



SYMBILITY

Symbility Solutions Inc.

Interim Condensed Consolidated Financial Statements
(Unaudited)

Quarter ended September 30, 2018

Symbility Solutions Inc.
Interim Consolidated Statements of Financial Position
(Unaudited - In thousands of Canadian dollars)

	<u>Note</u>	As at	
		September 30, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	6	23,132	8,238
Accounts receivable	6	6,324	7,651
Prepaid expenses		1,473	1,614
Tax credits receivable		768	665
		<u>31,697</u>	<u>18,168</u>
Long-term assets			
Restricted cash deposits	3(c)	3,400	-
Prepaid expenses		26	54
Security deposits		141	115
Property and equipment		497	502
Intangible assets		7,198	8,369
Goodwill		10,763	10,763
		<u>53,722</u>	<u>37,971</u>
Liabilities			
Current liabilities			
Accounts payable	6	1,252	1,786
Accrued liabilities	6	3,072	4,079
Provisions	3(c)	784	220
Deferred revenue		2,634	2,121
		<u>7,742</u>	<u>8,206</u>
Long-term liabilities			
Accrued liabilities and other		92	7
Customer deposits		-	382
		<u>7,834</u>	<u>8,595</u>
Shareholders' equity		<u>45,888</u>	<u>29,376</u>
		<u>53,722</u>	<u>37,971</u>

See accompanying notes

Symbility Solutions Inc.

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

(Unaudited - in thousands of Canadian dollars, except per share data)

	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2018	2017	2018	2017
Continuing operations					
Revenue					
Software and other	6	6,139	6,973	18,084	19,015
Professional services	6	3,785	2,835	9,354	6,736
Total revenue		9,924	9,808	27,438	25,751
Cost of sales					
Software and other		793	1,303	2,461	3,220
Professional services	5(d)	1,745	1,361	4,518	4,181
Total cost of sales		2,538	2,664	6,979	7,401
Gross profit		7,386	7,144	20,459	18,350
Expenses					
Sales and marketing	5(d)	3,292	3,008	10,184	9,708
General and administration	5(d)	2,176	2,302	6,750	6,544
Research and development	5(d)	765	752	2,488	2,263
Depreciation, amortization, and foreign exchange	9	255	139	314	374
Transaction	10	144	386	493	914
		6,632	6,587	20,229	19,803
Income (loss) before finance income, net and income taxes		754	557	230	(1,453)
Finance income, net		(78)	(3)	(142)	(12)
Income (loss) before income taxes		832	560	372	(1,441)
Income tax expense (recovery)		(29)	(2)	(18)	20
Net income (loss) and comprehensive income (loss) for the period from continuing operations		861	562	390	(1,461)
Discontinued operations					
Net income for the period from discontinued operations	3(b)	56	18	15,189	8
Net income (loss) and comprehensive income (loss) for the period		917	580	15,579	(1,453)
Basic and diluted income (loss) and comprehensive income (loss) per common share from continuing operations					
		0.00	0.00	0.00	(0.01)
Basic and diluted income (loss) and comprehensive income (loss) per common share					
		0.00	0.00	0.06	(0.01)
Weighted average number of common shares outstanding					
Basic		241,365,039	239,473,840	240,231,660	239,130,208
Diluted		251,921,606	247,870,944	249,352,340	239,130,208

See accompanying notes

Symbility Solutions Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - In thousands of Canadian dollars)

	Note	Common shares	Warrants	Contributed surplus	Deficit	Total shareholders' equity
At December 31, 2016		58,584	94	14,261	(44,308)	28,631
Share options exercised		70	-	(32)	-	38
Restricted shares released		160	-	(160)	-	-
Stock-based compensation	5(d)	-	-	606	-	606
Net loss for the period		-	-	-	(1,453)	(1,453)
At September 30, 2017		58,814	94	14,675	(45,761)	27,822
At December 31, 2017		58,814	94	14,872	(44,404)	29,376
Warrants exercised	5(a, e)	494	(94)	-	-	400
Share options exercised	5(a, c)	315	-	(139)	-	176
Restricted shares released	5(a, b)	160	-	(160)	-	-
Stock-based compensation	5(d)	-	-	357	-	357
Net income for the period		-	-	-	15,579	15,579
At September 30, 2018		59,783	-	14,930	(28,825)	45,888

See accompanying notes

Symbility Solutions Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited - In thousands of Canadian dollars)

	Note	Three-month period ended		Nine-month period ended	
		September 30,		September 30,	
		2018	2017	2018	2017
Operating activities					
Net income (loss) for the period from continuing operations		861	562	390	(1,461)
Net income for the period from discontinued operations		56	18	15,189	8
Net income (loss) for the period		917	580	15,579	(1,453)
Adjustment to reconcile income (loss) to net cash flows					
Gain on sale of subsidiary	3(b)	-	-	(15,226)	-
Items not affecting cash					
Stock-based compensation	5(d)	53	193	357	606
Depreciation and amortization		426	454	1,327	1,559
		1,396	1,227	2,037	712
Changes in non-cash working capital items					
Accounts receivable		(527)	(2,055)	(71)	(2,139)
Prepaid expenses		(217)	(346)	155	(361)
Tax credits receivable		(90)	42	(103)	223
Security deposits		(23)	23	(25)	23
Accounts payable		260	719	(245)	(353)
Accrued liabilities		116	308	(904)	(2)
Provisions		(118)	41	(186)	(150)
Deferred revenue		(642)	(178)	573	676
Customer deposits		-	(15)	-	-
		(1,241)	(1,461)	(806)	(2,083)
Cash provided by (used in) operating activities		155	(234)	1,231	(1,371)
Investing activities					
Purchase of property and equipment		(148)	(82)	(224)	(177)
Purchase of intangible assets		-	-	(1)	(16)
Net proceeds from sale of subsidiary	3(c)	825	-	13,271	-
Cash provided by (used in) investing activities		677	(82)	13,046	(193)
Financing activities					
Proceeds from exercise of warrants		-	-	400	-
Proceeds from exercise of share options		144	-	176	38
Long-term finance lease payments		-	(1)	-	(9)
Cash provided by (used in) financing activities		144	(1)	576	29
Effect of exchange rate changes on cash and cash equivalents		80	(4)	41	6
Net increase (decrease) in cash and cash equivalents		1,056	(321)	14,894	(1,529)
Cash and cash equivalents, beginning of period		22,076	6,768	8,238	7,976
Cash and cash equivalents, end of period		23,132	6,447	23,132	6,447
Supplementary cash flow information	8				
See accompanying notes					

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

1) Nature of operations and corporate information

Symbility Solutions Inc. (the "Corporation") develops and markets software designed to improve effectiveness and reduce costs of administration of claims in the property and casualty insurance markets. In addition, the Corporation provides strategic services to a wide range of industries. The Corporation was incorporated under the *Business Corporations Act* (Alberta) on July 15, 1999 and commenced operations on January 1, 2000. The Corporation is a publicly traded company domiciled in Canada with common shares listed on the TSX Venture Exchange under the stock symbol "SY".

The Corporation's registered office is located at 3400 First Canadian Centre, 350 - 7th Avenue SW, Calgary, Alberta, T2P 3N9. The Corporation has executive and operating offices in Toronto, Ontario, and operating offices in Montreal, Québec; Hendersonville, Tennessee; Stuttgart, Baden-Württemberg, Germany; and Fareham, Hampshire, England.

The Corporation has four wholly owned subsidiaries: Symbility Solutions Corp. which is incorporated in the State of Delaware, United States; Symbility Solutions GmbH which is incorporated in the State of Bavaria, Germany; Symbility Solutions Limited which is incorporated in England and Wales; and BNOTIONS Inc. which is incorporated in the Province of Ontario, Canada.

On April 25, 2018, Symbility Health Inc. was amalgamated into the Corporation.

As at September 30, 2018, CoreLogic, Inc. and its affiliates (collectively "CoreLogic") own 67,739,821 common shares representing approximately 28% of the outstanding shares of the Corporation. Marshall & Swift/Boeckh ("MSB") is a wholly owned subsidiary of CoreLogic, and a related party as a result of a common significant shareholder (See notes 4 and 12).

2) Significant accounting policies

(a) Statement of compliance

These interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2018 of the Corporation were prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB").

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the interim condensed consolidated financial statements.

Other than the application of *IFRS 5 Non-current assets held for sale and discontinued operations* and the adoption of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* effective as of January 1, 2018, the same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. Accordingly, these interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2018 should be read together with the annual consolidated financial statements for the year ended December 31, 2017.

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

IFRS 5 Non-current assets held for sale and discontinued operations ("IFRS 5")

The Corporation classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in note 3.

All notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (the "Board") of the Corporation on November 27, 2018.

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

(b) New standards, interpretations and amendments adopted by the Corporation

The following new accounting standards were applied or adopted during the three-month and nine-month periods ended September 30, 2018.

Amendments to IFRS 2 Share-based Payment ("IFRS 2")

In 2016, the IASB issued the final amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas: the effects of vesting conditions on the measurement of cash-settled share-based payments; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is permitted if elected for all three amendments and other criteria are met. The adoption of this amendment had no material impact on the Corporation's unaudited interim condensed consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. There was no material impact to the Corporation's financial statements upon adoption of IFRS 9.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Corporation's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below. A financial asset is classified as the following measurement categories: amortized cost; fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Corporation's financial assets which consist primarily of cash and cash equivalents measured at FVTPL, and trade and other receivables are classified at amortized cost. The Corporation's financial liabilities which consist primarily of accounts payable, accrued liabilities, and provisions are classified at amortized cost.

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

(ii) Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Corporation's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Corporation's financial assets on the transition date given the receivables are substantially all current and the minimal historical level of customer default.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

On January 1, 2018, the Corporation adopted the new standard IFRS 15 to all contracts using the modified retrospective approach. The pattern and timing of revenue recognition under the new standard is consistent with prior practice. There have been no adjustments recognized upon adoption of IFRS 15.

The Corporation has two segments: Symbility Property, which provides Software as a Service ("SaaS") technology to the property and casualty insurance industry; and Symbility Strategic Services, which provides professional services to a broad range of industries.

The details of the new significant accounting policies in relation to the Corporation's various services are set out below. Under IFRS 15, revenue is recognized when a customer obtains control of the services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

On standard SaaS agreements, revenues are recognized over the term of the arrangement. The proceeds are considered to relate to the right to services provided over the term of the arrangement.

On standard sale of third party services, information or reports, revenues are recognized when customers obtain control, that is when transfer of title and risks and rewards of ownership have passed and when obligation to pay is considered certain.

On fixed price professional services agreements, revenues are recognized over time typically on a percentage-of-completion basis, which consists of recognizing revenue for a performance obligation on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative hours incurred as at the balance sheet date by the sum of incurred and anticipated hours for completing a contract. On time and material professional services agreements, revenues are recognized as hours are performed.

The incremental costs of obtaining a contract with the customer are recognized as an asset if the company expects to recover these costs. Incremental costs are costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. The Corporation includes the incremental costs (commissions) of obtaining a contract in prepaid expenses and expenses them over the term of the contract. The Corporation does not incur any other material incremental costs to obtain a contract.

The cumulative effect of changes to anticipated revenues for completing a contract are recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

Deferred revenue (i.e. contract liabilities) represents amounts received from customers in excess of revenue recognized on uncompleted contracts.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In 2016, the IASB issued IFRIC 22, which provides requirements about which exchange rate to use when recognizing revenue in circumstances where an entity has received advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. This Interpretation does not have any impact on the Corporation's condensed consolidated financial statements.

(c) Changes in accounting policies not yet adopted

The following accounting pronouncement issued by the IASB was not effective as at September 30, 2018.

IFRS 16 Leases ("IFRS 16")

In 2016, the IASB issued IFRS 16 replacing IAS 17, *Leases* and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Corporation is in the process of evaluating the impact that IFRS 16 may have on the Corporation's consolidated financial statements.

3) Discontinued operations

(a) Description

Effective May 7, 2018, the Corporation had completed a definitive agreement to sell its Health segment ("Symbility Health") to TELUS Health Solutions Inc. Symbility Health provided an advanced and practical software solution to a network of employee benefits brokers and third-party administrator partners in the adjudication of health and dental claims in Canada.

The results of Symbility Health, as well as the assets and liabilities included in the transaction, are included in the Corporation's results of operations as a single line for discontinued operations as of January 1, 2018 (with retrospective application).

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

(b) Financial performance information

The results of the Symbility Health segment including subsequent adjustments to the contingent consideration for the periods ended September 30, 2018 and September 30, 2017 are as follows:

	<u>From July 1,</u>		<u>From January 1,</u>	
	<u>to September 30,</u>	<u>to September 30,</u>	<u>to September 30,</u>	<u>to September 30,</u>
	2018	2017	2018	2017
Revenue	-	1,466	2,012	4,654
Cost of sales	4	701	1,121	2,097
Gross profit (deficit)	(4)	765	891	2,557
Expenses (recovery)	(60)	747	928	2,549
Net income (loss) before gain on sale of subsidiary	56	18	(37)	8
Gain on sale of the subsidiary	-	-	15,226	-
Net income for the period from discontinued operations	56	18	15,189	8

The income per share (in Canadian dollars) provided by the Symbility Health segment for the periods ended September 30, 2018 and September 30, 2017 is as follows:

	<u>From July 1,</u>		<u>From January 1,</u>	
	<u>to September 30,</u>	<u>to September 30,</u>	<u>to September 30,</u>	<u>to September 30,</u>
	2018	2017	2018	2017
Basic and diluted net income and comprehensive income per common share from discontinued operations	0.00	0.00	0.06	0.00

The net cash flows provided by the Symbility Health segment for the periods ended September 30, 2018 and September 30, 2017 are as follows:

	<u>From July 1,</u>		<u>From January 1,</u>	
	<u>to September 30,</u>	<u>to September 30,</u>	<u>to September 30,</u>	<u>to September 30,</u>
	2018	2017	2018	2017
Operating	56	(72)	(245)	(670)
Investing	825	(3)	13,269	(3)
Net increase (decrease) in cash and cash equivalents	881	(75)	13,024	(673)

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

(c) Details of the sale of the subsidiary

The Corporation received or will receive consideration totaling \$17,316 and the break-down is as follows:

- Cash of \$13,655
- Cash in escrow of \$3,400
- Working capital adjustments of \$261

As at September 30, 2018, the balance held in escrow of \$3,400 is recorded as restricted cash deposits with a related provision of \$750 for the estimated consideration the Corporation will have to pay back upon completion of certain performance criteria. As at the time of the sale and as at September 30, 2018, the Corporation has estimated the fair value of the provision is \$750 which is recorded at fair value through profit and loss.

The Corporation has a gain on sale of the Symbility Health segment of \$15,226 and the break-down of the consideration received or receivable is as follow:

	<u>As at</u> <u>September 30, 2018</u>
Consideration received or receivable	
Cash	13,655
Restricted cash deposits	3,400
Provision	(750)
Working capital adjustments	261
Total disposal consideration	<u>16,566</u>
Carrying amount of net assets sold	<u>(1,340)</u>
Gain on sale	<u>15,226</u>

There is no income tax impact on the gain on sale due to the Corporation's existing tax loss carryforwards.

The carrying amounts of assets and liabilities as at the date of sale, May 7, 2018, were as follows:

	<u>As at</u> <u>May 7, 2018</u>
Assets	
Cash and cash equivalents	384
Accounts receivable	1,709
Prepaid expenses	21
Property and equipment	13
Intangible assets	36
Total assets	<u>2,163</u>
Liabilities	
Accounts payable	295
Accrued liabilities	53
Deferred revenue	93
Customer deposits	382
Total liabilities	<u>823</u>
Net assets	<u>1,340</u>

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

The Corporation has also entered into a Transition Services Agreement (“TSA”) to provide support for services such as accounting, hosting and information technology services during the transition. For the three-month and nine-month periods ended September 30, 2018, the Corporation earned \$36 and \$57, respectively, for the hosting and information technology services which are included in the cost of sales line. For the three-month and nine-month periods ended September 30, 2018, the Corporation earned \$15 and \$24, respectively, for the accounting services and are included in the general and administration expense line.

4) Related party transactions

A summary of the significant related party transactions is provided below:

For the three-month and nine-month periods ended September 30, 2018, the Corporation expensed \$300 and \$881, respectively (September 30, 2017 - \$688 and \$1,952), for services under the services agreement, the database license agreement and for products resold by the Corporation under a reseller agreement with MSB. As at September 30, 2018, the Corporation owed \$200 (December 31, 2017 - \$180) to MSB.

For the three-month and nine-month periods ended September 30, 2018, the Corporation earned \$338 and \$1,062, respectively (September 30, 2017 - \$250 and \$699), for software and services provided to CoreLogic. As at September 30, 2018, the Corporation had receivables of \$15 (December 31, 2017 - \$14) due from CoreLogic for software provided.

Compensation of key management personnel

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, Divisional Executives, Functional Executives, and Directors. The compensation paid or payable to key management personnel is shown in the following table:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
Short-term remuneration and benefits	457	919	1,888	2,596
Share-based payments	34	120	231	334
Total	491	1,039	2,119	2,930

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

Stock options held by key management personnel under the stock option plan to purchase ordinary shares have the following expiry dates and exercise prices:

Year of issuance	Year of expiry	Range of exercise price	September 30, 2018	December 31, 2017
		\$	Number outstanding	Number outstanding
2010	2020	0.20	-	35,000
2011	2021	0.22 - 0.26	422,600	572,600
2012	2022	0.34 - 0.46	2,220,000	2,370,000
2013	2023	0.45 - 0.50	3,652,500	4,267,500
2014	2024	0.31 - 0.38	693,185	743,185
2015	2025	0.27 - 0.35	1,634,600	1,684,600
2016	2026	0.26 - 0.33	952,920	1,002,920
2017	2027	0.51	1,821,850	1,921,850
Total			11,397,655	12,597,655

On September 30, 2018, there were no restricted shares (December 31, 2017 - 131,500) outstanding under the Canadian Restricted Share Plan to an officer of the Corporation.

5) Shareholders' equity

(a) Issued capital

Authorized

Unlimited common shares, no par value

Unlimited preferred shares, no par value

Issued (excluding Restricted Shares described below)

	Common shares	
	#	\$
Share Capital Balance - December 31, 2017	239,473,840	58,814
Warrants exercised	1,000,000	494
Share options exercised	603,052	315
Restricted Shares released	500,000	160
Share Capital Balance - September 30, 2018	241,576,892	59,783

As at September 30, 2018, there were no Restricted Shares (December 31, 2017 - 500,000) outstanding.

(b) Restricted Share Plans

On June 10, 2015, the shareholders approved the 2015 Canadian Restricted Share Plan (the "2015 Canadian RS Plan") and the 2015 United States Restricted Share Plan (the "2015 United States RS Plan") (collectively, the "2015 RSA Plans"). Awards granted pursuant to the 2015 RSA Plans shall not exceed 2,000,000 common shares.

As at September 30, 2018, there were no Restricted Shares (December 31, 2017 - 500,000) outstanding and there was no weighted average remaining contractual life for restricted shares under the 2015 RSA Plans (December 31, 2017 - 0.48 years).

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

For the three-month and nine-month periods ended September 30, 2018, the stock-based compensation expenses were \$nil and \$39, respectively (September 30, 2017 - \$12 and \$87), and is included in the total stock-based compensation (see note d).

The following table summarizes activity related to the 2015 RSA Plans for the nine-month period ended September 30, 2018 and for the twelve-month period ended December 31, 2017:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
	Restricted Shares outstanding	Restricted Shares outstanding
	#	#
Balance - beginning of period	500,000	1,000,000
Released	(500,000)	(500,000)
Balance - end of period	<u>-</u>	<u>500,000</u>

(c) **Stock option plan**

The Corporation has a stock option plan (the "Stock Option Plan"), which provides that the Board of Directors may grant from time to time, at its discretion, stock options to purchase common shares of the Corporation to directors, senior officers, employees, and consultants.

There were no options granted during the three-month and nine-month periods ended September 30, 2018.

The Corporation used the Black-Scholes option valuation model to estimate the fair value of the options granted based on the following weighted average assumptions for the nine-month period ended September 30, 2017:

	<u>Nine-month period ended September 30, 2017</u>
Risk-free interest rate	1.37%
Expected life	6.0 years
Volatility	66%
Expected dividends	Nil
Weighted average	
Share price	\$0.51
Exercise price	\$0.51
Fair value	\$0.30

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

The following table summarizes activity related to stock options for the nine-month period ended September 30, 2018 and for the twelve-month period ended December 31, 2017:

	September 30, 2018		December 31, 2017	
	Stock options outstanding #	Weighted average exercise price \$	Stock options outstanding #	Weighted average exercise price \$
Balance – Beginning of period	19,864,189	0.42	17,326,688	0.40
Granted	-	-	3,096,250	0.51
Exercised	(603,052)	0.29	(100,832)	0.38
Forfeited	(474,262)	0.45	(171,250)	0.47
Expired	(1,056,136)	0.44	(286,667)	0.41
Balance – End of period	17,730,739	0.42	19,864,189	0.42
Exercisable – End of period	15,041,552	0.41	14,139,488	0.41

The weighted average remaining contractual life for the stock options outstanding as at September 30, 2018 is 5.63 years (December 31, 2017 - 6.40 years). The weighted average share price of options exercised during the nine-month period ended September 30, 2018 was \$0.53 (September 30, 2017 - \$0.54).

(d) Stock-based compensation

The total stock-based compensation expense for the Stock Option Plan and the 2015 Restricted Share Plans for the three-month and nine-month periods ended September 30, 2018 was \$53 and \$357, respectively (September 30, 2017 - \$193 and \$606), with a corresponding credit to contributed surplus.

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
Cost of sales	1	23	57	112
Sales and marketing	28	72	163	236
General and administration	15	56	115	154
Research and development	9	21	44	57
	53	172	379	559
Discontinued operations	-	21	(22)	47
Total	53	193	357	606

(e) Warrants

On June 26, 2015, the Corporation issued 1,000,000 warrants to the seller of BNOTIONS as part of the acquisition. Each warrant is exercisable to purchase one common share at \$0.40 per warrant for a period of three years from the closing date. On June 26, 2015, the fair value of warrants was \$94. As at September 30, 2018, there were nil warrants (December 31, 2017 - 1,000,000 warrants) outstanding.

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

The following table summarizes activity related to warrants for the nine-month period ended September 30, 2018 and for the twelve-month period ended December 31, 2017:

	September 30, 2018		December 31, 2017	
	Warrants outstanding	Weighted average exercise price \$	Warrants outstanding #	Weighted average exercise price \$
Balance – Beginning of period	1,000,000	0.40	1,000,000	0.40
Exercised	(1,000,000)	0.40	-	-
Balance – End of period	-	-	1,000,000	0.40
Exercisable – End of period	-	-	1,000,000	0.40

6) Financial instruments and risk management

Market risk and foreign currency risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Corporation's income or the value of its financial instruments.

The Corporation's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products and services to customers invoiced in foreign currencies and the purchase of services invoiced in foreign currencies.

The Corporation's significant accounts receivable and accounts payable by foreign currency as at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Accounts receivable		
U.K. pound sterling	24%	32%
U.S. dollars	14%	14%
Accounts payable and accrued liabilities		
U.K. pound sterling	13%	12%
U.S. dollars	27%	20%

The Corporation's significant revenue and expense by foreign currency for the three-month and nine-month periods ended September 30, 2018 and September 30, 2017 are as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
Revenue				
U.K. pound sterling	16%	16%	17%	18%
U.S. dollars	52%	48%	47%	46%
Expenses				
U.K. pound sterling	11%	8%	11%	10%
U.S. dollars	19%	12%	23%	19%

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

Credit risk

As at September 30, 2018, the largest amounts due from three customers accounted for 11%, 12%, and 16%, respectively, of the Corporation's total accounts receivable (December 31, 2017 - one customer - 14%). Subsequent to September 30, 2018, one customer has paid the full account balance.

The following table sets out details of the aging of accounts receivable that are outstanding and related allowance for doubtful accounts:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current	4,889	4,805
31 - 60 days	1,384	2,068
61 - 90 days	72	886
Over 91 days	17	141
Less: allowance for doubtful accounts	(38)	(249)
Total accounts receivable, net	<u>6,324</u>	<u>7,651</u>

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the interim condensed consolidated statements of income (loss) and comprehensive income (loss) within other operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available cash reserves in order to meet its liquidity requirements at any point in time. The Corporation achieves this by maintaining sufficient cash and cash equivalents, managing cash from operations and through the raising of equity financing. As at September 30, 2018, the Corporation was holding cash and cash equivalents of \$23,132 (December 31, 2017 - \$8,238).

7) Segmented information

The Corporation has two reportable segments that offer different products and services: Symbility Property and Symbility Strategic Services.

- Symbility Property (property and casualty software) provides powerful, accurate and easy-to-use claims processing and estimating software for property and casualty insurers.
- Symbility Strategic Services (mobile application software development) designs and develops leading technologies in the area of mobile, the Internet of Things, Machine-to-machine, and wearables to different industries.

Corporate expenses have been excluded from the operating segments to provide comparability between the segments. Corporate expenses include general and administration expense related to the overall company, including the Chief Executive Officer, Chief Financial Officer, Board expenses, investor relations, public company costs, transaction expenses and related expenses.

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

The Symbility Health segment was sold effective May 7, 2018 (see note 3). Discontinued operations from the Symbility Health segment are included in the Corporate and other line.

Revenue is generated from external customers in Canada, the United States, and other countries outside of North America. All inter-segment revenue and expenses have been eliminated.

During the three-month period ended September 30, 2018, there were two customers who accounted for more than 10% of the Corporation's revenue (September 30, 2017 - no customer), and the Corporation earned \$1,143 and \$1,304 of its revenue from the Symbility Strategic Services customers. During the nine-month periods ended September 30, 2018 and September 30, 2017, no customer accounted for more than 10% of the Corporation's revenue.

In the following tables, the Corporation discloses segment results, which are reconciled to the consolidated results reported in accordance with IFRS.

	Three-month period ended September 30, 2018			
	Symbility Property	Symbility Strategic Services	Corporate and Other	Total
Revenue				
Software and other	6,139	-	-	6,139
Professional services	-	3,785	-	3,785
Total revenue	6,139	3,785	-	9,924
Cost of sales				
Software and other	793	-	-	793
Professional services	-	1,745	-	1,745
Total cost of sales	793	1,745	-	2,538
	5,346	2,040	-	7,386
Expenses	4,552	1,375	705	6,632
Segment income (loss) before finance income, net and income taxes	794	665	(705)	754
Finance income, net	-	-	(78)	(78)
Income tax recovery	(29)	-	-	(29)
Segment net income (loss)	823	665	(627)	861

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

	Nine-period ended September 30, 2018			
	Symbility Property	Symbility Strategic Services	Corporate and Other	Total
Revenue				
Software and other	18,084	-	-	18,084
Professional services	-	9,354	-	9,354
Total revenue	18,084	9,354	-	27,438
Cost of sales				
Software and other	2,461	-	-	2,461
Professional services	-	4,518	-	4,518
Total cost of sales	2,461	4,518	-	6,979
	15,623	4,836	-	20,459
Expenses	13,974	3,807	2,448	20,229
Segment income (loss) before finance income, net and income taxes	1,649	1,029	(2,448)	230
Finance income, net	-	-	(142)	(142)
Income tax recovery	(15)	(3)	-	(18)
Segment net income (loss)	1,664	1,032	(2,306)	390

	Symbility Property	Symbility Strategic Services	Corporate and Other	Total
As at September 30, 2018				
Operating assets	23,751	6,839	-	30,590
Assets not allocated to segments				
Cash and cash equivalents	-	-	23,132	23,132
Total operating assets	23,751	6,839	23,132	53,722
Carrying value of intangible assets	6,868	330	-	7,198
Carrying value of goodwill	7,890	2,873	-	10,763
Total liabilities	7,159	990	-	8,149
Additions to property and equipment, intangible assets, and goodwill	78	145	2	225

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

	Three-month period ended September 30, 2017			Total
	Symbility Property	Symbility Strategic Services	Corporate and Other	
Revenue				
Software and other	6,973	-	-	6,973
Professional services	-	2,835	-	2,835
Total revenue	6,973	2,835	-	9,808
Cost of sales				
Software and other	1,303	-	-	1,303
Professional services	-	1,361	-	1,361
Total cost of sales	1,303	1,361	-	2,664
	5,670	1,474	-	7,144
Expenses	4,355	868	1,364	6,587
Segment income (loss) before finance income, net and income taxes	1,315	606	(1,364)	557
Finance income, net	-	-	(3)	(3)
Income tax recovery	(2)	-	-	(2)
Segment net income (loss)	1,317	606	(1,361)	562

	Nine-month period ended September 30, 2017			Total
	Symbility Property	Symbility Strategic Services	Corporate and Other	
Revenue				
Software and other	19,015	-	-	19,015
Professional services	-	6,736	-	6,736
Total revenue	19,015	6,736	-	25,751
Cost of sales				
Software and other	3,220	-	-	3,220
Professional services	-	4,181	-	4,181
Total cost of sales	3,220	4,181	-	7,401
	15,795	2,555	-	18,350
Expenses	14,115	2,631	3,057	19,803
Segment income (loss) before finance income, net and income taxes	1,680	(76)	(3,057)	(1,453)
Finance income, net	-	-	(12)	(12)
Income tax expense (recovery)	21	(1)	-	20
Segment net income (loss)	1,659	(75)	(3,045)	(1,461)

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

	Symbility Property	Symbility Strategic Services	Corporate and Other	Total
As at December 31, 2017				
Operating assets	21,709	5,959	2,065	29,733
Assets not allocated to segments				
Cash and cash equivalents	-	-	8,238	8,238
Total operating assets	21,709	5,959	10,303	37,971
Carrying value of intangible assets	8,003	330	36	8,369
Carrying value of goodwill	7,890	2,873	-	10,763
Total liabilities	6,126	911	1,558	8,595
Additions to property and equipment, intangible assets and goodwill	134	79	5	218

Geographic Information

Revenue is generated from external customers in Canada, the United States, and other countries outside of North America. The Corporation's revenue by geographic area for the three-month and nine-month periods ended September 30, 2018 and September 30, 2017 and long-term assets by geographic area as at September 30, 2018 and December 31, 2017 are as follows:

	Revenue for three-month period ended		Revenue for nine-month period ended		Non-current assets as at	
	September 30, 2018	2017	September 30, 2018	2017	September 30, 2018	December 31, 2017
Canada	2,489	2,937	7,294	7,420	10,311	7,661
United States	5,149	4,726	12,964	11,949	6,826	6,827
International	2,286	2,145	7,180	6,382	4,888	5,315
Total	9,924	9,808	27,438	25,751	22,025	19,803

8) Supplementary cash flow information

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
Interest paid	-	1	7	1
Interest received	74	4	116	14
Income taxes paid (recovered)	(28)	7	(25)	25

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

9) Depreciation, amortization, and foreign exchange

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
Depreciation and amortization	78	108	269	352
Foreign exchange (gain) loss, net	177	31	45	22
Total	255	139	314	374

In addition to the depreciation and amortization expenses above, the amortization expense of database and technology licenses for the three-month and nine-month periods ended September 30, 2018 were \$220 and \$660, respectively (September 30, 2017 - \$220 and \$660), and are included in the cost of sales, and amortization expenses of customer relationships and backlog for the three-month and nine-month periods ended September 30, 2018 were \$128 and \$392, respectively (September 30, 2017 - \$123 and \$535), and are included in the sales and marketing expenses.

10) Transaction expenses

For the three-month and nine-month periods ended September 30, 2018, the Corporation incurred transaction expenses of \$144 and \$493, respectively (September 30, 2017 - \$386 and \$914) for incremental professional expenses, advisers and corporate costs related to potential transactions. Transaction expenses are included in the Corporate segment.

11) Comparative interim condensed consolidated financial statements

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 interim condensed consolidated financial statements.

12) Subsequent event

On October 22, 2018, the Corporation announced the execution of an arrangement agreement (the "Agreement") pursuant to which CoreLogic has agreed to acquire the Corporation. As at September 30, 2018, CoreLogic is a related party and owns approximately 28% of the outstanding shares of the Corporation (See notes 1 and 4).

Under the terms of the Agreement, CoreLogic has agreed to acquire the Corporation's outstanding common shares not owned by CoreLogic or its affiliates (the "Shareholders"), for \$0.615 in cash for each common share. In addition, all holders of outstanding stock options of the Corporation will be entitled to receive the "in-the-money" value of such stocks, less applicable withholdings (the "Optionholders" together with the Shareholders, the "Securityholders") (the "Transaction").

Symbility Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In thousands of Canadian dollars unless otherwise stated)

September 30, 2018

The Transaction will be carried out by way of a statutory plan of arrangement under the laws of Alberta and will require the approval of not less than (i) 66 2/3% of the votes cast by the Shareholders at a special meeting on December 13, 2018, (ii) 66 2/3% of the votes cast by the Securityholders, voting together as a class, at the meeting, and (iii) a majority of the votes cast by the Shareholders other than CoreLogic and any other votes that are required to be excluded in determining such approval in accordance with applicable securities laws. Closing of the Transaction is also subject to certain other closing conditions, including court approval and certain third party consents. CoreLogic and the Corporation anticipate that the Transaction will be completed in the fourth quarter of 2018. The Agreement is subject to customary non-solicitation provisions, including the Corporation's right to consider and accept unsolicited superior proposals that may be submitted by third parties. In the event of a superior proposal, CoreLogic will have a five business day right to match the superior proposal. In the event that the Corporation proceeds with the superior proposal, it must pay a termination fee of \$6 million to CoreLogic.