INTOUCH INSIGHT

Helping businesses take action and drive value from their customer experience programs

Annual Report 2017

About Us

At the core of Intouch Insight (Intouch) is, and always has been, a focus on collecting insights to drive business improvement. A lot has changed over the last three decades, but that core goal has remained.

Intouch Today

Intouch Insight offers customer experience management (CEM) products and services that help global brands delight their customers, strengthen brand reputation and improve financial performance. The Company recently added an artificial intelligence-powered CEM software to its product line to round out its complete portfolio of CEM solutions for its growing list of Fortune 500 clients.

The Intouch product suite includes:

- customer experience management software
- survey software
- mobile forms software
- mystery shopping services
- operational and compliance audit services
- event marketing automation software

Cameron Watt, President & CEO

Words from the CEO

Dear Shareholders,

In May of 2017, Intouch began researching if it was feasible to offer its suite of newly updated products as individual modules of a new product offering: a customer experience management (CEM) software platform.   By June of 2017, it became apparent that the market opportunity for Intouch in the CEM software space was even more exciting than originally anticipated.

As announced in the fall, the CEM market is growing and expected to be over $13 Billion by 2021. We determined that the investments which had been made since 2014 regarding the company's technologies, structure, and capabilities would allow us to go after this opportunity. As a result, we shifted our focus mid-year from in year growth to aggressively pursuing the longer-term opportunity in front of us with CEM software. By the end of 2017 we had made significant progress including:

- Recorded revenue of $13.9M
- Increased US based revenues by 5% over previous year
- Completed synchronization of Intouch products on the new, modern code base
- Successfully raised $3.5M in capital financing to use for the 2018 product launch
- Expanded the Intouch team driven by sales, marketing, development, and product management positions
- Embarked on an artificial intelligence (AI) focused product strategy

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Although we shifted our focus, departments like operations and sales remained dedicated to supporting and growing our existing product lines. I am pleased with the results delivered in 2017; in particular with the readiness of the organization at the end of the year to perform a successful 2018 product launch while continuing to expand on our existing revenues. We believe that delivering on the goal of being a leading artificial intelligence company in the customer experience management industry is key to delivering the strongest possible long-term value to our shareholders.

2018 and Beyond

Since January 1st until the writing of this letter, we have issued a variety of press releases which I believe tell the story of how the year is going. Specifically, we released news indicating that Intouch:

- Was awarded a 3-year agreement with Canada Post Corporation regarding the puchase of IntouchCheck SaaS product, which is a key component of the Company's CEM software and significant differentiator from competitors in the CEM space
- Restructured its primary debt vehicle with the Toronto Dominion Bank to bring it into line with the requirements of a software company
- Filed a provisional patent application with the US Patent and Trademark Office in support of its artificial intelligence strategy around its new CEM platform
- Retained over 97% of its 2017 revenue and had a $600,000 increase in orders from existing customers heading in to 2018
- Partnered with Dell Boomi to add high performance application integration functionality to its new CEM platform to reduce the time to value for customers
- Signed a new program with an existing client worth $75,000 USD per month in recurring revenue to the business
- Rebranded the Company and launched a new website in support of its transition to a leading AI company in the CEM space
- Launched its new CEM platform called LiaCX™

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About LiaCX™

LiaCX is a proprietary cloud-based software solution built on modern technology designed to handle big data. The software collects and combines data in real-time from Intouch products and external data sources such as surveys, mobile checklists, mystery shopping, operational audits, social media, and call centers. It also rapidly integrates data from third-party systems like Salesforce, Oracle, and SAP. All data is mapped to the customer journey and artificial intelligence-powered features transform the data into meaningful customer experience (CX) insights. Organizations can easily take action on those insights to improve business performance from directly within LiaCX itself, using the Action Campaign™ module.

Action Campaigns allow LiaCX customers to:

- Create targeted campaigns to improve specific areas of the customer journey and business metrics
- Assign specific actions/tasks to employees at different levels across the organization and at different frequencies
- Verify whether or not actions were completed, through integrated mobile checklists and photo capture
- Measure the impact of actions on specific business metrics in real-time

Growth

At Intouch, our revenue comes through recurring revenue from traditional product lines (IntouchShop/IntouchAudit) as well as our newer SaaS based product lines (IntouchCapture/IntouchSurvey/IntouchCheck). Having this strong, stable base of revenue positions us well for future growth with the launch of LiaCX.

Of course, since the sales cycle around CEM software is expected to be about 6-9 months and we launched the product in May, we do not expect to see significant revenue from the new platform until 2019. We do, however, expect to grow the overall Company revenue in 2018.

As in previous years, we also remain open to synergistic acquisitions in the marketplace which will allow for not only immediate growth, but also a pathway to future growth across multiple product lines.

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Culture

I wanted to take a moment and talk about the organizational culture that we have created over the last several years as it has become a differentiator for us at Intouch. We have created a work environment that values:

- Entrepreneurial behavior and attitude
- Proactive cross-functional learning
- Challenging the status quo
- Customer centric approaches
- Team based mentality

This has allowed us to continue to expand with top quality employees despite the competitive marketplace with technology companies. We believe that you can only be the best if you are able to attract, retain and motivate the best to be part of your organization. We are very proud that we are now consistently attracting, retaining and motivating top talent for all of our teams and we know that this will remain a key to our success as we move into the future.

Closing Thoughts

Everyone at Intouch is incredibly optimistic about LiaCX and our future as a leading artificial intelligence company in the customer experience management space. 2018 will be a very exciting year to be at Intouch Insight as it is setting up a long-term sustainable future for the company.

As will be demonstrated in 2018, Intouch has reached the critical mass required to ensure effective execution of new product launches, while also growing the base business by delivering on the expectations of its current customers.

I understand that the transformation of Intouch has taken some time, and that the journey is not yet over, but we are getting much closer all the time and with the addition of AI and CEM to our focus – we can see the goal line in front of us. We appreciate everyone who has remained on this journey with us and we trust that you see now, more than ever, what a hidden gem Intouch Insight is as a company.

Cameron Watt
President & CEO

INTOUCH INSIGHT LTD.

DATED: MARCH 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Intouch Insight Ltd. ("Intouch" or the "Company") and the notes to those statements as at and for the year ending December 31, 2017.

The accompanying audited consolidated financial statements have been prepared by and are the responsibility of Intouch's management. The audited consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Dollar amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will", "may", "should", "continue", "anticipate", "believe", "plan", "estimate", "project", "expect", "intend" and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the MD&A and as discussed in public disclosure documents filed with Canadian regulatory authorities. Forward-looking statements are provided to assist external stakeholders in understanding management's expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A and Intouch disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should not place undue reliance in the Company's forward-looking statements.

OVERVIEW OF THE BUSINESS

Intouch Insight Ltd. does business as Intouch Insight Inc. and Intouch Insight Corp. (collectively referred to as "Intouch").

Intouch's vision is to provide perfect information, instantly. Our mission is to design, build and deliver solutions that collect data for customers to provide information that improves business outcomes.

Intouch develops managed mobile software applications and software-as-a-service (SaaS) platforms, and delivers services for private businesses, governments and regulators. These stakeholders need mobile, real-time information about leads, customer feedback, operational compliance, employee feedback and new product analysis. Intouch has developed comprehensive software platforms including IntouchCapture, IntouchCheck, IntouchSurvey, and most recently a customer experience management platform. These products facilitate the rapid development of data collection programs including event lead capture, customer satisfaction surveys, and mobile forms, checklist and audits. All products include real-time, online reporting and advanced analytics to help clients focus their time on the most strategic projects. Intouch also uses its technology to enable its data collection services including mystery shopping, third party audit and customer experience measurement programs.

IntouchCapture is a software application that provides event marketing solutions including analytics, logistics and support. With thousands of event days and millions of customer interactions every year, IntouchCapture is used by Fortune 1000 brands, agencies, government and military across North America. The Company's complete software stack, stocked hardware warehouse and technical engineers bring big data, analytics, mobile-first design and data collection expertise to our customers.

IntouchCheck, the Company's first SaaS-based offering, is a powerful mobile application that helps organizations easily measure their operational standards internally and implement changes to drive lasting business improvements. The software allows businesses to create unlimited mobile forms and checklists in order to easily collect and aggregate data from all locations. Key product features include the ability to add photos and signatures to forms and issue management automation. The issue management functionality allows users to flag issues, automatically alert key stakeholders, assign issues and set due dates, and track issues through to resolution. IntouchCheck also includes real-time reporting on performance and the ability to view performance by location, region, date and more.

IntouchSurvey is a software application that allows businesses to perform web-based surveys to collect feedback and view results using robust, real-time dashboards. The most common application of this product is as a customer satisfaction survey tool. IntouchSurvey has an easy-to-use drag and drop survey builder, offers a wide range of question types, and includes more complex functionality like skip logic and conditional questions. The software also includes case management functionality, which allows key stakeholders to automatically be alerted of a low survey score or negative response to a specific question. The case can be assigned to another employee with a due date, and the stakeholder can view the outcome of the case.

Intouch's customer experience management ("CEM") platform is a complete, SaaS-based solution that helps CX professionals make targeted improvements to accelerate the delivery of a world class customer experience. It centralizes all channels of feedback, operational and back-office system data within a centralized platform and presents it in a logical manner for ease of interpretation and organizational alignment. Intelligent and predictive analytics, and task completion accountability help mobilize customer-facing staff to close the loop on customer experience problems, and drive better business results.

RESULTS OF OPERATIONS

a) Revenue

The Company receives revenue from software applications and related services to its customers in a market referred to as data collection and reporting services.

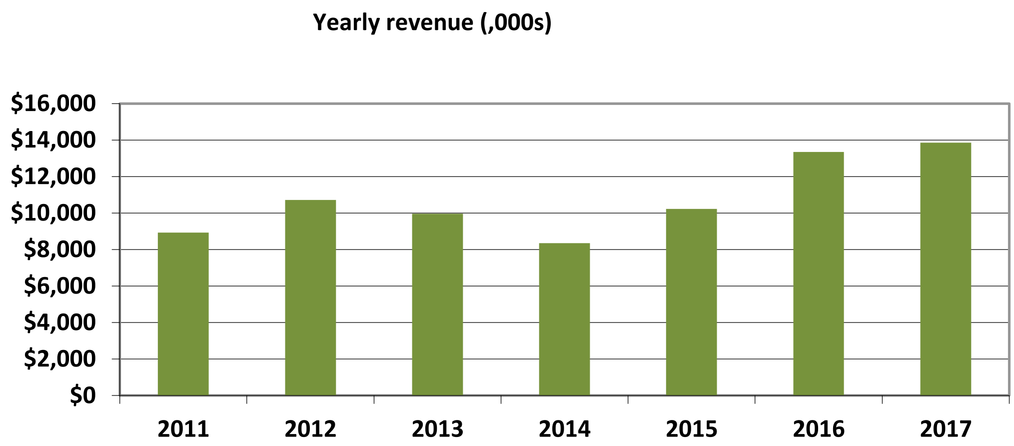
The Company's strategy is to focus on software applications, and long-term services contracts and as a result tracks its recurring revenue from both software and services. The following chart shows the breakdown of recurring software revenue as well as recurring and non-recurring services revenue for the years ended 2017 and 2016.

	2017	2016
Recurring software revenue	$ 2,310,686	$ 2,339,858
Recurring services revenue	$ 11,265,396	$ 10,828,230
Non-recurring services revenue	$ 278,795	$ 181,303
Total revenue	$ 13,854,877	$ 13,349,391

The Company's 2017 revenues increased 4% from 2016 revenues with its revenue from recurring revenue having increased by 3% and its revenue from non-recurring services increasing by 54% in the same time period. This increase in overall revenue was a result of organic growth and the full year effect of the acquisition of RetailTrack on December 1, 2016. On December 1, 2016, the Company acquired the RetailTrack business from The Belding Group. RetailTrack revenues for the full year 2017 were $293,442 (2016 December only - $15,394). Management expects recurring revenues for both software and services to increase in 2018.

Recurring software revenue decreased by 1% while recurring services revenue increased by 4%. The full year effect of RetailTrack revenues influenced the growth in recurring service revenue. The Company has a high customer retention rate and while the contracts with many clients are for one-year terms, the Company's experience is that customer renew each year for another twelve-month period.

The Company feels that it has a strong customer base in each of its product lines going into 2018 and anticipates revenue growth again in 2018.



The Company also measures its revenue geographically. The following chart shows the breakdown of revenues from Canada and the U.S.

		2017	%		2016	%
Canada	$	5,883,382	42%	$	5,773,404	43%
U.S.	$	7,971,495	58%	$	7,575,987	57%
Total revenue	$	13,854,877	100%	$	13,349,391	100%

Revenue generated from Canadian clients in 2017 was 2% higher compared to 2016 while U.S. revenues increased by 5%. The Company concentrates its sales efforts in the U.S. and was successful in securing existing clients as well as attracting new clients. The Company continued with many programs for its largest U.S. based client, an automobile manufacturer that first signed in late 2006. Revenues from this client of $2,462,229 were realized in 2017 compared to $2,468,999 in 2016. Revenues from this client are expected to continue throughout 2018 at similar levels as 2017. The Company's U.S. revenues are subject to the fluctuation of foreign exchange.

Included in 2017 revenues were approximately $2,481,916 (2016 - $2,931,972) from customers acquired through a business transfer agreement with NAVEX Global, Inc. in April of 2013. This revenue is predominately generated from U.S. sales. While revenues were 15% lower than in those of 2016, the Company has generally been successful in securing its client base and the building of other partnerships and expects similar or higher revenues for 2018.

Management expects fluctuations in quarter-over-quarter operating results. Overall, management expects 2018 revenues to be significantly higher than 2017 revenues as the Company focuses more on its sales and marketing as many of the new products the Company has been developing over the past two years come to market.

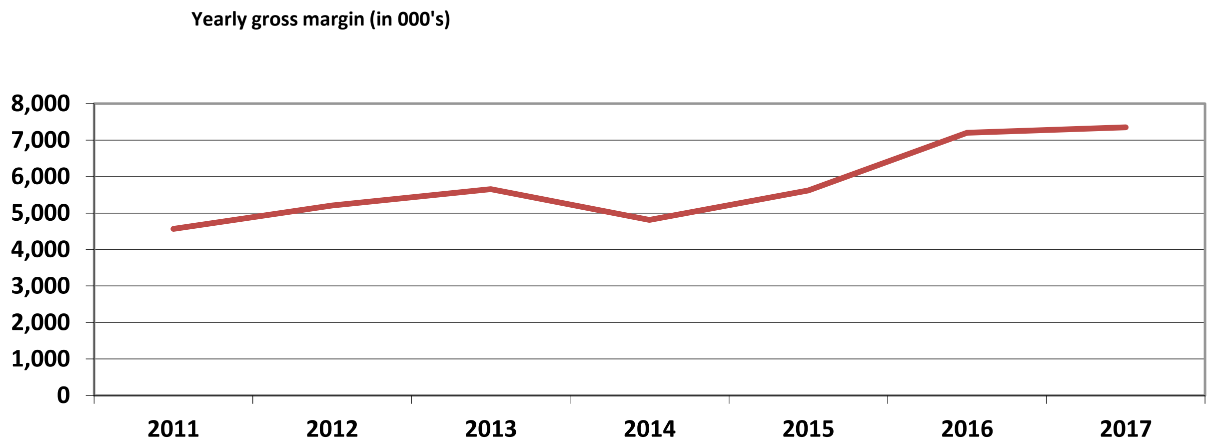
Revenue recognition: The Company follows International Financial Reporting Standards in recognizing its revenue from operations. For further information on revenue recognition, refer to Note 2 in the audited consolidated financial statements dated December 31, 2017.

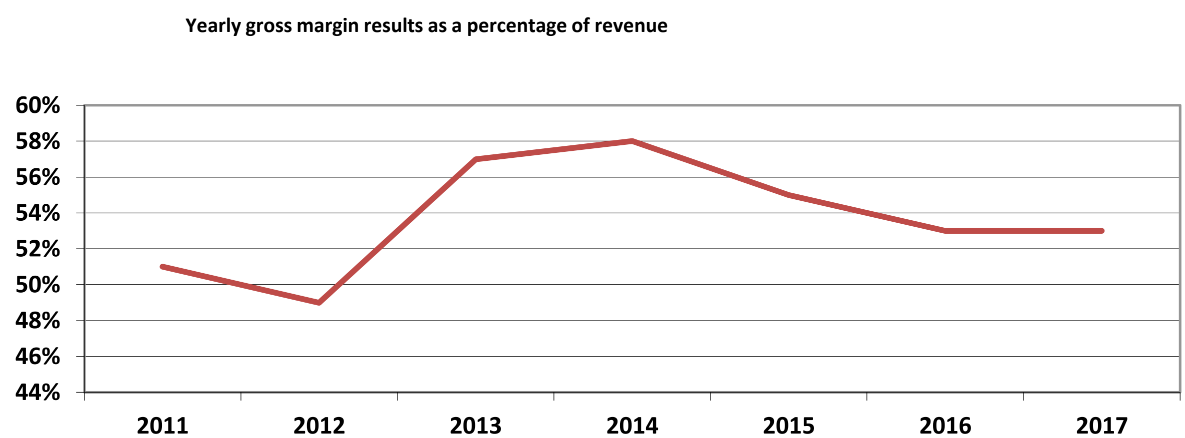
b) Cost of Services/Gross Margin

The Company's cost of services includes all direct costs incurred in the provision of its products and services. These costs include items such as expenses related to staff and independent contractors, delivery charges, communication costs (as each mobile unit or other device is equipped with cellular and/or wireless technology in order to transmit results or program updates live in the field) and amortization associated to the data collection units.

		2017		2016
Staff and contractor expense	$	5,049,697	$	5,270,369
Delivery and communication costs	$	786,617	$	467,640
Amortization	$	238,341	$	225,590
Other	$	427,957	$	187,455
Cost of services	$	6,502,612	$	6,151,054

Consolidated cost of services increased 6% in 2017 compared to 2016. For 2017, staff and contractor expense decreased by 4% compared to 2016. The decrease was due mostly to less staff requirement as a result of implementing new software the costs of which are included in the delivery costs. Management expects this expense to increase somewhat throughout 2018 as we acquire new business from new and existing customers but expects this expense to remain in line as a percentage of revenue. Delivery and communication costs increased by $318,977 or 68% year-over-year, again, due to new software being used in the field and is expected to remain at these rates for 2018. Amortization increased 6% as the Company has purchased and deployed new data collection devices in the field. It is expected that this expense will remain stable in 2018 as no new purchases are being considered at this time. Included in the other expenses for 2017 are commissions of $326,903 compared to $173,349 in 2016. The Company has expanded its sales department and is paying guaranteed commissions to key sales employees in advance of the CEM product launch. Management expects commission expense to remain at current levels for 2018.





The consolidated gross margin increased by $153,928 or 2% to $7,352,265 in 2017 from $7,198,288 in 2016 and the margin percentage of 53% in 2017 is the same as in 2016. Product mix effects gross margin as IntouchCapture, IntouchSurvey and IntouchCheck gross margins are higher than those of IntouchShop and IntouchAudit. Since the recurring services revenue increased the most dollar wise, and these revenues are at a lower margin than software related revenue, Management expected the margin to remain stable. The gross margin percentage of 53% obtained during 2017 is slightly lower than Management's target of 55 to 60%, however, Management expects gross margin percentage to be more in line with targets by the end of 2018 as the expected increase in higher margin product sales are realized.

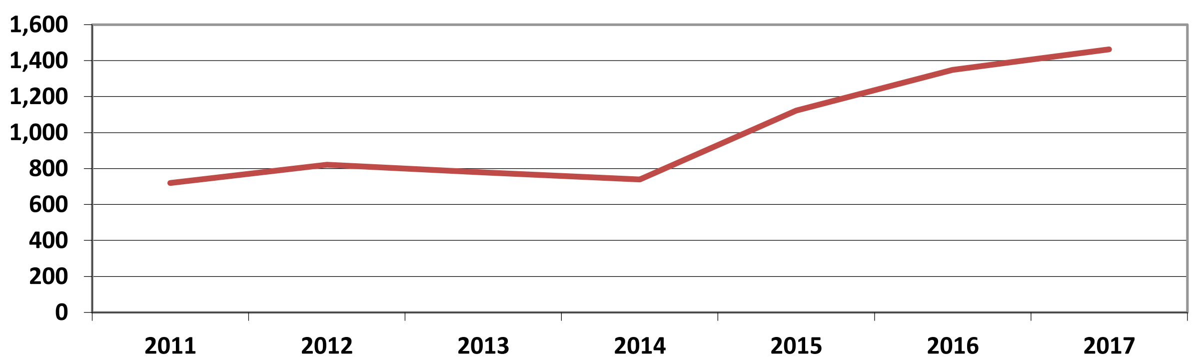
c) Selling

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

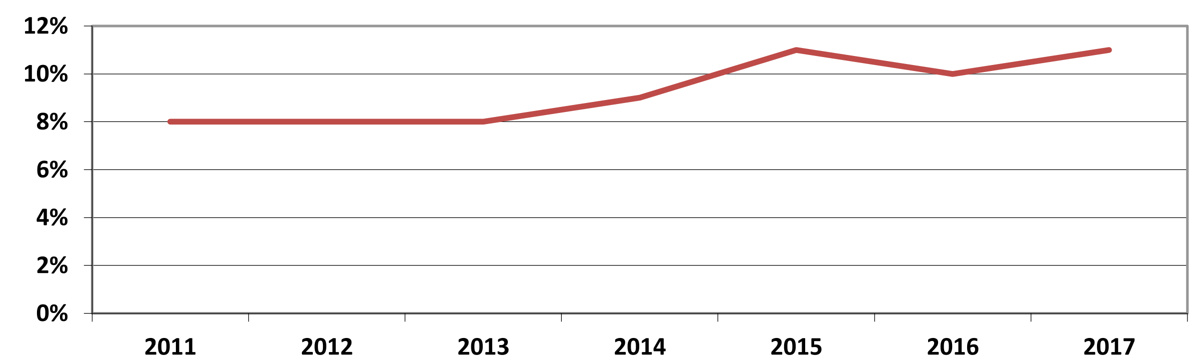
	2017		2016
Marketing expenses	$ 408,839	$	329,462
Travel expenses	$ 193,852	$	147,427
Salaries and benefits	$ 858,935	$	876,652
Government agency contribution received for youth employment program	$ -	$	(5,000)
Selling expenses	$ 1,461,626	$	1,348,541

Selling expenses increased by 8% from $1,348,541 in 2016 to $1,461,626 in 2017. The increases were primarily the result of increased marketing activities as well as travel to trade shows and customer sites. One of our hires was offset by way of a Government contribution for the first quarter of 2016. While selling expenses increased year-over-year the expense as a percentage of revenue also increased by 1% to 11%. The Company expects to increase selling expenses substantially throughout 2018 and has already taken steps by hiring for new sales rolls as well as expanding its marketing activities further towards launching its CEM product. Management continues to watch the marketplace very closely and will aggressively seek new business opportunities.

Yearly selling expenses (in 000's)



Yearly selling expenses as a percentage of revenue



d) General and Administrative

		2017		2016	% change
Corporate administration	$	1,192,703	$	1,055,000	13%
Consultant fees	$	228,284	$	47,270	383%
Professional fees	$	135,284	$	153,900	-12%
Listing fees	$	120,272	$	63,200	90%
Salaries and benefits	$	2,658,748	$	2,147,107	24%
Loss (gain) on disposal of property and equipment	$	47,996	$	(2,477)	-2038%
Loss on foreign exchange	$	83,974	$	80,331	5%
Amortization expense	$	573,543	$	554,228	3%
Total general and administrative expenses	$	5,040,804	$	4,098,559	23%

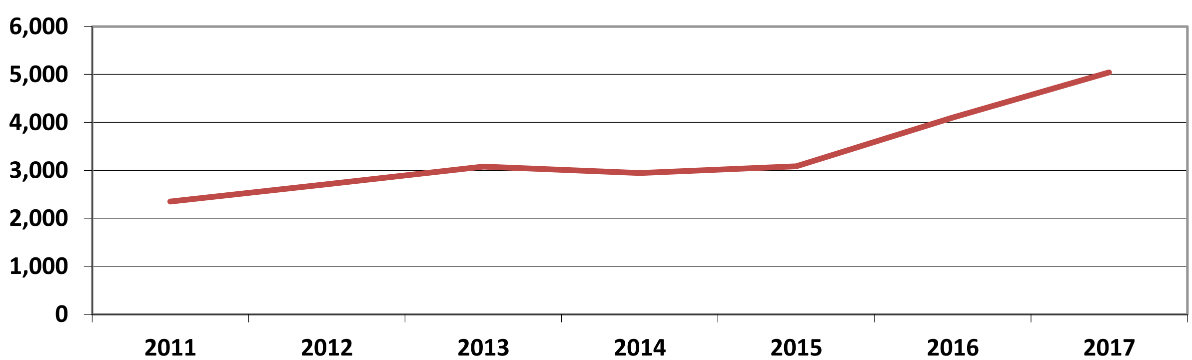
General and administrative ("G&A") expenses increased by 23% overall in 2017. Management did expect G&A expenses to increase somewhat to reflect the full year effect of the RetailTrack acquisition specifically for salaries and benefits. Management also made further hires to its customer support team to train, document and help improve its new software. Share-based compensation added $27,062 in non-cash salary expense to the 2017 G&A expense compared to $36,097 for 2016. Management anticipates that share-based compensation will decrease again in 2018. For 2018, the other general and administrative expenses are expected to remain at these levels or increase slightly.

Consultant fees increased from $47,270 in 2016 to $228,284 in 2017 as the Company engaged with several advisors including an investor relations firm during 2017.

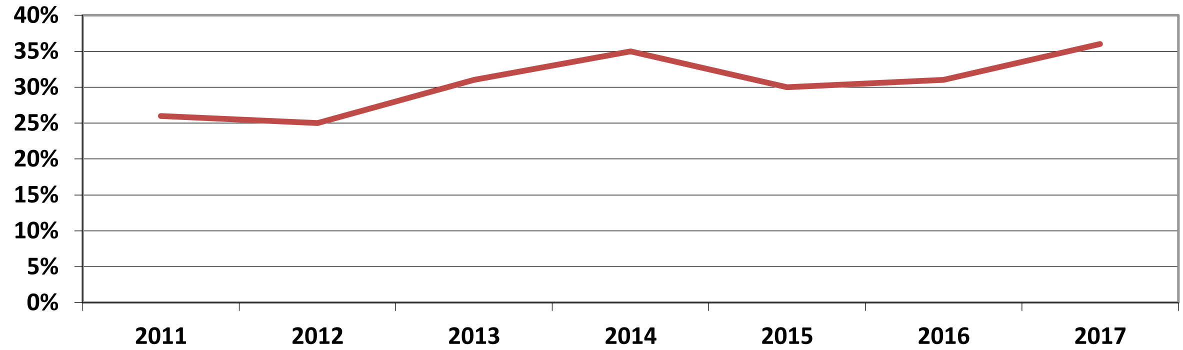
The Company recorded a loss on U.S. exchange of $83,974 in 2017 compared to a loss of $80,331 in 2016. Any future gains or losses will be dependent on the fluctuation of the Canadian dollar in regard to the U.S. dollar.

Amortization associated with G&A expenses was $573,543 for 2017 compared to $554,228 for 2016. Amortization of intangible assets of $499,253 was included for 2017 compared to $486,684 in 2016 as a result of the full year effect of the RetailTrack acquisition in December 2016. Management expects that the amortization of intangible assets will remain relatively the same in 2018.

Yearly General and administrative expenses (in 000's)



Yearly General and administrative expenses as a percentage of revenue

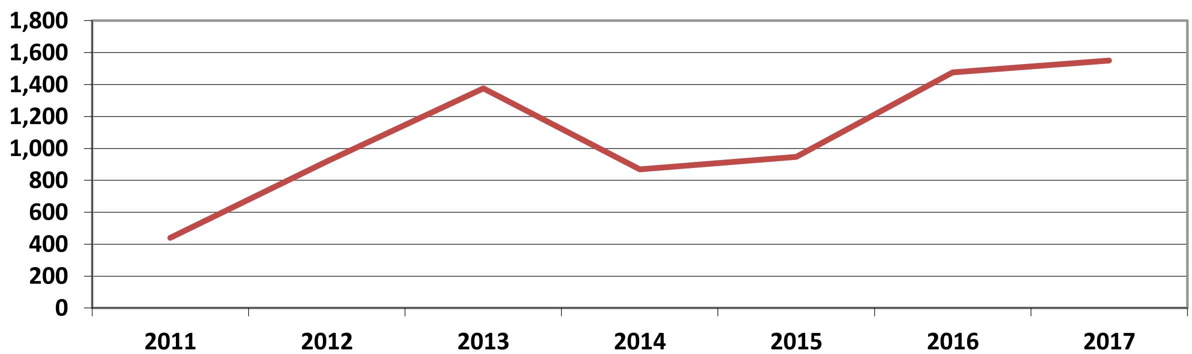


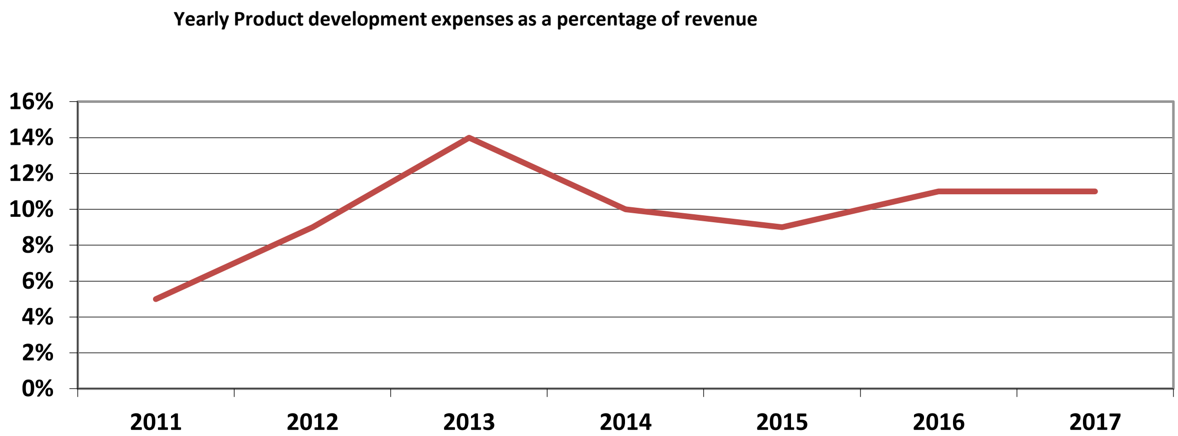
e) Product Development

		2017		2016	% change
Salaries and benefits expense	$	1,742,898	$	1,561,597	12%
Government agency contribution received for software application development	$	(191,500)	$	(84,500)	127%
Total product development expense	$	1,551,398	$	1,477,097	5%

Product development spending increased 6% from $1,477,097 in 2016 to $1,551,398 in 2017. Salaries increased 12% in 2017 as the Company continued to hire more product developers. The Company successfully applied for and received a government agency contribution to assist in developing its Operational Intelligence project totalling $191,500 compared to the 2016 contribution of $84,500 covering two smaller projects. The Company has applied for a further government agency contribution for 2018 but has as of yet not received indication of the application being successful. Product development costs for 2018 will be substantially higher than 2017 levels as it continues to expand its team and development of the CEM platform. There are no financial covenants attached to the contributions.

Yearly Product development expenses (in 000's)





f) Earnings (loss) from operating activities

Loss from operating activities in 2017 was $701,563, a decrease of $975,703 or 356% compared to earnings of $274,140 for 2016. The decrease is attributable to the increase in planned expenses as the Company accelerates its journey into the recurring revenue software marketplace. The Company will continue its focus on product development, and increase its focus on sales and marketing into 2018.

g) Non-operating earnings (expenses)

Finance costs for 2017 were $72,297. In 2016, finance costs were $92,195. Finance costs decreased 22% compared to 2016 as a result of the repayment of loans and the decreased accretion of the Statopex contingent liability as the result of one half of the liability having been paid in January 2017. Accretion on contingent consideration was $29,904 in 2017 compared to $40,378 in 2016. The Company expects finance costs to decrease in 2018 as the Company continues to pay down its loan as well as the payment of the final contingent consideration having been made in January 2018.

On June 6, 2014, the Company finalized an agreement to sell certain intellectual property assets to a new company, Dodoname Inc. ("Dodoname"), a marketing privacy company located in Nova Scotia, in exchange for shares in Dodoname. The Company agreed to provide $30,000 payable over 12 months beginning in July of 2015, as a further investment. At this time no further shares have been issued to the Company and at year end the Company believed that the fair value of the $30,000 paid to date was impaired and therefore has accounted for this investment in the statement of earnings as a loss on transaction with associate. Of this loss $15,000 was recognized in 2016. There was no further investment made in 2017. Share of loss not recognized in 2017 was $3,771 (2016 - $9,992).

On June 30, 2017, the Company finalized an agreement to sell its shares of IPSG to the CEO and other shareholder and director of IPSG. The Company had previously recorded losses that exceeded the original investment and therefore had deemed the carrying amount of the investment as $Nil. In exchange for the Company's 49% share in IPSG, the cancellation of the service level agreement and an agreement not to incur any future contingent liabilities or other commitments, the Company received a one-time payment of $10,000. The shares of IPSG are not publicly listed on a stock exchange and hence published price quotes are not available

On December 1, 2016, as part of its continuing strategy of growth through acquisition, the Company entered into a business transfer agreement with The Belding Group of Companies based in Canada. The transaction resulted in the transfer of the RetailTrack business and the Company taking on certain employees, which would enable Intouch to service the RetailTrack existing customers. RetailTrack is a business providing the same data collection services in North America as the Company provides. The Belding Group also provides business training services and many of their training clients are those of RetailTrack. As such the Belding Group, in order not to jeopardize their training clients, would only sell RetailTrack to a Company they had confidence could continue the business. Since this limited the sale, the Company received a bargain purchase price and has recorded negative goodwill of $46,000.

h) Net (loss) earnings before income taxes

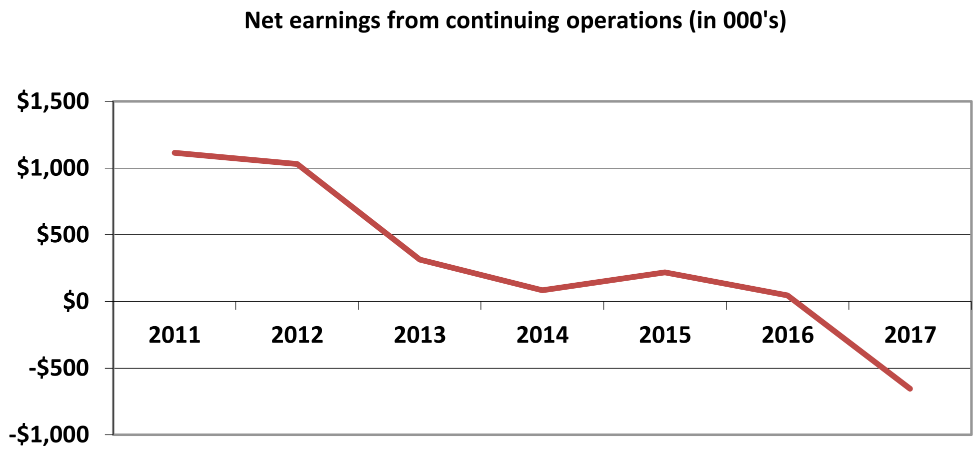
The Company recorded a net loss before income taxes in 2017 of $763,860 compared to net earnings of $212,945 obtained in 2016.

i) Income taxes

In 2017 the Company recorded a future tax recovery of $142,102 (2016 – future tax expense of $13,194) against its deferred tax assets. A current income tax expense of $32,254 was recorded for 2017 (2016 – expense of $154,344).

j) Net earnings (loss) and comprehensive income (loss)

The Company reported a net loss and comprehensive loss for 2017 of $654,012 or $(0.04) per share basic and diluted compared to net earnings and comprehensive income of $45,407 or $0.00 per share basic and diluted for 2016. The loss in 2017 signals the start of the Company's execution against their stated strategy regarding its software products.



k) Cash Flows

The Company's cash position was $3,426,398 at December 31, 2017, compared to $409,272 at December 31, 2016.

	2017	2016	% change
Cash flows from operating activities before changes in working capital	$ 129,289	$ 921,915	-86%
Changes in working capital	$ 279,730	$ 230,170	22%
Cash flows from operating activities	$ 409,019	$ 1,152,085	-64%
Cash flows from financing activities	$ 3,323,777	$ (902,002)	-468%
Cash flows used in investing activities	$ (715,670)	$ (209,512)	242%
Increase (decrease) in cash	$ 3,017,126	$ 40,571	7337%

Operating activities:

Cash inflows from operating activities for the year ended December 31, 2017, were $485,945 compared to $1,152,085 in 2016. This year's decrease was due to increased spending as per the Company's direction of developing and entering the customer experience management market as well as the fluctuations in working capital in line with the normal operations of the Company. The accretion on contingent consideration recorded as a result of the Statopex acquisition was $29,904 in 2017, compared to $40,378 in 2016. In field data collection units with a book value of $47,996 were deemed to be obsolete and therefore impaired and subsequently written off in 2017.

Financing activities:

As at December 31, 2017, the Company had not drawn on its bank line of credit (2016 - $Nil). The Company received a loan from its financial institute of $394,760 in 2017 for the purchase of new data collection devices to be used in the field. There were no new loans in 2016. During the year $306,394 was repaid on its long-term debt while in 2016 $456,897 was repaid.

Share capital of $2,316,219 as well as warrants of $977,774 were issued as a result of two non-brokered private placements that were announced November 2, 2017 and closed on November 28, 2017. Share capital increased by $120,624 from the issuance of common shares during 2017 as a result of the exercise of stock options (2016 - $400). Finance costs paid were $72,297 compared to $51,816 in 2016.

Late in December 2013, the Company commenced a normal course issuer bid ("NCIB") to repurchase its common shares which was renewed once again in December 2016. Management believes that the then current market price of the Company's common shares may not reflect their underlying value and that the purchase of common shares for cancellation will increase the proportionate interest of, and will be advantageous to, all remaining shareholders. During the year 2017, the Company purchased and cancelled 171,000 common shares at an average price of $0.43 (2016 – 415,500 common shares at $0.39). The Company did not renew its NCIB for 2018.

Investing activities:

On December 1, 2016, the Company entered into a business transfer agreement with The Belding Group of Companies based in Canada (see Note 4 in the Consolidated Financial Statements of the Company for more information). The transaction resulted in the transfer of the RetailTrack business and the Company taking on certain employees, which would enable Intouch to service the RetailTrack existing customers. The total consideration paid, in the form of cash, was $125,000. RetailTrack is a business providing the same data collection services in North America as the Company provides. No acquisitions were made in 2017.

In June 2014, the Company invested $100,000 in Dodoname Inc., and accounted for the investment using the equity method. The Company holds a 41% equity interest in Dodoname Inc., a marketing privacy company. The Company's share of losses exceeds the original investment and therefore has deemed the carrying amount of the investment as $Nil. The Company invested a further $15,000 in 2015 and 2016 (total - $30,000) however since no shares had been issued for this investment by December 31, 2016 the Company accounted for this investment as a loss on transaction with an associate. No further investment was made in 2017.

During 2017, $724,575 was used to purchase property and equipment. Approximately $400,000 was used to purchase data collection devices to augment and refresh the current inventory. Another $246,000 was used for leasehold improvements and office furniture for the Ottawa offices to accommodate increased staffing. In 2016, $73,064 was invested in property and equipment, the bulk of which to purchase data collection devices.

I) Liquidity and Capital Resources

Working capital was $3,928,614 as at December 31, 2017 compared to $1,381,249 as at December 31, 2016. The table below shows other balance sheet accounts compared to previous year including the percentage change:

	As at December 31,		
	2017	2016	% change
Long-term debt	$ 567,533	$ 479,167	18%
Current portion of long-term debt	$ 567,533	$ 250,000	127%
Deferred revenue	$ 481,700	$ 131,781	266%
Trade and other liabilities	$ 685,489	$ 797,576	-14%
Bank indebtedness	$ -	$ -	0%

Debt to equity decreased from 0.44 as at December 31, 2016 to 0.32 at December 31, 2017. The decrease in the ratio is due to the Company's financing activities in November 2017.

The Company has trade accounts payable, long term debt and non-cancellable operating lease agreements for office space with terms extending to the year 2021. The liquidity risks are as follows:

	2018	2019	2020	2021	2022
Trade accounts payable	$ 685,489	$ -	$ -	$ -	$ -
Long term debt	$ 398,350	$ 169,183	$ -	$ -	$ -
Operating lease agreements	$ 416,800	$ 420,595	$ 346,003	$ 56,967	$ -
Total	$ 1,500,639	$ 589,778	$ 346,003	$ 56,967	$ -

The Company has credit facilities that include a $1,600,000 demand operating loan. The Company had not drawn on this facility as at December 31, 2017 or as at December 31, 2016. The Company had cash in the bank as at December 31, 2017 of $3,426,398 and good quality accounts receivable of just over $1,800,000. Management believes that the

Company has sufficient cash resources to continue to finance its working capital requirements. Risks include the ability of the Company to produce cash flows through revenues to meet our obligations and the continued support from our debt lenders. In the past and up to the midpoint of 2017, the Company targeted year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA").

Midway through 2017, the Company decided to accelerate its entry into the customer experience management market which it recognized would require funding to develop products, have the new product integrate with current product offerings and develop the sales and marketing support required for rapid deployment into the market. The Company issued common shares through two non-brokered financing transactions that provided net proceeds of $3,228,575. The objective of the Company is to use those proceeds to fast-track its entry into what it believes to be a lucrative market.

Review of quarterly operating results (,000s)

	In accordance with IFRS							
	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 3,127**	**$ 3,669**	**$ 3,784**	**$ 3,275**	**$ 3,359**	**$ 3,188**	**$ 3,515**	**$ 3,287**
Cost of services	1,520	1,672	1,713	1,597	1,480	1,599	1,678	1,538
Gross profit	1,607	1,997	2,071	1,678	1,879	1,589	1,837	1,749
Total operating expenses	2,309	1,947	1,982	1,813	1,741	1,608	1,682	1,749
Earnings (loss) from operating activities	**$ (702)**	**$ 50**	**$ 89**	**$ (135)**	**$ 138**	**$ (19)**	**$ 155**	**$ -**
Finance costs	(26)	(17)	(17)	(13)	(26)	(15)	(24)	(27)
Change in fair value of contingent payments	-	-	-	-	-	-	-	-
Gain (loss) on dilution of associate	-	-	-	-	-	-	(15)	-
Gain from sale of investment in IPSG Technolog	-	-	10	-	-	-	-	-
Negative goodwill	-	-	-	-	46	-	-	-
Net earnings (loss) before income taxes	**$ (728)**	**$ 33**	**$ 82**	**$ (148)**	**$ 158**	**$ (34)**	**$ 116**	**$ (27)**

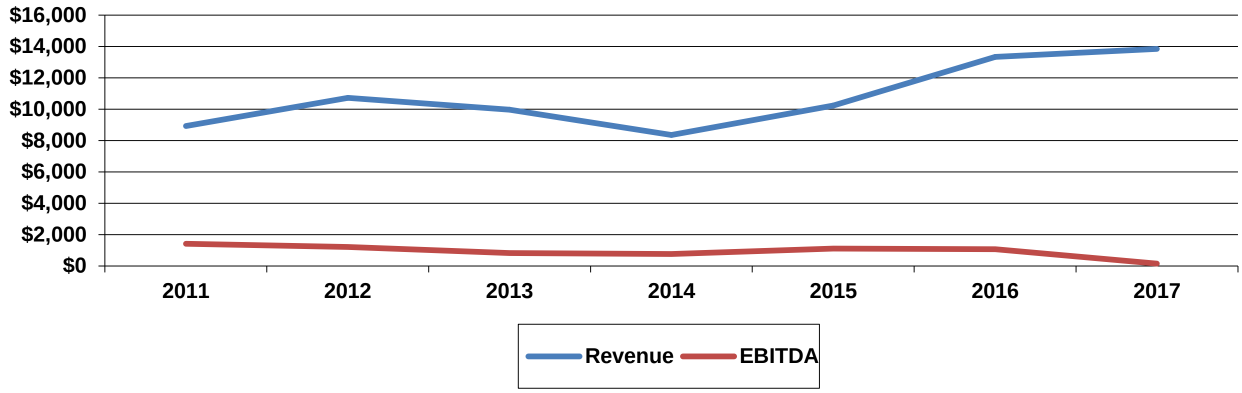
Calculation of adjusted EBITDA earnings from operations	Non-IFRS financial measurement							
	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
To net earnings (loss) before taxes add:								
Finance costs	26	17	17	13	26	15	24	27
Amortization of property and equipment	97	86	69	61	79	68	68	78
Amortization of intangible assets	121	126	126	126	119	115	115	138
Share-based compensation	9	6	6	6	10	9	9	8
Gain (loss) on dilution of associate	-	-	-	-	-	-	-	-
Negative goodwill	-	-	-	-	(46)	-	-	-
Adjusted EBITDA[1]	**$ (475)**	**$ 268**	**$ 300**	**$ 58**	**$ 346**	**$ 173**	**$ 332**	**$ 224**

[1]*Adjusted EBITDA*

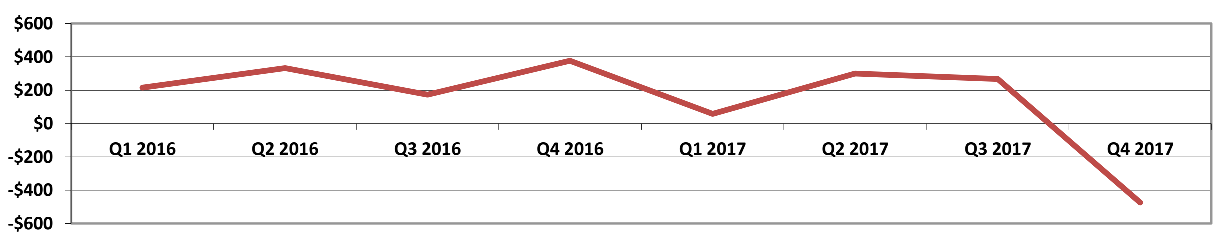
Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Adusted EBITDA and revenue ('000)



Quarterly adjusted EBITDA ('000)



Outlook

Management is excited to be able to fully embark on the journey towards becoming a software company supported by extremely powerful service offerings. Over the last several years Intouch has been investing its profits to modernize technologies while providing the business with the capabilities of a software company. Until Q4 of 2017, the increased investment was managed in line with available profits of the corporation. At that time, and as previously announced, management felt confident that the organization was ready to move aggressively into the software business and began to scale product development and marketing to support its new software product strategy.

With the understanding that it would require additional resources to effectively launch and scale product development and software sales the company raised $3.5 million in the fall of 2017 to support its cash needs in 2018 as it enters the customer experience management ("CEM") market. We launch the new product line in Q2, 2018.

The CEM market has been estimated to be a $6.61 Billion market today growing to a $13.18 Billion market by 2021. The Company is targeting a $700 Million greenfield market segment within the larger CEM marketplace. The target market is the same industries and customer base where Intouch currently sells its existing product lines. Our legacy and reputation in this market should greatly assist the Company's penetration speed and sales success, with its new software launch. Due to the operational importance of its new software there is a 6 to 9-month sales cycle expected which means that 2018 will be about acquiring early adopters and pipeline building whereas 2019 will be about significant revenue growth.

Management is confident with the status of its sales, marketing and development efforts and expects to grow its base recurring software and services business lines through 2018 while it builds the sales pipeline for its new software products. Pressure on the P&L will continue throughout 2018 as the company continues to invest in its future as a software provider.

Management believes that the new CEM software contains valuable proprietary technology that is patentable. The first provisional patent has already been filed. The company has also announced that it has formed a partnership with Dell Boomi to allow its new software to integrate with Salesforce, Microsoft Dynamics, Oracle, NetSuite, SAP and many other platforms in a rapid fashion enabling Intouch to accelerate the time to value equation its software will provide to its customers.

Margins at 53% were identical to last year and below historical expectations of 55% to 60%. It is expected that margins will continue to benefit from the changes being made across the business and will return to higher levels as costs continue to be optimized and software sales become a larger part of the overall revenue.

Management continues to consider accretive acquisition opportunities that would increase the client base and revenues.

ACCOUNTING POLICIES

a) Critical Accounting Estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Warrants

In calculating the value of the warrants, key estimates such as the value of the common share, the expected life of the warrant, the volatility of the Company’s stock price and the risk-free interest rate are used.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates.

<u>Judgements</u>

Control and significant influence assessment

The assessment of control and significant influence over an investment requires judgment

Assessing the stage of completion of revenue

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in the consolidated financial statements Note 2.

Assessing the probability of utilizing deferred tax assets and investment tax credits

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in the consolidated financial statements Note 24. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Functional currency

An area of judgement that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of functional currency.

The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

b) Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards. On March 29, 2018 the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

c) Management's Conclusion on the design of Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure and internal controls and procedures as at December 31, 2017 and have concluded that the Company's controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which this report was being prepared.

d) Management's Conclusion on the effectiveness of Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2017 and have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

CORPORATE GOVERNANCE

The five-person Board of Directors of Intouch is composed of three independent directors who are not related to the Company. One director has been appointed as the Executive Chairman of the Board of Directors and the other as Chief Executive Officer of the Company. The entire Board fulfils the Audit Committee and all directors other than the Chief Executive Officer fulfils the Compensation Committee mandates. The Board and Management will continue to ensure compliance with regulatory requirements.

RISK FACTORS AND UNCERTAINTIES

The Company is focused on expanding its business internally as well as through strategic partnerships and acquisitions to achieve continued growth and profitability. Nevertheless, the Company's future results will depend on its ability to find financing and to continuously introduce new products and enhancements to its customers. There are other additional risks and uncertainties described below.

a) Lengthy and Complex Sales Cycle

Intouch sales efforts target large companies requiring Intouch to expend significant resources educating prospective customers about the uses and benefits of Intouch products. Because the purchase of Intouch's solution is a significant decision for these companies, prospective customers generally take a long time to evaluate the product. The sales cycle may range from four to six months for larger accounts, although these cycles can be longer due to significant delays over which Intouch has little or no control.

b) Increasing Competition

The markets in which Intouch operates and intends to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of larger industry participants including large companies that have substantially greater market presence and financial, technical, operational, marketing and other resources and experience than Intouch.

c) Evolving Business Model

The Intouch business model continues to evolve. Intouch seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Intouch will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

d) Need to Manage Growth

The growth of Intouch's business and its products and services cause significant demands on Intouch's managerial, operational and financial resources. Demands on Intouch's financial resources will grow rapidly with Intouch's expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

e) Dependency on Key Personnel

Intouch's success will depend upon the continued service of its senior management team. Intouch employees may voluntarily terminate their employment with Intouch at any time. The loss of services of key personnel could have a material adverse effect upon Intouch's business, financial condition and results of operation.

f) Future Capital Needs

Intouch may need to raise funds through public or private financing in the event that Intouch incurs operating losses or requires substantial capital investment or in order for Intouch to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurances that additional financing will be available on terms favourable to Intouch or at all.

g) Foreign Exchange Exposure

Intouch continues to seek expanding its operations into the US market. Fluctuations in the currency exchange rate may affect the revenue and operations of the company. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales to the US market grows.

h) Cybersecurity

Security breaches and other disruptions to our information technology networks and systems could interfere with our operations and could compromise the confidentiality of private customer data or our proprietary information. While we attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and having developed contingency plans, we remain potentially vulnerable to additional known or unknown threats. We collect and store sensitive data including intellectual property, proprietary business information as well as personally identifiable information of our customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to our business operations and strategy. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regard to its bank indebtedness, namely, a tangible net worth of at least $1,600,000, as well as, to maintain a debt service charge ("DSC") ratio of not less than 120%. As at December 31, 2017 the Company was compliant with the tangible net worth covenant, however, in the final quarter of 2017, the Company ramped up expenses in order to fast-track its CEM product offering which created an off-side position with its DSC covenant. The Company was in breach at year-end 2017 and received a waiver from this covenant from the bank. The Company, at year-end 2017, was already negotiating a new banking agreement which was signed on January 9, 2018. The tangible net worth covenant remains in the new agreement while the DCS covenant was removed. As at January 9, 2018, the Company was compliant with its covenant.

	As at December 31, 2017	As at December 31, 2016
Long-term debt, including current portion	$ 567,533	$ 479,167
Less cash and cash equivalents	$ 3,426,398	$ 409,272
Net debt (surplus)	$ (2,858,865)	$ 69,895
Shareholders' equity	$ 6,630,028	$ 3,949,090
Total capital, net	$ 3,771,163	$ 4,018,985
Net debt (surplus) as a percentage of total capital	76%	-2%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. For its core business, the Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

Midway through 2017, the Company decided to enter into the customer experience management market which it recognized would require funding to develop the product, have the new product integrate with current product offerings and develop the sales and marketing support required for rapid deployment into the CEM market. As such the Company's approach to capital management during the year ended December 31, 2017 changed compared to the year ended December 31, 2016. The Company issued common shares through a non-brokered financing transaction that provided net proceeds of $3,228,575. The objective of the Company is to use those proceeds to fast-track its entry into what it believes to be a lucrative market.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and warrants, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

Financial assets:		As at December 31, 2017		As at December 31, 2016
Loans and receivables				
Cash	$	3,426,398	$	409,272
Trade and other receivables	$	1,925,165	$	1,888,052
Total financial assets	$	5,351,563	$	2,297,324
Financial liabilities:				
Financial liabilities at amortized cost				
Trade and other liabilities	$	685,489	$	797,576
Long-term debt	$	567,533	$	479,167
Total financial liabilities	$	1,253,022	$	1,276,743

The carrying values of cash, trade and other receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

SHARES

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

During the year ended December 31, 2017, there were 7,000,000 shares issued resulting from two non-brokered private placements that was announced November 2, 2017, as well as 220,000 shares issued resulting from the exercise of stock options. Common shares repurchased and cancelled through the Company's NCIB were 171,000. In 2016, there were 1,667 shares issued resulting from the exercise of stock options and 415,500 repurchased and cancelled through the Company's NCIB. At December 31, 2017, there were 21,758,478 common shares outstanding (December 31, 2016 – 14,709,478), 4,021,250 warrants outstanding and 1,860,000 stock options to purchase common shares outstanding of which 1,133,335 were exercisable.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. Salaries and benefits charged to cost of services for 2016 was reduced by $143,643 from $1,015,457 to $871,814 and general and administrative expenses for salaries and benefits was increased by the same amount to reflect changes in staffing.

RELATED PARTY TRANSACTIONS

On May 28, 2015, the board of directors for the Company agreed to a further investment in Dodoname Inc. of $30,000 payable in equal instalments of $2,500 per month for 12 months starting in July 2015 (Note 10 to the consolidated financial statements). During Q3 and Q4 2015, the Company recorded a $15,000 receivable from an associate. On December 31, 2015, the Company considered the amount of the receivable to be impaired and subsequently recorded the full transaction in the statement of earnings as a loss on transaction with associate. During Q1 and Q2 2016, the Company recorded the final $15,000 payments as a receivable from an associate. On June 30, 2016, the Company considered the second half of the payments as impaired and on June 30, 2016 recorded the full transaction in the statement of earnings as a loss on transaction with associate. No further investment was made.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

SUBSEQUENT EVENTS

On March 1, 2018, the Company held a Special Meeting of Shareholders in order to increase the number of common shares available under the Company's Stock Option Plan from 1,920,196 to 3,263,771. The motion was passed by majority vote and immediately after the shareholder meeting the Board of Directors passed a motion to issue 300,000 options to purchase common shares of the Company to key employees across the organization and 50,000 to a 3rd party company as part of a contractual obligation. No options to purchase common shares were issued to Directors, Officers or Insiders of the Company.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of Intouch Insight Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates that have been made using careful judgement.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the financial statements.

Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements. The Board of Directors meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal controls and to review and discuss the financial statements and financial reporting matters.

Additional information about the Company such as the 2017 audited consolidated financial statements can be found on SEDAR at www.sedar.com.

Consolidated Financial Statements

Intouch Insight Ltd.

Years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

Intouch Insight Ltd.
Consolidated Financial Statements
December 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information and representations in these consolidated financial statements are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") and, where necessary, reflect management's best estimates and judgments at this time. It is reasonably possible that circumstances may arise which cause actual results to differ. Management does not believe it is likely that any differences will be material.

Intouch Insight Ltd. maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these activities primarily through its Audit Committee.

The Audit Committee is comprised of three Directors who are not employees of the Company. The Committee meets periodically throughout the year with management and external auditors to review their respective responsibilities, results of the reviews of internal accounting controls, policies and procedures and financial reporting matters. The external auditors meet separately with the Audit Committee.

The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, the external auditors, whose report follows.

March 29, 2018

Cameron Watt
Chief Executive Officer

George Pretli
Chief Financial Officer

Independent Auditors' Report

MNP LLP

To the Shareholders of Intouch Insight Ltd.:

We have audited the accompanying consolidated financial statements of Intouch Insight Ltd., which comprise the consolidated statement of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of earnings (loss) and other comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intouch Insight Ltd. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Ottawa, Ontario — Chartered Professional Accountants

March 29, 2018 — Licensed Public Accountants

INTOUCH INSIGHT LTD.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2017 and 2016
(in Canadian Dollars)

	Note	2017	2016
Revenue	5	$ 13,854,877	$ 13,349,391
Cost of services	6	6,502,612	6,151,054
		7,352,265	7,198,337
Expenses			
Selling	7	1,461,626	1,348,541
General and administrative	8	5,040,804	4,098,559
Product development	9	1,551,398	1,477,097
		8,053,828	6,924,197
Earnings (loss) from operating activities		(701,563)	274,140
Non-operating earnings (expense)			
Finance costs	23	(72,297)	(92,195)
Loss on transactions with associate	10	-	(15,000)
Gain on disposal of equity accounted investment	10	10,000	-
Negative goodwill	4	-	46,000
Net earnings (loss) before income taxes		(763,860)	212,945
Income taxes	24		
Deferred tax expense		142,102	(13,194)
Current income tax expense		(32,254)	(154,344)
Net earnings (loss)		$ (654,012)	$ 45,407
Net earnings (loss) and comprehensive income (loss)		$ (654,012)	45,407
Net earnings (loss) per share	11		
Basic		$ (0.04)	$ 0.00
Diluted		$ (0.04)	$ 0.00

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

INTOUCH INSIGHT LTD.

Consolidated Statements of Financial Position

As at December 31, 2017 and 2016

(in Canadian Dollars)

	Note	December 31, 2017	December 31, 2016
Assets			
Current Assets			
Cash and cash equivalents	13	$ 3,426,398	$ 409,272
Trade and other receivables	14	1,925,165	1,888,052
Prepaid expenses		171,957	263,282
		5,523,520	2,560,606
Property and equipment	15	1,043,910	688,867
Deferred tax assets	24	351,951	404,242
Investment tax credit recoverable	24	106,366	154,034
Intangible assets	16	1,363,829	1,863,082
		$ 8,389,576	$ 5,670,831
Liabilities and Shareholders' Equity			
Current Liabilities			
Trade and other liabilities	17	$ 685,489	$ 797,576
Deferred revenue	14	469,385	131,781
Current portion of long-term debt	18	567,533	250,000
		1,722,407	1,179,357
Long-term debt	18	-	229,167
Deferred tax liability		37,141	313,037
		1,759,548	1,721,561
Shareholders' Equity			
Share capital	20	5,233,327	2,859,169
Warrants	20	977,774	-
Contributed surplus		431,420	448,582
Retained earnings (deficit)		(12,493)	641,519
		6,630,028	3,949,270
		$ 8,389,576	$ 5,670,831

Commitments	19
Subsequent events	31

ON BEHALF OF THE BOARD

Original signed by: Eric Beutel, Director

Original signed by: Michael Gaffney, Director

INTOUCH INSIGHT LTD.

Consolidated Statements of Changes in Equity

Years ended December 31, 2017 and 2016
(in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2016	20	15,123,311	$ 3,021,978	$ -	$ 412,964	$ 596,112	$ 4,031,054
Issuance of share capital related to the exercise of share options	20	1,667	879		(479)		400
Share-based compensation	21				36097		36,097
Transactions with owners		15,124,978	$ 3,022,857	$ -	$ 448,582	$ 596,112	$ 4,067,551
Net earnings and comprehensive income						45,407	45,407
Repurchase and cancellation of shares per Normal Curse Issuer Bid	20	(415,500)	(163,688)				(163,688)
Balance as at December 31, 2016	20	14,709,478	$ 2,859,169	$ -	$ 448,582	$ 641,519	$ 3,949,270
Issuance of share capital related to financing on November 28, 2017	20	7,000,000	2,624,972	895,028			3,520,000
Share issuance costs	20		(297,246)	(183,701)			(480,947)
Broker/Finder warrants	20			266,447			266,447
Issuance of share capital related to the exercise of share options	20	220,000	120,624		(44,224)		76,400
Share-based compensation					27,062		27,062
Transactions with owners		21,929,478	$ 5,307,519	$ 977,774	$ 431,420	$ 641,519	$ 7,358,232
Net loss and comprehensive loss						(654,012)	(654,012)
Repurchase and cancellation of shares per Normal Course Issuer Bid	20	(171,000)	(74,192)				(74,192)
Balance as at December 31, 2017		21,758,478	$ 5,233,327	$ 977,774	$ 431,420	$ (12,493)	$ 6,630,028

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

INTOUCH INSIGHT LTD.

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016
(in Canadian Dollars)

	Note	2017	2016
CASH PROVIDED BY (USED IN):			
Operating activities			
Net earnings (loss)		$ (654,012)	$ 45,407
Adjustments to net earnings (loss):			
Amortization of property and equipment	15	312,631	293,135
Amortization of intangible asset	16	499,253	486,684
Finance costs	23	42,393	51,817
Share-based compensation	21	27,062	36,097
Loss on dilution of an associate	10	-	15,000
Loss (gain) on disposal of property and equipment		47,996	(2,477)
Deferred tax recovery	24	(175,938)	(8,081)
Accretion on contingent consideration	23	29,904	40,378
Negative goodwill	4	-	(46,000)
Net change in non-cash operating working capital	22	279,730	240,125
Net cash flows from operating activities		409,019	1,152,085
Financing activities			
Bank indebtedness		-	(230,000)
Issuance of long-term debt	18	394,760	-
Issuance of share capital net of cash issue costs	20	2,316,219	400
Issuance of warrants net of cash issue costs	20	1,065,681	-
Repayment of long-term debt	18	(306,394)	(456,897)
Repurchase of share capital	20	(74,192)	(163,688)
Finance costs paid	23	(72,297)	(51,817)
Cash flows from financing activities		3,323,777	(902,002)
Investing activities			
Business combination	4	-	(125,000)
Funds transferred to an associate	10	-	(15,000)
Proceeds on disposal of property and equipment		8,905	3,552
Purchase of property and equipment	15	(724,575)	(73,064)
Cash flows from investing activities		(715,670)	(209,512)
NET INCREASE IN CASH		3,017,126	40,571
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		409,272	368,701
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 3,426,398	$ 409,272
Additional Information			
Interest received included in operating activities		1,187	-
Income tax paid included in operating activities		45,827	40,482

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

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. The address of Intouch's registered office and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

Intouch and its subsidiaries offers a complete portfolio of customer experience management (CEM) products and solutions that help global brands delight their customers, strengthen brand reputation and improve financial performance. Intouch helps clients collect and centralize data from multiple customer touch points, and gives them actionable insights to identify, sense and continuously improve customer experience efforts in real-time. Founded in 1992, Intouch is trusted by franchise and multi-location businesses for their customer survey, mystery shopping, mobile forms, operational and compliance audits, and event marketing automation solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used throughout all periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2017.

On March 29, 2018, the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out in Note 2(u).

(c) Basis of consolidation

The consolidated financial statements include the accounts of Intouch Insight Ltd., the ultimate parent, and its wholly-owned subsidiaries Intouch Insight Inc. and Intouch Insight Corp. Intouch Insight Inc. is a Canadian company while Intouch Insight Corp. is incorporated in the United States of America. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany transactions and balances have been eliminated. All subsidiaries have a reporting date of December 31st.

(d) Functional currency and foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the Company's (and its subsidiaries) functional and presentation currency.

Transactions in foreign currency are translated into the functional currency using the exchange rate in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at the reporting date exchange rate are recognized in net earnings. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. The functional currency of the foreign subsidiary remains unchanged during the reporting period.

(e) Cash and cash equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are held for meeting short-term liquidity requirements, rather than for investment purposes. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent they exceed federal deposit insurance limits.

(f) Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3, Business Combinations (IFRS 3). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in net earnings immediately.

(g) Intangible assets

Intangible assets are comprised of customer relationships, shopper/auditor databases, software and trademarks which qualified for recognition as intangible assets in a business combination. They are recognized at historical cost (which corresponds to their fair value at the acquisition date) less accumulated amortization and accumulated impairment losses.

The Company amortizes customer relationships on a straight-line basis between a four-year period and seven and two thirds year period, the shopper/auditor database between two and three-year period, software over a three-year period and the trademark between a five and a ten-year period.

The useful lives and residual values are reviewed at each reporting date, taking the nature of the asset and its expected use into account.

(h) Impairment testing of intangible assets and property and equipment

Intangible assets and property and equipment are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit (“CGU”) may not be recoverable. If any such indication exists, then the assets or CGU’s recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

There have been no impairment losses recognized in any of the periods presented.

(i) Investment in associates

Associates are entities over which the Company has not achieved the power to govern the financial and operating policies of an entity as to obtain benefits from its activities. The investment in associate is accounted for using the equity method and initially recognized at cost plus transaction costs. The carrying amount of the investment is increased or decreased to recognize the Company’s share of the profit or loss and other comprehensive income of the associate adjusted where necessary to ensure consistency with the accounting policies of the Company. If the Company’s share of losses of an associate equals or exceeds its interest in the associate, the Company will discontinue recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Revenue recognition

The Company receives revenue from various service offerings.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for services provided, excluding sales tax, and discounts.

Revenue is recognized when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for the different activities have been met. These activity-specific recognition criteria are based on the service provided to the customer and the contract conditions in each case, and are described below.

When two or more revenue generating activities or deliverables are sold under a single arrangement, revenue criteria are applied to each deliverable that is considered to be a separately identifiable component of the revenue transaction. The allocation of consideration from these transactions is allocated to the separately identifiable components based on the relative fair values of each component.

Revenue related to services is recognized using the stage of completion of the contract, taking into consideration the cost completed to date in relation to the total expected cost to complete the deliverable. If the estimated cost to complete a contract increases over the life of the contract resulting in a loss on the contract, the loss is recognized immediately into profit and loss.

Revenues earned from the sale of software applications license and user fees (software-as-a-service or “SaaS” product), primarily earned on a subscription basis, are recognized as recurring revenue. This revenue is recognized monthly over the contract term as the performance involves an indeterminate number of acts over the contract period.

Unbilled receivables arise where services are performed prior to the Company’s ability to invoice in accordance with the contract terms. These amounts are included in trade and other receivables on the statement of financial position.

Deferred revenue is recorded when a customer is invoiced in advance of performance and funds received.

(k) Provisions

Provisions are recognized when the following criteria are met:

a) the Company has a current obligation as a result of a past event;
b) it is probable that an outflow of economic resources will be required from the Company; and
c) the amounts can be estimated reliably.

The timing or amount of the outflow may still be uncertain.

Provisions are established at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Company has no provisions as at December 31, 2017 and 2016.

(l) Government assistance

Government contributions are recognized at fair value when there is reasonable assurance that the contribution will be received and all the conditions attached to it will be complied with.

When the contribution relates to the acquisition of an asset, it is recognized in deferred income and credited to other income on a systematic basis over the useful life of the asset.

When the contribution relates to income it is deducted in reporting the related expense on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are incurred.

During the year ended December 31, 2017, the Company received $191,500 (2016 - $89,500) in government contributions. This amount has been included to reduce selling expenses and product development expenses (Note 7 and 9) as the contribution does not contain any requirements or restrictions with which the Company must comply as a condition of receipt.

(m) Investment tax credit

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20 year carry forward period. An estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be received. The expenditures are reduced by the amount of the estimated investment tax credit.

(n) Property and equipment

Property and equipment are stated at acquisition cost less accumulated amortization and impairment losses. Amortization is provided over the estimated useful lives of the assets using the following annual rates and term:

Computer equipment	5 years	Straight-line
Kiosks	20%	Declining balance
Kiosk tablets	5 years	Straight-line
Furniture and equipment	10 years	Straight-line
Leasehold improvements	Useful life	Straight-line

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the general and administrative expenses. The asset residual values, useful lives and methods of amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis in accordance with the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(p) Equity

Share capital represents the amount received for shares that have been issued less transaction costs directly attributable to the issuance of common shares net of any related income tax benefits.

Valuation of equity instruments in private placements
The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares. The proceeds from the issue of units are allocated between share capital and contributed surplus. In situations when the warrants are categorized as FVTPL the value associated with the warrants is presented as a liability. If and when the warrants are exercised, the applicable amounts of contributed surplus or liability are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital.

Broker Warrants
The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and records a debit to share issue costs with a corresponding credit to warrants.

Contributed surplus within equity, includes amounts in connection with stock-based compensation.

Warrants within equity included the warrants outstanding.

Retained earnings (deficit) include all current and prior period earnings (losses).

(q) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data. Basic EPS is calculated by dividing the net earnings attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of shares outstanding, for the effects of all potential dilutive shares. The diluted loss per share is equal to the basic loss per share where the effect of stock options is antidilutive as it would decrease the loss per share.

(r) Share-based compensation

The Company accounts for share-based compensation arrangements using the fair value method of accounting. When employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

The share-based compensation cost is recorded as an expense in net earnings and credited to contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of awards expected to vest. Estimates are subsequently revised if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are different to that estimated on vesting.

An award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants.

When share options are exercised, any consideration paid by employees is credited to share capital in addition to the amount previously recorded in contributed surplus.

The Company's plan does not feature any options for cash settlement.

(s) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except for items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and provided that the Company can control the reversal of those differences. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the expected tax rates applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any tax loss or credit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(t) Critical accounting estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

<u>Estimates</u>

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Warrants

In calculating the value of the warrants, key estimates such as the value of the common share, the expected life of the warrant, the volatility of the Company's stock price and the risk free interest rate are used.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Details of the assets and liabilities acquired are given in Note 4.

<u>Judgments</u>

Control and significant influence assessment

The assessment of control and significant influence over an investment requires judgment (see Note 10).

Assessing the stage of completion of revenue

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in Note 2(j).

Assessing the probability of utilizing deferred tax assets and investment tax credits

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in Note 24. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, Management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2(h)).

Functional currency

An area of judgement that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of functional currency.

The determination of the Company and a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

(u) Financial instruments

When the Company becomes a party to contractual provisions of the financial instruments, these are initially recorded on the statements of financial position at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. After initial recognition, the financial instruments are measured according to their classification or designation as described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Company has made the following classifications and designations:

Classification

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Trade and other liabilities	Financial liabilities at amortized cost
Long-term debt	Financial liabilities at amortized cost

All financial assets except for those at fair value through profit or loss (“FVTPL”) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs except for impairment of trade receivables which is presented within general and administrative expenses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at FVTPL include financial assets and liabilities that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets and liabilities in this category are measured at fair value with gains or losses recognized in non-operating earnings. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any allowance for doubtful accounts.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive earnings (loss).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities not at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method.

Fair Value Hierarchy

The Company categorizes its financial instruments, measured at fair value in the consolidated statement of financial position, including its financial assets and financial liabilities, into a three-level fair value measurement hierarchy as follows:

Level 1: The fair value is determined directly by reference to unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: The fair value is estimated using a valuation technique based on observable market data, either directly or indirectly.

Level 3: The fair value is estimated using a valuation technique based on unobservable data.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company has determined that it only has one operating segment.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. The Company is currently assessing the impact of adopting the following standards on the consolidated financial statements, as described below:

Revenue Recognition

In May 2014, the IASB released IFRS 15, Revenue from contracts with customers, which supersedes IAS 11, Construction Contracts, and IAS 18, Revenue as well as other related interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

Under the new revenue standard either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date using the modified retrospective method. During 2016, the Company started a preliminary assessment of IFRS 15, which was continued with a more detailed analysis during 2017.

The Company is in the business of the design, development and implementation of data capture and measurement technologies for business to consumer companies. These services are sold separately or as a bundled package. Where the services are sold as a bundled package; the sales contracts with customers generally bundle the services within a single contract.

(a) Rendering of services

For revenue from: the rendering of services, software applications license or user fees of technology arrangements, and multiple element arrangements the Company provides services to customers. These services are sold either on their own in contracts with the customers or are bundled together within the same customer contract. Currently, the Company accounts for the software application license and user fees and services as separate deliverables within the bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Company recognizes service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognized in relation to these sales were closely considered in management's IFRS 15 implementation analysis.

Through this analysis, Management has determined that the services and sales of software applications are satisfied over time given that the customer simultaneously receives and consumes the benefits of the services provided by the Company. Consequently, under IFRS 15 the Company will continue to recognize revenue for these service contracts/service components of bundled contracts over time rather than at a point in time. The revenues from any longer-term contracts (i.e. over one year) and multiple element arrangements which are currently accounted for based on the stage of completion are expected to meet the requirements for revenue recognition over time and accordingly, the Company will continue to apply the cost to complete method in accounting for these contracts/service components of bundled contracts.

(b) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company has assessed that the impact of some of these disclosures requirements will be significant. The Company expects that certain notes to the financial statements will be expanded because of the disclosure of significant judgements to be made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Company will disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Financial instruments

In July 2014, the IASB completed the three-part project to replace IAS 39, Financial instruments: recognition and measurement by issuing IFRS 9, Financial instruments. IFRS 9, Financial instruments includes (a) classification and measurement of financial assets and financial liabilities, (b) a forward-looking 'expected loss' impairment model and (c) a substantially-reformed approach to hedge accounting.

The Company plans to adopt the new standard on the required effective date of January 1, 2018, and will not restate comparative information. During 2017, the Company has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018, when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity.

(a) Classification and measurement

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at Fair Value Through Profit or Loss, will be presented in Other Comprehensive Income rather than in the statement of income.

The Company does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 also introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis.

IFRS 9 requires the Company to record expected credit losses on all its trade and other receivables either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables and applicable amounts due from related parties. The Company has determined that the allowances for credit losses will not change based on the application of the new application of the impairment requirements of IFRS 9.

(c) Hedge accounting

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

The Company does not currently apply hedge accounting therefore no changes will result from the adoption of the IFRS 9 hedge accounting standards.

Leases

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model.

(in Canadian Dollars)

IFRS 16 will be effective for the Company's fiscal year beginning on January 1, 2019. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Income taxes

In June 2017, the IASB released IFRIC 23, Uncertainty over income tax treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted. The Company is assessing the impact of the adoption of this standard on its consolidated financial statements.

4. BUSINESS COMBINATION

RetailTrack

On December 1, 2016, as part of its continuing strategy of growth through acquisition, the Company entered into a business transfer agreement with The Belding Group of Companies based in Canada ("the Belding Group"). The transaction resulted in the Company purchasing assets of RetailTrack and the Company taking on certain employees, which would enable Intouch to service the RetailTrack existing customers. RetailTrack is a business providing the same data collection services in North America as the Company provides.

The Company has accounted for this transaction as a business combination under IFRS 3 as the group of assets acquired met the definition of a business.

The following table summarizes the fair value of the net assets acquired. The valuation was performed by the Company based on internal appraisals of the fair value of the property and equipment and intangible assets acquired.

Value recognized on the acquisition date		
Trademarks	$	12,000
Contractor database	$	9,000
Customer related intangible asset	$	150,000
Negative goodwill	$	(46,000)
Total net assets acquired	$	125,000
Cash payment	$	125,000
Total consideration transferred	$	125,000

Cash outlays related to the acquisition were $125,000. The Belding Group also provides business training services and many of their training clients are those of RetailTrack. As such the Belding Group, in order not to jeopardize their training clients, would only sell RetailTrack to a Company they had confidence could continue the business. Since this limited the sale, the Company received a bargain purchase price and has recorded negative goodwill of $46,000. For the period January 1, 2017 to year ended December 31, 2017, the acquired business added revenues of $293,442. For the period December 1, 2016 to year ended December 31, 2016, the acquired business added revenues of $15,394. The acquired business had revenues of $350,350 from January 1, 2016 to November 30, 2016 which would have brought revenues of $365,744 if the acquisition would have occurred on January 1, 2016. Acquisition-related costs amounting to $6,482 were not included as part of the consideration transferred and have been recognized as general and administrative expenses

Statopex Inc.

On October 1, 2015, the Company entered into a business transfer agreement with Statopex Inc. ("Statopex") based in Canada. The share purchase transaction resulted in the Company owning 100% of Statopex as well as 100% of their holding companies. The Company then amalgamated the holding companies into Statopex and immediately wound the business up into the Company. Statopex is a company providing the same data collection services in Canada as the Company provides in North America. As a result of the acquisitions a contingent consideration was recorded. As at December 31, 2017, the fair value of the contingent consideration was recorded at $150,000, the amount expected to be paid in January 2018 based on 2017 target revenues being achieved. As at

(in Canadian Dollars)

December 31, 2016, the fair value of the contingent consideration was recorded as $270,096. On January 20, 2017, based on Statopex having achieved target revenues for 2016, the Company made the first $150,000 payment.

5. REVENUE

The Company receives revenue from SaaS and related services to its customers in a market referred to as data collection and reporting services.

The Company's strategy is to focus on SaaS and as a result tracks its recurring revenue. The following chart shows the breakdown of recurring and services revenue for the years ended 2017 and 2016 (see Note 2(j)).

	2017	2016
Recurring revenue	$ 2,310,686	$ 2,339,858
Services revenue	$ 11,544,191	$ 11,009,533
Total revenue	$ 13,854,877	$ 13,349,391

Geographical revenue

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

	2017	2016
Canada	$ 5,883,382	$ 5,773,404
US	$ 7,971,495	$ 7,575,987
Total revenue	$ 13,854,877	$ 13,349,391

Major customers

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

	2017	2016
Customer 1	$ 2,462,229	$ 2,468,999

Major trade receivables

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

	2017	2016
Customer 1	$ 188,950	$ 228,215

6. COST OF SERVICES

During the year ended December 31, 2017 the Company recorded amortization expense of $238,341 (December 31, 2016 - $225,590) within cost of services. Salaries and benefits charged to cost of services was $614,736 in 2017 compared to $871,814 in 2016.

7. SELLING EXPENSES

Selling expenses for the Company are broken down as follows:

	2017	2016
Marketing expenses	$ 408,839	$ 329,462
Travel expenses	$ 193,852	$ 147,427
Salaries and benefits	$ 858,935	$ 876,652
Government agency contribution received for youth employment program	$ -	$ (5,000)
Selling expenses	$ 1,461,626	$ 1,348,541

8. GENERAL AND ADMINISTRATIVE EXPENSES

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

(in Canadian Dollars)

		2017		2016
Corporate administration	$	1,192,703	$	1,055,000
Consultant fees	$	228,284	$	47,270
Professional fees	$	135,284	$	153,900
Listing fees	$	120,272	$	63,200
Salaries and benefits(1)	$	2,658,748	$	2,147,107
Loss (gain) on disposal of property and equipment	$	47,996	$	(2,477)
Loss on foreign exchange	$	83,974	$	80,331
Amortization expense	$	573,543	$	554,228
General and administrative expenses	$	5,040,804	$	4,098,559

(1) Share-based compensation (a non-cash item) of $27,062 (2016 - $36,097) has been included in Salaries and benefits

9. PRODUCT DEVELOPMENT EXPENSES

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

		2017		2016
Salaries and benefits	$	1,742,898	$	1,561,597
Government agency contribution received for software application development	$	(191,500)	$	(84,500)
Product development expenses	$	1,551,398	$	1,477,097

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Dodoname Inc.

On June 6, 2014, the Company finalized an agreement to sell certain intellectual property assets to a new company, Dodoname Inc. (“Dodoname”), a marketing privacy company located in Nova Scotia, in exchange for share in Dodoname. Subsequent to equity financing received by Dodoname in 2015 the Company only held a 41% voting interest in Dodoname.

As a result of the loss of control the investment in Dodoname was recorded as an investment in an associate and is accounted for using the equity method in accordance with IAS 28, “Investments in Associates and Joint Ventures”. The Company’s share of Dodoname’s net losses is recorded in the Consolidated Statements of Earnings and Comprehensive Income.

The Company agreed to provide $30,000 payable over 12 months beginning in July of 2015, as a further investment. At this time no further shares have been issued to the Company and at year end the Company believed that the fair value of the $30,000 paid to date was impaired and therefore has accounted for this investment in the statement of earnings as a loss on transaction with associate. Of this loss, $15,000 was recognized in 2015 and $15,000 was recognized in 2016.

The Company’s share of losses as at December 31, 2015 exceeded the original investment by the Company and therefore has deemed the carrying amount of the investment as $Nil. Share of loss not recognized in 2017 was $3,771 (2016 - $9,992).

IPSG Technology Inc.

On June 30, 2017, the Company finalized an agreement to sell its shares of IPSG Technology Inc. (“IPSG”) to the CEO and other shareholder and director of IPSG. The Company had previously recorded losses that exceeded the original investment and therefore had deemed the carrying amount of the investment as $Nil. In exchange for the Company’s 49% share in IPSG, the cancellation of the service level agreement and an agreement not to incur any future contingent liabilities or other commitments, the Company received a one-time payment of $10,000. The shares of IPSG are not publicly listed on a stock exchange and hence published price quotes are not available.

11. EARNINGS PER SHARE

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

	2017	2016
Weighted average number of common shares - basic	15,354,012	14,948,372
Additions to reflect the dilutive effect of employee stock options - non-dilutive in 2017	-	476,538
Weighted average number of common shares from continuing operations - diluted	15,354,012	15,424,910

Options and warrants that are anti-dilutive were not included in the compilation of diluted common shares for the year ended December 31, 2017. 4,696,057 options and warrants were excluded from the calculations because they were anti-dilutive.

(in Canadian Dollars)

12. EMPLOYEE REMUNERATION

Employee remuneration expenses for the Company are broken down as follows:

	2017	2016
Salaries and benefits	$ 5,656,755	$ 5,331,573
Share-based compensation	$ 27,062	$ 36,097
Total salaries, benefits and share-based compensation	$ 5,683,817	$ 5,367,670

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash deposits and short-term investments as follows:

	2017	2016
Cash	$ 426,398	$ 409,272
Short-term investments	$ 3,000,000	$ -
Total cash and cash equivalents	$ 3,426,398	$ 409,272

Short-term investments consist of term deposits with interest rates from 1.2% to 1.4$ and mature between January 22, 2018 and April 20, 2018.

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables consists primarily of trade receivable from billings of services, and sale of software applications, license and user fees as well as other receivables.

	As at December 31, 2017	As at December 31, 2016
Trade accounts receivable, gross	$ 1,805,380	$ 1,755,782
Allowance for doubtful accounts	$ -	$ -
Trade accounts receivable, net	$ 1,805,380	$ 1,755,782
Unbilled receivables	$ 106,278	$ 132,270
Income taxes recoverable	$ 13,507	$ -
Trade and other receivables	$ 1,925,165	$ 1,888,052

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

	As at December 31, 2017	As at December 31, 2016
1 - 60 days past due	$ 559,513	$ 339,243
Greater than 60 days past due	$ 31,018	$ 26,181
	$ 590,531	$ 365,424

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality. See Note 28 for a discussion of the Company's credit risk management activities.

The amounts recognized in the consolidated statements of financial position relating to contracts in progress at year-end are determined as follows:

	As at December 31, 2017	As at December 31, 2016
Aggregate amount of cost incurred and recognized in earnings for all contracts in progress	$ 13,854,877	$ 13,349,391
Less progress billings	$ 14,230,299	$ 13,348,902
	$ (375,422)	$ 489
Unbilled receivables	$ 106,278	$ 132,270
Deferred revenue	$ 481,700	$ 131,781

(in Canadian Dollars)

15. PROPERTY AND EQUIPMENT

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

	Computer Equipment	Kiosks	Kiosk Tablets	Furniture and Equipment	Leasehold Improvements	Total
Cost:						
At December 31, 2015	$ 170,634	$ 383,797	$ 989,413	$ 142,784	$ 31,950	$ 1,718,578
Additions	$ 37,935	$ -	$ 23,521	$ 11,608	$ -	$ 73,064
Disposals	$ (84,832)	$ -	$ (99,177)	$ (11,349)	$ (31,950)	$ (227,308)
At December 31, 2016	$ 123,737	$ 383,797	$ 913,757	$ 143,043	$ -	$ 1,564,334
Additions	$ 68,015	$ -	$ 410,446	$ 68,287	$ 177,827	$ 724,575
Disposals	$ (33,450)	$ (383,797)	$ (80,805)	$ (333)		$ (498,385)
At December 31, 2017	$ 158,301	$ -	$ 1,243,398	$ 210,997	$ 177,827	$ 1,790,524
Accumulated Amortization:						
At December 31, 2015	$ 105,046	$ 304,219	$ 329,584	$ 47,963	$ 21,753	$ 808,565
Amortization	$ 40,909	$ 15,916	$ 209,674	$ 16,439	$ 10,197	$ 293,135
Disposals	$ (84,832)	$ -	$ (98,102)	$ (11,349)	$ (31,950)	$ (226,233)
At December 31, 2016	$ 61,123	$ 320,135	$ 441,156	$ 53,053	$ -	$ 875,467
Amortization	$ 28,420	$ 15,915	$ 224,683	$ 18,166	$ 25,447	$ 312,631
Disposals	$ (29,273)	$ (336,050)	$ (75,829)	$ (333)	$ -	$ (441,485)
At December 31, 2017	$ 60,270	$ -	$ 590,010	$ 70,886	$ 25,447	$ 746,613
Carrying amounts:						
At December 31, 2016	$ 62,614	$ 63,662	$ 472,601	$ 89,990	$ -	$ 688,867
At December 31, 2017	$ 98,031	$ -	$ 653,388	$ 140,111	$ 152,380	$ 1,043,910

All of the above assets are pledged as security for debt obligations as identified in Note 18. During the year ended December 31, 2017, property and equipment with a net book value of $47,747 (2016 – $Nil) were no longer in use and were therefore considered impaired and have been expensed. Amortization of $238,341 (2016 - $225,590) is included in cost of services while an amount of $74,290 (2016 - $67,545) is included in general and administrative expenses.

During 2017, the Company disposed of assets with a cost of $498,385 (2016 - $227,308), accumulated amortization of $441,439 (2016 - $226,233) and received proceeds on disposal of $8,950 (2016 - $3,552).

16. INTANGIBLE ASSETS

Cost:	Acquired Trademarks	Acquired customer relationships	Acquired Shopper/ Auditor database	Software	Total
At December 31, 2015	$ 161,646	$ 2,384,226	$ 170,199	$ 388,216	$ 3,104,287
Additions: Business combination (Note 4)	12,000	150,000	9,000	-	171,000
At December 31, 2017 and 2016	$ 173,646	$ 2,534,226	$ 179,199	$ 388,216	$ 3,275,287
Accumulated Amortization:					
At December 31, 2015	$ 26,453	$ 588,149	$ 132,555	$ 178,364	$ 925,521
Amortization	16,265	359,545	25,273	85,601	486,684
At December 31, 2016	$ 42,718	$ 947,694	$ 157,828	$ 263,965	$ 1,412,205
Amortization	17,365	393,641	17,247	71,000	499,253
At December 31, 2017	$ 60,083	$ 1,341,335	$ 175,075	$ 334,965	$ 1,911,458
Carrying Amounts:					
At December 31, 2016	$ 130,928	$ 1,586,532	$ 21,371	$ 124,251	$ 1,863,082
At December 31, 2017	$ 113,563	$ 1,192,891	$ 4,124	$ 53,251	$ 1,363,829

Amortization expense is recorded in general and administrative expenses (Note 8).

(in Canadian Dollars)

17. TRADE AND OTHER LIABILITIES

	As at December 31, 2017	As at December 31, 2016
Trade payables	$ 303,354	$ 222,720
Accrued liabilities and interest payable	$ 382,135	$ 574,856
Total accounts payable and accrued liabilities	$ 685,489	$ 797,576

18. LONG TERM DEBT

	As at December 31, 2017	As at December 31, 2016
Installment loan, repayable in monthly installments of $20,833 plus interest at prime plus 2.0%, secured by a general security agreement over underlying assets and maturing on November 27, 2018.	$ 229,167	$ 479,167
Installment loan, repayable in monthly installments of $14,099 plus interest at prime plus 1.8%, secured by a general security agreement over underlying assets and maturing on December 30, 2019.	$ 338,366	$ -
	$ 567,533	$ 479,167
Current portion of long-term debt	$ 567,533	$ 250,000
Total long-term debt	$ -	$ 229,167

As at December 31, 2017, the Company was in breach of one of its covenants with its bank (see Note 19 b)). As a result of this breach the Company has reclassified the long-term portion of the debt, $169,183, to the current portion of long-term debt.

19. COMMITMENTS

a) Leases

The Company has non-cancellable operating lease agreements for office space with terms extending to the year 2020 and 2021. The operating lease rentals payable under these agreements are as follows:

	As at December 31, 2017
Less than one year	$ 416,800
Between one and five years	$ 823,565
More than five years	$ -

Operating lease expenses, which are charged to general and administrative expenses, were $445,890 for 2017 compared to $409,073 for 2016.

b) Credit facilities

At the year ended December 31, 2017, and 2016, bank indebtedness was $Nil. The Company has credit facilities with a chartered bank that will provide credit facilities up to $2,500,000 which is composed of a $1,600,000 demand operating loan at prime plus 1% (2016 – prime plus 1%) a $396,000 committed installment loan facility at prime plus 2% and $500,000 committed installment loan facility at prime plus 1.8% (December 31, 2016 – prime plus 2%), and they are secured by a general security agreement. The Company was on-side with its Tangible Net Worth financial covenant, however, off-side with its Debt Service Coverage financial covenant ratio. The carrying amounts of any borrowings are considered to be a reasonable approximation of fair value.

20. SHARE CAPITAL

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

During the year ended December 31, 2017, the Company issued common shares as follows:

(in Canadian Dollars)

On December 2, 2016, the Company announced that it was renewing its normal course issuer bid ("NCIB") subject to the approval of the TSX Venture Exchange. The Company received such approval and during 2017 purchased and cancelled 171,000 of its outstanding common shares at between $0.39 and $0.45 per share. The Company has not renewed its NCIB for another year at this time.

On May 29, 2017, the Company issued 100,000 common shares through the exercise of stock options for gross proceeds of $36,000.

On June 5, 2017, the Company issued 20,000 common shares through the exercise of stock options for gross proceeds of $4,400.
On June 30, 2017, the Company issued 100,000 common shares through the exercise of stock options for gross proceeds of $36,000.

On November 28, 2017, the Company completed two non-brokered private placements that was announced November 2, 2017, for gross proceeds of $3,520,000 by way of issuance of 6,000,000 units at a price of $0.50 per unit and by way of issuance of 1,000,000 units at a price of $0.52 per unit. Each unit is comprised of one common share in the capital of the Company and one half of one common share purchase warrant fair valued at $895,017. Each full warrant will entitle the holder to purchase one common share at a price of $0.70 for 18 months from the date of issuance. The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The assumptions using the model were: a weighted average share price of $0.85 and an exercise price of $0.70, risk free interest rate of 1.04%, volatility of 43.99% with no expected dividend yield, and an eighteen-month estimated life. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrant.

In connection with the offerings the Company paid to finders (arm's length third parties) a cash commission equal to 7.5% of the gross proceeds raised, representing an amount equal to $262,050 and 521,250 Finders Units of which 450,000 Units will be exercisable at $0.50 and 71,250 Units will be exercisable at $0.52. Each Finders unit will be exercisable for 18 months from the date of issuance for one common shares and one half of one warrant of which each full warrant will entitle the holder to purchase one common share at a price of $0.70 for 18 months form the date of issuance. The Finders Units were fair valued at $266,447. The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The assumptions using the model were: a weighted average share price of $0.85 and an exercise price of $0.70, risk free interest rate of 1.04%, volatility of 43.99% with no expected dividend yield, and an eighteen-month estimated life. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrant.

Share issue costs relating to the above transactions totaled $556,730 which is comprised of the cash commission of $262,050, Finders Units of $266,447 and legal fees of $28,233.

During the year ended December 31, 2016, the Company issued common shares as follows:

On November 14, 2016, the Company issued 1,667 common shares through the exercise of stock options for gross proceeds of $400.

On December 4, 2015, the Company announced that it was renewing its normal course issuer bid ("NCIB") subject to the approval of the TSX Venture Exchange. The Company received such approval and during 2016 purchased and cancelled 415,500 of its outstanding common shares at between $0.30 and $0.40 per share.

Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Number of whole share warrants	Weighted average exercise price	Expiry date
Balance December 31, 2016	-	-	-
Issued pursuant to private placement November 28, 2017	3,500,000	$ 0.70	May 28, 2019
Issued pursuant to private placement November 28, 2017	450,000	$ 0.50	May 28, 2019
Issued pursuant to private placement November 28, 2017	71,250	$ 0.52	May 28, 2019
Balance December 31, 2017	4,021,250	$ 0.67	

21. STOCK OPTION PLAN

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire five years from the date of the grant. The Board of Directors has the right to modify vesting periods at the time of option grant. There were 465,000 options issued in 2017 (190,000 in 2016). The employee compensation expense related to options vested in fiscal 2017 is $27,062 (2016 - $36,097). The Company may issue up to 1,920,196 (2016 – 2,140,196) options for common shares under its stock option plan. At December 31, 2017, 60,196 common shares (345,196 at December 31, 2016) are reserved for additional options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of December 31, 2017 and December 31, 2016, and changes during the years ended on those dates, is presented below:

(in Canadian Dollars)

	2017		2016	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of year	**1,795,000**	**$ 0.28**	1,765,000	$ 0.27
Granted	**465,000**	**0.48**	190,000	0.37
Exercised	**(220,000)**	**0.35**	(1,667)	0.24
Forfeited	**(180,000)**	**0.29**	(158,333)	0.26
Outstanding, end of year	**1,860,000**	**$ 0.32**	1,795,000	$ 0.28

The weighted average share price at the date of exercise was $0.48 (2016 - $0.42).

The following table summarizes information about stock options as at December 31, 2017:

	Options Outstanding		**Options Exercisable**
Exercise prices	Number outstanding at Dec 31, 2017	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2017
$0.22	215,000	1.69	181,667
$0.24	305,000	2.42	203,333
$0.28	495,000	2.13	426,664
$0.30	250,000	0.33	250,000
$0.32	40,000	3.50	13,333
$0.38	60,000	3.25	20,002
$0.40	170,000	4.00	13,336
$0.46	100,000	1.83	25,000
$0.47	155,000	4.75	-
$0.48	15,000	4.50	-
$0.70	55,000	4.92	-
$ 0.22 to $ 0.70	1,860,000	2.17	1,133,335

The weighted average exercise price was $0.32 in 2017 (2016 - $0.28) for exercisable options.

The following table summarizes information about stock options as at December 31, 2016:

	Options Outstanding		**Options Exercisable**
Exercise prices	Number outstanding at Dec 31, 2016	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2016
$0.22	290,000	2.65	171,664
$0.24	305,000	3.42	103,333
$0.28	550,000	3.13	281,670
$0.30	270,000	1.25	270,000
$0.32	60,000	4.50	-
$0.36	200,000	0.50	200,000
$0.38	65,000	4.25	-
$0.40	55,000	4.92	-
$ 0.22 to $ 0.40	1,795,000	3.08	1,026,667

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for 2017 were: a weighted average share price of $0.48 and an exercise price of $0.48, risk free interest rate of 1.08% to 1.60%, volatility of 35% to 38% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life. Assumptions for 2016 were: a weighted average share price of $0.37 and an exercise price of $0.37, risk free interest rate of 1.15% to 1.45%, volatility of 34% to 43% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life.

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

The fair value of stock options granted during fiscal 2017 was $0.48 (2016 - $0.37).

(in Canadian Dollars)

22. CASH FLOW INFORMATION

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

	2017	2016
Trade and other receivables	$ (37,113)	$ 317,610
Prepaid expenses	$ 91,325	$ (165,465)
Trade and other liabilities	$ (112,087)	$ 37,538
Deferred revenue	$ 337,605	$ 50,442
Net change in non-cash working capital	$ 279,730	$ 240,125

23. FINANCE COSTS

Finance costs may be analyzed as follows for the fiscal year ending 2017 and 2016:

	2017	2016
Interest expense on loans	$ 42,393	$ 51,817
Accretion on contingent consideration	$ 29,904	$ 40,378
Finance costs	$ 72,297	$ 92,195

24. INVESTMENT TAX CREDITS AND INCOME TAXES

Research and development expenses

The Company has investment tax credit carry forwards of $106,241 (2016 - $154,034) which may be utilized to reduce future Canadian taxable income. These tax credits expire between 2022 and 2029. The future tax benefits associated with investment tax credit carry forwards has been recognized in the financial statements.

The ability to realize the tax benefits from these losses, deductible temporary differences and investment tax credits is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses, deductible temporary differences and investment tax credits arose. Deferred tax assets are recognized in respect of temporary differences giving rise to deferred tax assets only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. This determination is based on the management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence included, notably, historical performance over the past two years and the Company's projected future taxable income.

Accordingly, no deferred tax asset has been recognized on the following temporary differences:

	December 31, 2017	December 31, 2016
Investment in associate	$ 130,000	$ 196,448
Property and equipment	$ -	$ -
Deferred revenue	$ -	$ -
Non-capital losses	$ 57,737	$ -
	$ 187,737	$ 196,448

Deferred tax assets arising from temporary differences and unused tax losses that have been recorded and can be summarized as follows:

	As at December 31, 2016	Recognized in net earnings	Recognized in balance sheet	As at December 31, 2017
Property and equipment	$ (22,326)	$ 20,651	$ -	$ (1,675)
Intangible assets	$ (228,229)	$ 90,799	$ -	$ (137,430)
Investment tax credits recoverable	$ (40,786)	$ 13,046		$ (27,740)
Deferred revenues	$ -	$ -	$ -	$ -
Share issue costs	$ 2,968	$ (15,415)	$ 81,503	$ 69,056
Non-capital losses	$ 390,329	$ (43,940)	$ -	$ 346,389
SR&ED expenditure pool	$ -	$ -	$ -	$ -
Other	$ (10,751)	$ 76,961	$ -	$ 66,210
	$ 91,205	$ 142,102	$ 81,503	$ 314,810

The major components of deferred tax recovery can be summarized as follows:

(in Canadian Dollars)

	As at December 31, 2017	As at December 31, 2016
Origination and reversal of timing differences	$ (115,528)	$ (50,541)
Adjustment of prior year deferred taxes	$ (25,420)	$ 57,867
Tax effect of temporary differences for which no deferred tax assets was recorded	$ (1,154)	$ 5,868
	$ (142,102)	$ 13,194

Tax rate reconciliation

The actual tax provision differs from the expected provision based on the combined federal and provincial income tax rates for the following reasons:

	As at December 31, 2017	As at December 31, 2016
Income before income taxes	$ (759,184)	$ 212,945
Combined Canadian Statutory tax rate	26.5%	26.5%
Expected tax expense (recovery)	$ (201,184)	$ 56,430
Permanent differences	$ 26,123	$ 24,945
Tax rate differences	$ (20,148)	$ 15,906
Current tax relating to prior years	$ 1,426	$ -
Deferred tax relating to prior years	$ (25,829)	$ 57,867
Effect of temporary differences not recognized as deferred tax assets	$ (1,154)	$ 3,975
Other	$ 110,918	$ 8,415
	$ (109,848)	$ 167,538
Income tax comprises:		
Current income tax - Continuing operations	$ 32,254	$ 154,344
Deferred income tax - Continuing operations	$ (142,102)	$ 13,194
	$ (109,848)	$ 167,538
Total tax provision	$ (109,848)	$ 167,538

25. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation for key management personnel, including the Company's Officers and Board of Directors, was as follows for the year:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Salaries	$ 709,192	$ 640,347
Directors' fees	$ 160,417	$ 132,000
Share-based compensation	$ 8,813	$ 13,061
Total Key Management Compensation	$ 878,422	$ 785,408

Salaries include cash payments for base salaries and bonuses. Director's fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel. There were 200,000 stock options exercised by key management personnel in 2017 (2016 – Nil).

26. RELATED PARTY TRANSACTIONS

On May 28, 2015, the board of directors for the Company agreed to a further investment in Dodoname Inc. of $30,000 payable in equal instalments of $2,500 per month for 12 months starting in July 2015 (Note 10). During Q3 and Q4 2015, the Company recorded a $15,000 receivable from an associate. On December 31, 2015, the Company considered the amount of the receivable to be impaired and subsequently recorded the full transaction in the statement of earnings as a loss on transaction with associate. During Q1 and Q2 2016, the Company recorded the final $15,000 payments as a receivable from an associate. On June 30, 2016, the Company considered the second half of the payments as impaired and on June 30, 2016 recorded the full transaction in the statement of earnings as a loss on transaction with associate. No further investment was made.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

(in Canadian Dollars)

27. FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

Financial assets:		As at December 31, 2017		As at December 31, 2016
Loans and receivables				
Cash and cash equivalents	$	3,426,398	$	409,272
Trade and other receivables	$	1,925,165	$	1,888,052
Total financial assets	$	5,351,563	$	2,297,324
Financial liabilities:				
Financial liabilities at amortized cost				
Trade and other liabilities	$	685,489	$	797,576
Long-term debt	$	567,533	$	479,167
Total financial liabilities	$	1,253,022	$	1,276,743

The carrying values of cash and cash equivalents, trade and other receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

28. FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

The Company's financial instruments and the nature of the risks which they may be subject to are set out in the following table.

	Risks			
			Market	
	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	
Trade and other receivables	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Long-term debt		Yes		Yes

Credit risk

Credit risk arises from cash and cash equivalents held with banks, and trade and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. The Company is not aware of any collection issue with any trade accounts receivable not currently past due.

Cash and cash equivalents

Cash consists of bank balances and guaranteed investment certificates (GIC). Credit risk associated with cash and GIC's is minimized substantially by ensuring that these financial assets are invested in Schedule 1 chartered Canadian banks.

Trade accounts receivables

(in Canadian Dollars)

Trade accounts receivables consists primarily of trade receivables (Note 14) from billings of services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits. The carrying amount of trade accounts receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of earnings (loss) in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the statement of earnings (loss) and comprehensive income (loss).

A significant portion of the Company's sales were to a limited number of customers and consequently the Company is exposed to a concentration of credit risk. The Company defines concentration risk as customers whose outstanding receivable is 10% or greater than the total receivable balance or who represent 10% or greater of total revenue (Note 5). The Company's exposure with the one customer that fell into this category as at December 31, 2017, on aggregate, accounted for 10% of the Company's total accounts receivable balance. The customer is in the automotive industry. In 2016, the one customer made up 12% of the total net receivables. The receivable balances are monitored very closely and the automotive customer is a Fortune 500 company.

The Company does not have any allowance for doubtful accounts as at December 31, 2017 and 2016. For details of the aging of the Company's trade receivables see Note 14.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at December 31, 2017 and 2016:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at December 31, 2017:					
Trade and other payables	$ 685,489	$ -	$ -	$ -	$ 685,489
Long term debt	$ 37,297	$ 74,202	$ 310,910	$ 186,106	$ 608,515
	$ 722,786	$ 74,202	$ 310,910	$ 186,106	$ 1,294,004
As at December 31, 2016:					
Trade and other payables	$ 797,576	$ -	$ -	$ -	$ 797,576
Long term debt	$ 22,710	$ 45,257	$ 202,188	$ 249,811	$ 519,966
	$ 820,286	$ 45,257	$ 202,188	$ 249,811	$ 1,317,542

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of a financial instrument or its future cash flows.

Foreign exchange

The Company operates in Canada and the United States.

As at December 31, 2017, the Canadian entities US-dollar net monetary assets totaled approximately US$547,597 (CDN$686,961) (December 31, 2016 US$1,004,756 (CDN$1,349,028)) and the Company's United States subsidiaries US-dollar monetary net assets totaled approximately US$75,109 (CDN$94,224) (December 31, 2016 US$102,595 (CDN$137,748). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2017 would have increased net loss and decreased shareholders' equity by $71,017 (December 31, 2016 a decrease of $148,678 to net earnings and shareholders' equity) (a 10% weakening would have had the equal but opposite effect). This analysis assumes that all other variables remain constant.

Interest rate

The Company has loans with variable rates which are exposed to interest rate fluctuations. A 1% variation would have an approximate $5,675 effect as at December 31, 2017 on net loss and shareholders' equity (December 31, 2016 - $4,792).

(in Canadian Dollars)

29. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regard to its bank indebtedness, namely, a tangible net worth of at least $1,600,000, as well as, to maintain a debt service charge ("DSC") ratio of not less than 120%. As at December 31, 2017 the Company was compliant with the tangible net worth covenant, however, in the final quarter of 2017, the Company ramped up expenses in order to fast-track its CEM product offering which created an off-side position with its DSC covenant. The Company was in breach at year-end 2017 and received a waiver from this covenant from the bank. The Company, at year-end 2017, was already negotiating a new banking agreement which was signed on January 9, 2018. The tangible net worth covenant remains in the new agreement while the DCS covenant was removed.

	As at December 31, 2017	As at December 31, 2016
Long-term debt, including current portion	$ 567,533	$ 479,167
Less cash	$ 3,426,398	$ 409,272
Net debt (surplus)	$ (2,858,865)	$ 69,895
Shareholders' equity	$ 6,630,028	$ 3,949,090
Total capital, net	$ 3,771,163	$ 4,018,985
Net surplus as a percentage of total capital	76%	-2%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. For its core business, the Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

Midway through 2017, the Company decided to enter into the customer experience management market which it recognized would require funding to develop the product, have the new product integrate with current product offerings and develop the sales and marketing support required for rapid deployment into the CEM market. As such the Company's approach to capital management during the year ended December 31, 2017 changed compared to the year ended December 31, 2016. The Company issued common shares through a non-brokered financing transaction that provided net proceeds of $3,228,575. The objective of the Company is to use those proceeds to fast-track its entry into what it believes to be a lucrative market.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and warrants, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. Salaries and benefits charged to cost of services for 2016 was reduced by $143,643 from $1,015,457 to $871,814 and general and administrative expenses for salaries and benefits was increased by the same amount to reflect changes in staffing.

31. SUBSEQUENT EVENTS

On March 1, 2018, the Company held a Special Meeting of Shareholders in order to increase the number of common shares available under the Company's Stock Option Plan from 1,920,196 to 3,263,771. The motion was passed by majority vote and immediately after the shareholder meeting the Board of Directors passed a motion to issue 300,000 options to purchase common shares of the Company to key employees across the organization and 50,000 to a 3rd party company as part of a contractual obligation. No options to purchase common shares were issued to Directors, Officers or Insiders of the Company.

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Corporate Information

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INTOUCH INSIGHT

Directors

Michael Gaffney | **Executive Chairman**

- 30 years of experience with technology companies
- Chairman and CEO, Leonovus Inc. | Former VP of Newbridge Networks Inc.
- Founded: Worknet Inc, Learnsoft Inc., Lansbridge University, Kleer Semiconductor, Soltoro Inc.

Cameron Watt | **Director, President & CEO**

- An experienced leader (held management positions with Excite@Home, PepsiCo, Mars and Unilever)
- Owned, operated and successfully exited several small businesses
- Bachelor of Commerce from UofA, and an MBA from Ivey

Eric Beutel | **Director**

- 20+ years of experience in the investment industry
- VP of Oakwest Corporation Ltd since 2003
- Director, Equitable Group Inc. and various other private and publicly-traded companies

William “David” Oliver | **Director**

- 35+ years of experience in financing, constructions, operations and development within the hospitality industry
- Lead asset management and project management group of 360 Vox/Dundee 360 Real Estate Group - $2B+ of 5000+ luxury rooms of Fairmont and Hilton assets
- Former CEO, London Convention Center and had major development roles with ITT Sheraton, Starwood Hotels and Resorts, Wyndham Hotels and Carlson Hotels and Resorts
- Involved in the development of over 400 hotels globally

Rainer Paduch | **Director**

- 30 years of experience in internet operations, software design, telecommunications and data networking
- Founder, Band of Scoundrels Investment Partnership andf Co-Founder of Ottawa Angel Alliance
- Former Founder, President, CTO and Vice Chair of iSTAR

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