



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, PerformaLogics/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 |
| PerformaLogics 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).

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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:

| | September 30, 2023 | | December 31, 2022 | |
|----------------------------------|-----------------------------|---|-----------------------------|---|
| | Number of <u>Options</u> | Weighted average exercise <u>price</u> | Number of <u>Options</u> | Weighted average exercise <u>price</u> |
| Outstanding, beginning of 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 | 2,420,000 | \$ 0.48 | 2,040,000 | \$ 0.53 |

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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.