



**Interim Condensed Consolidated Financial Statements**

**Intouch Insight Ltd.**

**for the three and nine months ended September 30, 2022, and 2021**

(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 of September 30, 2022

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# INTOUCH INSIGHT LTD.

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Three and nine months ended September 30, 2022 and 2021

(Unaudited- in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		2022	2021	2022	2021
<b>Revenue</b>	3	<b>\$5,414,630</b>	\$ 3,927,301	<b>\$17,942,254</b>	\$ 10,562,819
<b>Cost of services</b>		<b>2,540,108</b>	1,811,343	<b>8,786,509</b>	4,860,969
<b>Gross margin</b>		<b>2,874,522</b>	2,115,959	<b>9,155,745</b>	5,701,851
<b>Operating expenses</b>					
Selling	4	371,698	258,064	1,264,624	678,653
General and administrative	5	1,476,306	1,349,134	5,344,364	3,971,117
Product development	6	488,944	526,670	1,604,144	1,346,594
Impairment of intangible assets and goodwill	10	134,498	-	134,498	-
<b>Total operating expenses</b>		<b>2,471,446</b>	2,133,868	<b>8,347,630</b>	5,996,364
<b>Income (loss) from operating activities</b>		<b>403,076</b>	(17,909)	<b>808,115</b>	(294,513)
<b>Non-operating expenses</b>					
Finance costs		(44,826)	(21,939)	(150,934)	(73,851)
Gain (loss) in fair value of contingent consideration payable	12	8,463	(16,872)	32,076	10,783
Forgiveness of loan		-	-	-	115,456
<b>Net earnings (loss) before income taxes</b>		<b>366,713</b>	(56,721)	<b>689,257</b>	(242,126)
<b>Income taxes</b>	17				
Deferred tax expense		-	-	-	-
Current income tax expense (recovery)		-	-	(2,282)	(2,959)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ 366,713</b>	\$ (56,721)	<b>\$ 691,539</b>	\$ (239,167)
<b>Earnings (loss) per share</b>	7				
Basic		<b>\$ 0.01</b>	\$ (0.00)	<b>\$ 0.03</b>	\$ (0.01)
Diluted		<b>\$ 0.01</b>	\$ (0.00)	<b>\$ 0.03</b>	\$ (0.01)
Weighted average number of shares - basic		<b>25,512,867</b>	22,971,811	<b>25,282,133</b>	22,844,633
Weighted average number of shares - diluted		<b>25,792,503</b>	22,971,811	<b>25,543,152</b>	22,844,633

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, 2022 and December 31, 2021

(Unaudited- in Canadian Dollars)

	Notes	September 30, 2022	December 31, 2021 (audited)
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents		\$ 1,159,668	\$ 740,078
Trade and other receivables	8	2,610,222	3,445,992
Contract assets	8	470,376	124,604
Prepaid expenses		235,098	181,269
<b>Total Current Assets</b>		<b>4,475,364</b>	<b>4,491,943</b>
<i>Non-Current Assets</i>			
Property and equipment	9	1,134,936	1,535,560
Intangible assets	10	2,717,963	3,121,774
Goodwill	10	1,004,487	1,032,576
<b>Total Non-Current Assets</b>		<b>4,857,386</b>	<b>5,689,910</b>
<b>TOTAL ASSETS</b>		<b>\$ 9,332,750</b>	<b>\$ 10,181,853</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Bank borrowings	14	\$ 50,000	\$ 840,000
Trade and other liabilities		846,114	908,620
Contract liabilities		682,270	645,499
Current portion of contingent consideration payable	12	540,650	868,684
Current portion of lease liabilities	13	210,692	248,658
<b>Total Current Liabilities</b>		<b>2,329,726</b>	<b>3,511,461</b>
<i>Non-Current Liabilities</i>			
Contingent consideration payable	12	-	469,023
Lease liabilities	13	428,769	563,237
<b>Total Non-Current Liabilities</b>		<b>428,769</b>	<b>1,032,260</b>
<b>TOTAL LIABILITIES</b>		<b>2,758,495</b>	<b>4,543,721</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	7,227,691	7,030,171
Contributed surplus		1,675,290	1,628,226
Deficit		(2,328,726)	(3,020,265)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>6,574,255</b>	<b>5,638,132</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 9,332,750</b>	<b>\$ 10,181,853</b>

Commitments and Contingencies 20

ON BEHALF OF THE BOARD

Original signed by: \_\_\_\_\_ Eric Beutel, Director

Original signed by: \_\_\_\_\_ Michael Gaffney, Director

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## INTOUCH INSIGHT LTD.

### Interim Condensed Consolidated Statements of Changes in Equity

Three and nine months ended September 30, 2022 and 2021

(Unaudited- in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
<b>Balance at of January 1, 2021</b>		22,651,811	\$ 5,560,955	\$ -	\$ 1,678,571	\$ (2,704,852)	\$ 4,534,674
Issuance of share capital related to the exercise of share options	15	328,333	178,240	-	(30,506)	-	147,734
Settlement of restricted stock units in cash		-	-	-	(203,620)	-	(203,620)
Share-based compensation		-	-	-	451,489	-	451,489
Net loss and comprehensive loss		-	-	-	-	(239,167)	(239,167)
<b>Balance at of September 30, 2021</b>		22,980,144	\$ 5,739,195	\$ -	\$ 1,895,934	\$ (2,944,019)	\$ 4,691,110
<b>Balance at of January 1, 2022</b>		25,107,453	\$ 7,030,171	\$ -	\$ 1,628,226	\$ (3,020,265)	\$ 5,638,132
Issuance of share capital related to the exercise of share options	15	408,141	197,520	-	(42,720)	-	154,800
Share-based compensation		-	-	-	89,784	-	89,784
Net income and comprehensive income		-	-	-	-	691,539	691,539
<b>Balance at of September 30, 2022</b>		25,515,594	\$ 7,227,691	\$ -	\$ 1,675,290	\$ (2,328,726)	\$ 6,574,255

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, 2022 and 2021

(Unaudited - in Canadian Dollars)

	Note	Three months		Nine months	
		2022	2021	2022	2021
<b>Cash flows from operating activities</b>					
Net income (loss)		\$ 366,713	\$ (56,721)	\$ 691,539	\$ (239,167)
Adjustments for non-cash items:					
Amortization of property and equipment	9	156,150	164,138	499,589	475,505
Amortization of intangible assets	10	99,134	85,648	297,402	260,243
Allowance for doubtful accounts		(149,384)	840	(300)	(41)
Finance costs		44,826	21,939	150,934	73,851
Impairment of intangible assets	10	106,409	-	106,409	-
Impairment of goodwill	10	28,089	-	28,089	-
Loss (gain) on contingent consideration payable	12	(8,463)	16,872	(32,076)	(10,783)
Share-based compensation	15,16	38,916	154,397	89,784	451,489
Gain on disposal of property and equipment		-	-	-	(46)
Forgiveness of loan		-	-	-	(115,456)
Net change in non-cash operating working capital	19	2,354,722	(2,353,010)	312,107	(2,349,469)
<b>Net cash flows from (used in) operating activities</b>		<b>3,037,112</b>	<b>(1,965,896)</b>	<b>2,143,477</b>	<b>(1,453,874)</b>
<b>Cash flows from financing activities</b>					
Net proceeds (repayments) from bank borrowings		\$ (2,320,000)	\$ 1,010,000	\$ (790,000)	1,010,000
Issuance of share capital net of cash issue costs	15	-	12,834	154,800	147,734
Repayment of lease liabilities	13	(44,599)	(76,405)	(172,434)	(189,825)
Repayment of contingent consideration payable		(441,708)	(13,764)	(714,180)	(138,614)
Foreign exchange loss (gain) on financing activities		30,450	-	47,826	-
Finance costs paid		(44,826)	(21,939)	(150,934)	(73,851)
<b>Net cash flows from (used in) financing activities</b>		<b>(2,820,683)</b>	<b>910,726</b>	<b>(1,624,922)</b>	<b>755,444</b>
<b>Cash flows from investing activities</b>					
Proceeds on disposal of property and equipment		-	-	-	2,764
Purchase of property and equipment	9	(21,211)	(34,210)	(98,965)	(119,058)
<b>Net cash flows used in investing activities</b>		<b>(21,211)</b>	<b>(34,210)</b>	<b>(98,965)</b>	<b>(116,294)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>195,218</b>	<b>(1,089,381)</b>	<b>419,590</b>	<b>(814,725)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<b>964,450</b>	<b>2,140,276</b>	<b>740,078</b>	<b>1,865,620</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>\$ 1,159,668</b>	<b>\$ 1,050,895</b>	<b>\$ 1,159,668</b>	<b>\$ 1,050,895</b>
<b>Additional Information</b>					
Interest paid		20,330	10,339	70,538	33,213
Income tax paid (recovered) included in operating activities		-	-	-	-

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

**INTOUCH INSIGHT LTD.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Three and nine months ended September 30, 2022 and 2021**  
**(Unaudited - in Canadian Dollars)**

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**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 ("OTCQX") under the symbol INXS. Intouch's registered office address and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

Intouch and its subsidiaries offer 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 touchpoints, 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. The widespread shutdown of North American companies in the retail, food service and hospitality industries in 2020 and 2021 negatively impacted Intouch's recurring service revenues.

In response, the Company contracted all spending as well as began accessing government COVID-19 relief programs in both Canada and the United States. The Company continued to market and make its recurring revenue services and software products available to its customers, including its customer experience management platform; LiaCX™ and its forms and checklist automation product, IntouchCheck.

The impacts of COVID-19 on the economy and businesses, in general, continue to challenge retail, food service and hospitality companies through supply chain challenges and labor shortages.

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

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

The interim condensed consolidated financial statements have been prepared following IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual consolidated financial statements following International Financial Reporting Standards (IFRS). They should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2021.

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, 2021.

(d) Critical accounting estimates and judgments

The Company's interim consolidated financial statements are prepared following 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, 2021. 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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Three and nine months ended September 30, 2022 and 2021**  
**(Unaudited - in Canadian Dollars)**

**3. REVENUE**

**Geographical**

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

**Major customers**

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

	Three months		Nine months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Customer 1	\$ 630,016	\$ -	\$ 3,596,479	\$ -
Customer 2	669,185	616,224	1,905,499	1,733,855
Customer 3	537,658	453,967	1,414,296	1,136,905
Customer 4	-	515,664	988,732	1,528,704

**Major trade accounts receivable**

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

	Sept. 30, 2022	Sept. 30, 2021
Customer 1	\$ 284,091	\$ -
Customer 2	-	521,405

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

**4. SELLING EXPENSES**

Selling expenses for the Company are broken down as follows:

	Three months		Nine months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Marketing expenses	\$ 152,876	\$ 79,168	\$ 342,258	\$ 226,936
Travel expenses	(26,523)	2,573	151,033	(1,989)
Salaries and benefits	245,345	186,310	771,333	511,746
Wage subsidy- Canada Emergency				
Wage Subsidy (CEWS)	-	(9,987)	-	(58,040)
<b>Selling expenses</b>	<b>\$ 371,698</b>	<b>\$ 258,064</b>	<b>\$ 1,264,624</b>	<b>\$ 678,653</b>

<sup>(1)</sup> Share-based compensation (a non-cash item) of \$nil (Q3 2021- \$9,661), has been included in Salaries and benefits.

YTD 2022, \$nil (YTD 2021- \$30,213) was included

**INTOUCH INSIGHT LTD.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Three and nine months ended September 30, 2022 and 2021**  
**(Unaudited - in Canadian Dollars)**

**5. GENERAL AND ADMINISTRATIVE EXPENSES**

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

	Three months		Nine months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Corporate administration	\$ 252,927	\$ 225,379	\$ 797,542	\$ 613,155
Rent relief- Canada Emergency Commercial Rent Assistance (CECRA) and Canada Emergency Rent Subsidy(CERS)	-	(17,614)	-	(73,976)
Consultant fees	(10,238)	14,444	(8,820)	18,654
Professional fees	17,771	117,163	244,518	205,416
Listing fees	52,363	55,954	164,713	157,781
Salaries and benefits <sup>(1)</sup>	1,185,139	903,353	3,623,367	2,789,250
Wage subsidy- CEWS	-	(52,893)	-	(294,674)
Loss (gain) on disposal of property and equipment	-	-	-	(46)
Loss (gain) on foreign exchange	(52,445)	(73,460)	(49,649)	37,880
Bad debt expense (recovery)	(149,384)	840	(300)	(41)
Amortization expense	180,173	175,968	572,993	517,718
<b>General and administrative expenses</b>	<b>\$ 1,476,306</b>	<b>1,349,134</b>	<b>\$ 5,344,364</b>	<b>3,971,117</b>

(1) Share-based compensation (a non-cash item) of \$38,916 (Q3 2021- \$105,327) has been included in Salaries and benefits. YTD 2022, \$89,784 (YTD 2021- \$303,049) was included.

**6. PRODUCT DEVELOPMENT EXPENSES**

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

	Three months		Nine months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Salaries and benefits <sup>(1)</sup>	\$ 488,944	\$ 558,751	\$ 1,604,144	\$ 1,527,186
Wage subsidy- CEWS	-	(32,081)	-	(180,592)
Investment tax credits and other government contributions towards development	-	-	-	-
<b>Total product development expenses</b>	<b>\$ 488,944</b>	<b>\$ 526,670</b>	<b>\$ 1,604,144</b>	<b>\$ 1,346,594</b>

(1) Share-based compensation (a non-cash item) of \$nil for Q3 2022 (Q3 2021- \$32,579) and \$nil for YTD 2022 (YTD 2021- \$97,737)

**7. EARNINGS (LOSS) PER SHARE**

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

	Three months		Nine months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Weighted average number of common shares - basic	25,512,867	22,971,811	25,282,133	22,844,633
Additions to reflect the dilutive effect of employee stock options	279,636	-	261,018	-
Weighted average number of common shares - diluted	25,792,503	22,971,811	25,543,152	22,844,633

**INTOUCH INSIGHT LTD.**  
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**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.

	Sept. 30, 2022	December 31, 2021
Trade accounts receivable, gross	\$ 2,607,803	\$ 3,368,345
Provision for expected credit losses	-	(1,065)
Trade accounts receivable, net	2,607,803	3,367,280
Sales taxes recoverable	2,419	14,589
Other receivables - CEWS	-	-
Other receivables	-	64,123
Contract assets	470,376	124,604
<b>Trade, other receivables and contract assets</b>	<b>\$ 3,080,598</b>	<b>\$ 3,570,596</b>

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

	Sept. 30, 2022	December 31, 2021
1 - 60 days past due	\$ 114,678	\$ 927,016
Greater than 60 days past due	184,541	157,006
	<b>\$ 299,219</b>	<b>\$ 1,084,022</b>

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

**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
<b>Cost:</b>						
At December 31, 2020	\$ 165,420	\$ 1,397,381	\$ 260,015	\$ 197,180	\$ 1,555,061	\$ 3,575,057
Additions	105,743	81,646	-	-	-	187,389
Disposals	(2,764)	-	-	-	-	(2,764)
At December 31, 2021	268,399	1,479,027	260,015	197,180	1,555,061	3,759,682
Additions	63,979	34,985	-	-	-	98,964
Disposals	-	-	-	-	-	-
<b>At Sept. 30, 2022</b>	<b>\$ 332,378</b>	<b>\$ 1,514,012</b>	<b>\$ 260,015</b>	<b>\$ 197,180</b>	<b>\$ 1,555,061</b>	<b>\$ 3,858,646</b>
<b>Accumulated Amortization:</b>						
At December 31, 2020	\$ 110,686	\$ 625,856	\$ 146,117	\$ 158,927	\$ 536,140	\$ 1,577,726
Amortization	53,939	291,891	26,002	7,286	267,324	646,442
Disposals	(46)	-	-	-	-	(46)
At December 31, 2021	164,579	917,747	172,119	166,213	803,464	2,224,122
Amortization	79,215	223,998	19,500	5,465	171,410	499,588
Disposals	-	-	-	-	-	-
<b>At Sept. 30, 2022</b>	<b>\$ 243,794</b>	<b>\$ 1,141,745</b>	<b>\$ 191,619</b>	<b>\$ 171,678</b>	<b>\$ 974,874</b>	<b>\$ 2,723,710</b>
<b>Carrying amounts:</b>						
At December 31, 2021	\$ 103,820	\$ 561,280	\$ 87,896	\$ 30,967	\$ 751,597	\$ 1,535,560
<b>At Sept. 30, 2022</b>	<b>\$ 88,584</b>	<b>\$ 372,267</b>	<b>\$ 68,396</b>	<b>\$ 25,502</b>	<b>\$ 580,187</b>	<b>\$ 1,134,936</b>

For Q3 2022, amortization of \$75,111 (Q3 2021 - \$73,817) is included in the cost of services while an amount of \$81,039 (Q3 2021 - \$90,320) is included in general and administrative expenses.

**INTOUCH INSIGHT LTD.**  
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For YTD 2022, amortization of \$223,998 (YTD 2021 - \$218,029) is included in the cost of services, while an amount of \$275,590 (YTD 2021 - \$257,475) is included in general and administrative expenses.

**10. INTANGIBLE ASSETS AND GOODWILL**

<b>Cost:</b>	<b>Acquired Trademarks</b>	<b>Acquired customer relationships</b>	<b>Acquired Shopper/ Auditor database</b>	<b>Software</b>	<b>Total intangible assets</b>	<b>Total goodwill</b>
At December 31, 2020	\$ 173,646	\$ 2,929,226	\$ 179,199	\$ 706,216	\$ 3,988,287	\$ 400,411
Acquisition of business (Note 11)	106,000	2,642,000	-	-	2,748,000	1,004,487
Removal <sup>1</sup>	-	-	(179,199)	-	(179,199)	-
<b>At December 31, 2021</b>	<b>\$ 279,646</b>	<b>\$ 5,571,226</b>	<b>\$ -</b>	<b>\$ 706,216</b>	<b>\$ 6,557,088</b>	<b>\$ 1,404,898</b>
Additions	\$ -	-	-	-	-	-
<b>At Sept. 30, 2022</b>	<b>\$ 279,646</b>	<b>\$ 5,571,226</b>	<b>\$ -</b>	<b>\$ 706,216</b>	<b>\$ 6,557,088</b>	<b>\$ 1,404,898</b>
<b>Accumulated Amortization:</b>						
At December 31, 2020	\$ 133,288	\$ 2,415,263	\$ 179,199	\$ 485,383	\$ 3,213,133	\$ 372,322
Amortization	14,118	281,263	-	106,000	401,381	-
Impairment	-	-	-	-	-	-
Removal <sup>1</sup>	-	-	(179,199)	-	(179,199)	-
At December 31, 2021	\$ 147,406	\$ 2,696,526	\$ -	\$ 591,383	\$ 3,435,315	\$ 372,322
Amortization	16,551	201,351	-	79,500	297,402	-
Impairment	-	106,409	-	-	106,409	28,089
<b>At Sept. 30, 2022</b>	<b>\$ 163,957</b>	<b>\$ 3,004,286</b>	<b>\$ -</b>	<b>\$ 670,883</b>	<b>\$ 3,839,126</b>	<b>\$ 400,411</b>
<b>Carrying Amounts:</b>						
At December 31, 2021	\$ 132,240	\$ 2,874,701	\$ -	\$ 114,833	\$ 3,121,774	\$ 1,032,576
<b>At Sept. 30, 2022</b>	<b>\$ 115,689</b>	<b>\$ 2,566,941</b>	<b>\$ -</b>	<b>\$ 35,333</b>	<b>\$ 2,717,963</b>	<b>\$ 1,004,487</b>

Amortization expense is recorded in general and administrative expenses (Note 5). The remaining amortization period of the customer relationships ends between December 31, 2026 and September 30, 2034.

Impairment

The Company tests for impairment if there are indicators that impairment may have arisen. In calculating the recoverable amount for impairment testing, management must make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. During the three and nine months that ended September 30, 2022, the Company assessed that indicators of possible impairment existed due to the outbreak of COVID-19 and the acquisition of one of the acquired clients. The Company performed an impairment test for all acquired companies (the separate cash-generating units ("CGUs") are: Statopex, RetailTrack, GCS, and PermaLogics/MobilForce).

The total carrying amount of goodwill and intangibles for these CGUs is as follows:

<b>CGU:</b>	<b>Intangibles</b>	<b>Goodwill</b>	<b>Total</b>
Statopex	\$ 16,386	\$ -	\$ 16,386
RetailTrack	2,014	-	2,014
GCS	1,887	-	1,887
PermaLogics and MobilForce	171,636	-	171,636
SeeLevel	2,526,040	1,004,487	3,530,527
<b>Carrying Value - Sept. 30, 2022</b>	<b>\$ 2,717,963</b>	<b>\$ 1,004,487</b>	<b>\$ 3,722,450</b>

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The recoverable amount of each CGU was determined based on value-in-use calculations being higher than fair value less costs of disposal, covering a detailed five-year forecast based on the past financial results and the Company's assessment of the future performance of each CGU. The following are the key assumptions on which the Company has based its cash flow projections:

- Perpetual growth rate of 2%
- After-tax discount rate of 25.82%

The Company recorded an impairment of \$134,498 (\$28,098 on goodwill and \$106,409 on intangible assets) for the three and nine months ended September 30, 2022 (Q3 and YTD 2021- nil) as a result of the change of control of one of the acquired clients.

**11. ACQUISITION OF SEELEVEL HX**

On October 1, 2021, the Company purchased all outstanding ownership units of Mystery Researchers LLC dba SeeLevel HX ("SeeLevel"), who was at arm's length to the Company. Cash consideration of US\$1,872,434 was paid, and 1,500,000 shares of the Company were issued at closing with future consideration valued at US\$824,245 payable over two years following the closing, based on revenues generated by the existing and identified prospective customers. An additional US\$19,874 was recovered as a working capital adjustment.

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

The purchase consideration comprised the following:

Cash(including working capital adjustment)	<b>\$ 2,344,230</b>
Contingent consideration	<b>1,043,000</b>
Share consideration	<b>990,000</b>
<b>Total purchase consideration</b>	<b>\$ 4,377,230</b>

The net cash outflow of the acquisition was as follows:

Consideration paid in cash	\$ 2,344,230
Cash balances acquired	(194,689)
<b>Net cash outflow on acquisition</b>	<b>\$ 2,149,541</b>

The Company allocated the purchase consideration as follows:

Net assets acquired	\$ 3,372,743
Goodwill	\$ 1,004,487
<b>Total purchase price</b>	<b>\$ 4,377,230</b>

The transaction has been accounted for as a business combination under IFRS 3. IFRS 3 requires assets and liabilities acquired in a business combination to be recorded at their fair values as of the date of acquisition. The fair value of acquired intangible assets includes the fair value of customer relationships acquired of \$2,642,000 and trademarks of \$106,000.

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

	<u>SeeLevel</u>
<i>Current Assets</i>	
Cash and cash equivalents	\$ 194,689
Trade and other receivables	1,282,571
Contract assets	76,941
Prepaid expenses	20,529
	<b>1,574,730</b>
<i>Non-Current Assets</i>	
Customer relationships	2,642,000
Trademarks	106,000
	<b>2,748,000</b>
<b>Total assets acquired</b>	<b>\$ 4,322,730</b>
<i>Current Liabilities</i>	
Trade and other liabilities	\$ 539,777
Contract liabilities	215,126
Short-term debt	195,084
	<b>949,987</b>
<b>Total liabilities assumed</b>	<b>\$ 949,987</b>
<b>Net assets acquired</b>	<b>\$ 3,372,743</b>

The fair value of acquired trade receivables was \$1,282,571. The gross contractual amount for trade receivables due was \$1,282,571, with an allowance for ECLs of \$nil recognized on acquisition.

Goodwill includes the assembled workforce and expected synergies between the businesses that offered services that were in direct competition with those offered by the Company before the acquisition.

The contingent consideration represents the discounted value of the liability. The contingent consideration is based on a percentage of revenues from existing and identified prospective customers over the first 24 months post-acquisition, with the percentages falling from 12.5% to 10% after the first 12 months.

For the post-acquisition period in 2021, SeeLevel contributed revenue of \$1,323,063 and \$142,154 in net income to the Company's consolidated results. Had the acquisition occurred on January 1, 2021, management estimates that the Company's proforma consolidated revenue would have increased by \$4,206,206, and the net income would have increased by \$613,430 for the year ended December 31, 2021.

## 12. CONTINGENT CONSIDERATION

As part of the acquisition of Performa Logics and MobilForce, future consideration totaling up to \$1,000,000 (up to \$800,000 for PerformaLogics and up to \$200,000 for MobilForce) is payable over three years following the closing, based on payments received from one key customer. When determining the 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. The probabilities for the estimates range from 75% to 100% for each 12-month period, and the discount rate is 33.17%.

As of September 30, 2022, \$406,934 of the contingent liability was paid. In addition, the fair value of the future consideration was \$26,699 (all current), resulting in a loss of \$6,828 (September 30, 2021- gain of \$10,783).

As part of the acquisition of SeeLevel, future consideration is payable over two years following the closing, based on revenues generated by the existing and identified prospective customers. The Company employs a discounted cash flow model when determining the amount of these future considerations. 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. The probabilities for the estimates equal 100% for each 12-month period, and the discount rate is 25.82%.

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As of September 30, 2022, \$738,210 of the contingent consideration was paid. In addition, the fair value of the future consideration was \$513,950 (all current), resulting in a gain of \$38,904 (September 30, 2021- nil).

**13. LEASE LIABILITIES**

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

	As of Sept. 30, 2022
Less than one year	\$ 210,692
Between one and five years	476,229
More than five years	-
Total lease payments	686,921
Amounts representing interest over the term of the lease	47,460
Present value of net lease payments	639,461
Current portion of lease obligation	\$ 210,692
Non-current portion of lease obligation	\$ 428,769

The following table show the movement for lease liabilities for the nine months ended September 30, 2022:

	Sept. 30, 2022
Balance, January 1, 2022	\$ 811,895
Additions	-
Repayments	(196,960)
Interest portion of repayments	24,526
Ending balance	\$ 639,461

For Q3 and YTD 2022, \$nil (Q3 and YTD 2021- nil) lease payments were included in operating expenses as the underlying lease is less than twelve months.

The Company received COVID-19 related rent concessions during the prior year. Per an amendment to IFRS 16 published on May 28, 2020, rent concessions related to COVID-19 do not have to be accounted for as lease modifications. The Company utilized this amendment and did not treat the concessions as modifications.

Included as a reduction of operating expenses for Q3 2022 (Q3 2021- \$17,614 of Canada Emergency Commercial Rent Assistance) is an amount of \$nil of Canada Emergency Rent Subsidy (CERS). For YTD 2022, \$nil is included as a reduction of operating expenses (YTD 2021- \$73,976 of Canada Emergency Commercial Rent Assistance).

**14. BANK BORROWINGS**

a) Credit facilities

As of September 30, 2022, bank borrowings were \$50,000 (September 30, 2021- \$1,010,000). The Company has credit facilities with a chartered bank that will provide credit facilities up to \$3,000,000 in a demand operating loan at 6.45% (prime plus 1%) [September 30, 2021 –3.45% (prime plus 1%)], secured by a general security agreement. The Company was in compliance with its covenants as of September 30, 2022 (September 30, 2021- compliant). The carrying amounts of any borrowings are a reasonable approximation of fair value.

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**15. SHARE CAPITAL**

Authorized:

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

During the three months ended September 30, 2022, the Company issued 3,141 common shares through the exercise of stock options for gross proceeds of \$nil (September 30, 2021- 103,333 common shares for gross proceeds of \$43,233).

During the nine months ended September 30, 2022, the Company issued 408,141 common shares through the exercise of stock options for gross proceeds of \$154,800 (September 30, 2021- 328,333 common shares for gross proceeds of \$147,734).

**16. STOCK OPTION PLAN**

The stock option plan applies 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 plan's terms, 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. At the shareholders' meeting on June 19, 2020, 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 June 17, 2022, an Amended Stock Option plan was adopted, which increased the number of common shares of the Company available under the Amended Stock Option Plan from 3,378,272 to 3,749,118.

There were 765,000 options issued YTD 2022 (YTD 2021 – 475,000). The employee compensation expense related to options vested YTD 2022 is \$89,784 (YTD 2021 - \$59,877). The Company may issue up to 3,769,118 (Q3 2021 – 3,378,272) options for common shares under its stock option plan. At September 30, 2022, 1,694,118 common shares (964,939 on September 30, 2021) 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, 2022, and December 31, 2021, and changes during the quarter and year ended on those dates, is presented below:

	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Number of Options</u>	<u>Weighted average exercise price</u>	<u>Number of Options</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	1,993,333	\$ 0.49	1,980,000	\$ 0.42
Granted	765,000	\$ 0.56	510,000	\$ 0.72
Exercised	(425,000)	\$ 0.36	(343,333)	\$ 0.45
Forfeited	(273,333)	\$ 0.53	(138,334)	\$ 0.49
Expired	(5,000)	\$ 0.47	(15,000)	\$ 0.40
Outstanding, end of period	<b>2,055,000</b>	<b>\$ 0.53</b>	1,993,333	\$ 0.49

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The following table summarizes information about stock options as of September 30, 2022:

<u>Exercise prices</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>
	<u>Number outstanding at Sept. 30, 2022</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at Sept. 30, 2022</u>
\$0.305	250,000	2.52	246,666
\$0.340	5,000	1.50	5,000
\$0.390	10,000	1.92	10,000
\$0.400	115,000	1.41	115,000
\$0.420	70,000	1.25	66,666
\$0.440	240,000	2.14	159,999
\$0.455	25,000	2.15	16,666
\$0.470	80,000	3.07	26,667
\$0.480	15,000	0.67	15,000
\$0.550	660,000	4.66	-
\$0.610	90,000	0.41	90,000
\$0.660	50,000	4.90	-
\$0.670	30,000	3.86	5,001
\$0.720	400,000	3.52	133,335
\$0.790	15,000	3.91	5,001
<b>\$ 0.305 to \$ 0.79</b>	<b>2,055,000</b>	<b>3.24</b>	<b>895,001</b>

The weighted average exercise price was \$0.53 at September 30, 2022 (September 30, 2021 - \$0.49) for exercisable options.

The following table summarizes information about stock options as of December 31, 2021:

<u>Exercise prices</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>
	<u>Number outstanding at Dec 31, 2021</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at Dec 31, 2021</u>
\$0.305	250,000	3.27	243,334
\$0.340	5,000	2.25	3,333
\$0.380	380,000	0.45	253,334
\$0.390	10,000	2.67	6,666
\$0.400	135,000	1.85	96,666
\$0.420	120,000	1.93	116,666
\$0.440	290,000	2.89	193,332
\$0.455	28,333	2.90	16,666
\$0.470	125,000	2.71	71,667
\$0.480	25,000	1.23	25,000
\$0.610	140,000	1.16	140,000
\$0.670	30,000	4.61	-
\$0.720	435,000	4.27	-
\$0.790	20,000	4.66	-
<b>\$ 0.305 to \$ 0.79</b>	<b>1,993,333</b>	<b>2.53</b>	<b>1,166,664</b>

*Stock-based Compensation*

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for Q3 2022 were: a weighted average share price and an exercise price of \$0.66, risk free interest rate of 2.75% to 3.45%, volatility of 78% to 84% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life.

The assumptions using the Black-Scholes option pricing model for Q3 2021 were: a weighted average share price and an exercise price of \$0.79, risk-free interest rate of 0.60% to 1.00%, volatility of 48% to 66% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life.

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

**17. RESTRICTED SHARE UNIT PLAN ("RSU PLAN")**

At the Company's annual and special meeting of shareholders held on September 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, directors and employees may be granted restricted share units ("RSUs"). 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 grant date. 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.

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.

On October 4, 2021, the Company issued 612,309 shares as settlement for the vesting of the RSUs. The remaining 424,207 RSUs were settled in cash. An amount of \$293,151 was recorded to account for the cash settlement. Of this amount, \$203,620 was booked to contributed surplus and \$89,531 was booked to expense.

A summary of the status of the Company's issued and outstanding RSUs as of September 30, 2022, and December 31, 2021, and changes during the quarter and year ended on those dates, is presented below:

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<u>Number of RSUs</u>	<u>Weighted average grant date fair value</u>	<u>Number of RSUs</u>	<u>Weighted average grant date fair value</u>
Outstanding, beginning of period	nil	nil	1,118,434	\$ 0.48
Granted	-	-	-	\$ 0.48
Settled in cash	-	-	(424,207)	\$ 0.48
Settled in common shares	-	-	(612,309)	\$ 0.48
Forfeited	-	-	(81,918)	\$ 0.48
Outstanding, end of period	<b>nil</b>	<b>nil</b>	nil	nil

The employee compensation expense related to RSUs in Q3 and YTD 2022 is \$nil (Q3 2021 – \$127,343, YTD 2021 - \$391,612).

**18. 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 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 2022 (Q3 and YTD 2021- \$nil).

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**19. CASH FLOW INFORMATION**

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

	Three months		Nine months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
Restricted cash	\$ -	\$ (2,385,669)	-	(2,385,669)
Trade and other receivables	1,708,637	(377,668)	771,808	(260,941)
Contract assets	852,847	80,974	(345,772)	(19,834)
Prepaid expenses	(107,467)	(66,399)	(53,829)	(29,659)
Trade and other liabilities	(182,460)	455,532	(96,871)	502,658
Contract liabilities	83,165	(59,780)	36,771	(156,024)
<b>Net change in non-cash working capital</b>	<b>\$ 2,354,722</b>	<b>\$ (2,353,010)</b>	<b>\$ 312,107</b>	<b>\$ (2,349,469)</b>

**20. 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 material cash outflow as a result of these matters is remote, therefore, no amounts have been provided for in these consolidated financial statements.

**21. 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, 2022 were approved and authorized for issue by the Audit Committee on November 21, 2022.