increased by 114% from \$1,461,626 in 2017 to \$3,122,294 in 2018. The increases were the result of significant increases in marketing activities as well as travel to trade shows and customer sites and staffing. While selling expenses increased year-over-year the expense as a percentage of revenue also increased by 11% to 21%. The Company expects to decrease selling expenses throughout 2019 and has already taken steps by internally re-shuffling sales rolls as well as focusing its marketing activities further towards our strengths of multi-location, region and date reporting. Management continues to watch the marketplace very closely and will aggressively seek new business opportunities.

Yearly selling expenses (in 000's)



Yearly selling expenses as a percentage of revenue



d) General and Administrative

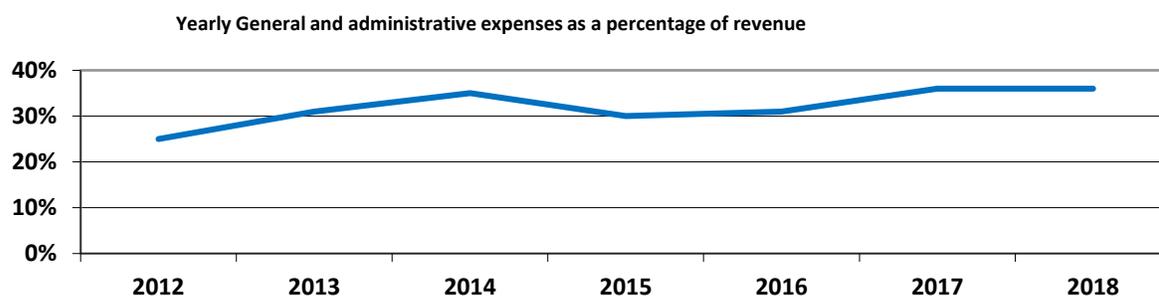
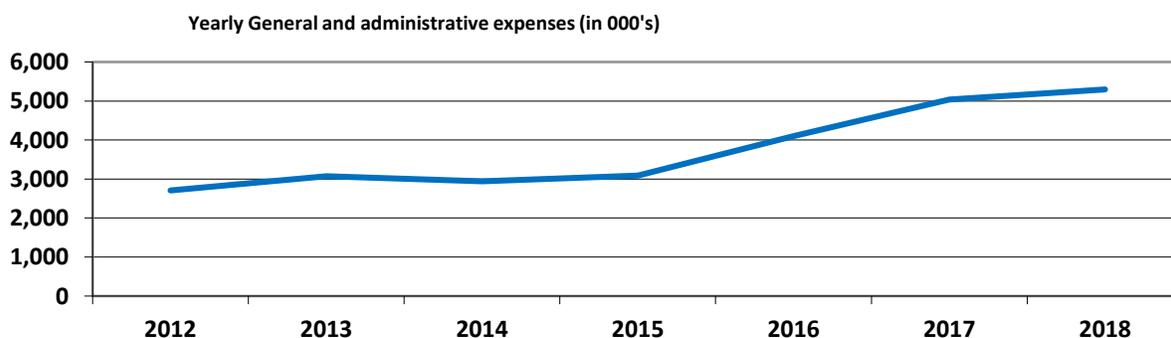
	2018	2017	% change
Corporate administration	\$ 1,027,880	\$ 1,192,703	-14%
Consultant fees	\$ 85,357	\$ 228,284	-63%
Professional fees	\$ 205,330	\$ 135,284	52%
Listing fees	\$ 177,182	\$ 120,272	47%
Salaries and benefits	\$ 3,372,758	\$ 2,658,748	27%
Loss (gain) on disposal of property and equipment	\$ (20,989)	\$ 47,996	-144%
Loss (gain) on foreign exchange	\$ (66,351)	\$ 83,974	-179%
Amortization expense	\$ 515,694	\$ 573,543	-10%
Total general and administrative expenses	\$ 5,296,861	\$ 5,040,804	5%

General and administrative (“G&A”) expenses increased by 5% overall in 2018. Management did expect G&A expenses to increase for further hires to its customer support team to train, document and help improve its new software. Share-based compensation added \$59,698 in non-cash salary expense to the 2018 G&A expense compared to \$27,062 for 2017. Management anticipates that share-based compensation will remain at these levels in 2019. For 2019, the other general and administrative expenses are expected to remain at these levels.

Consultant fees decreased from \$228,284 in 2017 to \$85,357 in 2018 as the Company did not incur the expense of raising capital in 2018 and only continued its engagement with an investor relations firm in 2018.

The Company recorded a gain on U.S. exchange of \$66,351 in 2018 compared to a loss of \$83,974 in 2017. Any future gains or losses will be dependent on the fluctuation of the Canadian dollar in regard to the U.S. dollar.

Amortization associated with G&A expenses was \$515,694 for 2018 compared to \$573,543 for 2017. Amortization of intangible assets of \$404,744 was included for 2018 compared to \$499,253 in 2017. Management expects that the amortization of intangible assets will decrease slightly as some intangibles will be fully depreciated early in 2019.

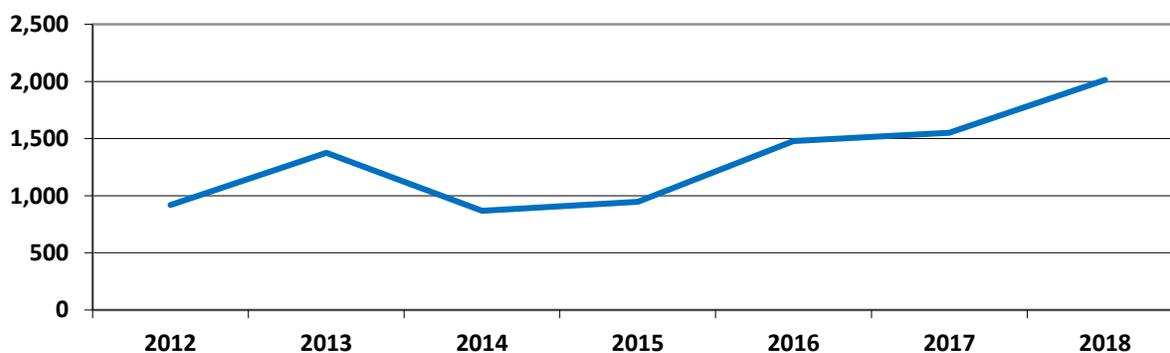


e) **Product Development**

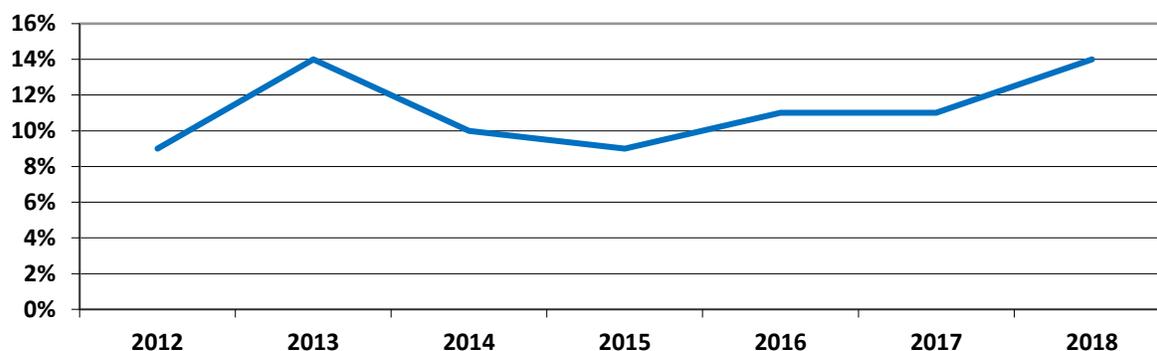
		2018	2017	% change
Salaries and benefits expense		\$ 2,232,521	\$ 1,742,898	28%
Government agency contribution received for software application development		\$ (220,000)	\$ (191,500)	15%
Total product development expense		\$ 2,012,521	\$ 1,551,398	30%

Product development spending increased 30% from \$1,551,398 in 2017 to \$2,012,521 in 2018. Salaries increased 28% in 2018 as the Company continued to hire more product developers. Included in salary expense is an amount of \$106,241 which was a reversal of the ITC recovery asset that was impaired and written off. The Company successfully applied for and received a government agency contribution to assist in developing its Operational Intelligence project totalling \$220,000 compared to the 2017 contribution of \$191,500 covering two smaller projects. Product development costs for 2019 are expected to be similar or higher than 2018 levels depending on any future Government funding. There are no financial covenants attached to the contributions.

Yearly Product development expenses (in 000's)



Yearly Product development expenses as a percentage of revenue



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

Loss from operating activities in 2018 was \$2,718,532, a decrease of \$2,016,969 or 287% compared to a loss of \$701,563 for 2017. The decrease is attributable to the increase in planned expenses as the Company accelerated its journey into the recurring revenue software marketplace. The Company will continue its focus on product development and increase its focus on sales and marketing into 2019.

g) Non-operating earnings (expenses)

Finance costs for 2018 were \$12,265. In 2017, finance costs were \$72,297. Finance costs decreased 83% compared to 2017 as a result of the repayment of loans and the interest income earned on the cash equivalents as the funds were used throughout 2018. The Company expects finance costs to increase in 2019 as the Company no longer has interest income to offset interest expense and expects to enter its line of credit facility.

On June 30, 2017, the Company finalized an agreement to sell its shares of IPSPG to the CEO and other shareholder and director of IPSPG. 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 IPSPG, 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 IPSPG are not publicly listed on a stock exchange and hence published price quotes are not available

h) Net loss before income taxes

The Company recorded a net loss before income taxes in 2018 of \$2,730,797 compared to a net loss of \$763,860 obtained in 2017.

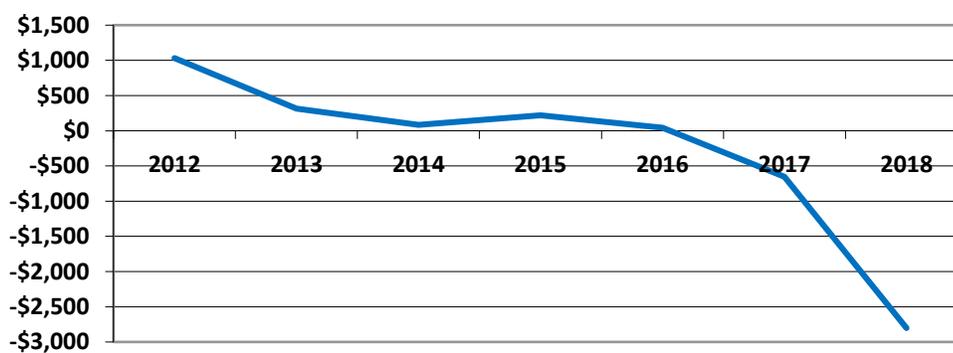
i) Income taxes

In 2018, the Company recorded a future tax expense of \$55,854 (2017 – future tax recovery of \$142,102) against its deferred tax assets. A current income tax expense of \$15,054 was recorded for 2018 (2017 – expense of \$32,254).

j) Net loss and comprehensive loss

The Company reported a net loss and comprehensive loss for 2018 of \$2,801,705 or \$(0.13) per share basic and diluted compared to a net loss and comprehensive loss of \$654,012 or \$(0.04) per share basic and diluted for 2017. The loss in 2018 was expected as the Company's executed against its stated strategy regarding its development, marketing and sales of software products.

Net earnings from continuing operations (in 000's)



k) Cash Flows

The Company's cash position was \$242,865 at December 31, 2018, compared to \$3,426,398 at December 31, 2017.

	2018	2017	% change
Cash flows from operating activities before changes in working capital	\$ (1,863,807)	\$ 129,289	-1542%
Changes in working capital	\$ (866,698)	\$ 279,730	-410%
Cash flows from operating activities	\$ (2,730,505)	\$ 409,019	-768%
Cash flows from financing activities	\$ (302,742)	\$ 3,323,777	-109%
Cash flows used in investing activities	\$ (150,286)	\$ (715,670)	-79%
Increase (decrease) in cash	\$ (3,183,533)	\$ 3,017,126	-206%

Operating activities:

Cash outflows from operating activities for the year ended December 31, 2018, were \$2,730,505 compared to cash inflows of \$409,019 in 2017. This year's decrease was due to increased spending as per the Company's direction of developing and entering the customer experience management market as well as the fluctuations in working capital in line with the normal operations of the Company. The accretion on contingent consideration recorded as a result of the Statopex acquisition and fully amortized in 2017 was \$Nil in 2018 and \$29,904 in 2017. In field data collection units with a book value of \$47,747 were deemed to be obsolete and therefore impaired and subsequently written off in 2017. There were no such write-offs in 2018.

Financing activities:

As at December 31, 2018, the Company had not drawn on its bank line of credit (2017 - \$Nil). The Company received a loan from its financial institute of \$394,760 in 2017 for the purchase of new data collection devices to be used in the field. There were no new loans in 2018. During the year \$408,371 was repaid on its long-term debt while in 2017 \$306,394 was repaid.

Share capital of \$2,316,219 as well as warrants of \$977,774 were issued as a result of two non-brokered private placements that were announced November 2, 2017 and closed on November 28, 2017. No private placements were announced in 2018. Share capital increased by \$164,506 from the issuance of common shares during 2018 as a result of the exercise of stock options (2017 - \$120,624). Share issuance cost tax recovery for 2018 was \$6,028 compared to a share issuance cost of \$297,246 for 2017. Finance costs paid were \$12,265 compared to \$72,297 in 2017.

Late in December 2013, the Company commenced a normal course issuer bid ("NCIB") to repurchase its common shares which was renewed once again in December 2016. Management believes that the then current market price of the Company's common shares may not reflect their underlying value and that the purchase of common shares for cancellation will increase the proportionate interest of, and will be advantageous to, all remaining shareholders. During the year 2017, the Company purchased and cancelled 171,000 common shares at an average price of \$0.43. The Company did not renew its NCIB for 2018.

Investing activities:

In 2018, the Company invested \$176,344 in property and equipment, the bulk of which to purchase data collection devices. During 2017, \$724,575 was used to purchase property and equipment.

l) Liquidity and Capital Resources

Working capital was \$1,896,727 as at December 31, 2018 compared to \$3,801,113 as at December 31, 2017. The table below shows other balance sheet accounts compared to previous year including the percentage change:

	As at December 31,		% change
	2018	2017	
Long-term debt	\$ 155,084	\$ 567,533	-73%
Current portion of long-term debt	\$ 155,084	\$ 567,533	-73%
Contract liabilities	\$ 135,712	\$ 469,385	-71%
Trade and other liabilities	\$ 619,210	\$ 685,489	-10%

Debt to equity decreased from 0.27 as at December 31, 2017 to 0.23 at December 31, 2018. The decrease in the ratio is due to the Company's repayment of loans in 2018.

The Company has trade accounts payable, long term debt and non-cancellable operating lease agreements for office space with terms extending to the year 2021. The liquidity risks are as follows:

	2019	2020	2021	2022
Trade and other liabilities	\$ 619,210	\$ -	\$ -	\$ -
Long term debt	\$ 169,183	\$ -	\$ -	\$ -
Operating lease agreements	\$ 420,595	\$ 346,003	\$ 56,967	\$ -
Total	\$ 1,208,988	\$ 346,003	\$ 56,967	\$ -

The Company has a current ratio of 3:1 and credit facilities that include a \$2,100,000 demand operating loan. The Company had not drawn on this facility as at December 31, 2018 or as at December 31, 2017. The Company had cash in the bank as at December 31, 2018 of \$242,865 and good quality accounts receivable of just over \$2,300,000. Management believes that the Company has sufficient cash resources to continue to finance its working capital requirements. Risks include the ability of the Company to produce cash flows through revenues to meet our obligations and the continued support from our debt lenders. 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").

Midway through 2017, the Company decided to accelerate its entry into the customer experience management market which it recognized would require funding to develop products, have the new product integrate with current product offerings and develop the sales and marketing support required for rapid deployment into the market. The Company issued common shares through two non-brokered financing transactions that provided net proceeds of \$3,228,575. The objective of the Company is to use those proceeds to fast-track its entry into what it believes to be a lucrative market.

The Company has successfully in 2018 launched its new customer experience management software, LiaCX. While advancements continue to be made on all of the Intouch products, the Company expects to once again in 2019 focus on year over year revenue increases and becoming EBITDA positive.

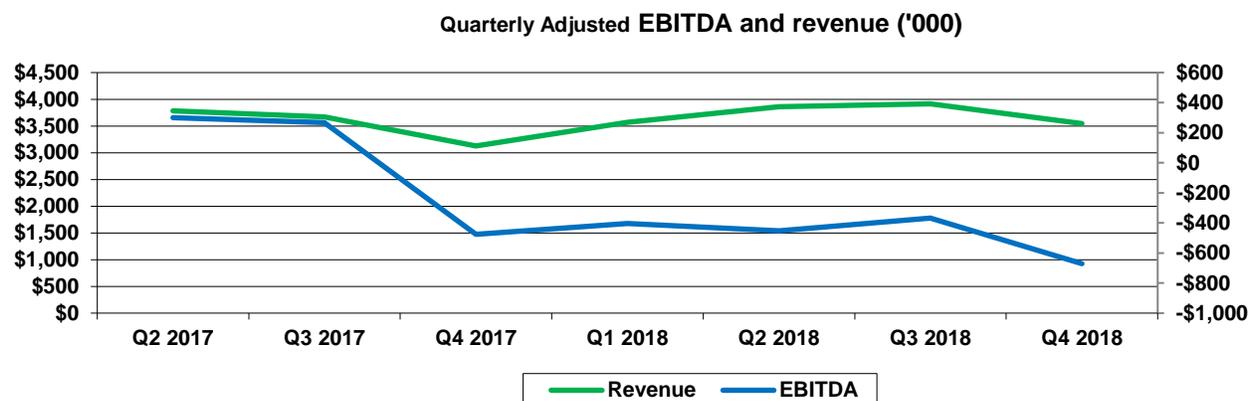
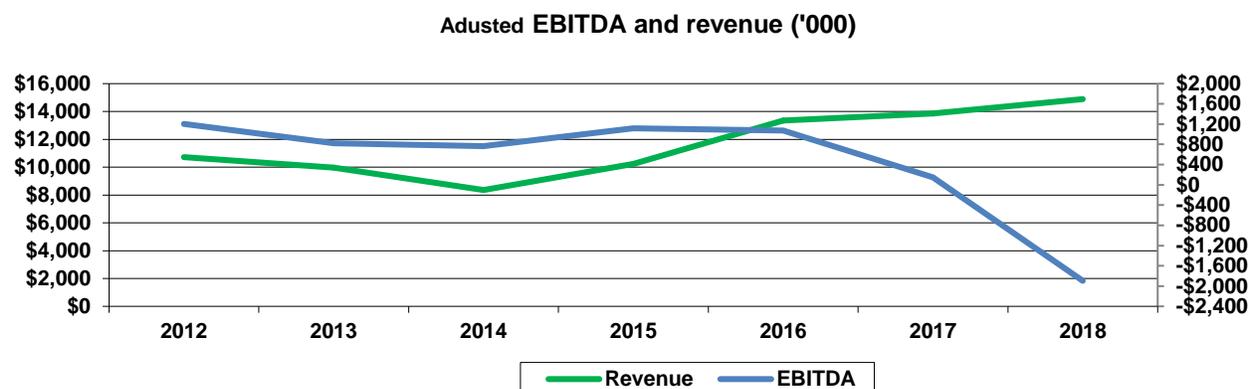
Review of quarterly operating results (,000s)

	In accordance with IFRS							
	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 3,544	\$ 3,915	\$ 3,862	\$ 3,567	\$ 3,127	\$ 3,669	\$ 3,784	\$ 3,275
Cost of services	1,657	2,008	1,885	1,625	1,520	1,672	1,713	1,597
Gross profit	1,887	1,907	1,977	1,942	1,607	1,997	2,071	1,678
Total operating expenses	2,741	2,492	2,646	2,553	2,309	1,947	1,982	1,813
Earnings (loss) from operating activities	\$ (854)	\$ (585)	\$ (669)	\$ (611)	\$ (702)	\$ 50	\$ 89	\$ (135)
Finance costs	(2)	(5)	(1)	(4)	(26)	(17)	(17)	(13)
Gain from sale of investment in IPSP Technology	-	-	-	-	-	-	10	-
Net earnings (loss) before income taxes	\$ (856)	\$ (590)	\$ (670)	\$ (615)	\$ (728)	\$ 33	\$ 82	\$ (148)
Calculation of adjusted EBITDA earnings from operations	Non-IFRS financial measurement							
	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
To net earnings (loss) before taxes add:								
Finance costs	2	5	1	4	26	17	17	13
Amortization of property and equipment	79	95	94	90	97	86	69	61
Amortization of intangible assets	87	106	106	106	121	126	126	126
Share-based compensation	17	16	16	11	9	6	6	6
Adjusted EBITDA¹	\$ (671)	\$ (368)	\$ (453)	\$ (404)	\$ (475)	\$ 268	\$ 300	\$ 58

¹Adjusted EBITDA

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.



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

Contracts with clients

Contracts with clients often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization of the licensed software.

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.

Judgements

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 judgement 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 March 28, 2019 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 December 31, 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 December 31, 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.

CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regard to its bank indebtedness, namely, a tangible net worth of at least \$1,600,000. The Company was compliant with its covenant. In 2017, the tangible net worth was also at least \$1,600,000, as well as, to maintain a debt service charge ("DSC") ratio of not less than 120%. As at December 31, 2017 the Company was compliant with the tangible net worth covenant, however, in the final quarter of 2017, the Company ramped up expenses in order to fast-track its CEM product offering which created an off-side position with its DSC covenant. The Company was in breach at year-end 2017 and received a waiver from this covenant from the bank. The Company, at year-end 2017, had already negotiated a new banking agreement which was signed on January 9, 2018. The tangible net worth covenant remains in the new agreement while the DCS covenant was removed.

	As at	As at
	December 31, 2018	December 31, 2017
Long-term debt, including current portion	\$ 155,084	\$ 567,533
Less cash	\$ 242,865	\$ 3,426,398
Net debt (surplus)	\$ (87,781)	\$ (2,858,865)
Shareholders' equity	\$ 4,005,915	\$ 6,630,028
Total capital, net	\$ 3,918,134	\$ 3,771,163
Net surplus as a percentage of total capital	2%	76%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. For its core business, the Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

Midway through 2017, the Company decided to enter into the customer experience management market which it recognized would require funding to develop the product, have the new product integrate with current product offerings and develop the sales and marketing support required for rapid deployment into the CEM market. As such the Company's approach to capital management during the year ended December 31, 2017 changed compared to the year ended December 31, 2016. The Company issued common shares through a non-brokered financing transaction that provided net proceeds of \$3,228,575. The objective of the Company is to use those proceeds to fast-track its entry into what it believes to be a lucrative market.

During the year ended 2018, the Company successfully developed and launched the new product. The Company used the net proceeds as planned in the CEM space. As the year 2018 ended, the Company realized that while it was receiving revenues from CEM sales, the sales were taking longer to realize than anticipated and revenues from the CEM software were not those that were projected. The Company will therefore continue to invest at a lower rate but will also in 2019 target year over year revenue increases with positive increases in EBITDA as it had previous to 2018.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and warrants, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

				As at 31-Dec-18	As at 31-Dec-17
Financial assets:					
Amortized costs					
Cash and cash equivalents				\$242,865	\$3,426,398
Trade and other receivables				\$2,340,222	\$1,818,887
Contract assets				\$50,320	\$106,278
Total financial assets				\$2,633,406	\$5,351,563
Financial liabilities:					
Amortized cost					
Trade and other liabilities				\$619,210	\$685,489
Long-term debt				\$155,084	\$567,533
Total financial liabilities				\$774,294	\$1,253,022

The carrying values of cash and cash equivalents, trade and other receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

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 year ended December 31, 2018, there were 388,333 shares issued resulting from the exercise of stock options. In 2017, there were 7,000,000 shares issued resulting from two non-brokered private placements that was announced November 2, 2017, as well as 220,000 shares issued resulting from the exercise of stock options. Common shares repurchased and cancelled through the Company's NCIB were 171,000.

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 judgement.

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 2018 audited consolidated financial statements can be found on SEDAR at www.sedar.com.



Consolidated Financial Statements

Intouch Insight Ltd.

Years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Intouch Insight Ltd.
Consolidated Financial Statements
December 31, 2018 and 2017

	<u>PAGE</u>
Management's Report	
Independent Auditors' Report	
Consolidated Statements of Loss and Comprehensive Loss	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 27

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information and representations in these consolidated financial statements are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") and, where necessary, reflect management's best estimates and judgments at this time. It is reasonably possible that circumstances may arise which cause actual results to differ. Management does not believe it is likely that any differences will be material.

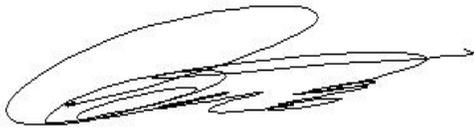
Intouch Insight Ltd. maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these activities primarily through its Audit Committee.

The Audit Committee is comprised of three Directors who are not employees of the Company. The Committee meets periodically throughout the year with management and external auditors to review their respective responsibilities, results of the reviews of internal accounting controls, policies and procedures and financial reporting matters. The external auditors meet separately with the Audit Committee.

The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, the external auditors, whose report follows.

March 28, 2019



Cameron Watt
Chief Executive Officer



George Pretli
Chief Financial Officer

To the Shareholders of Intouch Insight Ltd.:

Opinion

We have audited the consolidated financial statements of Intouch Insight Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Dimitriou.

Ottawa, Ontario

March 28, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

INTOUCH INSIGHT LTD.

Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31, 2018 and 2017

(in Canadian Dollars)

	Note	2018	2017
Revenue	5	\$ 14,888,450	\$ 13,854,877
Cost of services	6	<u>7,175,306</u>	<u>6,502,612</u>
		<u>7,713,144</u>	<u>7,352,265</u>
Expenses			
Selling	7	3,122,294	1,461,626
General and administrative	8	5,296,861	5,040,804
Product development	9	2,012,521	1,551,398
		<u>10,431,676</u>	<u>8,053,828</u>
Loss from operating activities		(2,718,532)	(701,563)
Non-operating earnings (expense)			
Finance costs	23	(12,265)	(72,297)
Gain on disposal of equity accounted investment	10	<u>-</u>	<u>10,000</u>
Net loss before income taxes		(2,730,797)	(763,860)
Income taxes	24		
Deferred tax expense		(55,854)	142,102
Current income tax expense		(15,054)	(32,254)
Net loss and comprehensive loss		<u>\$ (2,801,705)</u>	<u>\$ (654,012)</u>
Net loss per share	11		
Basic		\$ (0.13)	\$ (0.04)
Diluted		\$ (0.13)	\$ (0.04)

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

INTOUCH INSIGHT LTD.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(in Canadian Dollars)

	Note	December 31, 2018	December 31, 2017
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	13	\$ 242,865	\$ 3,426,398
Trade and other receivables	14	2,340,222	1,818,887
Contract assets	14	50,320	106,278
Prepaid expenses		173,326	171,957
		<u>2,806,733</u>	<u>5,523,520</u>
Property and equipment	15	\$ 856,729	\$ 1,043,910
Deferred tax assets	24	293,374	351,951
Investment tax credit recoverable	24	-	106,366
Intangible assets	16	959,085	1,363,829
		<u>\$ 4,915,921</u>	<u>\$ 8,389,576</u>
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Trade and other liabilities	17	\$ 619,210	\$ 685,489
Contract liabilities	14	135,712	469,385
Current portion of long-term debt	18	155,084	567,533
		<u>910,006</u>	<u>1,722,407</u>
Deferred tax liability		-	37,141
		<u>910,006</u>	<u>1,759,548</u>
<i>Shareholders' Equity</i>			
Share capital	20	\$ 5,403,861	\$ 5,233,327
Warrants	20	977,774	977,774
Contributed surplus		438,478	431,420
Retained deficit		(2,814,198)	(12,493)
		<u>4,005,915</u>	<u>6,630,028</u>
		<u>\$ 4,915,921</u>	<u>\$ 8,389,576</u>
Commitments	19		

ON BEHALF OF THE BOARD

Original signed by: _____ Eric Beutel, Director

Original signed by: _____ Michael Gaffney, Director

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

INTOUCH INSIGHT LTD.

Consolidated Statements of Changes in Equity

Years ended December 31, 2018 and 2017

(in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2017	20	14,709,478	\$ 2,859,169	\$ -	\$ 448,582	\$ 641,519	\$ 3,949,270
Issuance of share capital related to financing on November 28, 2017	20	7,000,000	2,624,972	895,028			3,520,000
Share issuance costs	20		(297,246)	(183,701)			(480,947)
Broker/Finder warrants	20			266,447			266,447
Issuance of share capital related to the exercise of share options	20	220,000	120,624		(44,224)		76,400
Share-based compensation					27,062		27,062
Transactions with owners		21,929,478	\$ 5,307,519	\$ 977,774	\$ 431,420	\$ 641,519	\$ 7,358,232
Net earnings and comprehensive income						(654,012)	(654,012)
Repurchase and cancellation of shares per Normal Course Issuer Bid	20	(171,000)	(74,192)				(74,192)
Balance as at December 31, 2017	20	21,758,478	\$ 5,233,327	\$ 977,774	\$ 431,420	\$ (12,493)	\$ 6,630,028
Issuance of share capital related to the exercise of share options	20	388,333	164,506		(52,640)		111,866
Share issue cost tax recovery	20		6,028				6,028
Share-based compensation					59,698		59,698
Transactions with owners		22,146,811	\$ 5,403,861	\$ 977,774	\$ 438,478	\$ (12,493)	\$ 6,807,620
Net loss and comprehensive loss						(2,801,705)	(2,801,705)
Balance as at December 31, 2018		22,146,811	\$ 5,403,861	\$ 977,774	\$ 438,478	\$ (2,814,198)	\$ 4,005,915

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

INTOUCH INSIGHT LTD.

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(in Canadian Dollars)

	Note	2018	2017
CASH PROVIDED BY (USED IN):			
Operating activities			
Net loss		\$ (2,801,705)	\$ (654,012)
Adjustments to net loss:			
Amortization of property and equipment	15	357,740	312,631
Amortization of intangible asset	16	404,744	499,253
Finance costs	23	12,265	42,393
Share-based compensation	21	59,698	27,062
(Gain) loss on disposal of property and equipment		(20,274)	47,996
Deferred tax loss (recovery)	24	123,725	(175,938)
Accretion on contingent consideration	23	-	29,904
Net change in non-cash operating working capital	22	(866,698)	279,730
Net cash flows from (used in) operating activities		<u>(2,730,505)</u>	<u>409,019</u>
Financing activities			
Bank indebtedness		\$ -	\$ -
Issuance of long-term debt	18	-	394,760
Issuance of share capital net of cash issue costs	20	117,894	2,316,219
Issuance of warrants net of cash issue costs	20	-	1,065,681
Repayment of long-term debt	18	(408,371)	(306,394)
Repurchase of share capital	20	-	(74,192)
Finance costs paid	23	(12,265)	(72,297)
Cash flows from (used in) financing activities		<u>(302,742)</u>	<u>3,323,777</u>
Investing activities			
Proceeds on disposal of property and equipment		\$ 26,058	\$ 8,905
Purchase of property and equipment	15	(176,344)	(724,575)
Cash flows used in investing activities		<u>(150,286)</u>	<u>(715,670)</u>
NET INCREASE (DECREASE) IN CASH		(3,183,533)	3,017,126
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>3,426,398</u>	<u>409,272</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 242,865</u>	<u>\$ 3,426,398</u>
Additional Information			
Interest received included in operating activities		18,961	1,187
Income tax paid included in operating activities		19,839	45,827

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

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

1. CORPORATE INFORMATION

Intouch Insight Ltd. ("Intouch" or the "Company") is a publicly listed company and is incorporated under the Canada Business Corporations Act. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol INX and on the OTC Markets Group ("OTCQB") under the symbol INXS. The address of Intouch's registered office and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

Intouch and its subsidiaries offers a complete portfolio of customer experience management (CEM) products and solutions that help global brands delight their customers, strengthen brand reputation and improve financial performance. Intouch helps clients collect and centralize data from multiple customer touch points, and gives them actionable insights to identify, sense and continuously improve customer experience efforts in real-time. Founded in 1992, Intouch is trusted by franchise and multi-location businesses for their customer survey, mystery shopping, mobile forms, operational and compliance audits, and event marketing automation solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used throughout all periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2018.

On March 28, 2019, the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out in Note 2(u).

(c) Basis of consolidation

The consolidated financial statements include the accounts of Intouch Insight Ltd., the ultimate parent, and its wholly-owned subsidiaries Intouch Insight Inc. and Intouch Insight Corp. Intouch Insight Inc. is a Canadian company while Intouch Insight Corp. is incorporated in the United States of America. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany transactions and balances have been eliminated. All subsidiaries have a reporting date of December 31st.

(d) Functional currency and foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the Company's (and its subsidiaries) functional and presentation currency.

Transactions in foreign currency are translated into the functional currency using the exchange rate in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at the reporting date exchange rate are recognized in net earnings. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. The functional currency of the foreign subsidiary remains unchanged during the reporting period.

(e) Cash and cash equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are held for meeting short-term liquidity requirements, rather than for investment purposes. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent they exceed federal deposit insurance limits.

(f) Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3, Business Combinations (IFRS 3). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in net earnings immediately.

(g) Intangible assets

Intangible assets are comprised of customer relationships, shopper/auditor databases, software and trademarks which qualified for recognition as intangible assets in a business combination. They are recognized at historical cost (which corresponds to their fair value at the acquisition date) less accumulated amortization and accumulated impairment losses.

The Company amortizes customer relationships on a straight-line basis between a four-year period and seven and two thirds year period, the shopper/auditor database between two and three-year period, software over a three-year period and the trademark between a five and a ten-year period.

The useful lives and residual values are reviewed at each reporting date, taking the nature of the asset and its expected use into account.

(h) Impairment testing of intangible assets and property and equipment

Intangible assets and property and equipment are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

There have been no impairment losses recognized in any of the periods presented.

(i) Investment in associates

Associates are entities over which the Company has not achieved the power to govern the financial and operating policies of an entity as to obtain benefits from its activities. The investment in associate is accounted for using the equity method and initially recognized at cost plus transaction costs. The carrying amount of the investment is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate adjusted where necessary to ensure consistency with the accounting policies of the Company. If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company will discontinue recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Revenue recognition

IFRS 15 Revenue from Contracts with Customers ("IFRS 15"):

This standard replaced IAS 11 Construction Contracts, IAS 18 Revenue. IFRS 15 introduces a single comprehensive model for recognizing revenues from contracts with customers. The standard requires revenue to be recognized in a manner that

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services, applying the following five steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when (or as) the entity satisfies the performance obligation.

The standard also provides guidance relating to the treatment of contract acquisition and fulfillment costs.

In 2018, the Company has adopted new guidance for the recognition of revenue from contracts with customers. This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which there were no significant changes that had a material effect on the consolidated statement of financial position as at January 1, 2018 and there was no single adjustment to the opening balance of retained earnings. Accordingly, the Company is not required to present a third statement of financial position as at that date. The Company's accounting policy under IFRS 15 is as follows:

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for the products or services. The Company's contracts often include multiple products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

Contract balances

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	December 31, 2018	January 1, 2018
Trade receivables	2,326,189	1,805,380
Contract assets	50,320	106,278
Contract liabilities	135,712	469,385

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on services revenues. There was no impairment on the amount of contract assets during the period ended December 31, 2018. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for services, for which revenue is recognized over time or at a later point. As at December 31, 2018, the amount of deferred income is \$135,712. This will be recognized as revenue when the Company transfers control of promised products or services to those customers, which is expected to occur over the next year.

The amount of \$469,385 recognized in contract liabilities at the beginning of the period has been recognized as revenue for the period ended December 31, 2018.

The amount of revenue recognized in the period ended December 31, 2018 from performance obligations satisfied (or partially satisfied) in previous periods is \$106,278.

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at December 31, 2018:

	2019	2020	Total
Revenue expected to be recognized	\$135,712	\$Nil	\$135,712

Nature of products and services

The Company's hosted software-as-a-service ("SaaS") application, which allows customers to use hosted software over the contract period without taking possession of the software, is provided on a subscription basis, and recognized ratably over the contract period, commencing on the date an executed contract exists and the customer has the right-to-use and access to the platform.

The Company's services revenues are provided for data collection, reporting and analysis purposes. Services included vary from providing data collection units for use in the field or independent contractors to visit client locations for completion of a survey. Revenue for these services are recognized over they time the client has possession and use of the data collection units or in the case of independent contractors once the client has received the data.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Professional services are provided for implementation and configuration of hosted software as well as ongoing technical services and training. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Any one-time professional fees billed for implementation are billed once the services have been provided in full.

Support services provided to clients on the hosted SaaS application is recognized over the term of the support services agreement.

The Company applies the practical expedient available under IFRS 15.63 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. The Company further elects to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the client and the client's payment for these services is expected to be one year or less.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables. Deferred revenue is recorded when a customer is invoiced in advance of performance and funds received.

In obtaining these contracts, the Company incurs a number of incremental costs, such as commissions paid to sales staff. As the amortization period of these costs, if capitalized, would be less than one year, the Company makes use of the practical expedient in IFRS 15.94 and expenses them as they incur.

(k) Provisions

Provisions are recognized when the following criteria are met:

- a) the Company has a current obligation as a result of a past event;
- b) it is probable that an outflow of economic resources will be required from the Company; and
- c) the amounts can be estimated reliably.

The timing or amount of the outflow may still be uncertain.

Provisions are established at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Company has no provisions as at December 31, 2018 and 2017.

(l) Government assistance

Government contributions are recognized at fair value when there is reasonable assurance that the contribution will be received, and all the conditions attached to it will be complied with.

When the contribution relates to the acquisition of an asset, it is recognized in deferred income and credited to other income on a systematic basis over the useful life of the asset.

When the contribution relates to income it is deducted in reporting the related expense on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are incurred.

During the year ended December 31, 2018, the Company received \$220,000 (2017 - \$191,500) in government contributions. This amount has been included to reduce product development expenses (Note 9) as the contribution does not contain any requirements or restrictions with which the Company must comply as a condition of receipt.

(m) Investment tax credit

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20 year carry forward period. An estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be received. The expenditures are reduced by the amount of the estimated investment tax credit.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

(n) Property and equipment

Property and equipment are stated at acquisition cost less accumulated amortization and impairment losses. Amortization is provided over the estimated useful lives of the assets using the following annual rates and term:

Computer equipment	5 years	Straight-line
Kiosk tablets	5 years	Straight-line
Furniture and equipment	10 years	Straight-line
Leasehold improvements	Term of the lease	Straight-line

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the general and administrative expenses. The asset residual values, useful lives and methods of amortization are reviewed at each reporting period and adjusted prospectively if appropriate.

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis in accordance with the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(p) Equity

Share capital represents the amount received for shares that have been issued less transaction costs directly attributable to the issuance of common shares net of any related income tax benefits.

Valuation of equity instruments in private placements

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares. The proceeds from the issue of units are allocated between share capital and contributed surplus. In situations when the warrants are categorized as FVTPL the value associated with the warrants is presented as a liability. If and when the warrants are exercised, the applicable amounts of contributed surplus or liability are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital.

Broker Warrants

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and records a debit to share issue costs with a corresponding credit to warrants.

Contributed surplus within equity, includes amounts in connection with stock-based compensation.

Warrants within equity included the warrants outstanding.

Retained deficit includes all current and prior period earnings (losses).

(q) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data. Basic EPS is calculated by dividing the net earnings attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of shares outstanding, for the effects of all potential dilutive shares. The diluted loss per share is equal to the basic loss per share where the effect of stock options is antidilutive as it would decrease the loss per share.

(r) Share-based compensation

The Company accounts for share-based compensation arrangements using the fair value method of accounting. When employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

The share-based compensation cost is recorded as an expense in net earnings and credited to contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of awards expected to vest. Estimates are subsequently revised if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are different to that estimated on vesting.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

An award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants.

When share options are exercised, any consideration paid by employees is credited to share capital in addition to the amount previously recorded in contributed surplus.

The Company's plan does not feature any options for cash settlement.

(s) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except for items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and provided that the Company can control the reversal of those differences. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the expected tax rates applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any tax loss or credit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(t) 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

Contracts with clients

Contracts with clients often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization of the licensed software.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

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. Details of the assets and liabilities acquired are given in Note 4.

Judgments

Control and significant influence assessment

The assessment of control and significant influence over an investment requires judgment (see Note 10).

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 Note 2(j).

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 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 (see Note 2(h)).

Functional currency

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

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

The determination of the Company and 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.

(u) Financial instruments

Effective January 1, 2018 the Company has adopted IFRS 9 Financial Instruments and applied it on a retrospective basis, replacing existing standards and interpretations, including IAS 39 Financial Instruments: Recognition and Measurement. The application of IFRS 9 has not resulted in any differences between the previous carrying amounts and the carrying amounts at the date of initial application of IFRS 9. The adoption of IFRS 9 resulted in changes in accounting policies which are described below.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

Management has assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS39, as follows:

Financial Instrument	Classification under IFRS 9	Classification under IAS 39
Cash and cash equivalents	Amortized cost	Loans and receivables
Trade and other receivables	Amortized cost	Loans and receivables
Contract assets	Amortized cost	Loans and receivables
Trade and other liabilities	Amortized cost	Other liabilities
Long-term debt	Amortized cost	Other liabilities

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the consolidated statements of net loss and comprehensive loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime expected credit losses for its accounts receivable. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for the respective items.

Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the consolidated statements of net loss and comprehensive loss.

Financial liabilities – The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net loss and comprehensive loss.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company has determined that it only has one operating segment.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. The Company is currently assessing the impact of adopting the following standards on the consolidated financial statements, as described below:

Leases

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Company has decided not to early adopt.

Under IFRS 16, a single recognition and measurement model will apply for lessees which will require recognition of assets and liabilities for most leases. The Company is in the final stages of analyzing identified contracts, developing business and accounting processes, making applicable changes to the Company's internal controls and calculating the impact that the adoption of this standard will have on its financial statements. The Company has elected to use the modified retrospective approach upon adoption and elected to apply the optional exemptions for short-term and low-value leases. The actual full impact of adoption will depend on the Company's incremental borrowing rate, lease liabilities, and practical expedients applied. However, the Company anticipates that the most significant impact of adopting IFRS 16 will be the recognition of the right-of-use assets and corresponding lease liabilities on its leases for office space and surface leases for facilities. Upon adoption of IFRS 16, the Company will recognize right-to-use assets and lease liabilities for all leases identified except for optional exemptions taken. The lease liability will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The right-of-use asset will be measured at the amount equal to the lease liability on January 1, 2019 with no impact on retained earnings or the Notes to the Consolidated Financial Statements years ended December 31, 2018 and 2017. Cash flow from financing activities will decrease due to the addition of principal payments included in lease payments for former operating leases.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Income taxes

In June 2017, the IASB released IFRIC 23, Uncertainty over income tax treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for the Company's fiscal year beginning on January 1, 2019. The Company had decided not to early adopt. The Company cannot at this time reasonably estimate the impact of the adoption of this standard on its consolidated financial statements.

4. BUSINESS COMBINATION

RetailTrack

On December 1, 2016, the Company entered into a business transfer agreement with The Belding Group of Companies based in Canada ("the Belding Group"). The transaction resulted in the Company purchasing assets of RetailTrack and the Company taking on certain employees, which would enable Intouch to service the RetailTrack existing customers. RetailTrack is a business providing the same data collection services in North America as the Company provides.

Statopex Inc.

On October 1, 2015, the Company entered into a business transfer agreement with Statopex Inc. ("Statopex") based in Canada. The share purchase transaction resulted in the Company owning 100% of Statopex as well as 100% of their holding companies. The Company then amalgamated the holding companies into Statopex and immediately wound the business up into the Company. Statopex is a company providing the same data collection services in Canada as the Company provides in North America. As a result of the acquisitions a contingent consideration was recorded. As at December 31, 2016, the fair value of the contingent consideration was recorded as \$270,096. On January 20, 2017, based on Statopex having achieved target revenues for 2016, the Company made the first \$150,000 payment. As at December 31, 2017, the fair value of the contingent consideration was recorded at \$150,000. On January 29, 2018, based on Statopex revenues having achieved target the remaining contingent consideration was paid in full.

5. REVENUE

The Company receives revenue from SaaS 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 SaaS and as a result tracks its recurring revenue. The following chart shows the breakdown of recurring and services revenue for the years ended 2018 and 2017 (see Note 2(j)).

	2018	2017
Recurring software revenue	\$ 2,580,358	\$ 2,310,686
Recurring services revenue	\$ 12,219,359	\$ 11,265,395
Non-recurring services revenue	\$ 88,733	\$ 278,796
Total revenue	\$ 14,888,450	\$ 13,854,877

Geographical revenue

The Company reports its revenue by geographical location of its customers. No significant property and equipment are maintained outside of Canada.

	2018	2017
Canada	\$ 6,361,283	\$ 5,883,382
US	\$ 8,527,167	\$ 7,971,495
Total revenue	\$ 14,888,450	\$ 13,854,877

Major customers

Revenues from specific clients, each with 10% or more of total Company revenues, are summarized as follows:

	2018	2017
Customer 1	\$ 2,312,601	\$ 2,462,229

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Major trade receivables

Trade receivables from specific clients, each with 10% or more of total Company trade receivables, are summarized as follows:

	2018	2017
Customer 1	\$ 375,003	\$ 188,950
Customer 2	\$ 319,090	\$ 71,575

6. COST OF SERVICES

During the year ended December 31, 2018 the Company recorded amortization expense of \$246,074 (December 31, 2017 - \$238,341) within cost of services. Salaries and benefits charged to cost of services was \$731,357 in 2018 compared to \$614,736 in 2017.

7. SELLING EXPENSES

Selling expenses for the Company are broken down as follows:

	2018	2017
Marketing expenses	\$ 1,220,741	\$ 408,839
Travel expenses	\$ 336,398	\$ 193,852
Salaries and benefits	\$ 1,565,155	\$ 858,935
Selling expenses	\$ 3,122,294	\$ 1,461,626

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the Company are broken down as follows:

	2018	2017
Corporate administration	\$ 1,027,880	\$ 1,192,703
Consultant fees	\$ 85,357	\$ 228,284
Professional fees	\$ 205,330	\$ 135,284
Listing fees	\$ 177,182	\$ 120,272
Salaries and benefits ⁽¹⁾	\$ 3,372,758	\$ 2,658,748
Loss (gain) on disposal of property and equipment	\$ (20,989)	\$ 47,996
Loss (gain) on foreign exchange	\$ (66,351)	\$ 83,974
Amortization expense	\$ 515,694	\$ 573,543
General and administrative expenses	\$ 5,296,861	\$ 5,040,804

⁽¹⁾ Share-based compensation (a non-cash item) of \$59,698 (2017 - \$27,062) has been included in Salaries and benefits

9. PRODUCT DEVELOPMENT EXPENSES

Product development expenses for the Company are broken down as follows:

	2018	2017
Salaries and benefits	\$ 2,232,521	\$ 1,742,898
Government agency contribution received for software application development	\$ (220,000)	\$ (191,500)
Product development expenses	\$ 2,012,521	\$ 1,551,398

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Dodona Inc.

On June 6, 2014, the Company finalized an agreement to sell certain intellectual property assets to a new company, Dodona Inc. ("Dodona"), a marketing privacy company located in Nova Scotia, in exchange for share in Dodona. Subsequent to equity financing received by Dodona in 2015 the Company only held a 41% voting interest in Dodona.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

The Company's share of losses as at December 31, 2018 exceeded the original investment by the Company and therefore has deemed the carrying amount of the investment as \$Nil. Dodoname is currently in a dormant state and the share of loss for 2017 was \$3,771.

IPSG Technology Inc.

On June 30, 2017, the Company finalized an agreement to sell its shares of IPSG Technology Inc. ("IPSG") to the CEO and other shareholder and director of IPSG. The Company had 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 IPSG, 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 IPSG are not publicly listed on a stock exchange and hence published price quotes are not available.

11. LOSS PER SHARE

The calculation of basic and diluted loss per share for the relevant periods is based on the following information:

	2018	2017
Weighted average number of common shares - basic	21,991,569	15,354,012
Additions to reflect the dilutive effect of employee stock options - non-dilutive in 2018 and 2017	-	-
Weighted average number of common shares - diluted	21,991,569	15,354,012

Options and warrants that are anti-dilutive were not included in the compilation of diluted common shares for the year ended December 31, 2018. 4,640,002 options and warrants were excluded from the calculations (December 31, 2017 – 4,696,057).

12. EMPLOYEE REMUNERATION

Employee remuneration expenses for the Company are broken down as follows:

	2018	2017
Salaries and benefits	\$ 7,842,093	\$ 5,656,755
Share-based compensation	\$ 59,698	\$ 27,062
Total salaries, benefits and share-based compensation	\$ 7,901,791	\$ 5,683,817

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash deposits and short-term investments as follows:

	2018	2017
Cash	\$ 242,865	\$ 426,398
Short-term investments	\$ -	\$ 3,000,000
Total cash and cash equivalents	\$ 242,865	\$ 3,426,398

14. TRADE, OTHER RECEIVABLES AND CONTRACT ASSETS

Trade and other receivables consist primarily of trade receivable from billings of services, and sale of software applications, license and user fees as well as other receivables. Contract assets consist of services in process not yet billed.

	As at December 31, 2018	As at December 31, 2017
Trade accounts receivable, gross	\$ 2,326,189	\$ 1,805,380
Allowance for doubtful accounts	\$ -	\$ -
Trade accounts receivable, net	\$ 2,326,189	\$ 1,805,380
Income taxes recoverable	\$ 14,033	\$ 13,507
Contract assets	\$ 50,320	\$ 106,278
Trade, other receivables and contract assets	\$ 2,390,542	\$ 1,925,165

Trade receivables past due but not impaired can be shown as follows:

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
1 - 60 days past due	\$ 807,248	\$ 559,513
Greater than 60 days past due	\$ 8,851	\$ 31,018
	\$ 816,099	\$ 590,531

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality. See Note 27 for a discussion of the Company's credit risk management activities.

The amounts recognized in the consolidated statements of financial position relating to contracts in progress at year-end are determined as follows:

	As at December 31, 2018	As at December 31, 2017
Aggregate amount of cost incurred and recognized in earnings for all contracts in progress	\$ 14,888,450	\$ 13,854,877
Less progress billings	\$ 14,973,842	\$ 14,230,299
	\$ (85,392)	\$ (375,422)
Contract assets	\$ 50,320	\$ 106,278
Contract liabilities	\$ 135,712	\$ 481,700

15. PROPERTY AND EQUIPMENT

The following tables summarize the changes in the carrying amount of property and equipment:

	Computer Equipment	Kiosks	Kiosk Tablets	Furniture and Equipment	Leasehold Improvements	Total
Cost:						
At December 31, 2016	\$ 123,737	\$ 383,797	\$ 913,757	\$ 143,043	\$ -	\$ 1,564,334
Additions	\$ 68,015	\$ -	\$ 410,446	\$ 68,287	\$ 177,827	\$ 724,575
Disposals	\$ (33,450)	\$ (383,797)	\$ (80,805)	\$ (333)	\$ -	\$ (498,385)
At December 31, 2017	\$ 158,301	\$ -	\$ 1,243,398	\$ 210,997	\$ 177,827	\$ 1,790,524
Additions	\$ 26,182	\$ -	\$ 91,303	\$ 39,506	\$ 19,353	\$ 176,344
Disposals	\$ (24,808)	\$ -	\$ (21,229)	\$ -	\$ -	\$ (46,037)
At December 31, 2018	\$ 159,675	\$ -	\$ 1,313,472	\$ 250,503	\$ 197,180	\$ 1,920,831
Accumulated Amortization:						
At December 31, 2016	\$ 61,123	\$ 320,135	\$ 441,156	\$ 53,053	\$ -	\$ 875,467
Amortization	\$ 28,420	\$ 15,915	\$ 224,683	\$ 18,166	\$ 25,447	\$ 312,631
Disposals	\$ (29,273)	\$ (336,050)	\$ (75,829)	\$ (333)	\$ -	\$ (441,485)
At December 31, 2017	\$ 60,270	\$ -	\$ 590,010	\$ 70,886	\$ 25,447	\$ 746,613
Amortization	\$ 35,057	\$ -	\$ 246,074	\$ 24,674	\$ 51,935	\$ 357,740
Disposals	\$ (24,808)	\$ -	\$ (15,444)	\$ -	\$ -	\$ (40,252)
At December 31, 2018	\$ 70,519	\$ -	\$ 820,640	\$ 95,560	\$ 77,382	\$ 1,064,101
Carrying amounts:						
At December 31, 2017	\$ 98,031	\$ -	\$ 653,388	\$ 140,111	\$ 152,380	\$ 1,043,910
At December 31, 2018	\$ 89,156	\$ -	\$ 492,832	\$ 154,943	\$ 119,798	\$ 856,729

All of the above assets are pledged as security for debt obligations as identified in Note 18. There were no impairment indicators as at the end of December 2018. During the year ended December 31, 2017, property and equipment with a net book value of \$47,747 were no longer in use and were therefore considered impaired and have been expensed. Amortization of \$246,074 (2017 - \$238,341) is included in cost of services while an amount of \$111,666 (2017 - \$74,290) is included in general and administrative expenses.

During 2018, the Company disposed of assets with a cost of \$46,037 (2017 - \$498,385), accumulated amortization of \$40,252 (2017 - \$441,439) and received proceeds on disposal of \$26,058 (2017 - \$8,950).

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

16. INTANGIBLE ASSETS

Cost:	Acquired Trademarks	Acquired customer relationships	Acquired Shopper/Auditor database	Software	Total
At December 31, 2018, 2017 and 2016	\$ 173,646	\$ 2,534,226	\$ 179,199	\$ 388,216	\$ 3,275,287
Accumulated Amortization:					
At December 31, 2016	\$ 42,718	\$ 947,694	\$ 157,828	\$ 263,965	\$ 1,412,205
Amortization	17,365	393,641	17,247	71,000	499,253
At December 31, 2017	\$ 60,083	\$ 1,341,335	\$ 175,075	\$ 334,965	\$ 1,911,458
Amortization	17,364	330,005	4,124	53,251	404,744
At December 31, 2018	\$ 77,447	\$ 1,671,340	\$ 179,199	\$ 388,216	\$ 2,316,202
Carrying Amounts:					
At December 31, 2017	\$ 113,563	\$ 1,192,891	\$ 4,124	\$ 53,251	\$ 1,363,829
At December 31, 2018	\$ 96,199	\$ 862,886	\$ -	\$ -	\$ 959,085

Amortization expense is recorded in general and administrative expenses (Note 8). The remaining amortization period of the customer relationships is between two and three years.

17. TRADE AND OTHER LIABILITIES

	As at December 31, 2018	As at December 31, 2017
Trade payables	\$ 454,767	\$ 303,354
Accrued liabilities and interest payable	\$ 164,443	\$ 382,135
Total accounts payable and accrued liabilities	\$ 619,210	\$ 685,489

18. LONG TERM DEBT

	As at December 31, 2018	As at December 31, 2017
Installment loan, repayable in monthly installments of \$20,833 plus interest at prime plus 2.0%, secured by a general security agreement over underlying assets and maturing on November 27, 2018.	\$ -	\$ 229,167
Installment loan, repayable in monthly installments of \$14,099 plus interest at prime plus 1.8%, secured by a general security agreement over underlying assets and maturing on December 30, 2019.	\$ 155,084	\$ 338,366
Current portion of long-term debt	\$ 155,084	\$ 567,533
Total long-term debt	\$ -	\$ -

As at December 31, 2018, the Company was on-side with all of its covenants with its bank (as at December 31, 2017, the Company was in breach of one of its covenants with its bank. As a result of this breach the Company has reclassified the long-term portion of the debt, \$169,183, to the current portion of long-term debt). See Note 19 b).

19. COMMITMENTS

a) Leases

The Company has non-cancellable operating lease agreements for office space with terms extending to the year 2020 and 2021. The operating lease rentals payable under these agreements are as follows:

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

	As at
	<u>December 31, 2018</u>
Less than one year	\$ 437,886
Between one and five years	\$ 409,993
More than five years	\$ -

Operating lease expenses, which are charged to general and administrative expenses, were \$419,229 for 2018 compared to \$445,890 for 2017.

b) Credit facilities

At the year ended December 31, 2018, and 2017, bank indebtedness was \$Nil. The Company has credit facilities with a chartered bank that will provide credit facilities up to \$2,700,000 which is composed of a \$2,100,000 demand operating loan at prime plus 1% (2017 – prime plus 1%) a \$250,000 committed installment loan facility at prime plus 2% (December 31, 2017 – prime plus 2%) and \$350,000 committed installment loan facility at prime plus 1.8% (December 31, 2017 – prime plus 1.8%), and they are secured by a general security agreement. The Company was in compliance with its financial covenants in 2018. For the previous year ended December 31, 2017, the Company was off-side with its Debt Service Coverage financial covenant ratio. The carrying amounts of any borrowings are considered to be a reasonable approximation of fair value.

20. SHARE CAPITAL

Authorized:

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 year ended December 31, 2018, the Company issued common shares as follows:

On January 3, 2018, the Company issued 75,000 common shares through the exercise of stock options for gross proceeds of \$22,500.

On January 12, 2018, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,100.

On April 12, 2018, the Company issued 80,000 common shares through the exercise of stock options for gross proceeds of \$22,800.

On April 25, 2018, the Company issued 100,000 common shares through the exercise of stock options for gross proceeds of \$30,000.

On September 19, 2018, the Company issued 3,333 common shares through the exercise of stock options for gross proceeds of \$1,067.

On October 10, 2018, the Company issued 115,000 common shares through the exercise of stock options for gross proceeds of \$32,200.

On November 26, 2018, the Company issued 10,000 common shares through the exercise of stock options for gross proceeds of \$2,200.

During the year ended December 31, 2017, the Company issued common shares as follows:

On December 2, 2016, the Company announced that it was renewing its normal course issuer bid ("NCIB") subject to the approval of the TSX Venture Exchange. The Company received such approval and during 2017 purchased and cancelled 171,000 of its outstanding common shares at between \$0.39 and \$0.45 per share. The Company has not renewed its NCIB for another year at this time.

On May 29, 2017, the Company issued 100,000 common shares through the exercise of stock options for gross proceeds of \$36,000.

On June 5, 2017, the Company issued 20,000 common shares through the exercise of stock options for gross proceeds of \$4,400.

On June 30, 2017, the Company issued 100,000 common shares through the exercise of stock options for gross proceeds of \$36,000.

On November 28, 2017, the Company completed two non-brokered private placements that was announced November 2, 2017, for gross proceeds of \$3,520,000 by way of issuance of 6,000,000 units at a price of \$0.50 per unit and by way of issuance of 1,000,000 units at a price of \$0.52 per unit. Each unit is comprised of one common share in the capital of the Company and one half of one common share purchase warrant fair valued at \$895,017. Each full warrant will entitle the holder to purchase one common share at a price of \$0.70 for 18 months from the date of issuance. The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The assumptions using the model were: a weighted average share price of \$0.85 and an exercise price of \$0.70, risk free interest rate of 1.04%, volatility of 43.99% with no expected dividend yield, and an eighteen-month estimated life. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrant.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

In connection with the offerings the Company paid to finders (arm's length third parties) a cash commission equal to 7.5% of the gross proceeds raised, representing an amount equal to \$262,050 and 521,250 Finders Units of which 450,000 Units will be exercisable at \$0.50 and 71,250 Units will be exercisable at \$0.52. Each Finders unit will be exercisable for 18 months from the date of issuance for one common share and one half of one warrant of which each full warrant will entitle the holder to purchase one common share at a price of \$0.70 for 18 months from the date of issuance. The Finders Units were fair valued at \$266,447. The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The assumptions using the model were: a weighted average share price of \$0.85 and an exercise price of \$0.70, risk free interest rate of 1.04%, volatility of 43.99% with no expected dividend yield, and an eighteen-month estimated life. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrant.

Share issue costs relating to the above transactions totaled \$556,730 which is comprised of the cash commission of \$262,050, Finders Units of \$266,447 and legal fees of \$28,233.

Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Number of whole share warrants	Weighted average exercise price	Expiry date
Balance December 31, 2016	-	-	-
Issued pursuant to private placement November 28, 2017	3,500,000	\$ 0.70	May 28, 2019
Issued pursuant to private placement November 28, 2017	450,000	\$ 0.50	May 28, 2019
Issued pursuant to private placement November 28, 2017	71,250	\$ 0.52	May 28, 2019
Balance December 31, 2018 and 2017	4,021,250	\$ 0.67	

21. STOCK OPTION PLAN

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire five years from the date of the grant. The Board of Directors has the right to modify vesting periods at the time of option grant. There were 830,000 options issued in 2018 (465,000 in 2017). The employee compensation expense related to options vested in fiscal 2018 is \$59,698 (2017 - \$27,062). The Company may issue up to 2,875,438 (2017 - 1,920,196) options for common shares under its stock option plan. At December 31, 2018, 775,438 common shares (60,196 at December 31, 2017) are reserved for additional options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of December 31, 2018 and December 31, 2017, and changes during the years ended on those dates, is presented below:

	2018		2017	
	Number of <u>Options</u>	Weighted average exercise <u>price</u>	Number of <u>Options</u>	Weighted average exercise <u>price</u>
Outstanding, beginning of year	1,860,000	\$ 0.32	1,795,000	\$ 0.28
Granted	830,000	\$ 0.52	465,000	0.48
Exercised	(388,333)	\$ 0.29	(220,000)	0.35
Forfeited	(201,667)	\$ 0.44	(180,000)	0.29
Outstanding, end of year	2,100,000	\$ 0.40	1,860,000	\$ 0.32

The weighted average share price at the date of exercise was \$0.50 (2017 - \$0.48).

The following table summarizes information about stock options as at December 31, 2018:

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Options Outstanding			Options Exercisable
<u>Exercise prices</u>	<u>Number outstanding at Dec 31, 2018</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at Dec 31, 2018</u>
\$0.22	170,000	0.94	170,000
\$0.24	305,000	1.42	305,000
\$0.28	325,000	1.13	325,000
\$0.32	35,000	2.50	23,334
\$0.38	55,000	2.25	36,665
\$0.40	165,000	3.00	66,663
\$0.42	135,000	4.83	0
\$0.46	100,000	0.83	100,000
\$0.47	130,000	3.75	43,336
\$0.48	350,000	3.50	3,334
\$0.61	280,000	2.50	50,000
\$0.70	50,000	3.92	16,670
\$ 0.22 to \$ 0.70	2,100,000	2.55	1,140,002

The weighted average exercise price was \$0.40 in 2018 (2017 - \$0.32) for exercisable options.

The following table summarizes information about stock options as at December 31, 2017:

Options Outstanding			Options Exercisable
<u>Exercise prices</u>	<u>Number outstanding at Dec 31, 2017</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at Dec 31, 2017</u>
\$0.22	215,000	1.69	181,667
\$0.24	305,000	2.42	203,333
\$0.28	495,000	2.13	426,664
\$0.30	250,000	0.33	250,000
\$0.32	40,000	3.50	13,333
\$0.38	60,000	3.25	20,002
\$0.40	170,000	4.00	13,336
\$0.46	100,000	1.83	25,000
\$0.47	155,000	4.75	-
\$0.48	15,000	4.50	-
\$0.70	55,000	4.92	-
\$ 0.22 to \$ 0.70	1,860,000	2.17	1,133,335

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for 2018 were: a weighted average share price of \$0.49 and an exercise price of \$0.49, risk free interest rate of 1.10% to 1.60%, volatility of 36% to 50% with no expected dividend yield, 0% to 40% assumed forfeiture and a seven month to five-year estimated life. Assumptions for 2017 were: a weighted average share price of \$0.48 and an exercise price of \$0.48, risk free interest rate of 1.08% to 1.60%, volatility of 35% to 38% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life.

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the option.

The fair value of stock options granted during fiscal 2018 was \$0.49 (2017 - \$0.48).

22. CASH FLOW INFORMATION

Net change in non-cash working capital items is comprised of:

	<u>2018</u>	<u>2017</u>
Trade and other receivables	\$ (521,335)	\$ (11,121)
Contract assets	\$ 55,958	\$ (25,992)
Prepaid expenses	\$ (1,369)	\$ 91,325
Trade and other liabilities	\$ (66,279)	\$ (112,087)
Contract liabilities	\$ (333,673)	\$ 337,605
Net change in non-cash working capital	\$ (866,698)	\$ 279,730

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

23. FINANCE COSTS

Finance costs may be analyzed as follows for the fiscal year ending 2018 and 2017:

	2018	2017
Interest expense on loans	\$ 31,226	\$ 42,393
Interest received on cash equivalents	\$ (18,961)	\$ -
Accretion on contingent consideration	\$ -	\$ 29,904
Finance costs	\$ 12,265	\$ 72,297

24. INVESTMENT TAX CREDITS AND INCOME TAXES

Research and development expenses

The Company has investment tax credit carry forwards of \$106,241 (2017 - \$106,241) which may be utilized to reduce future Canadian taxable income. These tax credits expire between 2022 and 2029. The future tax benefits associated with investment tax credit carry forwards has not been recognized in the financial statements.

The Company has net operating losses that expire between 2028 and 2038.

The ability to realize the tax benefits from these losses, deductible temporary differences and investment tax credits is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses, deductible temporary differences and investment tax credits arose. Deferred tax assets are recognized in respect of temporary differences giving rise to deferred tax assets only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. This determination is based on the management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence included, notably, historical performance over the past two years and the Company's projected future taxable income.

Accordingly, no deferred tax asset has been recognized on the following temporary differences:

	December 31, 2018	December 31, 2017
Investment in associate	\$ 130,000	\$ 130,000
Property and equipment	\$ 14,485	\$ -
Net operating losses	\$ 2,540,951	\$ -
Non-capital losses	\$ 1,289	\$ 57,737
	\$ 2,686,725	\$ 187,737

Deferred tax assets arising from temporary differences and unused tax losses that have been recorded can be summarized as follows:

	As at December 31, 2017	Recognized in net earnings	Recognized in balance sheet	As at December 31, 2018
Property and equipment	\$ (1,675)	\$ (54,929)		\$ (56,604)
Intangible assets	\$ (137,429)	\$ 91,857		\$ (45,572)
Investment tax credits recoverable	\$ (27,740)	\$ 66		\$ (27,674)
Share issue costs	\$ 69,056	\$ 4,741		\$ 73,797
Non-capital losses	\$ 346,389	\$ (91,226)		\$ 255,163
Other	\$ 100,628	\$ (6,364)		\$ 94,264
	\$ 349,229	\$ (55,855)	\$ -	\$ 293,374

	As at December 31, 2016	Recognized in net earnings	Recognized in balance sheet	As at December 31, 2017
Property and equipment	\$ (22,326)	\$ 20,651		\$ (1,675)
Intangible assets	\$ (228,229)	\$ 90,799		\$ (137,430)
Investment tax credits recoverable	\$ (40,786)	\$ 13,046		\$ (27,740)
Deferred revenues	\$ -	\$ -		\$ -
Share issue costs	\$ 2,968	\$ (15,415)	\$ 81,503	\$ 69,056
Non-capital losses	\$ 390,329	\$ (43,940)		\$ 346,389
SR&ED expenditure pool	\$ -	\$ -		\$ -
Other	\$ (10,751)	\$ 76,962	\$ 34,418	\$ 100,629
	\$ 91,205	\$ 142,103	\$ 115,921	\$ 349,229

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

The major components of deferred tax recovery can be summarized as follows:

	December 31, 2018	December 31, 2017
Origination and reversal of timing differences	\$ (643,093)	\$ (115,528)
Adjustment of prior year deferred taxes	\$ (5,606)	\$ (25,420)
Tax effect of temporary differences for which no deferred tax assets were recorded	\$ 704,554	\$ (1,154)
	<u>\$ 55,855</u>	<u>\$ (142,102)</u>

Tax rate reconciliation

The actual tax provision differs from the expected provision based on the combined federal and provincial income tax rates for the following reasons:

	As at December 31, 2018	As at December 31, 2017
Income before income taxes	\$ (2,731,172)	\$ (759,184)
Combined Canadian Statutory tax rate	26.5%	26.5%
Expected tax expense (recovery)	\$ (723,761)	\$ (201,184)
Permanent differences	\$ 77,669	\$ 26,123
Tax rate differences	\$ 3,827	\$ (20,148)
Current tax relating to prior years	\$ -	\$ 1,426
Deferred tax relating to prior years	\$ (4,932)	\$ (25,829)
Effect of temporary differences not recognized as deferred tax assets	\$ 704,554	\$ (1,154)
Other	\$ 13,551	\$ 110,918
	<u>\$ 70,908</u>	<u>\$ (109,848)</u>
Income tax comprises:		
Current income tax - Continuing operations	\$ 15,054	\$ 32,254
Deferred income tax - Continuing operations	\$ 55,854	\$ (142,102)
	<u>\$ 70,908</u>	<u>\$ (109,848)</u>
Total tax provision	\$ 70,908	\$ (109,848)

25. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation for key management personnel, including the Company's Officers and Board of Directors, was as follows for the year:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries	\$ 797,870	\$ 709,192
Directors' fees	\$ 175,000	\$ 160,417
Share-based compensation	\$ 15,290	\$ 8,813
Total Key Management Compensation	<u>\$ 988,160</u>	<u>\$ 878,422</u>

Salaries include cash payments for base salaries and bonuses. Director's fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel. There were 340,000 stock options exercised by key management personnel in 2018 (2017 – 200,000).

26. FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

	As at 31-Dec-18	As at 31-Dec-17
Financial assets:		
Amortized costs		
Cash and cash equivalents	\$242,865	\$3,426,398
Trade and other receivables	\$2,340,221	\$1,818,887
Contract assets	\$50,320	\$106,278
Total financial assets	\$2,633,406	\$5,351,563
Financial liabilities:		
Amortized cost		
Trade and other liabilities	\$619,210	\$685,489
Long-term debt	\$155,084	\$567,533
Total financial liabilities	\$774,294	\$1,253,022

The carrying values of cash and cash equivalents, trade and other receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

	Trade receivables days past due					Total
	Current	Over 30 days	Over 60 days	Over 90 days		
December 31, 2018	\$ 1,510,091	\$ 666,316	\$ 140,931	\$ 8,851	\$ 2,326,189	
January 1, 2018	\$ 1,215,187	\$ 543,704	\$ 15,809	\$ 30,680	\$ 1,805,380	

The Company has not experienced a credit loss on its trade receivables in the past numerous years and does not expect any credit losses as at December 31, 2018. The gross carrying amount is expected to be collected in full within 90 days or less from invoice date.

27. FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

The Company's financial instruments and the nature of the risks which they may be subject to are set out in the following table.

	Risks			
	Credit	Liquidity	Market Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	
Trade and other receivables	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Long-term debt		Yes		Yes

Credit risk

Credit risk arises from cash and cash equivalents held with banks, and trade and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. The Company is not aware of any collection issue with any trade accounts receivable not currently past due.

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Cash and cash equivalents

Cash consists of bank balances and guaranteed investment certificates (GIC). Credit risk associated with cash and GIC's is minimized substantially by ensuring that these financial assets are invested in Schedule 1 chartered Canadian banks.

Trade accounts receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sale over a period of 24 months before December 31, 2018. The historical loss rates are adjusted to reflect current and forward-looking information based on factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade accounts receivables consists primarily of trade receivables (Note 14) from billings of services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits. The carrying amount of trade accounts receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of earnings (loss) in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the statement of earnings (loss) and comprehensive income (loss).

A significant portion of the Company's sales were to a limited number of customers and consequently the Company is exposed to a concentration of credit risk. The Company defines concentration risk as customers whose outstanding receivable is 10% or greater than the total receivable balance or who represent 10% or greater of total revenue (Note 5). The Company's exposure with one customer, in the automotive industry, that fell into this category as at December 31, 2018, on aggregate, accounted for 16% of the Company's total accounts receivable balance. The other customer, in the pharmaceutical industry, that fell into this category as at December 31, 2018, on aggregate, accounted for 13.8% of the Company's total accounts receivable balance. In 2017, one customer made up 10% or greater of the total net receivables. The receivable balances are monitored very closely, and both the customers are Fortune 500 companies.

As of December 31, 2018, it was determined that no allowance for credit loss was required. For details of the aging of the Company's trade receivables see Note 14.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at December 31, 2018 and 2017:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at December 31, 2018:					
Trade and other payables	\$ 619,210				\$ 619,210
Long term debt	\$ 14,745	\$ 29,272	\$ 117,121		\$ 161,138
	\$ 633,955	\$ 29,272	\$ 117,121	\$ -	\$ 780,348
As at December 31, 2017:					
Trade and other payables	\$ 685,489	\$ -	\$ -	\$ -	\$ 685,489
Long term debt	\$ 37,297	\$ 74,202	\$ 310,910	\$ 186,106	\$ 608,515
	\$ 722,786	\$ 74,202	\$ 310,910	\$ 186,106	\$ 1,294,004

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of a financial instrument or its future cash flows.

Foreign exchange

The Company operates in Canada and the United States.

As at December 31, 2018, the Canadian entities US-dollar net monetary assets totaled approximately US\$1,185,035 (CDN\$1,616,625) (December 31, 2017 US\$547,597 (CDN\$686,961)) and the Company's United States subsidiaries US-dollar net assets totaled approximately US\$91,109 (CDN\$124,290) (December 31, 2017 US\$75,109 (CDN\$94,224)). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2018 would have increased net loss and decreased shareholders' equity by \$168,038 (December 31, 2017 a decrease of \$71,017 to net earnings and shareholders' equity) (a 10% weakening would have had the equal but opposite effect). This analysis assumes that all other variables remain constant.

Interest rate

The Company has loans with variable rates which are exposed to interest rate fluctuations. A 1% variation would have an approximate \$1,551 effect as at December 31, 2018 on net loss and shareholders' equity (December 31, 2017 - \$5,675).

28. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regard to its bank indebtedness, namely, a tangible net worth of at least \$1,600,000. The Company was compliant with its covenant. In 2017, the tangible net worth was also at least \$1,600,000, as well as, to maintain a debt service charge ("DSC") ratio of not less than 120%. As at December 31, 2017 the Company was compliant with the tangible net worth covenant, however, in the final quarter of 2017, the Company ramped up expenses in order to fast-track its CEM product offering which created an off-side position with its DSC covenant. The Company was in breach at year-end 2017 and received a waiver from this covenant from the bank. The Company, at year-end 2017, had already negotiated a new banking agreement which was signed on January 9, 2018. The tangible net worth covenant remains in the new agreement while the DCS covenant was removed.

	As at December 31, 2018	As at December 31, 2017
Long-term debt, including current portion	\$ 155,084	\$ 567,533
Less cash	\$ 242,865	\$ 3,426,398
Net debt (surplus)	\$ (87,781)	\$ (2,858,865)
Shareholders' equity	\$ 4,005,915	\$ 6,630,028
Total capital, net	<u>\$ 3,918,134</u>	<u>\$ 3,771,163</u>
Net surplus as a percentage of total capital	2%	76%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. For its core business, the Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

Midway through 2017, the Company decided to enter into the customer experience management market which it recognized would require funding to develop the product, have the new product integrate with current product offerings and develop the sales and marketing support required for rapid deployment into the CEM market. As such the Company's approach to capital management during the year ended December 31, 2017 changed compared to the year ended December 31, 2016. The Company issued common shares through a non-brokered financing transaction that provided net proceeds of \$3,228,575. The objective of the Company is to use those proceeds to fast-track its entry into what it believes to be a lucrative market.

During the year ended 2018, the Company successfully developed and launched the new product. The Company used the net proceeds as planned in the CEM space. As the year 2018 ended, the Company realized that while it was receiving revenues from CEM sales, the sales were taking longer to realize than anticipated and revenues from the CEM software were not those that were

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018 and 2017
(in Canadian Dollars)

projected. The Company will therefore continue to invest at a lower rate but will also in 2019 target year over year revenue increases with positive increases in EBITDA as it had previous to 2018.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and warrants, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

INTOUCH INSIGHT LTD.

Corporate Information

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Directors

Michael Gaffney | **Executive Chairman**

- 30 years of experience with technology companies
- Chairman and CEO, Leonovus Inc. | Former VP of Newbridge Networks Inc.
- Founded: Worknet Inc, Learnsoft Inc., Lansbridge University, Kleer Semiconductor, Soltoro Inc.

Cameron Watt | **Director, President & CEO**

- An experienced leader (held management positions with Excite@Home, PepsiCo, Mars and Unilever)
- Owned, operated and successfully exited several small businesses
- Bachelor of Commerce from UofA, and an MBA from Ivey

Eric Beutel | **Director**

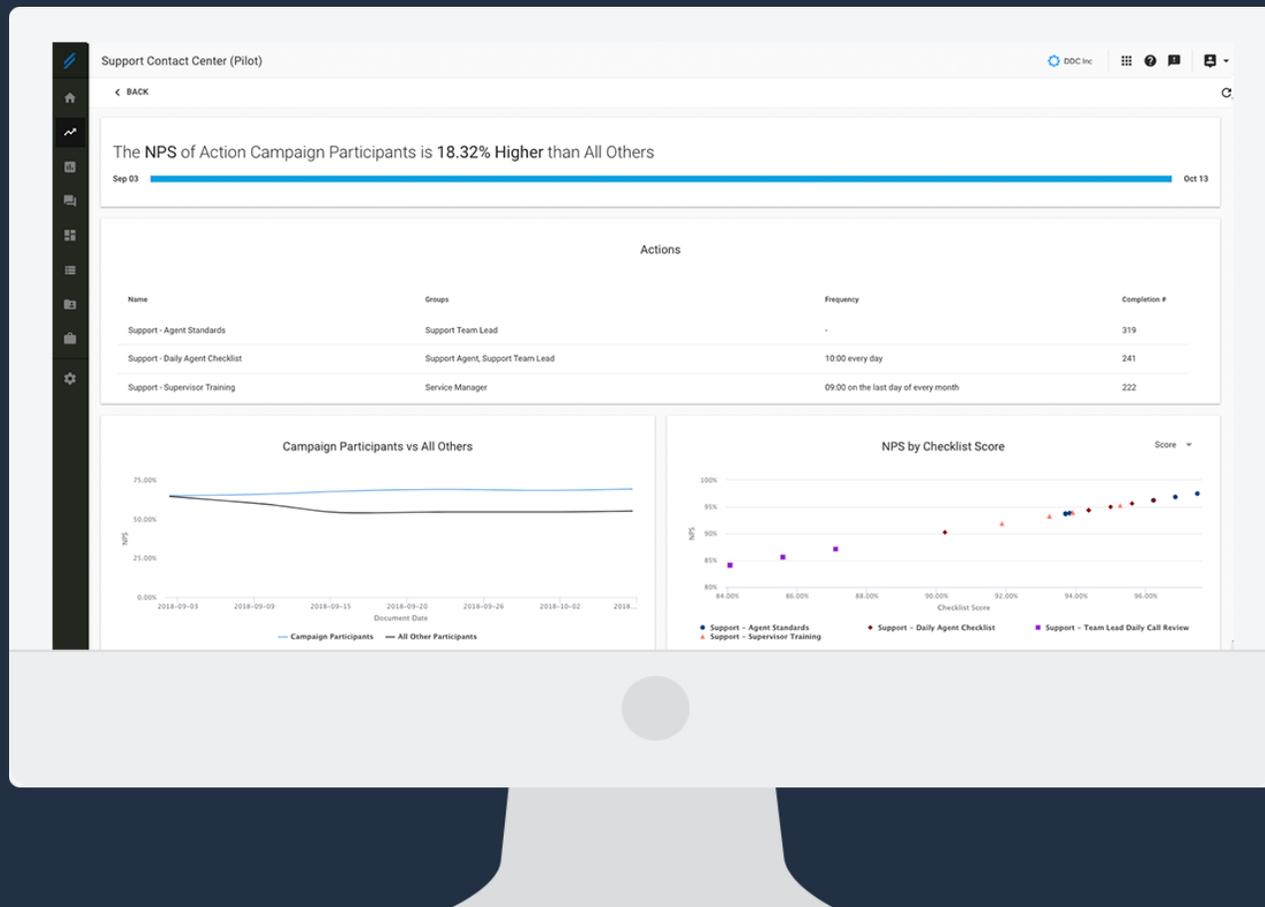
- 20+ years of experience in the investment industry
- VP of Oakwest Corporation Ltd since 2003
- Director, Equitable Group Inc. and various other private and publicly-traded companies

William “David” Oliver | **Director**

- 35+ years of experience in financing, constructions, operations and development within the hospitality industry
- Lead asset management and project management group of 360 Vox/Dundee 360 Real Estate Group - \$2B+ of 5000+ luxury rooms of Fairmont and Hilton assets
- Former CEO, London Convention Center and had major development roles with ITT Sheraton, Starwood Hotels and Resorts, Wyndham Hotels and Carlson Hotels and Resorts
- Involved in the development of over 400 hotels globally

Rainer Paduch | **Director**

- 30 years of experience in Internet operations, software design, telecommunications and data networking
- Founder, Band of Scoundrels Investment Partnership and Co-Founder of Ottawa Angel Alliance
- Former Founder, President, CTO and Vice Chair of iSTAR



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