



Interim Condensed Consolidated Financial Statements

Intouch Insight Ltd.

for the three and nine months ended September 30, 2020, and 2019

(Unaudited, expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Intouch Insight Ltd. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

A handwritten signature in black ink, appearing to read 'Cameron Watt', with a large, sweeping flourish at the end.

Cameron Watt
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Cathy Smith', with a horizontal line extending to the right.

Cathy Smith
Chief Financial Officer

Intouch Insight Ltd.

Interim Condensed Consolidated Financial Statements (unaudited)

As at September 30, 2020

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INTOUCH INSIGHT LTD.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Three and nine months ended September 30, 2020 and 2019
(Unaudited- in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		2020	2019	2020	2019
Revenue	3	\$2,965,928	\$ 4,908,852	\$9,180,184	\$ 14,534,554
Cost of services		1,408,721	2,406,090	4,320,150	6,975,361
Gross margin		1,557,207	2,502,762	4,860,034	7,559,193
Operating expenses					
Selling	4	130,503	356,375	515,744	1,405,072
General and administrative	5	796,705	1,591,297	3,129,763	4,657,724
Product development	6	144,781	407,515	663,713	1,327,656
Total operating expenses		1,071,989	2,355,187	4,309,220	7,390,452
Income (loss) from operating activities		485,218	147,575	550,814	168,741
Non-operating expenses					
Finance costs		(22,815)	(11,009)	(71,721)	(53,278)
Impairment of intangible assets and goodwill	10, 11	(844)	-	(538,174)	-
Gain (loss) in fair value of contingent liabilities	13	46,804	-	118,838	-
Net earnings (loss) before income taxes		508,364	136,566	59,757	115,463
Income taxes	17				
Deferred tax expense		-	-	-	34,417
Current income tax expense		(1,680)	-	(1,680)	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ 510,044	\$ 136,566	\$ 61,437	\$ 81,046
Earnings (loss) per share	7				
Basic		\$ 0.02	\$ 0.01	\$ 0.00	\$ 0.00
Diluted		\$ 0.02	\$ 0.01	\$ 0.00	\$ 0.00
Weighted average number of shares - basic		22,601,481	22,441,811	22,556,829	22,322,311
Weighted average number of shares - diluted		22,845,916	23,448,480	22,716,062	23,328,980

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

INTOUCH INSIGHT LTD.

Interim Condensed Consolidated Statements of Financial Position

As at September 30, 2020 and December 31, 2019

(Unaudited- in Canadian Dollars)

Notes	September 30, 2020	December 31, 2019 (audited)
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,031,377	\$ 1,382,296
Trade and other receivables	8 2,063,517	2,625,209
Contract assets	8 184,464	57,419
Prepaid expenses	138,418	124,204
Total Current Assets	4,417,776	4,189,128
<i>Non-Current Assets</i>		
Property and equipment	9 2,150,090	1,300,834
Intangible assets	10 785,518	611,715
Goodwill	11 74,571	-
Total Non-Current Assets	3,010,179	1,912,549
TOTAL ASSETS	\$ 7,427,956	\$ 6,101,677
LIABILITIES		
<i>Current Liabilities</i>		
Trade and other liabilities	\$ 626,340	\$ 722,037
Contract liabilities	840,031	340,894
Current portion of contingent liabilities	13 301,837	-
Current portion of lease liabilities	14 250,169	247,934
Total Current Liabilities	2,018,376	1,310,865
<i>Non-Current Liabilities</i>		
Contingent liabilities	13 103,679	-
Lease liabilities	14 877,759	512,258
Total Non-Current Liabilities	981,438	512,258
TOTAL LIABILITIES	2,999,814	1,823,123
SHAREHOLDERS' EQUITY		
Share capital	15 5,560,583	5,518,848
Contributed surplus	1,504,076	1,457,660
Deficit	(2,636,517)	(2,697,954)
TOTAL SHAREHOLDERS' EQUITY	4,428,142	4,278,554
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,427,956	\$ 6,101,677

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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 interim condensed consolidated financial statements

INTOUCH INSIGHT LTD.

Interim Condensed Consolidated Statements of Changes in Equity

Three and nine months ended September 30, 2020 and 2019

(Unaudited- in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2019		22,146,811	\$ 5,403,861	\$ 977,774	\$ 438,478	\$ (2,814,198)	\$ 4,005,915
Issuance of share capital related to the exercise of share options	15	310,000	98,690	-	(51,811)	-	46,879
Share-based compensation		-	-	-	42,910	-	42,910
Expiry of warrants		-	-	(977,774)	977,774	-	-
Net loss and comprehensive loss		-	-	-	-	81,046	81,046
Balance as at September 30, 2019		22,456,811	\$ 5,502,551	\$ -	\$ 1,407,351	\$ (2,733,152)	\$ 4,176,750
Balance as at January 1, 2020		22,511,811	\$ 5,518,848	\$ -	\$ 1,457,660	\$ (2,697,954)	\$ 4,278,554
Issuance of share capital related to the exercise of share options	15	135,000	41,735	-	(6,735)	-	35,000
Share-based compensation		-	-	-	53,151	-	53,151
Net income and comprehensive income		-	-	-	-	61,437	61,437
Balance as at September 30, 2020		22,646,811	\$ 5,560,583	\$ -	\$ 1,504,076	\$ (2,636,517)	\$ 4,428,142

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

INTOUCH INSIGHT LTD.

Interim Condensed Consolidated Statements of Cash Flows

Three and nine months ended September 30, 2020 and 2019

(Unaudited - in Canadian Dollars)

	Note	Three months		Nine months	
		2020	2019	2020	2019
Cash flows from operating activities					
Net income (loss)		\$ 510,044	\$ 136,566	\$ 61,437	\$ 81,046
Adjustments for non-cash items:					
Amortization of property and equipment	9	153,221	147,766	422,693	425,489
Amortization of intangible assets	10	104,740	86,843	326,863	260,528
Allowance for doubtful accounts		4,609	-	21,719	-
Finance costs		22,814	11,009	71,721	53,278
Impairment of intangible assets	10	844	-	212,334	-
Impairment of goodwill	11	-	-	325,840	-
Gain on contingent liabilities	13	(46,804)	-	(118,838)	-
Share-based compensation	16	17,717	15,605	53,151	46,734
Loss(gain) on disposal of property and equipment		-	(4,734)	-	(5,708)
Deferred tax expense	17	-	-	-	34,417
Net change in non-cash operating working capital	18	(1,723,044)	(521,230)	1,024,796	(671,864)
Net cash flows from (used in) operating activities		(955,859)	(128,175)	2,401,715	223,920
Cash flows from financing activities					
Issuance of share capital net of cash issue costs	15	\$ 15,400	\$ 3,300	\$ 35,000	\$ 79,100
Repayment of long-term debt		-	(42,296)	-	(126,887)
Repayment of lease liabilities	14	(58,738)	(62,939)	(178,596)	(184,358)
Repayment of contingent liabilities		(1,890)	-	(38,457)	-
Finance costs paid		(22,814)	(11,009)	(71,721)	(53,278)
Net cash flows from (used in) financing activities		(68,042)	(112,944)	(253,774)	(285,423)
Cash flows from investing activities					
Purchase of PermaLogics, net of assumed cash	12	-	-	(513,700)	-
Purchase of MobilForce, net of assumed cash	12	-	-	(259,544)	-
Proceeds on disposal of property and equipment		-	7,051	-	8,973
Purchase of property and equipment	9	(1,172)	(13,730)	(725,617)	(51,766)
Net cash flows used in investing activities		(1,172)	(6,679)	(1,498,861)	(42,793)
NET INCREASE (DECREASE) IN CASH		(1,025,073)	(247,798)	649,081	(104,296)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		3,056,449	386,367	1,382,296	242,865
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 2,031,377	\$ 138,569	\$ 2,031,377	\$ 138,569

Additional Information

Interest received included in operating activities	-	-	-	-
Interest paid for leases	13,132	7,708	36,587	25,304
Income tax paid included in operating activities	-	-	-	-

INTOUCH INSIGHT LTD.
Notes to the Interim Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2020 and 2019
(Unaudited - 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

(a) Impact of COVID-19

In Q1 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the American, Canadian, state, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. Consequently, there has been a widespread shut down of North American companies in the retail, foodservice and hospitality industries, which will negatively impact Intouch's recurring service revenues.

In response, the Company enacted temporary pay cuts across its employee base, including the executive team and CEO, as well as accessing government COVID-19 relief programs in both Canada and the United States. The Company continues to market and has available to its customers its recurring revenue services and software products, including its customer experience management platform; LiaCX™ and its forms and checklist automation product; IntouchCheck.

The future effect of COVID-19 on the economy and businesses, in general, remains uncertain. The medium and long term impact to the Company from COVID-19 will depend on the length of time retail, foodservice and hospitality companies are closed, the financial solutions achieved with government, lenders, franchisees, and landlords, post COVID-19 consumer behaviours, and the macro impact on the overall economy.

The Company continues to monitor and actively manage the developing impacts from COVID-19 and will continue to assess impacts to the Company's operations and the reported value of assets and liabilities reported in these interim condensed consolidated financial statements.

(b) Basis of preparation and statement of compliance with IFRS

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2019.

The preparation of the interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements. The only exception is the estimate used for the income tax provision. This provision is determined using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

(c) Significant accounting policies

The Company's significant accounting policies are consistent with those disclosed in Note 2 of the Company's last annual audited consolidated financial statements for the year ended December 31, 2019.

(d) Critical accounting estimates and judgments

The Company's interim 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 measurement of assets, liabilities, income and expenses. 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.

The estimates, judgments and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2019. The only exception is the estimate of the provision for income taxes which

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is determined in the interim consolidated financial statements using the estimated weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

3. REVENUE

Geographical

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

	Three months		Nine months	
	2020	2019	2020	2019
Canada	\$ 799,611	\$ 1,745,718	\$ 2,956,856	\$ 4,994,254
US	2,155,951	3,144,045	6,170,585	9,505,038
Other	10,366	19,089	52,743	35,262
Total revenue	\$ 2,965,928	\$ 4,908,852	\$ 9,180,184	\$ 14,534,554

Major customers

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

	Three months		Nine months	
	2020	2019	2020	2019
Customer 1	\$ 628,293	\$ 945,142	\$ 1,210,950	\$ 2,487,648
Customer 2	368,295	587,028	1,335,026	1,814,220
Customer 3	184,836	454,538	1,015,120	1,341,788

Major trade accounts receivable

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

	September 30, 2020	September 30, 2019
Customer 1	\$ 471,418	\$ 1,253,800
Customer 2	-	362,502

The customers presented may not be the same as in the previous table.

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4. SELLING EXPENSES

Selling expenses for the Company are broken down as follows:

	Three months		Nine months	
	2020	2019	2020	2019
Marketing expenses	\$ 24,625	\$ 130,702	\$ 128,873	\$ 582,627
Travel expenses	386	71,242	77,502	232,972
Salaries and benefits	186,184	154,431	462,419	589,473
Wage subsidy- Canada Emergency Wage Subsidy (CEWS)	(80,692)	-	(153,050)	-
Selling expenses	\$ 130,503	\$ 356,375	\$ 515,744	\$ 1,405,072

5. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months		Nine months	
	2020	2019	2020	2019
Corporate administration	\$ 173,388	\$ 233,868	\$ 576,606	\$ 687,560
Rent relief- Canada Emergency Commercial Rent Assistance (CECRA)	(42,390)	-	(105,976)	-
Consultant fees	495	44,184	95,667	141,665
Professional fees	15,927	65,798	299,035	240,160
Listing fees	15,041	38,178	83,090	109,932
Salaries and benefits ⁽¹⁾	689,557	1,047,690	2,177,753	2,853,002
Wage subsidy- CEWS	(293,365)	-	(596,901)	-
Loss (gain) on disposal of property and equipment	-	(4,734)	-	(5,707)
Loss (gain) on foreign exchange	45,293	1,045	(18,894)	102,124
Bad debt expense (recovery)	4,609	(16,998)	21,719	-
Amortization expense	188,151	182,266	597,663	528,988
General and administrative expenses	\$ 796,705	1,591,297	\$ 3,129,763	4,657,724

⁽¹⁾ Share-based compensation (a non-cash item) of \$17,717 (Q3 2019- \$15,605) has been included in Salaries and benefits. Year-to-date 2020, \$53,151 (YTD 2019- \$46,734) was included.

6. PRODUCT DEVELOPMENT EXPENSES

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

	Three months		Nine months	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Salaries and benefits	\$ 313,582	\$ 407,515	\$ 1,066,488	\$ 1,327,656
Wage subsidy- CEWS	(168,801)	-	(389,613)	-
Investment tax credits and other government contributions towards development	-	-	(13,163)	-
Total product development expenses	\$ 144,781	\$ 407,515	\$ 663,713	\$ 1,327,656

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7. EARNINGS (LOSS) PER SHARE

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

	Three months		Nine months	
	2020	2019	2020	2019
Weighted average number of common shares - basic	22,601,481	22,441,811	22,556,829	22,322,311
Additions to reflect the dilutive effect of employee stock options	244,435	1,006,669	159,233	1,006,669
Weighted average number of common shares - diluted	22,845,916	23,448,480	22,716,062	23,328,980

8. TRADE, OTHER RECEIVABLES AND CONTRACT ASSETS

Trade and other receivables consist primarily of trade receivables from billings of recurring revenue including system use and license fees, consulting, custom development and reports as well as other receivables. Contract assets consist of services in process not yet billed.

	As at September 30, 2020	As at December 31, 2019
Trade accounts receivable, gross	\$ 2,079,447	\$ 2,624,598
Allowance for doubtful accounts	(16,827)	-
Trade accounts receivable, net	2,062,620	2,624,598
Taxes recoverable	897	611
Contract assets	184,464	57,419
Trade, other receivables and contract assets	\$ 2,247,982	\$ 2,682,628

Included in contract assets for September 30, 2020 is \$146,421 of Canada Emergency Wage Subsidy (CEWS) receivable and \$38,043 of Canada Emergency Commercial Rent Assistance (CECRA) receivable as at September 30, 2020.

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

	As at September 30, 2020	As at December 31, 2019
1 - 60 days past due	\$ 1,039,199	\$ 857,109
Greater than 60 days past due	125,174	17,451
	\$ 1,164,373	\$ 874,560

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality.

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9. PROPERTY AND EQUIPMENT

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

	Computer Equipment	Survey Tablets	Furniture and Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost:						
At December 31, 2018	\$ 159,675	\$ 1,313,472	\$ 250,503	\$ 197,180	\$ -	\$ 1,920,831
Transitional IFRS 16 balance	-	-	-	-	837,385	837,385
Additions	24,360	-	5,893	-	171,344	201,597
Disposals	(27,545)	(628,900)	(789)	-	-	(657,234)
At December 31, 2019	156,491	684,572	255,607	197,180	1,008,729	2,302,579
Additions	8,929	712,809	3,879	-	546,332	1,271,949
Disposals	-	-	-	-	-	-
At September 30, 2020	\$ 165,420	\$ 1,397,381	\$ 259,486	\$ 197,180	\$ 1,555,061	\$ 3,574,528
Accumulated Amortization:						
At December 31, 2018	\$ 70,519	\$ 820,640	\$ 95,560	\$ 77,382	\$ -	\$ 1,064,101
Amortization	34,610	209,372	25,444	51,935	270,251	591,612
Disposals	(27,263)	(625,917)	(789)	-	-	(653,969)
At December 31, 2019	77,867	404,095	120,215	129,317	270,251	1,001,745
Amortization	24,548	151,892	19,407	27,789	199,058	422,693
Disposals	-	-	-	-	-	-
At September 30, 2020	\$ 102,414	\$ 555,987	\$ 139,622	\$ 157,106	\$ 469,309	\$ 1,424,438
Carrying amounts:						
At December 31, 2019	\$ 78,624	\$ 280,477	\$ 135,392	\$ 67,863	\$ 738,478	\$ 1,300,834
At September 30, 2020	\$ 63,005	\$ 841,394	\$ 119,864	\$ 40,074	\$ 1,085,752	2,150,090

For Q3 2020, amortization of \$69,811 (Q3 2019 - \$52,343) is included in cost of services while an amount of \$ 83,411 (Q3 2019 - \$95,423) is included in general and administrative expenses.

For YTD 2020, amortization of \$151,892 (YTD 2019 - \$157,029) is included in cost of services while an amount of \$ 270,801 (YTD 2019 - \$ 268,460) is included in general and administrative expenses.

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10. INTANGIBLE ASSETS

Cost:	Acquired Trademarks	Acquired customer relationships	Acquired Shopper/ Auditor database	Software	Total
At December 31, 2019 and 2018	\$ 173,646	\$ 2,534,226	\$ 179,199	\$ 388,216	\$ 3,275,287
Additions	-	395,000	-	318,000	713,000
At September 30, 2020	\$ 173,646	\$ 2,929,226	\$ 179,199	\$ 706,216	\$ 3,988,287
Accumulated Amortization:					
At December 31, 2018	\$ 77,447	\$ 1,671,340	\$ 179,199	\$ 388,216	\$ 1,911,458
Amortization	17,364	330,006	-	-	347,370
At December 31, 2019	\$ 94,811	\$ 2,001,346	\$ 179,199	\$ 388,216	\$ 2,663,572
Amortization	8,605	247,590	-	70,668	326,863
Impairment	29,813	182,521	-	-	212,334
At September 30, 2020	\$ 133,229	\$ 2,431,457	\$ 179,199	\$ 458,884	\$ 3,202,769
Carrying Amounts:					
At December 31, 2019	\$ 78,835	\$ 532,880	\$ -	\$ -	\$ 611,715
At September 30, 2020	\$ 40,417	\$ 497,769	\$ -	\$ 247,332	\$ 785,518

The above assets are the result of business combinations. Amortization expense is recorded in general and administrative expenses.

Impairment

The Company tests for impairment if there are indicators that impairment may have arisen. In calculating the recoverable amount for impairment testing, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. The outbreak of COVID-19 presents significant measurement uncertainties associated with the assumptions about the Company's future operating results used in calculating the recoverable amount for impairment testing at Q3, Q2 and Q1 2020. As a result of these uncertainties, the Company performed impairment tests on the carrying value of intangible assets with finite useful lives at Q3, Q2 and Q1 2020.

For Q3 2020, the Company recorded \$844 of impairment losses on intangible assets (Q2 2019 - nil).

For YTD 2020, the Company recorded \$212,334 of impairment losses on intangible assets (YTD 2019 - nil).

11. GOODWILL

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. As a result of COVID-19, the Company performed impairment tests on the goodwill at PerformaLogics and MobilForce ("the Acquired Companies") for Q3, Q2 and Q1 2020.

The recoverable amount is based on the greater of the Acquired Companies' fair value less costs to sell ("FVLCS") and their value in use ("VIU"). When determining the VIU of the Acquired Companies, the Company employs a discounted cash flow model. The duration of the cash flow projections is based on the remaining useful life of the significant assets within the Acquired Companies.

The following key assumptions were used:

- Perpetual growth rate of 2%
- After-tax discount rate of 33.2%

Based on management's impairment analysis, in Q1 2020, it was determined that goodwill was impaired by \$325,840, with \$290,950 attributable to PerformaLogics and \$34,890 attributable to MobilForce. For Q3 and Q2 2020, it was assessed that there was no additional goodwill impairment.

12. ACQUISITION OF PERFORMALOGICS INC. AND MOBILFORCE INC.

On February 1, 2020, the Company purchased all outstanding shares of PerformaLogics Inc. and MobilForce Inc., two related companies both of whom were at arm's length to the Company. Cash consideration of \$750,600 (\$500,000 for PerformaLogics and \$250,600 for MobilForce) was paid at closing with future consideration totaling up to \$1,000,000 (up to \$800,000 for PerformaLogics and up to

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\$200,000 for MobilForce) payable over two years following the closing, based on payments received from one key customer. The future consideration was valued on February 1, 2020 at \$562,811 (\$450,249 for PermaLogics and \$112,562 for MobilForce). An additional \$62,087 (\$41,358 for PermaLogics and \$20,729 for MobilForce) was paid as a working capital adjustment.

This acquisition is in line with the Company's overall growth strategy which includes a focus on growing the penetration of its software product lines in conjunction with its recurring services business.

The purchase consideration comprised the following:

Cash(including working capital adjustment)	\$ 812,687
Contingent consideration	562,811
Total purchase consideration	\$ 1,375,498

The net cash outflow of the acquisition was as follows:

	PermaLogics	MobilForce	Total
Consideration paid in cash	\$ 541,358	\$ 271,329	\$ 812,687
Cash balances acquired	(27,658)	(11,785)	(39,443)
Net cash outflow on acquisition	\$ 513,700	\$ 259,544	\$ 773,244

The Company allocated the purchase consideration as follows:

	PermaLogics	MobilForce	Total
Net assets acquired	\$ 634,071	\$ 341,016	\$ 975,087
Goodwill	357,536	42,875	400,411
Total purchase price	\$ 991,607	\$ 383,891	\$ 1,375,498

The fair value of the identifiable net assets acquired included the following:

	PermaLogics	MobilForce	Total
<i>Current Assets</i>			
Cash and cash equivalents	\$ 27,658	\$ 11,785	\$ 39,443
Trade and other receivables	303,334	15,997	319,330
Prepaid expenses	1,540	-	1,540
	332,532	27,782	360,314
<i>Non-Current Assets</i>			
Customer relationships	395,000	-	395,000
Software assets	-	318,000	318,000
	395,000	318,000	713,000
Total assets acquired	\$ 727,532	\$ 345,782	\$ 1,073,314
<i>Current Liabilities</i>			
Trade and other liabilities	\$ 93,461	\$ 4,766	\$ 98,227
	93,461	4,766	98,227
Total liabilities assumed	\$ 93,461	\$ 4,766	\$ 98,227
Net assets acquired	\$ 634,071	\$ 341,016	\$ 975,087

Had the acquisition occurred on January 1, 2020, management estimates that the Company's proforma consolidated revenue would have increased by \$199,000 and the net loss would have increased by \$63,000 for the nine months ended September 30, 2020.

13. CONTINGENT LIABILITY

As part of the acquisition of PermaLogics and MobilForce, future consideration totaling up to \$1,000,000 (up to \$800,000 for PermaLogics and up to \$200,000 for MobilForce) is payable over two years following the closing, based on payments received from one key customer. When determining amount of this future consideration, the Company employs a discounted cash flow model. The duration of the cash flow projections is based on estimates of the revenues to be earned from the customer over the two years following the closing of the acquisition.

As at September 30, 2020, \$38,457 of the contingent liability was paid. In addition, the fair value of the future consideration was \$405,516 (\$301,837 is current, and \$103,679 is non-current), resulting in a gain of \$118,838.

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14. LEASE LIABILITIES

The Company has the following non-discounted future commitments associated with its office lease liabilities:

	As at
	September 30, 2020
Less than one year	\$ 295,856
Between one and five years	912,331
More than five years	47,907
Total lease payments	1,256,094
Amounts representing interest over the term of the lease	128,166
Present value of net lease payments	1,127,928
Current portion of lease obligation	\$ 250,169
Non-current portion of lease obligation	\$ 877,759

The following table show the movement for lease liabilities for the nine months ended September 30, 2020:

	September 30, 2020
Balance, January 1, 2020	\$ 760,192
Additions	546,332
Repayments	(215,184)
Interest portion of repayments	36,588
Ending balance	\$ 1,127,928

For Q3 2020, there are \$3,554 (YTD 2020 \$21,248) of lease payments included in operating expenses as the underlying lease is less than twelve months. Also included as a reduction of operating expenses for Q3 2020 is an amount of \$42,390 (YTD 2020 – \$105,976) of Canada Emergency Commercial Rent Assistance (CECRA). CECRA covers five months of the year and does not reflect a material change to the leases.

15. 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 nine months ended September 30, 2020, the Company issued common shares as follows:

- On January 21, 2020, the Company issued 10,000 common shares through the exercise of stock options for gross proceeds of \$2,800.
- On May 22, 2020, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,200.
- On May 27, 2020, the Company issued 65,000 common shares through the exercise of stock options for gross proceeds of \$15,600.
- On September 11, 2020, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,400.
- On September 14, 2020, the Company issued 50,000 common shares through the exercise of stock options for gross proceeds of \$14,000.

During the nine months ended September 30, 2019, the Company issued common shares as follows:

- On February 15, 2019, the Company issued 20,000 common shares through the exercise of stock options for gross proceeds of \$4,800.
- On June 4, 2019, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,400.
- On June 24, 2019, the Company issued 270,000 common shares through the exercise of stock options for gross proceeds of \$69,600.
- On September 30, 2019, the Company issued 15,000 common shares through the exercise of stock options for gross proceeds of \$3,300.

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16. 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 and expiry dates at the time of option grant. There were 290,000 options issued YTD 2020 (YTD 2019 – 550,000). The employee compensation expense related to options vested YTD 2020 is \$35,434 (YTD 2019 - \$31,129). The Company may issue up to 3,378,272 (Q2 2019 – 2,580,438) options for common shares under its stock option plan. At September 30, 2020, 1,223,272 common shares (430,438 at September 30, 2019) are reserved for additional options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of September 30, 2020 and December 31, 2019, and changes during the nine months ended on those dates, is presented below:

	September 30, 2020		December 31, 2019	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of period	2,255,000	\$ 0.40	2,100,000	\$ 0.32
Granted	290,000	\$ 0.31	985,000	\$ 0.40
Exercised	(135,000)	\$ 0.26	(365,000)	\$ 0.25
Forfeited	(205,000)	\$ 0.47	(315,000)	\$ 0.47
Expired	(285,000)	\$ 0.25	(150,000)	\$ 0.51
Outstanding, end of period	1,920,000	\$ 0.42	2,255,000	\$ 0.40

The following table summarizes information about stock options as at September 30, 2020:

<u>Exercise prices</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>
	<u>Number outstanding at September 30, 2020</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at September 30, 2020</u>
\$0.305	265,000	4.52	0
\$0.310	5,000	3.63	1,667
\$0.320	20,000	0.75	20,000
\$0.340	5,000	3.50	1,667
\$0.350	10,000	3.73	3,334
\$0.380	420,000	1.59	166,666
\$0.385	100,000	4.02	0
\$0.390	10,000	3.92	3,334
\$0.400	160,000	2.80	83,334
\$0.420	125,000	3.23	36,667
\$0.440	290,000	4.14	0
\$0.455	30,000	4.15	0
\$0.470	45,000	2.00	45,000
\$0.480	270,000	0.94	181,667
\$0.610	155,000	2.41	103,329
\$0.700	10,000	2.17	6,666
\$ 0.305 to \$ 0.70	1,920,000	2.76	653,331

The weighted average exercise price was \$0.46 at September 30, 2020 (September 30, 2019 - \$0.37) for exercisable options.

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The following table summarizes information about stock options as at December 31, 2019:

<u>Exercise prices</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>
	<u>Number outstanding at Dec 31, 2019</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at Dec 31, 2019</u>
\$0.240	285,000	0.41	285,000
\$0.280	150,000	0.70	150,000
\$0.310	5,000	4.38	-
\$0.320	20,000	1.25	20,000
\$0.340	5,000	4.25	-
\$0.350	15,000	4.48	-
\$0.380	420,000	2.34	40,000
\$0.385	100,000	4.77	-
\$0.390	10,000	4.67	-
\$0.400	190,000	3.53	48,334
\$0.420	110,000	3.83	36,667
\$0.440	295,000	4.89	-
\$0.455	30,000	4.90	-
\$0.470	55,000	2.75	36,665
\$0.480	350,000	1.71	120,000
\$0.610	200,000	3.16	66,670
\$0.700	15,000	2.92	9,999
\$ 0.24 to \$ 0.70	2,255,000	2.65	813,335

Stock-based Compensation

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for Q1 2020 were: a weighted average share price and an exercise price of \$0.42, risk free interest rate of 1.80% to 2.00%, volatility of 34% to 43% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life. For Q2 2020, the assumptions using the Black-Scholes option pricing model were: a weighted average share price and an exercise price of \$0.305, risk free interest rate of 1.15% to 1.48%, volatility of 34% to 44% with no expected dividend yield, 0% assumed forfeiture and a five-year estimated life. For Q3 2020, the assumptions using the Black-Scholes option pricing model were: a weighted average share price and an exercise price of \$0.305, risk free interest rate of 1.15% to 1.48%, volatility of 34% to 44% with no expected dividend yield, 0% assumed forfeiture and a five-year estimated life.

The assumptions using the Black-Scholes option pricing model for Q1 2019 were: a weighted average share price of \$0.34 and an exercise price of \$0.34, risk free interest rate of 1.50% to 2.20%, volatility of 45% to 50% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life. For Q2 2019 the assumptions were: a weighted average share price of \$0.38 and an exercise price of \$0.38, risk free interest rate of 1.55% and 2.20%, volatility of 45% to 50% with no expected dividend yield, 2% assumed forfeiture and a thirty-seven (37) month estimated life. For Q3 2019 the assumptions were: a weighted average share price of \$0.39 and an exercise price of \$0.39, risk free interest rate of 1.80% and 2.00%, volatility of 33% to 43% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life.

Unamortized option expense was \$57,463 as at September 30, 2020 (Q3 2019 - \$71,272).

Adoption of new Restricted Share Unit Plan ("RSU Plan") and Amendment to Stock Option Plan

At the Company's annual and special meeting of shareholders held on June 19, 2020 (the "Meeting"), the Company's disinterested shareholders approved resolutions to adopt the new RSU Plan and an amendment to the existing Option Plan.

Under the new RSU Plan, restricted share units ("RSUs") may be granted to directors and employees. The RSU Plan permits the Company to either redeem RSUs for cash or issue common shares of the Company from treasury to satisfy all or any portion of a vested RSU award. Grants of RSUs vest 100% on the first anniversary of the date of the grant. The maximum number of common shares of the Company which are issuable upon the redemption of all RSUs under the RSU Plan is 1,126,090 common shares of the Company.

The amended Option Plan increased the number of common shares of the Company available under the Option Plan from 2,500,438 common shares to 3,378,272 common shares.

On October 5, 2020, 1,126,088 RSUs were granted (refer to Subsequent Events note).

17. INCOME TAXES

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

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subsequent interim period of that financial year should the estimate of the annual income tax rate change. Future income taxes of \$nil were recorded in Q3 and YTD 2020 (Q3 2019- \$nil, YTD 2019 - \$34,417).

18. CASH FLOW INFORMATION

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

	Three months		Nine months	
	2020	2019	2020	2019
Trade and other receivables	\$ (984,618)	\$ (551,651)	\$ 859,303	\$ 638,705
Contract assets	40,612	-	(127,045)	-
Prepaid expenses	(87,537)	(68,243)	(12,674)	(33,386)
Trade and other liabilities	(529,738)	214,071	(193,924)	(13,465)
Contract liabilities	(161,762)	(115,407)	499,137	270,304
Net change in non-cash working capital	\$ (1,723,044)	\$ (521,230)	\$ 1,024,796	\$ 862,158

19. COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of business, the Company is party to claims, the ultimate outcome of which cannot be reasonably estimated at this time. However, management's opinion is that the likelihood of any cash outflow as a result of these matters is remote, therefore, no amounts have been provided for in these consolidated financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements of Intouch Insight Ltd. for the three and nine months ended September 30, 2020 were approved and authorized for issue by the Audit Committee on November 26, 2020.

21. SUBSEQUENT EVENTS

a) Grant of Restricted Share Units

On October 5, 2020, the Company's Board of Directors approved the grant of 1,126,088 restricted share units ("RSU"), of which 431,785 were granted to directors and officers of the Company. The underlying share price on the date of grant was \$0.48, and the RSUs will all vest on October 4, 2021.