

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.

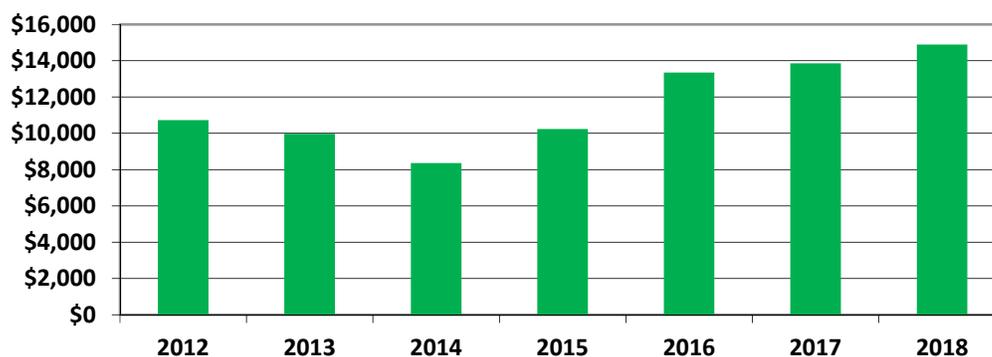
	2018	2017
Recurring software revenue	\$ 2,580,358	\$ 2,310,686
Recurring services revenue	\$ 12,219,359	\$ 11,265,395
Non-recurring services revenue	\$ 88,733	\$ 278,796
Total revenue	\$ 14,888,450	\$ 13,854,877

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.

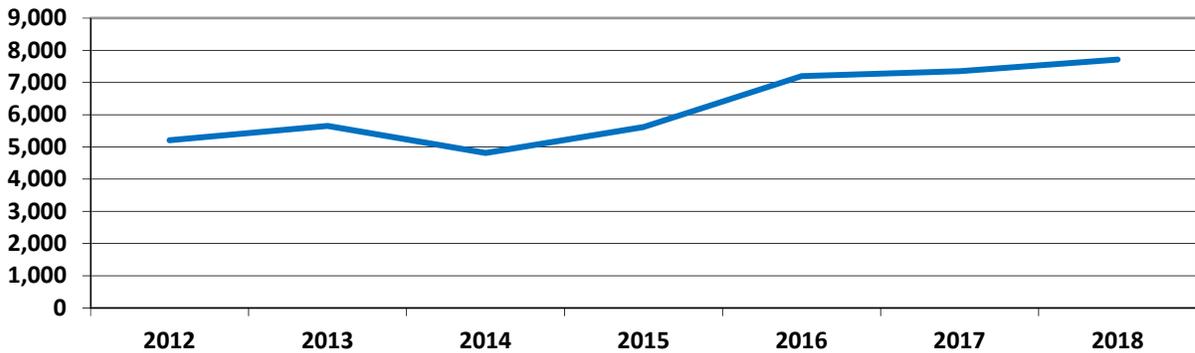
b) Cost of Services/Gross Margin

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.

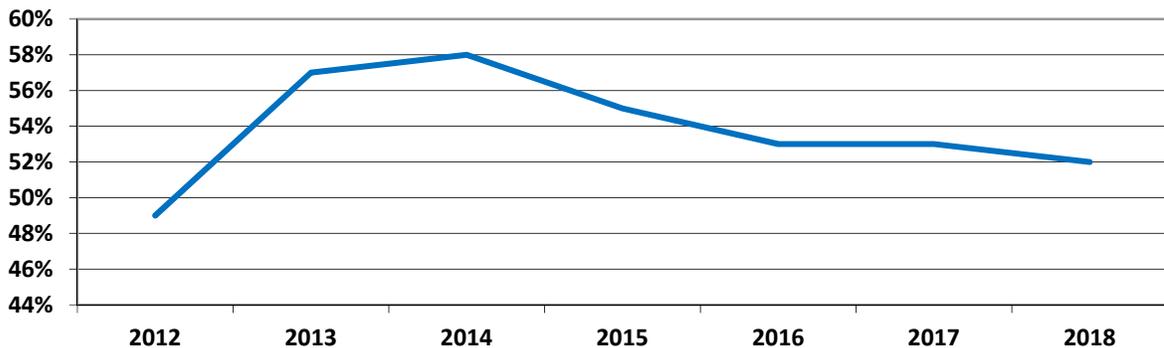
	2018	2017
Staff and contractor expense	\$ 5,750,243	\$ 5,049,697
Delivery and communication costs	\$ 857,935	\$ 786,617
Amortization	\$ 246,074	\$ 238,341
Other	\$ 321,054	\$ 427,957
Cost of services	\$ 7,175,306	\$ 6,502,612

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.

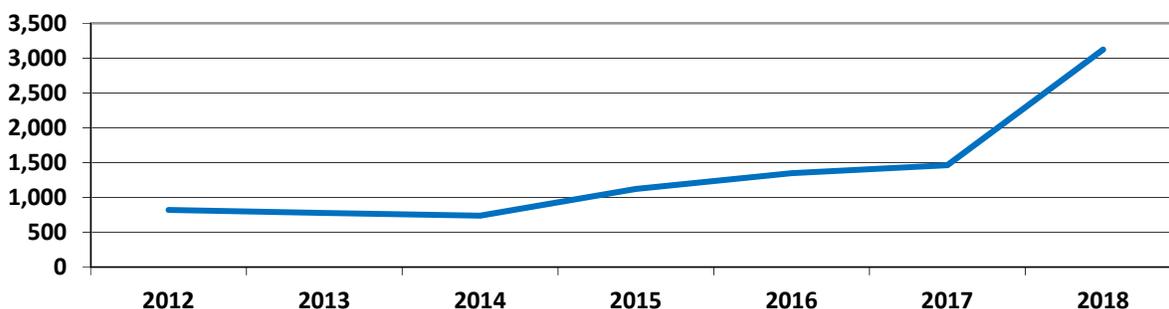
c) Selling

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

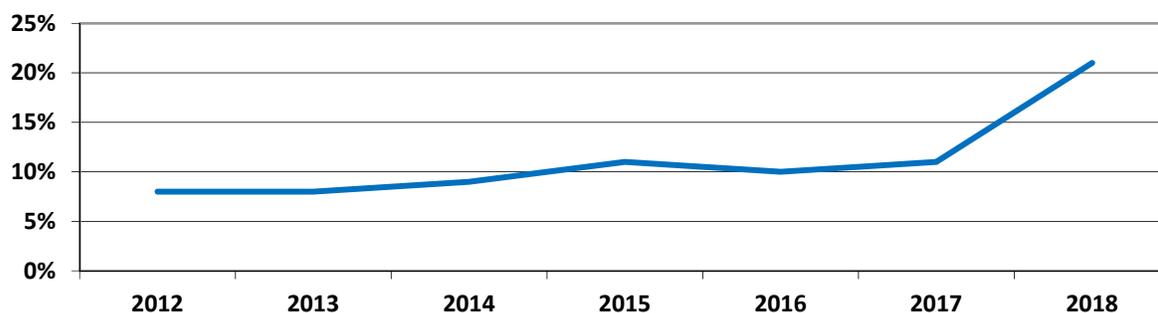
	2018	2017
Marketing expenses	\$ 1,220,741	\$ 408,839
Travel expenses	\$ 336,398	\$ 193,852
Salaries and benefits	\$ 1,565,155	\$ 858,935
Selling expenses	\$ 3,122,294	\$ 1,461,626

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%

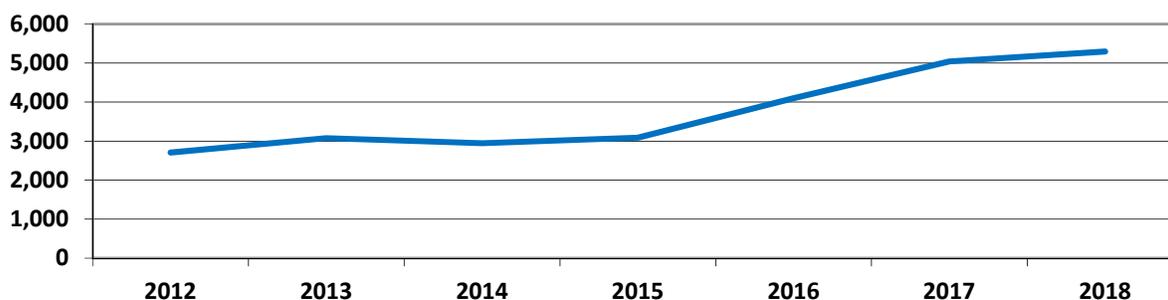
General and administrative (“G&A”) expenses increased by 5% overall in 2018. Management did expect G&A expenses to increase for further hires to its customer support team to train, document and help improve its new software. Share-based compensation added \$59,698 in non-cash salary expense to the 2018 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.

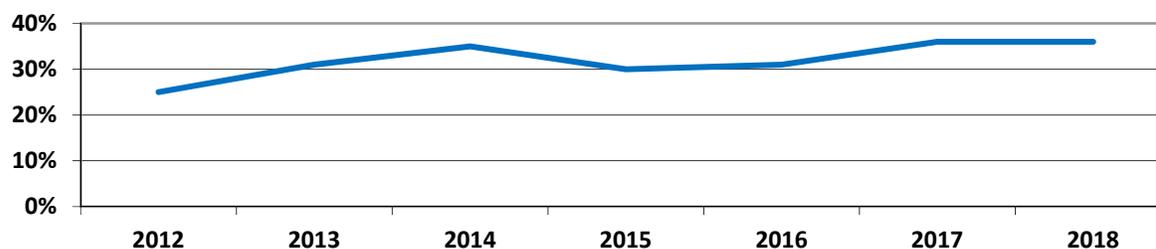
The Company recorded a gain on U.S. exchange of \$66,351 in 2018 compared to a loss of \$83,974 in 2017. Any future gains or losses will be dependent on the fluctuation of the Canadian dollar in regard to the U.S. dollar.

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.

Yearly General and administrative expenses (in 000's)



Yearly General and administrative expenses as a percentage of revenue

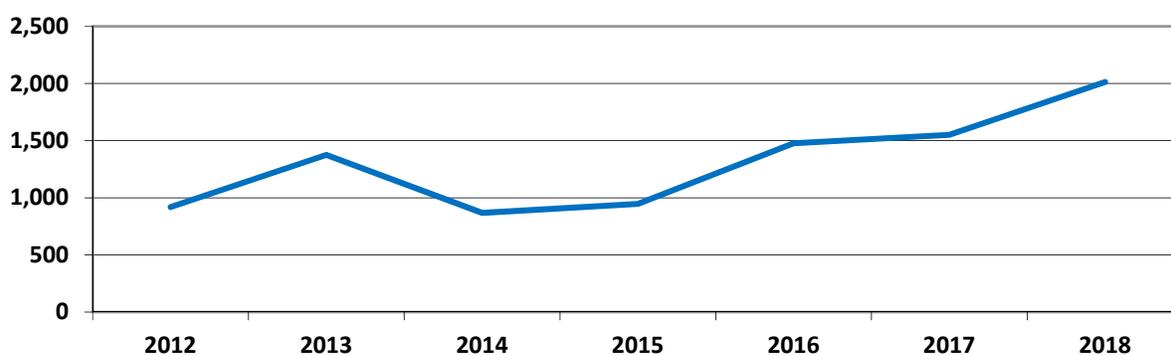


e) **Product Development**

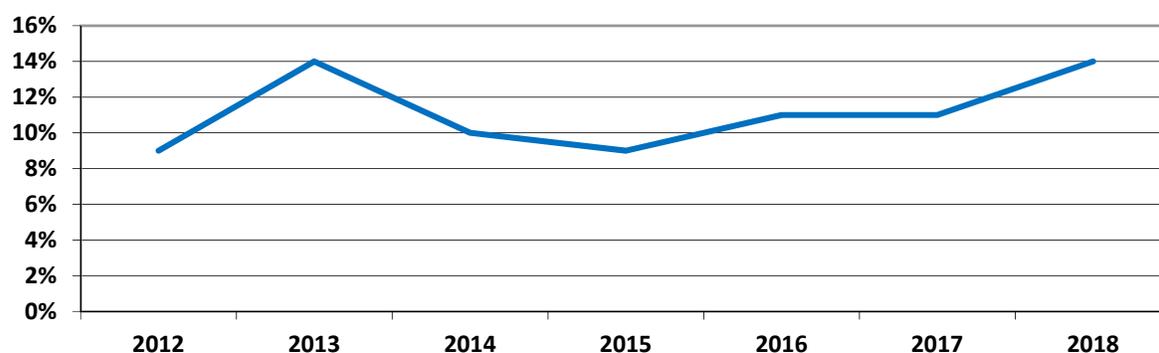
	2018	2017	% change
Salaries and benefits expense	\$ 2,232,521	\$ 1,742,898	28%
Government agency contribution received for software application development	\$ (220,000)	\$ (191,500)	15%
Total product development expense	\$ 2,012,521	\$ 1,551,398	30%

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 IPGS to the CEO and other shareholder and director of IPGS. 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 IPGS, 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 IPGS 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.

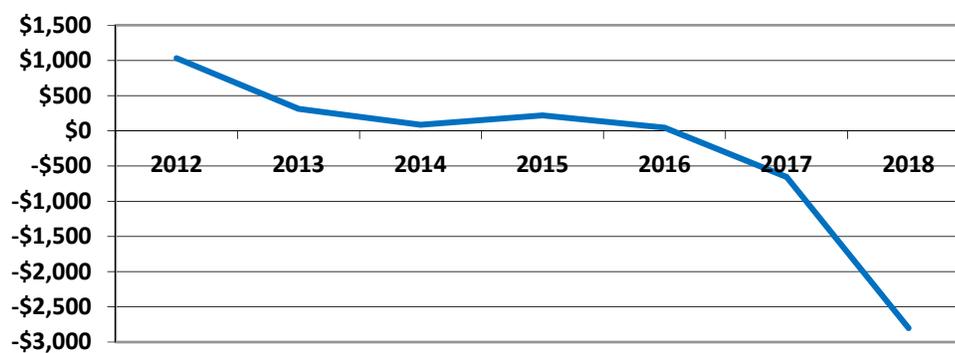
i) Income taxes

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.

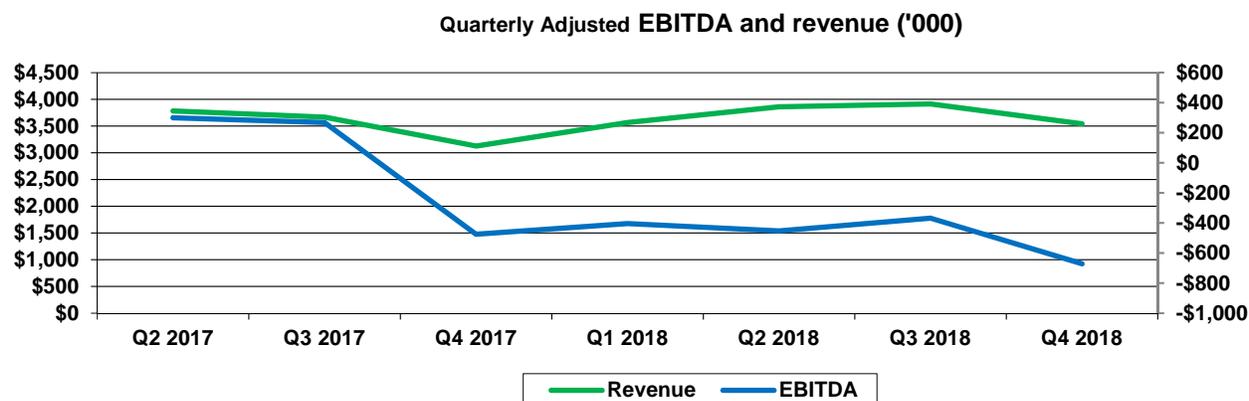
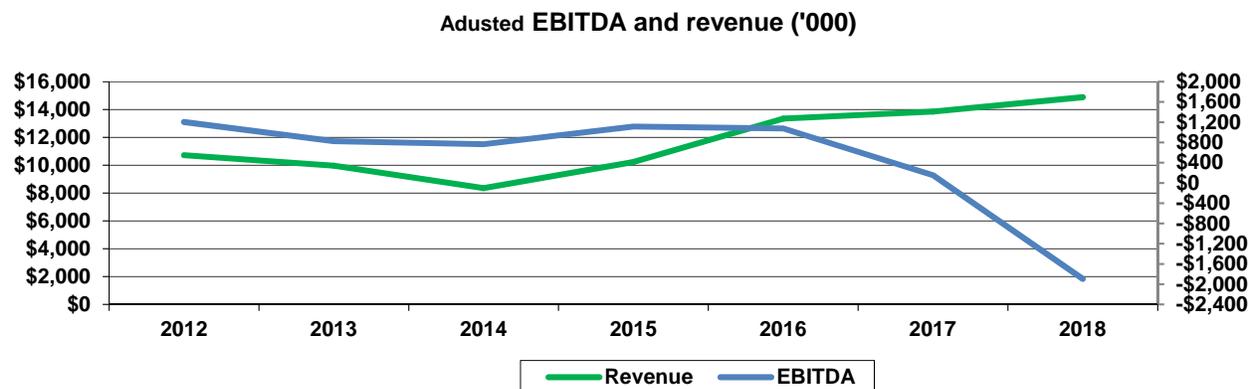
Review of quarterly operating results (,000s)

	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.