



Interim Condensed Consolidated Financial Statements

Intouch Insight Ltd.

for the three and nine months ended September 30, 2023, and 2022

(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.

Cameron Watt
President and Chief Executive Officer

Cathy Smith
Chief Financial Officer

Intouch Insight Ltd.

Interim Condensed Consolidated Financial Statements (unaudited)

As of September 30, 2023

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INTOUCH INSIGHT LTD.

Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Three and nine months ended September 30, 2023 and 2022
(Unaudited- in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		2023	2022	2023	2022
Revenue	3	\$5,634,594	\$ 5,414,630	\$16,413,744	\$ 17,942,254
Cost of services		2,719,682	2,540,108	7,929,400	8,786,509
Gross margin		2,914,912	2,874,522	8,484,344	9,155,745
Operating expenses					
Selling	4	502,653	371,698	1,643,131	1,264,624
General and administrative	5	1,602,194	1,476,306	4,789,039	5,344,364
Product development	6	551,534	488,944	1,651,915	1,604,144
Impairment of intangible assets and goodwill		-	134,498	-	134,498
Total operating expenses		2,656,381	2,471,446	8,084,085	8,347,630
Income (loss) from operating activities		258,531	403,076	400,259	808,115
Non-operating expenses					
Finance costs		61,998	44,826	148,436	150,934
Loss (gain) in fair value of contingent consideration payable	12	21,078	(8,463)	(43,602)	(32,076)
Net earnings (loss) before income taxes		175,455	366,713	295,425	689,257
Income taxes	17				
Deferred tax expense		-	-	-	-
Current income tax expense (recovery)		-	-	-	(2,282)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ 175,455	\$ 366,713	\$ 295,425	\$ 691,539
Earnings (loss) per share	7				
Basic		\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Diluted		\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Weighted average number of shares - basic		25,515,594	25,512,867	25,515,594	25,282,133
Weighted average number of shares - diluted		25,558,160	25,792,503	25,609,789	25,543,152

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 of September 30, 2023 and December 31, 2022

(Unaudited- in Canadian Dollars)

	Notes	September 30, 2023	December 31, 2022 (audited)
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents		\$ 614,592	\$ 860,062
Restricted cash	8	2,028,000	-
Trade and other receivables	9	3,568,556	4,416,299
Contract assets	9	339,905	34,884
Prepaid expenses		309,720	385,229
Total Current Assets		6,860,773	5,696,474
<i>Non-Current Assets</i>			
Property and equipment	10	541,400	991,301
Deferred tax assets		183,000	183,000
Intangible assets	11	2,419,018	2,625,088
Goodwill	11	1,004,487	1,004,487
Total Non-Current Assets		4,147,905	4,803,876
TOTAL ASSETS		\$ 11,008,678	\$ 10,500,350
LIABILITIES			
<i>Current Liabilities</i>			
Bank borrowings	14	\$ 2,100,000	\$ 1,140,000
Trade and other liabilities		1,114,718	832,232
Contract liabilities		311,259	766,595
Current portion of contingent consideration payable	12	93,744	636,234
Current portion of lease liabilities	13	212,989	211,266
Total Current Liabilities		3,832,710	3,586,327
<i>Non-Current Liabilities</i>			
Lease liabilities	13	240,682	382,527
Total Non-Current Liabilities		240,682	382,527
TOTAL LIABILITIES		4,073,392	3,968,854
SHAREHOLDERS' EQUITY			
Share capital	15	7,227,691	7,227,691
Contributed surplus		1,822,571	1,714,206
Deficit		(2,114,976)	(2,410,401)
TOTAL SHAREHOLDERS' EQUITY		6,935,286	6,531,496
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 11,008,678	\$ 10,500,350
Commitments and Contingencies	19		
ON BEHALF OF THE BOARD			
<u>"Eric Beutel"</u>	Director		
Eric Beutel			
<u>"W. David Oliver"</u>	Director		
W. David Oliver			

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, 2023 and 2022

(Unaudited- in Canadian Dollars)

		Number of Common Share	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
	Note					
Balance as at January 1, 2022		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 loss and comprehensive loss		-	-	-	691,539	691,539
Balance as at September 30, 2022		25,515,594	\$ 7,227,691	\$ 1,675,290	\$ (2,328,726)	\$ 6,574,255
Balance as at January 1, 2023		25,515,594	\$ 7,227,691	\$ 1,714,206	\$ (2,410,401)	\$ 6,531,496
Issuance of share capital related to the exercise of share options	15	-	-	-	-	-
Share-based compensation		-	-	108,365	-	108,365
Net income and comprehensive income		-	-	-	295,425	295,425
Balance as at September 30, 2023		25,515,594	\$ 7,227,691	\$ 1,822,571	\$ (2,114,976)	\$ 6,935,286

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, 2023 and 2022

(Unaudited - in Canadian Dollars)

	Note	Three months		Nine months	
		2023	2022	2023	2022
Cash flows from operating activities					
Net income (loss)		\$ 175,455	\$ 366,713	\$ 295,425	\$ 691,539
Adjustments for non-cash items:					
Amortization of property and equipment	10	145,268	156,150	450,757	499,589
Amortization of intangible assets	11	65,431	99,134	206,070	297,402
Allowance for doubtful accounts		9,789	(149,384)	(8,890)	(300)
Finance costs		61,998	44,826	148,436	150,934
Impairment of intangible assets	11	-	106,409	-	106,409
Impairment of goodwill	11	-	28,089	-	28,089
Loss (gain) on contingent consideration	12	21,078	(8,463)	(43,602)	(32,076)
Share-based compensation	15,16	40,533	38,916	108,365	89,784
Gain on disposal of property and equipment		-	-	3,236	-
Net change in non-cash operating working capital	18	(2,201,949)	2,354,722	(1,573,729)	312,107
Net cash flows from (used in) operating activities		(1,682,397)	3,037,112	(413,932)	2,143,477
Cash flows from financing activities					
Net proceeds (repayments) from bank borrowings		\$ 1,520,000	\$ (2,320,000)	960,000	(790,000)
Issuance of share capital net of cash issue costs	15	-	-	-	154,800
Repayment of lease liabilities	13	(47,233)	(44,599)	(140,122)	(172,434)
Repayment of contingent consideration payable		(118,900)	(441,708)	(493,972)	(714,180)
Foreign exchange loss (gain) on financing activities		(1,434)	30,450	(4,916)	47,826
Finance costs paid		(61,998)	(44,826)	(148,436)	(150,934)
Net cash flows from (used in) financing activities		1,290,435	(2,820,683)	172,554	(1,624,922)
Cash flows from investing activities					
Purchase of property and equipment	10	-	(21,211)	(4,092)	(98,965)
Net cash flows used in investing activities		-	(21,211)	(4,092)	(98,965)
NET INCREASE (DECREASE) IN CASH		(391,962)	195,218	(245,470)	419,590
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		1,006,554	964,450	860,062	740,078
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 614,592	\$ 1,159,668	\$ 614,592	\$ 1,159,668
Additional Information					
Interest paid		20,027	20,330	60,613	70,538
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, 2023 and 2022
(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 ("OTCQX") under the symbol INXSF. The address of Intouch's registered office and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

Founded in 1992, Intouch and its subsidiaries offer a portfolio of customer experience management (CEM) products and solutions. These include customer surveys, 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 shut down 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 has 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 and 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 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, 2022.

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, 2022.

(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, 2022. 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, 2023 and 2022
(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.

	Three months		Nine months	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Canada	\$ 1,493,084	\$ 1,670,917	\$ 4,261,394	\$ 4,509,807
US	4,118,734	3,725,040	12,084,414	13,379,240
Other	22,776	18,673	67,936	53,207
Total revenue	\$ 5,634,594	\$ 5,414,630	\$ 16,413,744	\$ 17,942,254

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, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Customer 1	\$ 750,091	\$ 669,185	\$ 2,196,086	\$ 1,905,499
Customer 2	661,497	2,386	1,323,084	37,953
Customer 3	336,764	630,016	1,036,654	3,596,479

Major trade accounts receivable

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

	Sept. 30, 2023	Sept. 30, 2022
Customer 1	\$ 473,066	\$ 203,232
Customer 2	449,986	284,091
Customer 3	362,193	6,854

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, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Marketing expenses	\$ 181,228	\$ 152,876	\$ 521,933	\$ 342,258
Travel expenses	44,532	(26,523)	230,301	151,033
Salaries and benefits	276,893	245,345	890,897	771,333
Selling expenses	\$ 502,653	\$ 371,698	\$ 1,643,131	\$ 1,264,624

INTOUCH INSIGHT LTD.
Notes to the Interim Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2023 and 2022
(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, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Corporate administration	\$ 247,806	\$ 252,927	\$ 718,593	\$ 797,542
Consultant fees	2,532	(10,238)	6,282	(8,820)
Professional fees	217,810	17,771	315,881	244,518
Public company fees	72,425	52,363	194,869	164,713
Salaries and benefits ⁽¹⁾	956,261	1,185,139	3,011,347	3,623,367
Loss (gain) on disposal of property and equipment	-	-	3,236	-
Loss (gain) on foreign exchange	(38,721)	(52,445)	119,854	(49,649)
Bad debt expense (recovery)	9,789	(149,384)	(8,890)	(300)
Amortization expense	134,292	180,173	427,867	572,993
General and administrative expenses	\$ 1,602,194	1,476,306	\$ 4,789,039	5,344,364

⁽¹⁾ Share-based compensation (a non-cash item) of \$40,533 (Q3 2022- \$38,916) has been included in Salaries and benefits. YTD 2023, \$108,365 (YTD 2022- \$89,784) was included.

In

6. PRODUCT DEVELOPMENT EXPENSES

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

	Three months		Nine months	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Salaries and benefits	\$ 551,534	\$ 488,944	\$ 1,651,915	\$ 1,604,144
Total product development expenses	\$ 551,534	\$ 488,944	\$ 1,651,915	\$ 1,604,144

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	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Weighted average number of common shares - basic	25,515,594	25,512,867	25,515,594	25,282,133
Additions to reflect the dilutive effect of employee stock options	42,566	279,636	94,195	261,018
Weighted average number of common shares - diluted	25,558,160	25,792,503	25,609,789	25,543,152

8. RESTRICTED CASH

Restricted cash consists of cash in trust for the Alta360 acquisition, which closed on October 1 (See Subsequent Events).

9. 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 and not yet billed.

INTOUCH INSIGHT LTD.
Notes to the Interim Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2023 and 2022
(Unaudited - in Canadian Dollars)

	As of Sept. 30, 2023	As of December 31, 2022
Trade accounts receivable, gross	\$ 3,573,504	\$ 4,444,689
Provision for expected credit losses	(9,804)	(38,472)
Trade accounts receivable, net	3,563,700	4,406,217
Sales taxes recoverable	4,856	10,082
Other receivables - CEWS	-	-
Other receivables	-	-
Contract assets	339,905	34,884
Trade, other receivables and contract assets	\$ 3,908,461	\$ 4,451,183

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

	As of Sept. 30, 2023	As of December 31, 2022
1 - 60 days past due	\$ 164,897	\$ 861,453
Greater than 60 days past due	154,711	52,463
	\$ 319,608	\$ 913,916

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

10. 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, 2021	\$ 268,399	\$ 1,479,027	\$ 260,015	\$ 197,180	\$ 1,555,061	\$ 3,759,682
Additions	63,979	45,029	-	-	-	109,008
Disposals	-	-	-	-	-	-
Removal	-	-	-	-	(305,685)	(305,685)
At December 31, 2022	332,378	1,524,056	260,015	197,180	1,249,376	3,563,005
Additions	-	4,092	-	-	-	4,092
Disposals	(2,973)	-	(31,190)	-	-	(34,163)
At Sept. 30, 2023	\$ 329,405	\$ 1,528,148	\$ 228,825	\$ 197,180	\$ 1,249,376	\$ 3,532,934
Accumulated Amortization:						
At December 31, 2021	\$ 164,579	\$ 917,747	\$ 172,119	\$ 166,213	\$ 803,464	\$ 2,224,122
Amortization	103,685	299,866	26,002	7,286	216,428	653,267
Disposals	-	-	-	-	-	-
Removal ¹	-	-	-	-	(305,685)	(305,685)
At December 31, 2022	268,264	1,217,613	198,121	173,499	714,207	2,571,704
Amortization	64,114	228,960	17,162	5,465	135,055	450,756
Disposals	(2,973)	-	(27,953)	-	-	(30,926)
At Sept. 30, 2023	\$ 329,405	\$ 1,446,573	\$ 187,330	\$ 178,964	\$ 849,262	\$ 2,991,534
Carrying amounts:						
At December 31, 2022	\$ 64,114	\$ 306,443	\$ 61,894	\$ 23,681	\$ 535,169	\$ 991,301
At Sept. 30, 2023	\$ -	\$ 81,575	\$ 41,495	\$ 18,216	\$ 400,114	\$ 541,400

For Q3 2023, amortization of \$76,407 (Q3 2022 - \$75,111) is included in cost of services while an amount of \$68,860 (Q3 2022 - \$81,039) is included in general and administrative expenses.

For YTD 2023, amortization of \$228,960 (YTD 2022 - \$223,998) is included in cost of services while an amount of \$221,796 (YTD 2022 - \$275,590) is included in general and administrative expenses.

INTOUCH INSIGHT LTD.
Notes to the Interim Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2023 and 2022
(Unaudited - in Canadian Dollars)

11. INTANGIBLE ASSETS AND GOODWILL

Cost:	Acquired			Total intangible	
	Trademarks	Acquired customer relationships	Software	assets	Goodwill
At December 31, 2021	\$ 279,646	\$ 5,571,226	\$ 706,216	\$ 6,557,088	\$ 1,404,898
Removal	-	(412,962)	-	(412,962)	-
At December 31, 2022	\$ 279,646	\$ 5,158,264	\$ 706,216	\$ 6,144,126	\$ 1,404,898
Additions	\$ -	-	-	-	-
At Sept. 30, 2023	\$ 279,646	\$ 5,158,264	\$ 706,216	\$ 6,144,126	\$ 1,404,898
Accumulated Amortization:					
At December 31, 2021	\$ 147,406	\$ 2,696,526	\$ 591,383	3,435,315	\$ 372,322
Amortization	22,068	262,208	106,000	390,276	-
Impairment	-	106,409	-	106,409	28,089
Removal	-	(412,962)	-	(412,962)	-
At December 31, 2022	\$ 169,474	\$ 2,652,181	\$ 697,383	\$ 3,519,038	\$ 400,411
Amortization	14,664	182,573	8,833	206,070	-
At Sept. 30, 2023	\$ 184,138	\$ 2,834,754	\$ 706,216	\$ 3,725,108	\$ 400,411
Carrying Amounts:					
At December 31, 2022	\$ 110,172	\$ 2,506,083	\$ 8,833	\$ 2,625,088	\$ 1,004,487
At Sept. 30, 2023	\$ 95,508	\$ 2,323,510	\$ -	\$ 2,419,018	\$ 1,004,487

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 is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. During the three and nine months ended September 30, 2023, the Company assessed that indicators of possible impairment existed due to the ongoing impacts from the COVID-19 pandemic. The Company performed an impairment test for all acquired companies (the separate cash generating units ("CGUs") are: Statopex, RetailTrack, PermaLogics/MobilForce, and SeeLevel).

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

CGU:	Intangibles	Goodwill	Total
Statopex	\$ 9,186	\$ -	\$ 9,186
RetailTrack	1,521	-	1,521
PermaLogics and MobilForce	104,231	-	104,231
SeeLevel	2,304,080	1,004,487	3,308,567
Carrying Value - Sept. 30, 2023	\$ 2,419,018	\$ 1,004,487	\$ 3,423,505

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 no impairment for the three and nine months ended September 30, 2023 (Q3 and YTD 2022- \$134,498. \$28,098 on goodwill and \$106,409 on intangible assets).

INTOUCH INSIGHT LTD.
Notes to the Interim Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2023 and 2022
(Unaudited - in Canadian Dollars)

12. CONTINGENT CONSIDERATION

As part of the acquisition of PerformaLogics 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 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 three 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%.

The contingent consideration period ended in February 2023. A total of \$440,172 in the contingent consideration was paid. The fair value of the future consideration is \$nil, resulting in a loss of \$1,247 being recorded YTD (September 30, 2022- loss of \$6,828).

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. 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 equal 100% for each 12-month period, and the discount rate is 25.82%.

As of September 30, 2023, \$1,328,240 of the contingent consideration was paid. In addition, the fair value of the future consideration was \$93,744 (all current), resulting in a gain of \$44,849 (September 30, 2022- gain of \$38,904).

13. LEASE LIABILITIES

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

	As of
	Sept. 30, 2023
Less than one year	\$ 212,989
Between one and five years	263,240
More than five years	-
Total lease payments	476,229
Amounts representing interest over the term of the lease	22,558
Present value of net lease payments	453,671
Current portion of lease obligation	\$ 212,989
Non-current portion of lease obligation	\$ 240,682

The following table show the movement for lease liabilities for the three and nine months ended September 30, 2023:

	Sept. 30, 2023
Balance, January 1, 2022	\$ 593,793
Additions	-
Repayments	(158,019)
Interest portion of repayments	17,897
Ending balance	\$ 453,671

For Q3 and YTD 2023, \$nil (Q3 and YTD 2022- \$nil) payments for leases less than twelve months were included in operating expenses.

14. BANK BORROWINGS

a) Credit facilities

As of September 30, 2023, bank borrowings were \$2,100,000 (September 30, 2022- \$50,000) 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 8.20% (prime plus 1%) [2022 –6.45%

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(prime plus 1%)), secured by a general security agreement. The Company was in compliance with its covenants as of September 30, 2023 (2022- compliant). The carrying amounts of any borrowings are a reasonable approximation of fair value.

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, the repayment of capital and represent one vote at the shareholders' meetings.

During the three and nine months ended September 30, 2023, the Company issued nil common shares through the exercise of stock options for gross proceeds of \$nil.

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.

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.

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 three years and expire five years from the grant date. The Board of Directors can 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 3,769,118.

There were 730,000 options issued YTD 2023 (YTD 2022 – 765,000). The employee compensation expense related to options vested YTD 2023 is \$108,365 (YTD 2022 - \$89,784). The Company may issue up to 3,749,118 (Q3 2022 – 3,749,118) options for common shares under its stock option plan. At September 30, 2023, 1,329,118 common shares (1,694,118 at September 30, 2022) 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, 2023 and December 31, 2022, and changes during the quarter and year ended on those dates, is presented below:

	<u>September 30, 2023</u>		<u>December 31, 2022</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	2,040,000	\$ 0.53	1,993,333	\$ 0.49
Granted	730,000	\$ 0.35	765,000	\$ 0.56
Exercised	-	-	(425,000)	\$ 0.39
Forfeited	(250,000)	\$ 0.56	(288,333)	\$ 0.54
Expired	(100,000)	\$ 0.54	(5,000)	\$ 0.47
Outstanding, end of period	<u>2,420,000</u>	<u>\$ 0.48</u>	<u>2,040,000</u>	<u>\$ 0.53</u>

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The following table summarizes information about stock options as of September 30, 2023:

Exercise prices	Options Outstanding		Options Exercisable
	Number outstanding at Sept 30, 2023	Weighted average remaining contractual life (years)	Number exercisable at Sept 30, 2023
\$0.305	245,000	1.52	245,000
\$0.340	5,000	0.50	5,000
\$0.345	715,000	4.73	-
\$0.390	5,000	0.92	5,000
\$0.400	115,000	0.41	115,000
\$0.420	65,000	0.17	65,000
\$0.440	180,000	1.14	180,000
\$0.455	30,000	1.72	25,000
\$0.470	80,000	2.07	53,333
\$0.550	575,000	3.66	191,668
\$0.660	50,000	3.90	16,667
\$0.670	5,000	2.65	3,333
\$0.720	335,000	2.52	223,332
\$0.790	15,000	2.91	9,999
\$ 0.305 to \$ 0.79	2,420,000	3.07	1,138,332

The weighted average exercise price was \$0.49 at September 30, 2023 (September 30, 2022 - \$0.53) for exercisable options.

The following table summarizes information about stock options as of December 31, 2022:

Exercise prices	Options Outstanding		Options Exercisable
	Number outstanding at Dec 31, 2022	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2022
\$0.305	250,000	2.27	246,666
\$0.340	5,000	1.25	5,000
\$0.390	10,000	1.67	10,000
\$0.400	115,000	1.16	115,000
\$0.420	70,000	1.00	66,666
\$0.440	240,000	1.89	240,000
\$0.455	25,000	1.90	25,000
\$0.470	80,000	2.82	53,333
\$0.480	15,000	0.42	15,000
\$0.550	655,000	4.41	-
\$0.610	85,000	0.16	85,000
\$0.660	50,000	4.65	-
\$0.670	30,000	3.61	10,002
\$0.720	395,000	3.27	131,668
\$0.790	15,000	3.66	5,001
\$ 0.305 to \$ 0.79	2,040,000	3.00	1,008,336

Stock-based Compensation

The Company uses the Black-Scholes model to calculate option values.

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

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 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 2023 (Q3 2022- \$nil).

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18. CASH FLOW INFORMATION

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

	Three months		Nine months	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
Restricted cash	\$ (2,028,000)	\$ -	(2,028,000)	-
Trade and other receivables	(199,113)	1,708,637	856,633	771,808
Contract assets	3,893	852,847	(305,021)	(345,772)
Prepaid expenses	(72,957)	(107,467)	75,509	(53,829)
Trade and other liabilities	201,584	(182,460)	282,486	(96,871)
Contract liabilities	(107,356)	83,165	(455,336)	36,771
Net change in non-cash working capital	\$ (2,201,949)	\$ 2,354,722	\$ (1,573,729)	\$ 312,107

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 believes 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, 2023 were approved and authorized for issue by the Audit Committee on November 21, 2023.

21. SUBSEQUENT EVENTS

On October 1, 2023, the Company closed the acquisition ("Acquisition") of Brand Equity Builders, Inc. ("BEB") the parent company of both Alta360 Research, Inc. ("Alta") and its sister company Ardent Retail Services Inc. ("Ardent"), subject to TSX Venture Exchange acceptance. Alta is a US customer experience measurement company who has provided services across the US since 1999. Ardent is a new venture offering in-store services such as merchandising and re-branding. The definitive agreement was signed on September 15, 2023.

Based on unaudited figures, Alta had calendar 2022 annual revenues of US\$5.0M, and EBITDA of 8%. The Company will not assume any long-term debt from the vendors and the transaction is arm's length from the Company. The purchase price for the Acquisition is a combination of cash and a promissory note. The purchase price is approximately US\$3.125M in cash of which, US\$1.5M is payable at closing along with a promissory note for US\$0.5M and approximately US\$1.125M is payable over the next four years based on achievement of Alta revenue targets and Ardent gross profits. The Company is financing the Acquisition from its existing cash resources and with a five-year term bank loan for CA\$2.0M with a floating interest rate currently at 9.9% annually. No finder's fees are payable by the Company.