# SUMMARY FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

March 16, 2018

The following "Summary Financial Information and Management's Discussion and Analysis of Results of Operations and Financial Condition" ("MD&A") was prepared by Management of ProntoForms Corporation ("ProntoForms" or the "Company") and approved by the Board of Directors of the Company (the "Board of Directors"). Throughout this MD&A, unless otherwise specified, "ProntoForms", "Company", "we", "us" and "our" refer to ProntoForms Corporation and its subsidiaries.

This annual MD&A discusses material changes in our financial condition, financial performance and cash flows for the years ended December 31, 2017 and 2016. Such discussion and comments on liquidity and capital resources of the Company should be read in conjunction with our audited financial statements and related notes for the years ended December 31, 2017 and 2016, which has been prepared in Canadian dollars using International Financial Reporting Standards ("IFRS").

All amounts herein are in Canadian dollars unless otherwise stated.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the annual filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying financial statements.

Alvaro Pombo, Chief Executive Officer, and David Croucher, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the annual financial report and this MD&A (the "the annual Filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the annual filings; and (b) the annual financial report together with the other financial information included in the annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the annual Filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## FORWARD LOOKING STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements, including those identified by the expressions such as "anticipate", "believe", "estimate", "expect", "foresee", "intend", "plan", or similar expressions to the extent that they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current assumptions and expectations regarding future events. Forward-looking statements in this MD&A include but are not limited to statements regarding subscriber additions, the variability of our revenues going forward, our intentions to pursue or focus on particular customers or segments, our expectations as to trends for certain categories of revenues and expenses, anticipated market trends and technology adoption by our customers and industry peers, anticipated growth in revenue and expenses, the potential impacts of additional expenditures on revenue growth rates, the sufficiency of cash on hand and the Company's ability to obtain financing necessary to continue operations. There can be no assurance that such statements will prove to be accurate, and actual results and future events may differ materially from those anticipated in such statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions, including but not limited to the following: (i) there can be no assurance that the Company will earn any profits in the future or that profitability, if achieved, will be sustained; (ii) if the Company is not able to achieve profitability, it will require additional equity or debt financing, and there can be no assurances that the Company will be able to obtain additional financial resources on favourable commercial terms or at all; (iii) the Company's quarterly revenues and operating results may fluctuate, which may harm its results of operations; (iv) the loss of business from a major customer, operator or other reseller could reduce the Company's sales and harm its business and prospects; (v) a portion of the Company's sales are through operators and other resellers, and an adverse change in the Company's relationship with any of such operators or other resellers may result in decreased sales; (vi) the market for software as a service is at a relatively early stage of development, and if it does not develop or develops more slowly than expected, the Company's business will be harmed; (vii) the Company faces competition from other software solution providers, which may reduce its market share or limit the prices it can charge for its software solutions; (viii) a global economic downturn or market volatility may adversely affect our business and/or our ability to complete new financings; (ix) the business of the Company may be harmed if it does not continue to penetrate markets; (x) the success of the business depends on the Company's ability to develop new products and enhance its existing products; (xi) the Company's growth depends in part on the success of its strategic relationships with third parties; (xii) the financial condition of third parties may adversely affect the Company; (xiii) the US dollar may fluctuate significantly compared to the Canadian dollar, causing reduced revenue and cash flow as most of our revenues are received in US dollars while most of our expenses are payable in Canadian dollars; (xiv) subscription services which produce the majority of the Company's revenue are hosted by a third party service for the Company and any interruption in service could harm its results of operations; (xv) the Company may be liable to its customers or third parties if it is unable to collect data or it otherwise loses data; (xvi) the Company may be liable to its customers or third parties if it mishandles personal information; (xvii) litigation, including intellectual property claims against the Company, may be time consuming, costly to defend, and disruptive to the business; (xviii) the Company uses open source software in connection with its products which exposes it to uncertainty and potential liability; (xix) economic uncertainty and downturns in the software market may lead to decreases in the Company's revenue and margins; (xx) any significant changes in the technological paradigm utilized for building or delivering applications in Smartphone devices could harm the Company's business and prospects; and (xxi) if the Company loses any of its key personnel, its operations and business may suffer. Please see "Risk Factors Affecting Future Results" for a more complete discussion of these and other risks. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

**BUSINESS OVERVIEW**

ProntoForms' mobile workflow solution is used in over 2,500 businesses to collect and analyze field data with smartphones and tablets. The solution is an intuitive, secure, and scalable software as a service (SaaS) for rapidly mobilizing field business processes with a low total cost of ownership. The solution can be used standalone, or as a mobile-first front end to existing systems of record. The solution is a no code platform that allows business users and IT teams to quickly create and deploy custom mobile applications.

We have a broad cross section of customers in diverse industries, however our prime focus is in four key areas where we have technology/reseller partnerships and portfolios of accounts; Field Service Management, Environmental Health & Safety, Fleet Management and Field Sales Enablement. Typically, our initial sale is to the leaders of field or sales operations. In larger organizations, we often obtain broader adoption through internal IT channels as they value to the simplicity, functionality, and portability of the solution. We are focusing on a replicable expansion approach for these medium and large enterprise customers to achieve broader adoption in other regions and across other business processes.

We sell directly and co-market our solution with multiple partners that include independent software vendors, implementation partners, and other industry specific resellers in multiple geographies.

Our operator channel makes up approximately 35% of our recurring revenue. This channel provided our strongest growth from 2010 through 2015. In recent years, our non-operator channels have grown at a faster rate led by the direct inside sales motion and now constitute approximately 65% of our recurring revenue. While our direct sales resources provide us access to decision makers in a wide range of companies, we are targeting new enterprise sales through partners and resellers. We believe that these partners and resellers provide faster and better access to the decision makers in large enterprises. We have shifted resources and investment to accelerate sales through partners and resellers that have existing large enterprise relationships.

We compete in a mobile business application market that remains highly fragmented. Recent developments have seen early consolidation among niche providers focused on a narrow set of technology or targeted to a very specific vertical industry segment. While we do not consider these patterns to be unusual for an emerging industry, market dynamics, combined with our company size, suggest that the abundance of applications, devices, and software vendors will continue to impact decision-making and implementation cycles by our customers.

The conditions outlined above could add significant variability, and we caution readers that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as the only indication of likely future performance or annual operating results.

**OUTLOOK**

The threat of technology disrupting business, the increased demand for mobile apps, and the shortage of resources to build them, is influencing field service executives and IT teams to look into rapid mobile application development frameworks to complement their field force automation initiatives. In addition, the rapid evolution of other infrastructure enablers, including smartphones and tablets, cloud services for back office systems, data storage, and demand for data and analytics to measure and improve business processes is another favorable trend supporting our growth.

As at December 31, 2017, we had not yet achieved profitable operations and had accumulated losses since inception. Our success depends on our ability to increase revenues and achieve profitable operations or obtain additional financing through debt and/or equity arrangements. We believe that our cash on hand at the date of this report is sufficient to fund our operations through at least 2018.

While we currently expect that certain sales-related efforts and financing initiatives, if needed, will provide sufficient cash flow for us to continue operations in our present form, there is a risk that we may not be able to obtain sufficient other additional financing or that such arrangements may result in dilution to existing shareholders. Turmoil and uncertainty in the financial and business markets may impact our ability to raise additional financing proceeds and the terms related to the financing. If we are unable to secure required additional financing, we may not be able to meet our obligations as they come due, or to fully implement our intended plan of operations, raising substantial doubts as to our ability to continue as a going concern. There is no assurance that we will attain sufficient revenues to achieve and sustain profitability.

See "Forward Looking Statements" above.

**RECENT DEVELOPMENTS**

During the year ended December 31, 2017, 1,429,532 common shares were issued upon the exercise of options for proceeds of $270,318.

On June 21, 2017, the Company completed a private placement resulting in gross proceeds of $5,774,396. The private placement involved the sale of 15,195,780 units at an issue price of $0.38 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to acquire one common share of the Company at an additional purchase price of $0.48 per share at any time up to 24 months from the closing date.

Proceeds of $5,274,400 were brokered subject to a cash fee equal to $309,579 plus 814,683 compensation options that entitle the holder to purchase common shares at $0.38 per share for a period of twelve months from the closing date.

During the year ended December 31, 2016, 1,549,084 common shares were issued upon the exercise of options for proceeds of $233,718.

In 2016, the Company entered into a financing agreement with BDCC, for a $4 million five-year secured term credit facility bearing interest at a fixed rate of 7% per year (the "2016 Loan"). The credit facility provided for the disbursement of funds in stages subject to the Company meeting certain conditions.

The disbursements were received as follows:

- $2 million was received in September 2016,
- $1 million was received in March 2017 and
- $1 million was settled against the remaining 2012 Loan obligation in November 2017.

In addition, pursuant to the financing agreement, BDCC received warrants entitling them to acquire up to 4,350,000 common shares of the Company at a price per share of $0.45. The term of the warrants is five years and BDCC's ability to exercise the warrants was vested as the disbursements were received according to the schedule as follows:

- 2,175,000 warrants vested in September 2016
- 1,087,500 vested March 2017 and
- 1,087,500 vested November 2017

## PRESENTATION OF FINANCIAL STATEMENTS

### Selected Annual Financial Information

#### Statement of Operations Data

| | Year ended December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| Revenue | **$ 12,772,908** | $ 11,787,891 | $ 9,192,287 |
| Loss from operations | **(4,203,456)** | (3,359,757) | (2,686,506) |
| Net loss and total comprehensive loss | **(5,001,194)** | (3,721,942) | (2,609,354) |
| Non-GAAP Loss from operations [1] | **(3,426,954)** | (2,719,807) | (2,076,016) |
| Non-GAAP Net loss [1] | **(3,895,706)** | (2,901,863) | (1,762,568) |
| Basic and diluted loss per share | **$ (0.05)** | $ (0.04) | $ (0.03) |

*[1] See Non-GAAP meausures below.*

#### Balance Sheet Data

| | As at December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| Cash and cash equivalents | **$ 6,366,189** | $ 3,861,057 | $ 3,987,388 |
| Net working capital | **5,568,335** | 1,836,864 | 4,299,347 |
| Total assets | **9,227,213** | 6,215,072 | 7,243,792 |
| Long-term liabilities | **3,462,471** | 1,803,438 | 1,820,451 |
| Total liabilities | **6,716,960** | 5,674,996 | 4,306,413 |
| Total shareholders' equity | **$ 2,510,253** | $ 540,076 | $ 2,937,379 |

## DISCUSSION OF OPERATIONS

### Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 | Change from 2016 to 2017 | |
|---|---|---|---|---|
| Revenue | | | | |
| Recurring revenue | **$ 11,663,056** | $ 10,621,011 | $ 1,042,045 | 10% |
| Professional and other services | **1,109,852** | 1,166,880 | (57,028) | -5% |
| | **12,772,908** | 11,787,891 | 985,017 | 8% |
| Cost of revenue | | | | |
| Recurring revenue | **1,158,292** | 1,137,774 | 20,518 | 2% |
| Professional and other services | **1,194,435** | 990,836 | 203,599 | 21% |
| | **2,352,727** | 2,128,610 | 224,117 | 11% |
| Gross margin | **10,420,181** | 9,659,281 | 760,900 | 8% |
| Expenses | | | | |
| Research and development | **4,985,086** | 4,101,109 | 883,977 | 22% |
| Selling and marketing | **6,555,777** | 6,083,639 | 472,138 | 8% |
| General and administrative | **3,082,774** | 2,834,290 | 248,484 | 9% |
| | **14,623,637** | 13,019,038 | 1,604,599 | 12% |
| Loss from operations | **(4,203,456)** | (3,359,757) | (843,699) | 25% |
| Foreign exchange gain (loss) | **(203,090)** | (58,748) | (144,342) | nm |
| Interest and accretion | **(485,457)** | (262,023) | (223,434) | nm |
| Change in fair value of derivative liability | **(109,191)** | (41,414) | (67,777) | nm |
| NET LOSS AND TOTAL COMPREHENSIVE LOSS | **$ (5,001,194)** | $ (3,721,942) | $ (1,279,252) | 34% |

nm - not considered meaningful

### Revenue

We earn recurring revenue primarily from our ProntoForms and related services provided on a subscription basis.

We also generate other services revenue by offering professional services such as consultancy, form customization, software integration and installation. After the initial subscription sale, customers may purchase additional professional services for the development of incremental forms, or integration to other back-office applications.

Our revenue is generated through a combination of direct and indirect sales. We have entered into distribution agreements with several resellers across North America, South America and Western Europe, as well as certain system integrators, mobile device manufacturers, and mobile operators. Our current focus is on building sales through direct and select partner and reseller channels as we believe this will provide us with the best opportunity for broad based subscription revenue growth. We expect that this increasingly global distribution network will provide us with broad worldwide reach to capitalize on the expected growth in the mobile business application software market.

**Revenue detail – annual**

| | Year Ended | | | |
|---|---|---|---|---|
| | December 31, 2017 | December 31, 2016 | Change from 2017 to 2016 | |
| Revenue | | | | |
| Recurring revenue | $ 11,663,056 | $ 10,621,011 | $ 1,042,045 | 10% |
| Professional services revenue | 860,156 | 778,330 | 81,826 | 11% |
| Other services revenue | 249,696 | 388,550 | (138,854) | -36% |
| | $ 12,772,908 | $ 11,787,891 | $ 985,017 | 8% |

Total revenue for the year ended December 31, 2017 was $12,772,908 compared to $11,787,891 for the year ended December 31, 2016, representing an increase of 8%.

Recurring revenue for the year ended December 31, 2017 was $11,663,056 compared to $10,621,011 in 2016 representing an increase of 10%. Approximately 88% of the recurring revenue base is in US dollars and the strengthening of the Canadian dollar against the US dollar had an impact on our recurring revenue growth and results.

Recurring revenue from non-operator channel increased to $7,612,321 for the year ended December 31, 2017, compared to $5,785,939 for 2016, representing non-operator revenue growth of 32%. Non-operator recurring revenue continues to show consistent growth and represents 65% of recurring revenue for the year ended December 31, 2017, compared to 54% in 2016.

Recurring revenue from operator channels decreased to $4,050,735 for the year ended December 31, 2017 compared to $4,835,072 for 2016, representing operator revenue decrease of 16%.

Professional services revenue increased to $860,156 for the year ended December 31, 2017 compared to $778,330 in 2016, representing an increase of 11%. Professional service revenue mainly relates to the deployment of new subscriptions and tends to generally follow the growth pattern of subscription revenue. See "Forward Looking Statements" above.

Other services revenue decreased to $249,696 for the year ended December 31, 2017 compared to $388,550 in 2016, representing a decrease of 36%. Revenue from these contracts is recognized as the services are performed and is subject to variability from the availability of contracts from customers and availability of resources to perform the work due to competing marketing and product development objectives.

**Cost of Revenue and Gross Margin**

Cost of recurring revenue consists of hosting, software and support department costs. Cost of professional and other services revenue includes personnel and other costs for deployment and analytics services and other marketing and development costs as needed.

| | Year Ended | |
|---|---|---|
| | December 31, 2017 | December 31, 2016 |
| Gross Margin on: | | |
| Total revenue | 82% | 82% |
| Recurring revenue | 90% | 89% |
| Professional services | -15% | -4% |
| Other services | 19% | 53% |

Total revenue gross margin for the year ended December 31, 2017 was $10,420,181 representing 82% of revenue compared to $9,659,281 representing 82% for the year ended December 31, 2016.

Recurring revenue gross margin was $10,504,764 representing 90% of recurring revenue for the year ended December 31, 2017, compared $9,483,237 representing 89% in 2016.

Professional services had a negative margin of ($133,055), representing – 15% of professional services revenue for the year ended December 31, 2017 compared to a negative margin of ($31,305), or -4% in 2016. The higher negative margin in 2017 related to large discounts or free professional services offered for the introduction of new channels or other offerings that were more prevalent earlier in 2017.

Other services had a positive margin of $48,472, representing 19% of other revenue for the year ended December 31, 2017 compared to a margin of $207,349, or 53% for 2016. In 2016, there was larger availability of contracts from co-marketing customers related to other services which increased the overall gross margin.

**Research and Development Expenses**

Research and development expenses consist primarily of remuneration paid to engineering personnel and independent contractors whom we occasionally use to provide additional technical capacity on a short-term basis. Other research and development expenses include travel, rent and other occupancy costs for our engineering and technical support personnel.

For the year ended December 31, 2017, research and development expense increased to $4,985,086 from $4,101,109 for 2016. Research and development expenses are shown net of investment tax credits ("ITC's") of approximately $170,000 and proceeds from other Government programs of approximately $11,000 for 2017 compared to $120,000 of ITC's and other Government proceeds of approximately $177,000 for the same period in 2016. The increase of ITC's in 2017 was due to the successful finalization of an audit for 2015 ITC's and the resulting reversal of a reserve of approximately $50,000 against the claim. We expect that the ITC's will accrue at approximately $25,000 to $30,000 per quarter in the short term and we will continue to pursue additional funding under Government funding programs.

Gross research and development costs increased over the course of 2017 as we added resources to expand the development of the product capabilities. We expect R&D to increase moderately in 2018. See "Forward Looking Statements" above.

**Selling and Marketing Expenses**

Our sales and marketing expenses consist primarily of compensation, including sales commissions paid to our sales and marketing personnel. Other significant sales and marketing expenses include travel and living costs for the sales and marketing staff, and other advertising, promotion and trade show costs.

Our sales and marketing expenses increased in the year ended December 31, 2017 to $6,555,777 from $6,083,639 for 2016. Sales and marketing expense increased from prior year primarily due to increased spending on other advertising, promotion, and trade shows. We expect that sales and marketing expense will increase slightly with added resources and with the accrual of variable sales compensation on new sales. See "Forward Looking Statements" above.

**General and Administrative Expenses**

Our general and administrative expenses consist primarily of remuneration paid to executive, finance, legal and corporate administrative staff. Other significant general and administrative expenses include legal and accounting professional fees, travel and insurance.

Our general and administrative expenses increased to $3,082,774 for the year ended December 31, 2017 compared to $2,834,290 for the same period in 2016. We expect that general and administrative expenses will continue to increase slightly as we add infrastructure to support growth in operations and subscribers. See "Forward Looking Statements" above.

**Foreign Exchange Gain (Loss) and Interest Expense**

Foreign exchange gain (loss) relates primarily to the impact of the relative strength of the Canadian dollar against the US dollar on the Company's US denominated monetary assets and liabilities. The Company realized a loss of approximately $203,000 in 2017 due to the effect on net US dollar monetary assets from the US dollar decreasing in value compared to the Canadian dollar.

**Interest and accretion**

Interest and accretion relates primarily to the interest of two BDC loan obligations from 2012 and 2016. The BDCC 2012 loan includes interest of 8.5% per annum that is accrued and paid monthly on the $1,000,000 BDCC 2012 loan plus accretion of the discounts applied at the inception of the loan resulting from loan costs and the bifurcation of the derivative liabilities from the loan amount. This loan obligation was settled in November 2017. The 2016 BDCC loan includes interest of 7% per annum that is accrued and paid monthly on the first $2,000,000 BDCC 2016 loan received in 2016, the second $1,000,000 BDCC 2016 loan received in late March 2017 and third $1,000,000 BDCC 2016 loan received in November 2017. In addition, accretion of the discounts applied at the inception of the loan resulting from loan costs and the bifurcation of the derivative liability and the warrants issued to the debt holder from the loan amount.

**Change in fair value of derivative liability**

The derivative liabilities relates to 1) bonus payments as a percentage of future sales of the Company and 2) interest ratchet derivative that relates to the increase in interest if annual recurring revenue ("ARR") growth is less than 30% calculated based on the audited year-end financial statements beginning with the year ended December 31, 2016. The derivative liability is revalued by management at the end of each reporting period. The sales related derivative was settled in equal tranches from June 2017 through November 2017 and as at December 31, 2017, the only remaining derivative related to the interest ratchet.

**Loss from operations, Net loss and total comprehensive loss**

| | Year Ended | | | |
|---|---|---|---|---|
| | **December 31, 2017** | **December 31, 2016** | **Change from 2016 to 2017** | |
| Loss from operations | **$ (4,203,456)** | $ (3,359,757) | $ (843,699) | 25% |
| Net loss and total tomprehensive Loss | **(5,001,194)** | (3,721,942) | (1,279,252) | 34% |
| Non-GAAP Loss from operations [1] | **(3,426,954)** | (2,719,807) | (707,148) | 26% |
| Non- GAAP Net Loss [1] | **$ (3,895,706)** | $ (2,901,863) | $ (993,843) | 34% |

*[1] - See Non-GAAP Measures below.*

The Company had a net loss of $5,001,194 for the year ended December 31, 2017 compared to a net loss of $3,721,942 for the year ended December 31, 2016.

Loss from operations (see Additional GAAP Measures below) was $4,203,456 for the year ended December 31, 2017 up from $3,359,757 for the year ended December 31, 2016 representing an increased operating loss of $843,699 or 25%. The increase in operating loss is attributed to an increase in operating expenses of $1,604,599 or 12%, offset by the increase of gross margin of $760,900 or 8%. The increase in operating loss over 2016 is attributed to a conscious approach to invest in our transition to enterprise customer focus and advance our enterprise product capabilities. See "Forward Looking Statements" above.

## Three Months Ended December 31, 2017 Compared to Three Months Ended December 31, 2016

| | Three months ended December 31, 2017 | Three months ended December 31, 2016 | Change from Q42016 to Q42017 | | Three months ended September 30, 2017 | Change from Q32017 to Q42017 | |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| Recurring revenue | **$ 3,020,793** | $ 2,801,858 | $ 218,935 | 8% | $ 2,813,541 | 207,252 | 7% |
| Professional and other services | **346,039** | 221,355 | 124,684 | 56% | 239,724 | 106,315 | 44% |
| | **3,366,832** | 3,023,213 | 343,619 | 11% | 3,053,265 | 313,567 | 10% |
| Cost of revenue | | | | | | | |
| Recurring revenue | **329,658** | 300,620 | 29,038 | 10% | 291,685 | 37,973 | 13% |
| Professional and other services | **341,940** | 226,778 | 115,162 | 51% | 282,859 | 59,081 | 21% |
| | **671,598** | 527,398 | 144,200 | 27% | 574,544 | 97,054 | 17% |
| Gross margin | **2,695,234** | 2,495,815 | 199,419 | 8% | 2,478,721 | 216,513 | 9% |
| Expenses | | | | | | | |
| Research and development | **1,343,297** | 1,099,487 | 243,810 | 22% | 1,212,319 | 130,978 | 11% |
| Selling and marketing | **1,700,792** | 1,480,061 | 220,731 | 15% | 1,590,154 | 110,638 | 7% |
| General and administrative | **862,242** | 830,021 | 32,221 | 4% | 704,375 | 157,867 | 22% |
| | **3,906,331** | 3,409,569 | 496,762 | 15% | 3,506,848 | 399,483 | 11% |
| Loss from operations | **(1,211,097)** | (913,754) | (297,343) | 33% | (1,028,127) | (182,970) | 18% |
| Foreign exchange gain (loss) | **(10,659)** | 60,629 | (71,288) | nm | (95,067) | 84,408 | nm |
| Interest and accretion | **(110,027)** | (106,941) | (3,086) | nm | (149,673) | 39,646 | nm |
| Change in fair value of derivative liability | **(12,495)** | (50,595) | 38,100 | nm | (27,762) | 15,267 | nm |
| NET LOSS AND TOTAL COMPREHENSIVE LOSS | **$ (1,344,278)** | $ (1,010,661) | $ (333,617) | 33% | $ (1,300,629) | $ (43,649) | 3% |

nm - not considered meaningful

### Revenue detail – fourth quarter

| | Three months ended December 30, 2017 | Three months ended September 30, 2017 | Three months ended Decemeber 31 2016 | Change from Previous 2017 Q3 | Change from Comparable 2016 Q4 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Recurring revenue | $ 3,020,793 | $ 2,813,541 | $ 2,801,858 | 7% | 8% |
| Professional services revenue | 233,054 | 183,022 | 185,280 | 27% | 26% |
| Other services revenue | 112,985 | 56,702 | 36,075 | 99% | 213% |
| | $ 3,366,832 | $ 3,053,265 | $ 3,023,213 | 10% | 11% |

Total revenue for the three months ended December 31, 2017, was $3,366,832 compared to $3,053,265 in the third quarter of 2017, and $3,023,213 for the comparable fourth quarter of 2016, representing an increase of 10% and 11% respectively.

Recurring revenue for the three months ended December 31, 2017 was $3,020,793, compared to $2,813,541 in the third quarter of 2017, and $2,801,858 for the comparable fourth quarter of 2016, representing an increase of 7% and 8% respectively.

Recurring revenue from non-operator channels for the three months ended December 31, 2017, increased to $2,094,340 compared to $1,859,305 in the third quarter of 2017, and $1,683,520 for the comparable fourth quarter of 2016, representing non-operator revenue increase of 13% and 24% respectively.

Recurring revenue from operator channels for the three months ended December 31, 2017, decreased to $926,453 compared to $954,236 in the third quarter of 2017, and $1,118,338 for the comparable fourth quarter of 2016, representing operator revenue decrease of 3% and 17% respectively.

Professional services revenue for the three months ended December 31, 2017 was $233,054, compared to $183,022 in the third quarter of 2017 and $185,280 for the comparable fourth quarter in 2016.

Other services revenue for the three months ended December 31, 2017 was $112,985, compared to $56,702 in the third quarter of 2017 and $36,075 for the comparable fourth quarter in 2016. Revenue from these contracts is recognized as the services are performed and is subject to variability from the availability of contracts from customers and availability of resources to perform the work due to competing marketing objectives.

**Gross margin – quarterly detail**

| | Three months ended | | |
|---|---|---|---|
| | December 31, 2017 | September 30, 2017 | December 31 2016 |
| Gross Margin on: | | | |
| Total revenue | 80% | 81% | 83% |
| Recurring revenue | 89% | 90% | 89% |
| Professional services | -8% | -30% | -14% |
| Other services | 20% | 21% | 55% |

Total revenue gross margin for the three months ended December 31, 2017 was $2,695,234 representing 80% of revenue compared to gross margin of $2,478,721 representing 81% in the third quarter of 2017, and $2,495,815 representing 83% of revenue in the comparable fourth quarter in 2016.

Recurring revenue gross margin for the three months ended December 31, 2017 was $2,691,135 representing 89% of recurring revenue compared to gross margin of $2,521,856 representing 90% of recurring revenue in the third quarter of 2017, and $2,501,238 representing 89% of recurring revenue in the comparable fourth quarter in 2016.

Professional services gross margin for the three months ended December 31, 2017 was ($18,472), or -8% of professional services revenue, compared to a margin of ($54,837), or -30% for the third quarter of 2017, and a negative margin of ($25,363), or -14% for the comparable fourth quarter in 2016. The negative margin related to large discounts or free professional services offered for the introduction of new channels or other new offerings that were more prevalent earlier in 2017.

Other services gross margin for the three months ended December 31, 2017 was $22,571, representing 20% of other revenue compared to a gross margin of $11,702, or 21% for the third quarter of 2017, and $19,940, or 55% in the comparable fourth quarter in 2016.

**Loss from operations, Net loss and total comprehensive loss – quarterly detail**

| | Three months ended | | | | Three months ended | | |
|---|---|---|---|---|---|---|---|
| | **December 31, 2017** | **December 31, 2016** | **Change from Q42016 to Q42017** | | **September 30, 2017** | **Change from Q32017 to Q42017** | |
| Loss from operations | **$ (1,211,097)** | $ (913,754) | $ (297,343) | 33% | $ (1,028,127) | (182,970) | 18% |
| Net loss and total comprehensive Loss | **(1,344,278)** | (1,010,661) | (333,617) | 33% | (1,300,629) | (43,649) | 3% |
| Non-GAAP Operating Loss [1] | **(972,720)** | (621,708) | (351,012) | 56% | (862,780) | (109,940) | 13% |
| Non- GAAP Net Loss [1] | **$ (1,030,419)** | $ (616,799) | $ (413,620) | 67% | $ (1,038,044) | 7,626 | -1% |

*[1] - See Non-GAAP Measures below.*

The Company had a net loss of $1,344,278 for the three months ended December 31, 2017 compared to a net loss of $1,010,661 for the three months ended December 31, 2016 and a net loss of $1,300,629 for the previous third quarter in 2017. Loss from operations (see Additional GAAP Measures below) was $1,211,097 for the three months ended December 31, 2017, up from $913,754 for the three months ended December 31, 2016, and up from $1,028,127 for the previous third quarter in 2017.

Non-GAAP operating loss (see Non-GAAP Measures below) was $972,720 for the three months ended December 31, 2017, up from $621,708 for the comparable fourth quarter of 2016 and up from $862,780 for the previous third quarter of 2017. The increase in operating loss in the fourth quarter of 2017 over the previous third quarter in 2017 can be attributed to a conscious approach to invest in our transition to enterprise customer focus and advance our enterprise product capabilities. See “Forward Looking Statements” above.

Non-GAAP loss (see Non-GAAP Measures below) was $1,030,419 for three months ended December 31, 2017, up from $616,799 for the comparable fourth quarter of 2016 and down slightly from $1,038,419 for the previous third quarter of 2017.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company had cash and cash equivalents of $6,366,189 and net working capital of $5,568,335. We manage our capital, being cash and cash equivalents, shareholders' equity and debt, with the primary objective of safeguarding working capital for use in operations. We may periodically use debt in the future to finance capital requirements. The Board of Directors has not established capital benchmarks or other targets.

### *Operations*

Cash used in operating activities for the year ended December 31, 2017 totaled $3,223,200 compared to $2,035,160 for 2016. The increase in cash used in operations can primarily be attributed to an increase in net loss of $1,279,000, and a decrease in changes in cash from working capital items of $162,000, offset by an increase in non-cash expenses including share–based compensation of $137,000, and accretion on long-term debt of $81,000.

We intend to continue to increase spending with the objective of growing our subscriber base and resulting revenues but we plan to control the amount we spend so that the net cash outflow from operations is managed against available liquidity and operational targets. See "Forward Looking Statements" above.

### *Financing Activities*

During the year ended December 31, 2017, 1,429,532 common shares were issued upon the exercise of options for proceeds of $270,318.

On June 21, 2017, the Company completed a private placement resulting in gross proceeds of $5,774,396. The private placement involved the sale of 15,195,780 units at an issue price of $0.38 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to acquire one common share of the Company at an additional purchase price of $0.48 per share at any time up to 24 months from the closing date.

Proceeds of $5,274,400 were brokered subject to a cash fee equal to $309,579 plus 814,683 compensation options that entitle the holder to purchase common shares at $0.38 per share for a period of twelve months from the closing date.

In 2016, the Company entered into a financing agreement with BDCC, for a $4 million five-year secured term credit facility bearing interest at a fixed rate of 7% per year (the "2016 Loan"). The credit facility provides for the disbursement of funds in stages subject to the Company meeting certain conditions. The first disbursement of $2 million was received in September 2016, the second disbursement of $1 million was received in March 2017, and the third disbursement of $1 million was received in November 2017. (*see Recent Developments above for additional detail*)

### *Investing Activities*

Purchases of property and equipment decreased from $268,641 for the year ended December 31, 2016 to $96,320 for the year ended December 31, 2017 and relate primarily for computers and office equipment for the day to day activities of employees. No purchases of intangible assets were made in 2017, compared to purchase of intangible assets of $10,341 for the year ended December 31, 2016. We currently have no material commitments for capital expenditures.

## RECENT ACCOUNTING PRONOUNCEMENTS

*IFRS 9 Financial Instruments ("IFRS 9")*

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014, and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard began for annual periods beginning on or after January 1, 2018. The Company will begin to report under this standard for its reporting periods in 2018. IFRS 9 requires the Company to record expected credit losses on all trade receivables, either on a 12-month or lifetime basis.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company has transitioned to the standard effective January 1, 2018 and is using the modified retrospective approach. The Company has determined that the assessment of the impact of the adoption of this new revenue standard has no significant impact on the opening balance sheet.

*IFRS 16 – Leases ("IFRS 16")*

The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17 Leases. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and will be applying retrospective application of this standard.

## RELATED PARTY TRANSACTIONS, OTHER OBLIGATIONS AND CONTINGENCIES

The Company leases office premises from a company controlled by the Chairman of the Board. In addition to lease payments, the Company has insignificant software as a service commitments. The existing and new leases, and software commitments have the following minimum annual payments:

| | Lease | Other Commitments |
|---|---|---|
| | $ | $ |
| 2018 | 754,351 | 35,280 |
| 2019 | 754,351 | 24,180 |
| 2020 | 754,351 | 23,750 |
| 2021 | 765,706 | - |
| 2022 | 781,604 | - |
| 2023 and beyond | 455,935 | - |

For the year ended December 31, 2017, the expense incurred under the lease controlled by the Chairman of the Board was $695,282 (2016 - $487,685). The Company had $nil (2016 - $nil) owing related to rent associated with these leased premises at December 31, 2017.

Loans totaling $537,407 have been issued to the CEO to purchase common shares. The loans are non-interest bearing and principal is repayable at any time on or before the maturity dates. During the year ended December 31, 2017, the maturity dates of the CEO Share Purchase Loans were extended from September 5, 2017 to September 5, 2018.

The 2,668,488 common shares acquired under the CEO Share Purchase Loans are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. The market value of the underlying common shares for the CEO Share Purchase Loans as at December 31, 2017 was $933,971.

63,115 common shares were issued during the year ended December 31, 2017 to certain Management and Members of the Board of Directors upon the exercise of options at an average exercise price of $0.20.

The following table provides a summary of the rent and the Company's other contractual obligations outstanding as at December 31, 2017:

| | | | **Payments due by period** | |
|---|---|---|---|---|
| | **Total** | **Year 1** | **Years 2 - 3** | **Greater than 3 Years** |
| Office and other operating obligations | $ 4,349,509 | $ 789,631 | $ 1,556,632 | $ 2,003,246 |
| Derivative Liability - BDCC Loan | 450,000 | 50,000 | 250,000 | 150,000 |
| Long-term Debt - BDCC Loan | 4,000,000 | - | - | 4,000,000 |
| | $ 8,799,509 | $ 839,631 | $ 1,806,632 | $ 6,153,246 |

## SUMMARY OF OUTSTANDING SHARES AND DILUTIVE INSTRUMENTS

The authorized capital of the Company consists of an unlimited number of common shares, of which 110,192,630 common shares were issued and outstanding as of the date of this MD&A. In addition, the Company has warrants outstanding to purchase up to an aggregate of 11,947,890 common shares and agents' warrants to purchase an additional 814,683 common shares.

The stock option plan (the "Option Plan") of the Company is administered by the Board of Directors, which is responsible for establishing the exercise price (at not less than the Discounted Market Price as defined in the policies of the TSX Venture Exchange) and the vesting and expiry provisions. The maximum number of common shares reserved for issuance for options that may be granted under the Option Plan is 14,429,583. Options granted under the Option Plan to purchase up to an aggregate of 11,531,301 common shares are issued and outstanding.

Assuming that all of the outstanding options and warrants are vested and exercised, 134,486,504 common shares would be issued and outstanding on a fully diluted basis.

## QUARTERLY INFORMATION

| | Three months ended | | | |
|---|---|---|---|---|
| | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
| Revenue | $ 3,366,832 | $ 3,053,265 | $ 3,257,185 | $ 3,095,626 |
| Loss from operations | (1,211,097) | (1,028,127) | (949,628) | (1,014,604) |
| Net loss and comprehensive loss | (1,344,278) | (1,300,629) | (1,204,348) | (1,151,939) |
| Weighted average number of shares outstanding, basic and diluted | 107,474,577 | 107,418,744 | 92,760,990 | 90,635,594 |
| Net loss per common share, basic and diluted | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) |

| | Three months ended | | | |
|---|---|---|---|---|
| | December 31, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 |
| Revenue | $ 3,023,213 | $ 3,028,860 | $ 2,879,573 | $ 2,856,245 |
| Loss from operations | (913,754) | (719,717) | (827,408) | (898,878) |
| Net loss and comprehensive loss | (1,010,661) | (718,904) | (864,704) | (1,127,673) |
| Weighted average number of shares outstanding, basic and diluted | 90,489,865 | 90,421,333 | 89,350,391 | 89,023,423 |
| Net loss per common share, basic and diluted | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) |

The financial data in the preceding tables was prepared in accordance with IFRS and is presented in Canadian dollars.

## ADDITIONAL GAAP AND NON-GAAP MEASURES

This MD&A makes reference to certain Additional GAAP and Non-GAAP financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use Loss from Operations as an Additional GAAP Measure and we use Non-GAAP financial measures, including Non-GAAP Loss from Operations and Non-GAAP Net Loss, to provide investors with supplemental measures of our operating performance and to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

**Loss from Operations**

The Company uses "Loss from Operations" as an additional GAAP financial measure within the financial statements and MD&A but it is not a defined term under IFRS to assess performance. Management believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Loss from operations is calculated as total revenues less total operating expenses derived from the Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

**Non-GAAP Loss from Operations**

The Company uses "Non-GAAP Loss from Operations" as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Loss from Operations is calculated as follows:

| | Year ended December 31, | |
|---|---|---|
| **Non-GAAP Loss from Operations** | **2017** | **2016** |
| GAAP Loss from Operations | (4,203,456) | (3,359,757) |
| Add back: | | |
| Share based compensation | 776,502 | 639,950 |
| | (3,426,954) | (2,719,807) |

| | Three months ended | | |
|---|---|---|---|
| **Non-GAAP Loss from Operations** | December 31, 2017 | September 30, 2017 | December 31, 2016 |
| GAAP Loss from Operations | (1,211,097) | (1,028,127) | (913,754) |
| Add back: | | | |
| Share based compensation | 238,377 | 165,347 | 292,046 |
| | (972,720) | (862,780) | (621,708) |

Management use this information to measure operating results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

**Non-GAAP Net Loss**

The Company uses "Non-GAAP Net Loss" as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Loss from Operations is calculated as follows:

| | Year ended December 31, | |
|---|---|---|
| **Non-GAAP Net Income (Loss)** | **2017** | **2016** |
| GAAP Net Loss | (5,001,194) | (3,721,942) |
| Add back: | | |
| Share based compensation | 776,502 | 639,950 |
| Accretion on long-term debt | 219,795 | 138,715 |
| Change in fair value of derivative | 109,191 | 41,414 |
| | (3,895,706) | (2,901,863) |

| | Three months ended | | |
|---|---|---|---|
| **Non-GAAP Net Loss** | December 31, 2017 | September 30, 2017 | December 31, 2016 |
| GAAP Net Loss | (1,344,278) | (1,300,629) | (1,010,661) |
| Add back: | | | |
| Share based compensation | 238,377 | 165,347 | 292,046 |
| Accretion on long-term debt | 62,987 | 69,476 | 51,221 |
| Change in fair value of derivative | 12,495 | 27,762 | 50,595 |
| | (1,030,419) | (1,038,044) | (616,799) |

Management use this information to measure financial results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

**RISK FACTORS AFFECTING FUTURE RESULTS**

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

**Risks Related to the Business**

*Lack of Profitability*

At December 31, 2017, the Company had not yet achieved profitable operations and has accumulated losses since inception. There is no assurance that the Company will earn any profits in the future, or that profitability, if achieved, will be sustained. If the Company is not able to achieve profitability, it will require additional equity or debt financing, and there can be no assurances that the Company will be able to obtain additional financial resources on favourable commercial terms or at all. Failure to obtain such additional financial resources could affect the Company's plans for growth, or result in it being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the Company's business and its financial condition.

*The Company's quarterly revenues and operating results may fluctuate, which may harm its results of operations*

The Company recognizes subscription and support revenue over the terms of its customer agreements. As a result, most of the Company's quarterly revenue results from agreements that commenced in previous quarters. Consequently, a shortfall in demand for the Company's applications in any quarter may not significantly reduce its subscription and support revenue for that quarter, but could negatively affect subscription and support revenue in future quarters.

Some of the factors affecting the Company's revenue and results, many of which are outside of its control, include:

- competitive conditions in the Company's industry, including new products, product announcements and incentive pricing offered by its competitors;
- the Company's ability to hire, train and retain sufficient technical, sales, and professional services staff;
- the Company's ability to maintain existing relationships with channel partners and customers and to create new relationships with potential channel partners and customers;
- varying size, timing and contractual terms of orders for the Company's licenses or other services, which may delay the recognition of revenue;
- the discretionary nature of the Company's customers' purchase and budget cycles and changes in their budgets for, and timing of, software, equipment and related purchases;
- the length and variability of the sales cycles for the Company's products;
- order cancellations;
- market acceptance of new and enhanced versions of the Company's software applications;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the Company's ability to complete its service obligations related to sales in a timely manner;
- general weakening of the economy resulting in a decrease in the overall demand for the Company's applications and services;
- the geographical mix of the Company's sales, together with fluctuations in foreign currency exchange rates;
- changes in personnel and related costs;
- changes in the Company's pricing policies and the pricing policies of its competitors; and
- timing of product development and new product initiatives.

Because the Company's quarterly revenue could be dependent upon a relatively small number of large customer deployments, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause the Company to plan or budget inaccurately, and those variations could adversely affect its financial results.

In addition, because the expenses associated with generating customer agreements are generally incurred up front, but the resulting subscription and support revenue is recognized over the life of the customer agreement, increased growth in the number of customers may result in the Company's recognition of more upfront costs than offsetting subscription and support revenue in the earlier periods of the terms of the Company's agreements.

In light of the foregoing, quarter-to-quarter comparisons of the Company's operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results. Reductions in revenue or net income between quarters or the Company's failure to achieve expected quarterly earnings per share could cause the market price of the common shares to decline or have a material adverse effect on its business, financial condition and results of operations.

*Reliance on major customers, operators or other resellers*

The Company currently relies on a limited number of major customers, operators and other resellers for a significant portion of its revenues. The loss of business from a major customer and an adverse change in the Company's relationship with any operators or other resellers could reduce the Company's sales and harm its business and prospects. If the Company is unable to retain and expand its business with key customers, operators and other resellers on favourable terms, or develop new relationships with customers, operators or other resellers, then the business, financial condition and results of operations of the Company could be adversely affected.

*The Company's business may be harmed if it does not continue to penetrate markets and continue to grow*

If the Company fails to further penetrate its core markets and existing geographic markets, or to successfully expand its business into new markets or through the right sales channels, the growth in sales of the Company's products, along with its operating results, could be negatively impacted. Some of the Company's competitors are larger and better capitalized and as a result, they may be better able to expand more quickly and through more sales channels. Some of the Company's competitors provide end-to-end solutions. If the various core markets in which the Company's products are offered fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish new markets for its products, the Company's business, operating results and financial condition could be materially adversely affected.

*The Company's success depends on its ability to develop new products and enhance its existing products*

The markets for the Company's products are competitive and are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To keep pace with the technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, the Company must enhance and improve existing products and it must continue to introduce new products and services. Currently, the Company's products embody complex technology and are designed to be compatible with current and evolving industry standards. If the Company is unable to successfully develop new products or enhance and improve its existing products or if it fails to position and/or price its products to meet market demand, the Company's business and operating results will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect its operating results. Further, any new products the Company develops could require an investment of significant resources, long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. The Company may determine that certain new products do not have sufficient potential to warrant the continued allocation of resources and may elect to terminate one or more new product candidates. If a new product is terminated in which the Company has invested significant resources, the Company's prospects may suffer since resources were expended on a project that did not yield a return on the Company's investment and it missed the chance to allocate such resources to potentially more productive uses and this may negatively impact the Company's business, financial condition and operating results. In addition, as the Company develops new products, they may render some of its older products redundant or obsolete. As the Company discontinues the sale of these older products, it must manage the supplier commitments and customer expectations. If the Company is unable to properly manage the possible discontinuation of these older products, it could have a material adverse effect on its business, financial condition and results of operations.

*Subscription services are hosted by a third party service for the Company*

Subscription services, which produce the majority of the Company's revenue, are hosted by a third party services for the Company. The success and growth of the Company's subscription services are highly dependent on the Company's ability to provide reliable services. Any interruption in service could have a material adverse effect on the Company's business, financial condition and results of operations.

*The Company may be liable to its customers or third parties and may lose customers if it is unable to collect data or it otherwise loses data*

Because of the large amount of data that the Company collects and manages through the activities of its customers using the Company's application, it is possible that errors in the Company's systems or in third party systems used by the Company to deliver its service could cause the information that it collects to be incomplete or contain inaccuracies that the Company's customers or third parties regard as significant. Furthermore, the Company's ability to collect and report data may be interrupted by a number of factors, including its inability to access the Internet, the failure of its network or software systems or third party network or software systems relied upon by the Company, security breaches or computer viruses. The Company may be liable to its customers or third parties for damages they may incur resulting from such events. The Company's errors and omissions insurance may be inadequate to compensate the Company for such liability, may not cover all claims or may not be available in the future on acceptable terms or at all. In addition, if the Company supplies inaccurate or incomplete information or experiences interruptions in its ability to capture, store and supply information in real time or at all, the Company's reputation could be harmed and it could lose customers. The Company currently carries professional liability errors & omissions insurance of $10 million to cover the risk of significant loss due to errors made by its employees or technology systems that result in third-party claims against the Company.

*The Company may be liable for the handling of personal information*

Personal information collected by the Company's customers using the Company's applications is stored on handheld devices that are not owned by the Company and is temporarily stored on servers that are owned by the Company or third parties contracted by the Company. Government bodies and agencies around the world have adopted or are considering adopting laws regarding the collection, use and disclosure of personal information. The Company's compliance with privacy laws and regulations and its reputation among the public may depend on its customers' adherence to such laws and regulations.

The Company relies on representations made to it by its customers that their own use of the Company's application and the information collected by them via the Company's application do not violate any applicable privacy laws or regulations. If these representations are false, if the Company's customers do not comply with applicable privacy laws and regulations or if personal information is compromised at the customer level or on servers owned or used by the Company, the Company could face potential adverse publicity and possible legal or other regulatory action.

*Cyber Risks*

The Company provides software as a service and as a result it faces cyber risks that include, but are not limited to data breaches, unauthorized access and denial of service attacks as well as associated financial, reputational and business interruption risks. In its business, the Company collects and stores personal information of its customers and despite all precautions taken by the Company there is a risk of unauthorized access or security breaches resulting from third-party action, employee error, malfeasance or otherwise, which can lead to the loss of information, litigation, indemnity obligations and other significant liabilities. The Company could also be exposed to regulatory penalties for the unauthorized release of confidential information. Furthermore, the Company could face reputational harm relating to a negative perception of the Company's applications which could result in the loss of customers. The Company actively monitors for these such risks and is committed to cyber security with a goal of maintaining and protecting its overall data security. However, despite such efforts by the Company, it may not be able to fully mitigate such cyber security risks given the evolving methods used to comprise data security, which are generally not identified until they are launched against a target. The Company currently carries technology errors and omissions insurance and cyber liability insurance to mitigate the risk of significant loss due to errors made by its technology systems that result in third-party claims against the Company However, depending on the type and scale of the incident the Company's errors and omissions insurance may be inadequate to compensate the Company for such liability, may not cover all claims or may not be available in the future on acceptable terms or at all. The Company's risk to its business may increase as it expands its web-based and cloud-based products and services offered and as the Company increases the number of countries in which it operates.

*Failure to manage the Company's growth successfully may adversely impact its operating results*

The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth depends upon a number of factors, including its ability to rapidly:

- build and train sales and marketing staff to create an expanding presence in the evolving marketplace for the Company's products, and to keep staff informed regarding the technical features, issues and key selling points of its products;

- attract and retain qualified technical personnel in order to continue to develop reliable and saleable products and services that respond to evolving customer needs;

- expand its distribution channels to ensure that resellers across multiple industry and geographic segments will perceive the Company as a credible market participant and reliable supplier that will enable the profitable growth of their business;

- develop customer support capacity as sales increase, so that the Company can deliver cost-effective scalable support services to support its sales efforts in a manner that does not divert resources from product development efforts; and

- expand the Company's internal management, financial and IT controls significantly, so that it can maintain control over its operations and provide support to other functional areas within the Company's business as the number of personnel and size of its business increases.

Any failure to manage the Company's growth or achieve profitability could have a material adverse effect on its business, financial condition or results of operations.

*The Company may lose sales, or sales may be delayed, due to the long sales and implementation cycle for its products*

The Company's customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase the Company's applications. Generally, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after the Company's first contact with a customer before a sale can actually be completed. The Company may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of the Company's products varies among its customers and may last several months, depending on its customers' needs, the resources they apply to a project and the products deployed.

During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;

- the Company or its competitors may announce or introduce new products; or

- the customer's own budget and purchasing priorities may change.

If these events were to occur, sales of the Company’s products or services may be cancelled or delayed, which would reduce its revenue.

*If the Company is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected*

The highly competitive market in which the Company conducts its business may require the Company to reduce its prices. If the Company’s competitors offer discounts on certain products or services in an effort to recapture or gain market share of other software products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such change would likely reduce its margins and could adversely affect its operating results. Some of the Company’s competitors may bundle software products that compete with the Company for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that the Company can charge for its products. If the Company cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced software licence revenue resulting from lower prices would adversely affect its margins and operating costs.

*The Company’s growth depends in part on the success of its strategic relationships with third parties.*

The Company anticipates that it will increasingly depend on various third-party relationships in order to grow its business. In addition to growing its indirect sales channels, the Company intends to pursue additional relationships with other third parties, such as implementation partners and technology and content providers. The Company also intends to have third parties perform more professional services. Identifying partners and negotiating and documenting relationships with them require significant time and resources as does integrating third-party content and technology. The Company’s agreements with technology and content providers are typically non- exclusive and do not prohibit them from working with the Company’s competitors or from offering competing services. The Company’s competitors may be effective in providing incentives to third parties, including its partners, to favour their products or services or to prevent or reduce subscriptions to the Company’s application suite either by disrupting the Company’s relationship with existing customers or by limiting its ability to win new customers. In addition, global economic conditions could adversely affect the businesses of the Company’s partners, and it is possible that they may not be able to devote the additional resources the Company’s expects to the relationship. Although the Company believes that it has a good relationship with its existing third parties and partners, if the Company is unsuccessful in establishing or maintaining its relationships with these third parties, the Company’s ability to compete in the marketplace or to grow its revenue could be impaired and its operating results would suffer. Even if it is successful, continued establishment and maintenance of these third party relationships may not result in increased customer usage of the Company’s application suite or revenue.

*The financial condition of third parties may adversely affect the Company*

The Company relies on third party suppliers to provide it with components and services necessary for the completion and delivery of its products. In addition, the Company periodically outsources limited aspects of the development and testing of its products to third parties and a significant increase in the price of the services provided by these third parties, or delays in their deliveries, could have a material adverse effect on the Company’s business, financial condition and results of operations. In the event that any of the third parties with whom the Company has significant relationships, including its channel partners and third party suppliers, files a petition in or is assigned into bankruptcy or becomes insolvent, or makes an assignment for the benefit of creditors or makes any arrangements or otherwise becomes subject to any proceedings under bankruptcy or insolvency laws with a trustee, or a receiver is appointed in respect of a substantial portion of its property, or such third party liquidates or winds up its daily operations for any reason whatsoever, then the Company’s business, financial position and results of operations may be materially and adversely affected.

*The Company's success depends in part on its ability to protect its rights in its intellectual property*

The Company relies on various intellectual property protections, including contractual provisions, patents, copyright, trade secrets, trademarks and know-how to preserve its intellectual property rights. Although it currently has patents and patent applications, most of the Company's core technology is primarily protected by trade secrets and copyright. The Company typically enters into agreements with its employees, consultants, customers, channel partners and vendors in an effort to control ownership of its intellectual property and access to and distribution of its software, documentation and other proprietary information. Despite these precautions, there may be authors of some of the intellectual property that forms part of the Company's software products who have not assigned their intellectual property rights to the Company and who have not waived their moral rights with respect thereto. The steps the Company takes may not prevent misappropriation of its intellectual property, and the agreements it enters into may not be enforceable. It may also be possible for third parties to obtain and use the Company's intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, time-consuming and costly. Further, some foreign laws do not protect proprietary rights to the same extent as the laws of Canada or the United States. Additionally, the absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights. Trademark protection is an important factor in establishing product recognition. The Company's ability to protect its trademarks from infringement could result in injury to any goodwill which may be developed in its trademarks. Moreover, the Company may be unable to use one or more of its trademarks because of successful third party claims. To protect its intellectual property, the Company may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of its business or adversely affect its revenue, financial condition and results of operations.

*Intellectual property claims brought against the Company could be time consuming, costly to defend and disruptive to its business*

The Company cannot determine with certainty whether any existing third party patents or the issuance of any third party patent would require the Company to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its technology infringes their property rights due to the growth of software products in the Company's target markets, the overlap in functionality of these products and the prevalence of software products. The Company may become subject to these claims either directly or through indemnities against these claims that it routinely provides to its customers. Litigation may be necessary to determine the scope, enforceability and validity of such third party proprietary rights or to establish the Company's proprietary rights. Some of the Company's competitors have substantially greater resources than it does, and those competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company. Regardless of their merit, any such disputes could:

- be time consuming;
- be expensive to defend;
- divert management's attention and focus away from the Company's business;
- subject the Company to significant liabilities; and
- require the Company to enter into costly royalty or licensing agreements or to modify or stop using the infringing technology.

Further, if the Company is found to have infringed any patents, trademarks or other intellectual property rights, a court could award significant damages and enjoin the Company from distributing its products that infringe the patents, trademarks or other intellectual property in jurisdictions in which such rights are affected. This could result in a material adverse effect on the Company's business, results of operations and financial condition.

*The loss of the Company's rights to use software currently licensed to it by third parties could increase its operating expenses by forcing the Company to seek alternative technology and adversely affect its ability to compete*

The Company licenses certain software used in its products and operations from third parties, generally on a nonexclusive basis, and it uses components from suppliers which are reliant on intellectual property used by such suppliers. The termination or non-renewal of any of these licences, or the failure of these licensors or suppliers to adequately maintain, protect or update their software or intellectual property rights, could delay the Company's ability to ship its products or offer its products under a software as a service model while it seeks to implement alternative technology offered by other sources and could require significant unplanned investments on the Company's part. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third party technology licences relating to one or more of the Company's products or relating to current or future technologies to enhance its product offerings. There is a risk that the Company may not be able to obtain licensing rights to the needed technology or components on commercially reasonable terms, if at all.

*The Company uses open source software in connection with its products which exposes it to uncertainty and potential liability*

Certain of the Company's products make use of or incorporate open source software components. These components are developed by third parties over whom the Company has no control. It has no assurances that those components do not infringe upon the intellectual property rights of others. The Company could be exposed to infringement claims and liability in connection with the use of those open source software components. The developers of open source software are under no obligation to maintain or update that software, and the Company may be forced to replace such software components with internally developed or commercially licensed software. Certain open source software licences provide that any software that makes use of or incorporates software distributed under that licence will itself become subject to the same general distribution rights and other terms of that licence. As a result, there is a risk that third parties, including the Company's competitors, could have the right to use and distribute certain elements of its products.

*The Company's ability to recruit and retain management and other qualified personnel is crucial to its ability to develop, market and support its products*

Several members of the Company's senior management team are critical to its business and if these individuals do not remain with the Company in the future, their absence may have a negative impact on its financial condition and results of operations. The Company's future success depends, in part, on the continued efforts and abilities of its senior management team. Their skills, experience and industry contacts significantly benefit the Company. Although the Company offers competitive compensation packages to attract and retain its senior management team and although it has employment and non-competition agreements with these employees, it cannot be certain that they or other key employees will all choose to remain employed by the Company. The Company does not carry key person insurance on any of these employees for the benefit of the Company. If the Company loses the services of one or more of these individuals, or if one or more of them decide to join a competitor or otherwise compete directly with the Company, its business, operating results, and financial condition could be harmed.

The Company also depends on the services of its key technical, sales and management personnel. Many of these individuals would be difficult to replace if they were to leave the Company's employment. The loss of the services of any of these persons could have a material adverse effect on its business, results of operations and financial condition. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and the Company cannot assure that it will be able to attract or retain highly qualified technical and managerial personnel in the future. The Company's inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect its future growth and profitability. It may be necessary for the Company to increase the level of compensation paid to existing or new employees to a degree that its operating expenses could be materially increased.

The Company's ability to develop new software solutions and to enhance its existing software solutions depends, in part, on its ability to recruit and to retain top quality software programmers. If the Company is unable to hire and to retain sufficient numbers of qualified programming personnel, it may not be able to develop new software solutions or to improve its existing software solutions in the time frame necessary to execute its business plan.

*Any significant changes in the technological paradigm used for building or delivering applications in Smartphone devices may harm the Company's business and prospects*

The technological paradigm used for building or delivering applications in Smartphone devices may be subject to significant changes. The Company's business and future success depends, in part, on its ability to accurately predict and anticipate the evolving technology and to keep pace with such changes in technology and industry standards. If the Company is unable to successfully address these developments on a timely basis or at all, then the Company's business, financial position and results of operations may be materially and adversely affected.

*The Company's software products may contain errors or defects that could result in lost revenue, delayed or limited market acceptance, or product liability claims with substantial litigation costs*

As a result of their complexity, software products may contain undetected errors or failures when entering the market. Despite testing performed by the Company and testing and use by current and potential customers, defects and errors may be found in new software products after commencement of commercial shipments or the offering of a service using these software products. In addition, because the Company's products are sold and marketed in different countries, the products must function in and meet the requirements of many different communication environments and be compatible with various communication systems and mobile handsets and associated products. In these circumstances, the Company may be unable to successfully correct the errors in a timely manner or at all. The occurrence of errors and failures in the Company's software products could result in negative publicity and a loss of, or delay in, market acceptance of those software products. Such publicity could reduce revenue from new licenses and lead to increased customer attrition. Alleviating these errors and failures could require significant expenditure of capital and other resources by the Company. The consequences of these errors and failures could have a material adverse effect on the Company's business, results of operations and financial condition. Any errors, defects, or other performance problems with the Company's products could result in financial or other damage to its customers. The Company's customers or other third parties could seek to recover damages from the Company in the event of actual or alleged failures of its software solutions. Although its license agreements with customers typically contain provisions designed to limit the Company's exposure to potential claims, as well as any liabilities arising from these claims, the provisions may not effectively protect against these claims and the liability and associated costs. Accordingly, any such claim could have a material adverse effect upon the Company's business, results of operations, and financial condition. In addition, defending this kind of claim, regardless of its merits, or otherwise satisfying affected customers, could entail substantial expense and require the devotion of significant time and attention by key management personnel.

*Currency exchange rate fluctuations and other risks associated with the Company's international operations may adversely affect its operating results*

The Company is subject to risks of doing business internationally, including fluctuations in currency exchange rates, increases in duty rates, difficulties in obtaining export licenses, difficulties in the enforcement of intellectual property rights and political uncertainties. The Company is exposed to foreign currency fluctuations in the US dollar, GBP and Euro, which may have a material adverse effect on its business, financial condition and operating results. In particular, the US dollar may fluctuate significantly compared to the Canadian dollar, causing reduced revenue and cash flow as most of the Company's revenues are received in US dollars while most of the Company's expenses are payable in Canadian dollars.

The Company also plans to continue to expand its international sales and marketing efforts. There are a number of risks inherent in the Company's international business activities, including unexpected changes in governmental policies concerning the import and export of goods, services and technology and other regulatory requirements, tariffs and other trade barriers, costs and risks of localizing products for foreign countries, higher credit risks, potentially adverse tax consequences, limits on repatriation of earnings and the burdens of complying with a wide variety of foreign laws. The financial stability of foreign markets could also affect the Company's international sales. In addition, revenue that the Company earns abroad may be subject to taxation by more than one jurisdiction, which could materially adversely affect its earnings. Additional risks the Company faces in conducting business internationally include longer payment cycles and difficulties in managing international operations. These include constraints associated with local laws regarding employment, difficulty in enforcing agreements through foreign legal systems and financial reporting compliance requirements. Each of these factors could have an adverse effect on its business, financial condition and results of operations.

*Software product development delays could harm the Company's competitive position and reduce its revenues*

If the Company experiences significant delays in releasing new or enhanced software products, its position in the market could be harmed and its revenue could be substantially reduced, which would adversely affect its operating results. In particular, the Company may experience software product development delays associated with the integration of recently acquired software products and technologies. Delays may occur for many reasons, including the inability to hire a sufficient number of developers, discovery of bugs and errors, or the inability of its current or future software products to conform to customer and industry requirements.

*If the Company's customers demand performance guarantees, the costs and risks associated with offering its software solutions will increase*

The Company and its competitors are being requested, from time to time, to provide specific performance guarantees with respect to the functionality of certain aspects of its software solutions. Similarly, the Company has been requested to quote fixed-price bids for its software solutions. These requests present risks, because no two implementations of its software solutions are identical, and therefore the Company cannot accurately predict precisely what will be required to meet these performance standards. If this trend continues, the Company's profitability may be affected if it is required to spend more to meet its commitments.

*The Company may be subject to challenges by taxing authorities which may adversely affect its business*

Although the Company is of the view that all expenses and tax credits claimed by it, including research and development expenses and related tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree. If the Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, the Company's operating results could be adversely affected. If the Canadian taxation authorities reduce the tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, the Company's operating results may be adversely affected. We are also subject to taxation in various jurisdictions and the applicable taxing authorities may disagree with our tax position sin such jurisdictions.

**Risks Relating to the Industry**

*The market for software as a service is at a relatively early stage of development, and if it does not develop or develops more slowly than the Company expects, the Company's business will be harmed.*

The market for software as a service is at a relatively early stage relative to on premise solutions, and these applications may not achieve and sustain high levels of demand and market acceptance. The Company's success depends on the willingness of organizations to increase their use of software as a service. Many companies have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to software as a service. The Company has encountered customers in the past that have been unwilling to subscribe to the Company's application suite because they could not install it on their premises. Other factors that may affect the market acceptance of software as a service include:

- perceived security capabilities and reliability;
- perceived concerns about ability to scale operations for large enterprise customers;
- concerns with entrusting a third party to store and manage critical employee data; and
- the level of configurability or customizability of the software.

If organizations do not perceive the benefits of software as a service, the market for the Company's software may not develop further, or it may develop more slowly than the Company expects, either of which would adversely affect the Company's business.

*The Company faces competition from other software solution providers, which may reduce its market share or limit the prices it can charge for its software solutions*

The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. Many of its competitors and potential competitors have significantly greater financial, technical, marketing, service and other resources than the Company has. Many of these companies also have a larger installed base of users, have longer operating histories or have greater name recognition than the Company. The Company's relatively smaller size may be considered negatively by prospective customers. Its competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or may devote greater resources to the development, promotion and sale of their products than the Company does. Many competitive factors affect the market for its products and its ability to earn maintenance, professional services and new license revenue. Some of these factors are: vendor and product reputation; industry specific expertise; cost of ownership; ease and speed of implementation: customer support; product architecture, quality, price and performance; product performance attributes, such as flexibility, scalability, compatibility, functionality and ease of use; and vendor financial stability.

*Economic uncertainty and downturns in the software market may lead to decreases in the Company's revenue and margins*

The market for the Company's products depends on economic conditions affecting the broader software market. The current significant global economic downturn may cause businesses to delay or cancel software projects, reduce their overall information technology budgets or reduce or cancel orders for the Company's products. In this environment, customers may experience financial difficulty, fail to purchase or defer the budget for the purchase of the Company's products or cease operations. This, in turn, may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing the Company to realize lower revenue and margins. In addition, customers may be reluctant to purchase products from smaller suppliers such as the Company and this could result in reduced customer wins. If growth in software deployments does not continue or is significantly slower than forecasted by the market experts, this could have an adverse effect on the Company's business, financial condition and results of operations. A deterioration in the economic environment may accelerate the effect of the various risk factors described in this MD&A, as well as result in other unforeseen events that could impact our business and financial condition.

*The impact of geopolitical and other global or local events may have a significant effect on the Company's operations*

Various events, including natural disasters, extreme weather conditions, power loss, telecommunication and system failures, computer viruses, physical attacks, cyber-attacks, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of the Company's normal operations and may disrupt the domestic and international travel of the Company's sales and other personnel. Any disruption in the ability of its personnel to travel could have a material and adverse impact on the Company's ability to provide service to its customers, which could, in turn, have a material adverse effect on its business, results of operations and financial condition. In addition, these events or the perceived threat of these events may require the Company to reorganize its day-to-day operations to minimize the associated risks. Any expense related to the reorganization of its day-to-day operations, even on a short-term basis, could also have a material adverse effect on the Company's business, results of operations and financial condition.

*Government regulation of the Internet may have an adverse effect on the Company's business*

The application of existing laws and regulations to the Company, relating to issues such as user privacy, defamation, pricing, advertising, taxation, promotions, consumer protection, content regulation, quality of products and services, and intellectual property ownership and infringement, can be unclear. Customer's ability to use and share data could be affected by laws and regulations relating to the solicitation, collection, processing or use of personal or consumer information, potentially reducing demand for Internet-based solutions and restricting our ability to store, process, analyze and share data through the Internet. In addition, the Company will also be subject to new laws and regulations directly applicable to its activities. Any existing or new legislation applicable to the Company could expose it to substantial liability, including significant expenses necessary to comply with such laws and regulations.

*International government regulations may adversely affect the Company's business*

Because regulatory schemes vary by country, the Company (as well as parties it carries on business with) may be subject to rules and regulations in foreign countries of which it is not presently aware. If that were to be the case, then the Company could be subject to sanctions by a foreign government that could materially adversely affect its ability to deploy its products in such country or to subscribers in such country. The Company cannot guarantee that it will be able to obtain the necessary licenses and regulatory approvals in the future or that such licenses and approvals will be granted on a timely basis, if at all. The failure to obtain the necessary licenses and authorizations internationally could have a material adverse effect on the Company's ability to generate revenue and on its overall competitive position.

**Additional Risk Factors**

*The Company's share price will fluctuate*

The trading price of the Company's common shares is subject to change and could in the future fluctuate significantly. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; announcements of technological innovations or new products by the Company, its customers or competitors; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the common shares.

In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for high-technology companies have been particularly affected by these market fluctuations and such effects have often been unrelated to the opening performance of such companies. These broad market fluctuations may cause a decline in the market price of the common shares.

*The Company's significant shareholders will have the ability to control certain corporate actions*

The Company's significant shareholders may be in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Company's articles and by-laws and the approval of any business combinations.

*Dividends*

The Company does not currently intend to pay any cash dividends on its common shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to finance the development of new lines of products and to otherwise reinvest in the Company. The Company's dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its common shares unless they sell them.

Additional information relating to the Company may be found at www.SEDAR.com.