

# **Symbility Solutions Inc.**

## **Management's Discussion and Analysis**

### **May 17, 2017**

The following Management's Discussion and Analysis ("MD&A") of Symbility Solutions Inc. (the "Corporation") should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes, which are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") for the three month period ended March 31, 2017, the 2016 Annual MD&A and the Corporation's audited consolidated financial statements and accompanying notes as of December 31, 2016 and 2015 ("Audited Financial Statements"), and the Annual Information Form dated December 31, 2015, all available on SEDAR. Any reference to the Corporation specifically relates to the company as separate from its operating segments. All operating results refer to the consolidated financials of the parent company and its subsidiaries unless specifically noted otherwise. Additional information about the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts are expressed in thousands of Canadian dollars unless otherwise noted.

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The interim condensed consolidated financial statements and this MD&A have been reviewed by the Corporation's Audit Committee and approved by its Board of Directors.

As at March 31, 2017, 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"), and CoreLogic Asia are wholly owned subsidiaries of CoreLogic, and are related parties as a result of a common significant shareholder.

#### **Forward-looking Statements**

This MD&A contains certain information that may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", pipeline or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, research and development activities, projected costs and capital expenditures, financial results, the ability to raise capital, taxes and plans and objectives of or involving the Corporation.

Without limitation, information regarding the Corporation's future cost structure, future sales and marketing activities, increased penetration into certain markets through strategic partnerships, the impact of the introduction of new products, the ability of new management to leverage sales opportunities, increase in the size of certain markets, expected increases in revenue, expected revenue from certain contracts, customer rollout plans for specific products, expected increase in gross margins, Symbility Health software product placement targets and Symbility Property product placement targets are forward-looking information.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results, events or developments to be materially different from what we currently expect. These risks include,

among others, product development risk, potential product liability, risks related to third party contractual performance, customer demand, competition and the risks posed by potential technological advances, risks relating to the protection of the Corporation's intellectual property, risks relating to fluctuation in foreign currency exchange rates, risks that there can be no certainty that any of the opportunities in the sales pipeline will be successful covered into revenue and exposure to increased credit and liquidity risk. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Corporation may elect to, the Corporation does not undertake to update this information at any particular time unless required by law. Unless otherwise indicated, this MD&A was prepared by management from information available up to May 17, 2017.

### **Non-IFRS Measures**

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Corporation also provides supplementary non-IFRS measures as a method of evaluating the Corporation's performance.

Management uses Adjusted EBITDA as a measure of enterprise-wide performance. Adjusted EBITDA is defined as earnings before interest income, taxes, depreciation and amortization, impairment losses, stock-based compensation, and other non-recurring gains or losses including transaction costs related to acquisitions. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

### **Overall Performance**

This financial information has been prepared in accordance with IAS 34. For further information and significant accounting policies, please see Notes 2 and 3 of the Audited Financial Statements.

<i>Selected Financial Information</i>	Three months ended March 31,	
	2017	2016
Revenue	<b>\$9,335</b>	\$7,911
Cost of Sales	<b>\$2,982</b>	\$2,276
Expenses	<b>\$7,476</b>	\$7,155
Net Loss	<b>(\$1,134)</b>	(\$1,521)
Adjusted EBITDA	<b>(\$363)</b>	(\$553)
Loss per share <sup>(1)</sup>	<b>(\$0.00)</b>	(\$0.01)

<sup>(1)</sup> in Canadian dollars, rounded to the nearest cent

<i>As at March 31, 2017 and December 31, 2016</i>	2017	2016
Cash and cash equivalents	<b>\$7,942</b>	\$7,976
Total assets	<b>\$38,794</b>	\$38,021
Total long term liabilities	<b>\$395</b>	\$396

In the three months ended March 31, 2017, consolidated revenue increased by 18% due to the incremental revenue from strategic services and new customers in Symbility Health. Cost of sales increased by 31% as compared to the comparative quarter due to the higher strategic services revenue. Operating expenses (including non-cash expenses) increased by 4% as compared to the comparative quarter in order to support the growth of the existing businesses. Adjusted EBITDA was (\$363) compared to (\$553) for the comparative quarter. The net loss for the quarter ended March 31, 2017 is \$1,134 compared to net loss of \$1,521 for the comparable quarter. The Corporation had 167 employees as at March 31, 2017 (March 31, 2016 – 141).

## Adjusted EBITDA

The reconciliation of Adjusted EBITDA to IFRS net loss is presented in the following table:

	Three months ended March 31,	
	2017	2016
IFRS Net Loss	<b>(\$1,134)</b>	(\$1,521)
Finance income, net	<b>(4)</b>	(6)
Depreciation and amortization	<b>608</b>	694
Stock-based compensation	<b>152</b>	273
Transaction related expenses	-	-
Income tax expense	<b>15</b>	7
Adjusted EBITDA	<b>(\$363)</b>	(\$553)

Included in Adjusted EBITDA are foreign exchange gain of \$8 (2016 – foreign exchange loss of \$501) due to the increased international operations.

The Corporation believes Adjusted EBITDA is a useful measure as a proxy for operating cash flow and facilitates period-to-period operating comparisons. We believe Adjusted EBITDA is useful to an investor in evaluating our operating performance because:

- it is widely used by investors in our industry to measure a company's operating performance without regard to items such as depreciation and amortization which can vary substantially from company to company depending upon accounting methods and book value of assets, financing methods, capital structure and the method by which assets were acquired; and
- It helps investors more meaningfully evaluate and compare the results of our operations from period-to-period by removing the impact of our asset base (primarily depreciation and amortization) and actions that do not affect liquidity (stock-based compensation expenses) from our operating results.

The Corporation uses Adjusted EBITDA in calculating incentive compensation for its officers and employees to measure achievement.

The Corporation ended the three months ended March 31, 2017 with cash and cash equivalents of \$7,942 (December 31, 2016 - \$7,976). Cash used in operating activities (excluding changes in working capital) was (\$374), offset by cash generated in non-cash working capital changes was \$402. Changes in non-cash working capital were an increase in accrued liabilities of \$1,062, and deferred revenue of \$1,462, offset by an increase in accounts receivable of (\$1,561) and prepaid expenses of (\$39). The operating loss was offset by the changes in

non-cash working capital and the effect of exchange rate changes. Overall, cash decreased by \$34 for the three months ended March 31, 2017.

## **Overall Outlook**

As described below, the Corporation has provided activities associated with each segment's outlook. The Corporation estimates that it will achieve between \$40 to \$42 million in 2017 in consolidated revenue and \$2 to \$3 million in Adjusted EBITDA. In 2017, the Corporation will continue to invest in its global expansion; and R&D expenses associated with new products and enhancements, all of which will impact expenses. The Corporation believes these investments will provide a foundation for increased revenue growth in 2018.

## **Operating segments**

The Corporation has three operating segments, which offer different products and 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 Health™ (group insurance software) provides an advanced and practical software that enables Insurers, Third-Party Administrators, Employee Benefits Brokers, and the Pharma industry to re-define collaboration in the healthcare system.
- Symbility Strategic Services (mobile and application software) designs and develops leading technologies in the area of mobile applications, 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 administrative expenses related to the overall company, including the Chief Executive Officer, Chief Financial Officer, board expenses, investor relations, public company costs and related expenses.

The Corporation's operating segments, reported the following business developments in 2017:

### **Symbility Property**

Symbility Property's Market Position, Sales & Marketing Initiatives and Product Strategy disclosed in the 2016 Annual MD&A dated on April 10, 2017 are substantially unchanged at this time.

#### *Outlook*

The focus of 2017 will be on signing additional new carriers and large supply chain clients to grow 2017 revenue in North America and internationally. As well, the Corporation expects to achieve revenue growth in its existing clients in 2017. The 2017 plans are initiatives to expand the product offerings to include; applications for customer self-service allowing policy holders to monitor their claim process, a new mobile application which will enable the policy holders to submit a claim directly to the insurance courier without the need for a claim specialist review. There initiatives are to enhance the policy holder experience with our customers, the insurance carriers. In addition to the mobile application developments, with a history of over 5 million claims, Symbility Property is planning to have an Artificial Intelligence (AI) strategy by Q4 of 2017 around this data to help with fraud detection vendor, optimization and a host of automation which will help our product continuously learn and refine the accuracy of

the estimates they provide. Symbility Property's total multiyear pipeline of opportunities is \$105 million (\$70 million of which are outside of North America) and \$27 million of which are in the later stages of the sales cycle.

### **Symbility Health**

Symbility Health's Market Position, Product Strategy and Sales and Marketing Initiatives disclosed in the 2016 Annual MD&A dated on April 10, 2017 are substantially unchanged at this time.

#### *Outlook*

Management has focused its plans for 2017 on the core products and believes that 2017 is a year to maximize the existing opportunities and focus on client satisfaction and quality. Symbility Health launched a new mobile application which allows our clients to brand the mobile application and integrate with any platform through a robust API. This fast, flexible, user friendly tool offers a fully white labelled solution from end to end. This application is critical for improving the benefits experience for the end user and allows our customers to offer their own unique customizable experience.

### **Symbility Strategic Services**

Symbility Strategic Services' Market Position, Product Strategy and Sales and Marketing Initiatives disclosed in the 2016 Annual MD&A dated on April 10, 2017 are substantially unchanged at this time.

#### *Outlook*

Management believes that Symbility Strategic Services has a unique opportunity in providing its services to not only its historical account base, but to clients in the Symbility Property and Symbility Health segments.

### **Discussion of Operations**

The following discussion includes an explanation of the primary factors in changes in operations in the three months ended March 31, 2017 ("Q1 2017") over the comparable periods. Additional, less significant changes are not articulated.

### **Revenue**

	Three months ended March 31,	
	<b>2017</b>	2016
Symbility Property	<b>\$5,652</b>	\$5,297
Symbility Health	<b>1,597</b>	1,562
Symbility Strategic Services	<b>2,086</b>	1,052
<b>Total</b>	<b>\$9,335</b>	\$7,911

Symbility Property's organic revenue growth is from software revenue of new and existing clients. Excluding the impact of foreign exchange, i.e. calculating revenue on a constant currency basis, revenue increased by 17%.

Symbility Health revenue growth is from increased professional services revenue of \$32 and transactional volume with existing customers.

Symbility Strategic Services revenue growth is from increased projects with existing and new clients in North America.

## Cost of Sales

	Three months ended March 31,	
	2017	2016
Symbility Property	<b>\$956</b>	\$819
Symbility Health	<b>660</b>	696
Symbility Strategic Services	<b>1,366</b>	761
Total	<b>\$2,982</b>	\$2,276

Symbility Property's increase in cost of sales relates to resale cost of resale products and software licenses of \$142 and offset by other expenses. Symbility Property's cost of sales attributed to non-cash amortization expense of the database and technology licenses was \$220 for the three months ended March 31, 2017 (March 31, 2016 – \$220).

Symbility Health cost of sales represents costs of resold premiums as well as the cost of fees paid to third parties. Cost of sales is directly variable with revenue for Symbility Health. Symbility Health cost of sales changed to 41% (March 31, 2016 – 45%) due to the mix of revenue.

Symbility Strategic Services changes relate to personnel and contractor costs for delivery of services and includes \$33 (March 31, 2016 - \$92) for non-cash stock based compensation expense. Cost of sales represents 65% of revenue in three months ended March 31, 2017 (March 31, 2016 – 72%).

## Sales and Marketing

	Three months ended March 31,	
	2017	2016
Symbility Property	<b>\$2,976</b>	\$2,879
Symbility Health	<b>279</b>	344
Symbility Strategic Services	<b>520</b>	355
Total	<b>\$3,775</b>	\$3,578

Symbility Property had changes in Sales and Marketing expenses related to personnel of \$183, marketing events of \$21, travel of \$21, and offset by changes in consultants of (\$26), non-cash amortization of customer relationship and backlog of (\$61) and stock-based compensation expenses of (\$31), all incurred to support our growth. Symbility Property's sales and marketing expenses attributed to non-cash amortization of customer relationship and backlog of \$260 (March 31, 2016 - \$320) and stock-based compensation of \$38 (March 31, 2016 - \$69).

Symbility Health had changes in Sales and Marketing expenses related personnel of (\$30) and marketing expenses of (\$30).

Symbility Strategic Services had Sales and Marketing expenses related to personnel of \$199 and travel and consultants of \$15, offset by changes in non-cash stock based compensation of (\$39). Also included in the Sales and Marketing expenses is non-cash stock based compensation expense of \$25 (March 31, 2016 - \$63).

### **General and Administration**

	Three months ended March 31,	
	2017	2016
Symbility Property	<b>\$1,313</b>	\$988
Symbility Health	<b>215</b>	96
Symbility Strategic Services	<b>314</b>	220
Corporate	<b>606</b>	702
<b>Total</b>	<b>\$2,448</b>	\$2,006

Symbility Property had changes in General and Administration expenses related to personnel compensation of \$140, computer expenses of \$13 and professional fees of \$226, but was offset by facilities expenses of (\$53).

Symbility Health had changes in General and Administration expenses related to professional fees of \$79 for new contracts and non-cash stock based compensation of \$29.

Symbility Strategic Services had General and Administration expenses related to personnel compensation of \$29, professional fees of \$30, computer expenses of \$15 and facility expenses of \$21.

Corporate had General and Administration expenses related to personnel compensation of (\$46) and public company expense of (\$39), and non-cash stock based compensation of (\$10).

### **Research and Development**

	Three months ended March 31,	
	2017	2016
Symbility Property	<b>\$689</b>	\$625
Symbility Health	<b>444</b>	280
<b>Total</b>	<b>\$1,133</b>	\$905

Symbility Property had changes in Research and Development expenses related to personnel compensation of \$65, travel of \$9 and offset by consulting expenses of (\$15).

Symbility Health had changes in Research and Development expenses related to personnel compensation of \$176, on development of the new mobile application launched on April 3, 2017, and offset by changes in computer expenses of (\$6).

There are no Research and Development expenses in Symbility Strategic Services.

### Depreciation, Amortization and Foreign Exchange Expenses

	Three months ended March 31,	
	2017	2016
Depreciation and Amortization	128	165
Foreign Exchange	(8)	501
<b>Total</b>	<b>\$120</b>	<b>\$666</b>

Other operating expenses include depreciation and amortization (excluding intangible assets acquired in acquisitions which is included in Sales and marketing expenses) and foreign exchange. In Q1 2017, the Corporation recorded a gain of \$8 (Q1 2016 – loss of \$501), respectively, related to the consolidation of foreign financial statements into the functional currency.

In addition to the depreciation and amortization expenses above, the amortization expense of database and technology licenses for the three-month period ended March 31, 2017 was \$220 (March 31, 2016 - \$220) is included in the cost of sales, and amortization expenses of customer relationships and backlog for the three-month period ended \$260 (March 31, 2016 - \$309) is included in the sales and marketing expenses.

### Finance income, net

	Three months ended March 31,	
	2017	2016
<b>Total</b>	<b>(\$4)</b>	<b>(\$6)</b>

The change is related to the Finance income earned from its cash balances and short term investments and is not material.

### Summary of Quarterly Results

The following table shows selected financial information for each of the eight most recently completed quarters reported below in thousands of dollars, except per share amounts.

	Fiscal 2017		Fiscal 2016		Fiscal 2015			
	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
<b>Symbility Property</b>	\$5,652	\$5,537	\$5,416	\$5,643	\$5,297	\$5,137	\$5,072	\$4,320
<b>Symbility Health</b>	\$1,597	\$1,612	\$1,510	\$1,576	\$1,562	\$1,456	\$1,253	\$1,266
<b>Symbility Strategic Services</b>	\$2,086	\$1,877	\$1,767	\$1,446	\$1,052	\$1,496	\$1,472	\$42
<b>Consolidated Revenue</b>	\$9,335	\$9,026	\$8,693	\$8,665	\$7,911	\$8,075	\$7,787	\$5,628
<b>Adjusted EBITDA</b>	(\$363)	\$66	\$264	\$286	(\$553)	\$776	\$512	(\$797)
<b>Net Income (Loss)</b>	(\$1,134)	(\$597)	(\$530)	(\$718)	(\$1,521)	(\$876)	(\$864)	(\$2,395)
<b>Net Income (Loss) per share <sup>(1)</sup></b>	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.01)

<sup>(1)</sup> Basic and fully diluted per share, rounded to the nearest cent in each quarter

Over the past eight quarters, revenue has changed for the following reasons:

- Symbility Property revenue increased from new and existing customers.
- Symbility Health has incremental growth in existing customers.
- Symbility Strategic Services was acquired in Q2 2015 and revenue was generated from its professional service contracts. Q1 2016 revenue was impacted by the timing of new contracts starting, but subsequently has shown consistent growth.

Historically, Symbility Property revenue was based in part on claims volumes and typically has higher claims in the second and third quarter based on seasonal weather effects. As the result of the growth in breadth and depth of our customer base and the evolution of the pricing model to annual licenses, this seasonality has been reduced. Symbility Health has limited seasonality other than the timing of health claims. Symbility Strategic Services has limited seasonality associated with the number of billable days in a quarter and timing of new contracts.

Adjusted EBITDA is impacted by the seasonality of the revenue, the cost base of the segment and the timing of activities such as marketing events generally determined by the industry.

#### **Liquidity and Capital Resources**

The Corporation has a working capital surplus of \$6,974 at March 31, 2017 as compared to \$7,432 of working capital surplus at December 31, 2016.

The Corporation's current assets consist of cash and cash equivalents of \$7,942, accounts receivable of \$8,067, prepaid expenses of \$1,211, and tax credits receivable of \$482. Current liabilities consist of accounts payable of \$1,478, accrued liabilities of \$5,090, provisions of \$870 and deferred revenue of \$3,290.

The Corporation believes it is sufficiently capitalized with a working capital surplus of \$6,974 at March 31, 2017. The Corporation's commitments disclosed in the 2016 Annual MD&A issued on April 10, 2017 are substantially unchanged at this time.

#### **Capital Resources**

Management has decided that it is essential to invest in additional computer equipment and software to support the growth of the Corporation. Subsequent to March 31, 2017, the Corporation has entered into commitments for capital expenditures under this plan of approximately \$175.

#### **Off Balance Sheet Arrangements**

The Corporation did not enter into any off balance sheet arrangements during the period ended March 31, 2017.

#### **Related Party Transactions**

For the three-month period ended March 31, 2017, the Corporation expensed \$583 (March 31, 2016 - \$506) 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 March 31, 2017, the Corporation owed \$428 (December 31, 2016 - \$349) to MSB.

For the three-month period ended March 31, 2017, the Corporation earned \$222 (March 31, 2016 - \$95) for software provided to CoreLogic. As at March 31, 2017, the Corporation had receivables of \$18 (December 31, 2016 - \$18) due from CoreLogic for software provided.

### **Significant Accounting Policies and Critical Accounting Estimates**

We describe our significant accounting policies and critical accounting estimates in Note 3 to the audited consolidated financial statements and the MD&A for the year ended December 31, 2016. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Corporation's annual consolidated financial statements for the year ended December 31, 2016.

The following new accounting standard applied or adopted during the three month period ended March 31, 2017 had no material impact on the unaudited interim condensed consolidated financial statements.

### ***Disclosure Initiative Amendments to IAS 7 Statement of Cash Flows ("IAS 7")***

In 2016, the IASB issued amendments to IAS 7. The amendments are intended to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Corporation is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

### **Changes in Accounting Policies Not Yet Adopted**

The following accounting pronouncements issued by the International Accounting Standards Board ("IASB") were not effective as of March 31, 2017. Management is currently evaluating the potential impact the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements:

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

In 2016, the IASB issued the final amendments to IFRS 2 Share-based Payment ("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.

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

In July 2014, the IASB issued the final amendments to IFRS 9, which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation is in the process of evaluating the impact of these amendments on its consolidated financial statements.

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

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of 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. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Corporation is evaluating the effect that IFRS 15 will have on its consolidated financial statements, and related disclosures, as well as the transition method to apply the new standard.

### ***IFRS 16 Leases ("IFRS 16")***

In 2016, the IASB issued IFRS 16, Leases, 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, Revenue from Contracts with Customers ("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.

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

In 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("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. On initial application, entities have the option to apply either retrospectively or prospectively.

## **Financial Instruments and Risk Management**

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable and other, loan receivables, accounts payable and accrued liabilities and finance lease obligations and their carrying value approximates fair value due to their immediate or short-term maturity.

## **Risks and Uncertainties**

The results of operations and financial condition of the Corporation are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of Management. For a detailed discussion regarding the relevant risks and uncertainties, see the Corporation's annual MD&A for the year ended December 31, 2016. There have been no changes during the period ended March 31, 2017.

## **Foreign Currency risk**

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 accounts receivable and accounts payable by foreign currency are as follows:

<i>As at March 31, 2017 and December 31, 2016</i>	<b>2017</b>	2016
<b>Accounts Receivable</b>		
U.K. pound sterling	<b>17%</b>	17%
U.S. dollars	<b>30%</b>	15%
<b>Account payable and accrued liabilities</b>		
U.S. dollars	<b>20%</b>	18%

The Corporation's revenues and expenses by foreign currency are as follows:

	Three months ended March 31,	
	<b>2017</b>	2016
<b>Revenue</b>		
U.K. pound sterling	<b>15%</b>	21%
U.S. dollars	<b>36%</b>	38%
<b>Expenses</b>		
U.S. dollars	<b>23%</b>	29%

## **Credit risk**

As at March 31, 2017, the largest amounts due from one customer accounted for 13% of the Corporation's total accounts receivable (December 31, 2016 – no customer). This receivable has been collected subsequently to March 31, 2017.

## **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 March 31, 2017, the Corporation was holding cash and cash equivalents of \$7,942 (December 31, 2016 - \$7,976).

**Disclosure of Outstanding Share Data**

The following table summarizes each of the equity securities outstanding as of the date hereof:

<b><u>Equity Security</u></b>	<b><u>Number Outstanding</u></b>
Common Shares	238,973,840
Restricted Shares	1,000,000
Warrants	1,000,000
Stock Options	20,205,855

**Additional Information**

Additional information concerning the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).