

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**FOR THE QUARTER ENDED JUNE 30, 2018**

August 29, 2018

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### **BASIC OF PRESENTATION**

Throughout this document, we use the terms "INTEMA", "we", "us", "our" or "Company" to refer INTEMA Solutions Inc. This management's discussion and analysis of financial position and financial performance must be read in conjunction with the interim financial statements of the Company for the periods ended June 30, 2018 and the accompanying notes. The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which are effective June 30, 2018 and adopted by the Company in its annual financial statements. Those financial statements are available on Sedar ([www.sedar.com](http://www.sedar.com)).

### **FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES**

In this analysis, all statements that do not directly and exclusively relate to historical facts constitute forward-looking statements and forward-looking. Such information expresses the intentions, plans, expectations and / or opinions of the management of INTEMA and are subject to risks and uncertainties that could cause results or events that differ materially from actual results or events provided. In addition to the risks identified under "Financial Risks Policy" of this document, certain factors could cause diverge between actual results and events. These factors include, without limitation, the effect of competition, general economic conditions, interest rates and exchange rates, the cost and availability of financing and the ability of INTEMA to attract and retain employees and distributors. No assurance can be given as to the materialization of the results, performance and the stated or implied in the forward achievements extras herein or, where applicable, in obtaining benefits that would result. INTEMA disclaims any intention or obligation to update or revise any forward-looking statements or forward-looking information consecutively to obtain new information or when new events or any other reasons whatsoever.

### **FINANCIAL MEASURES NON-IFRS**

The term EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented in other financial statements of other issuers. We define EBITDA as income from continuing operations before amortization of tangible and intangible assets, provision for impairment of goodwill and other intangible assets, interest, gains or losses on disposal of assets, gains or losses on foreign exchange and income taxes on the result. EBITDA is presented consistently from period to period. We believe that EBITDA is an important measurement tool as it allows us to evaluate the performance of the Company arising from operating activities irrespective of elements that depend mainly on non-operating factors such as the historical cost. EBITDA allows us to compare the operating performance of the Company consistently. Several analysts and investors use EBITDA to evaluate and measure the Company's ability to repay its debt and meet its various payment obligations.

### **PERFORMANCE IN THE SECOND QUARTER 2018**

Revenues in the Second Quarter of 2018 totalled \$116,530. For the same period of 2017, revenues were \$176,893.

The net loss for the second quarter of 2018 was \$244,387 compared to net loss of \$186,550 for the second quarter of 2017. The decrease on profit is mainly due to the decrease of sales of \$60,363 and to the gain on an account payable write off of \$71,250 in 2017.

Cash flows from operating activities decreased by \$137,152 during the second quarter of 2018 while for the same period in 2017 we recorded a decrease of \$17,672.

EBITDA for the second quarter of 2018 is (\$184,209) (158%) and the second quarter ended in June 2017 was \$130,508 (73,8%).

# Intema Solutions Inc.

## FINANCIAL HIGHLIGHTS

For Quarters ended June 30, 2018 and 2017

(In Canadian dollars - except for information on shares, ratios and percentages)

	Three months ended June 30		Three months ended June 30	
	2018	2017	2018	2017
<b>FINANCIAL PERFORMANCE</b>				
Revenues	116,530	176,893	269,697	469,181
EBITDA <sup>(1)</sup>	(184,209)	(130,508)	(320,172)	(125,382)
EBITDA margin <sup>(1)</sup>	(158%)	(73.8%)	(118.7%)	(26.7%)
Net earnings	(244,387)	(186,550)	(440,187)	(165,343)
Net earnings (loss) per share - basic	(0.0029)	(0.0023)	(0.0052)	(0.0020)
Cash flows provided by continuing activities	(137,152)	(17,672)	24,935	3,219
<b>FINANCIAL SITUATION</b>				
Total assets		1,025,779	1,025,779	1,552,902
Shareholder's equity			(182,685)	648,350
Shareholder's equity per common share			0.002	0.008
Working capital			(455,891)	(343,538)
Current ratio			0.29	0.59
Long-term debt (current and long-term portions) and debentures			99,895	96,980
Ratio of long-term debts and debentures on Equity			(0.55)	0,15

(1) The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented in other financial statements of other companies. We define EBITDA as income from continuing operations before amortization of tangible and intangible assets, provision for impairment of goodwill and other intangible assets, interest, gains or losses on disposal of assets, gains or losses on foreign exchange and income taxes, EBITDA is presented consistently from period to period.

## OVERALL PERFORMANCE

The second quarter of 2018 shows a decrease in sales mainly due to not completing our funding program. Some activities were stopped in order to move on to new email customers. Our lack of financial resources has forced us to partly change our focus to be more on short term results. In order to change the downward tendency of our sales, we will increase promotion of professional services; we will monitor carefully development expenses and reorient some of our personnel to professional marketing services. This is not an indication of abandonment of our software suite but simply a reduction of our expenses in that area until we are able to raise sufficient funds to execute the marketing plan to sell enough email software licences sales and reach profitability.

Blockchain promotion coupons remain in the development plan but at slower pace. Our work in Artificial Intelligence for predictive marketing and email will be promoted through our professional service offer.

# Intema Solutions Inc.

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## OPERATING RESULTS

### REVENUES

The Company provides to customers two email platforms and technology to manage content and email marketing related activities. The Company also offers to customers professional marketing services required in the implementation of email campaigns, in strategy, in design and content. There is very little variation in the cost of goods and labour. The variation is at the level of the increased cost of living.

For the quarter ended June 30, 2018, revenues of the Company amounted to \$116,530 compared to \$176,893 for the previous quarter. The Company has recorded a decrease in sales of 34,1% compared to the same quarter of 2017.

The decrease in sales was attributable to lack of fund to raise new customers and the change of focus from professional service sales to software licences sales in the recent years. The company began a program to refocus on professional services.

### GROSS MARGIN

The history of our costs indicates that our gross margin has very little variations. There are no external factors that could affect our future gross margin. Unlike other industries, we completely control our selling prices and our suppliers are subject to healthy competition. The labor factor can affect our gross margin should a general increase in wages due to a scarcity of skilled labor. We observed no external signs announcing such a situation.

The cost of services provided includes mainly the wages of our employees and the direct cost of the contracts. Since the Company operates in the field of Internet services, the cost of services provided is highly correlated to the products. In the second quarter of 2018, the Company recorded a tax credit for research and development of \$15,089 (\$12,925 in 2017) against the cost of services provided.

### SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the quarter ended June 30, 2018 totalled \$200,154 compared to \$190,058 in 2017. Most of selling, general and administrative expenses are fixed. Therefore, even if the revenues have decreased, these expenses do not necessarily follow the same trend.

### RESEARCH AND DEVELOPMENT EXPENSES

For the second quarter of 2018 the cost of research and development totalled \$54,794 compared to \$54,767 in 2017.

The Company continues to invest in research and product development to safeguard its technological advantages and the development of new technologies.

### EBITDA

EBITDA for the quarter ended June 30, 2018 amounted to (\$184,209) compared to EBITDA of (\$130,508) for the same period in 2017. The decrease in sales and the increase of expenses are the main reasons for the decrease of \$53,701 in EBITDA compared to the same period of 2017.

### NET EARNING

During the quarter ended June 30, 2018, the Company recorded a net loss of \$244,387 compared to a net loss of \$186,550 for the corresponding period of 2017. For the year 2018, the decrease of profit his mainly due to the reduction of sales to \$60,363 and by the gain of on employees benefits write off in the same period in 2017.

Annually, the Company will estimate deferred tax assets to ensure that, in the light of evidence that the tax assets worth counted as provided in paragraph 37 of IAS 12. In addition, credits tax research and development have no maturity date.

# Intema Solutions Inc.

## CAPITAL STRUCTURE

Variation in common shares outstanding are summarized in the following table:

Number of outstanding common shares as at:	June 30 2018	June 30 2017
Balance at the beginning of the year	79,762,243	79,762,243
Issuance of common shares	5,447,334	0
Balance at the end of the year	85,209,577	79,762,243

As at August 29th, 2018, the number of common shares outstanding was 85,209,577.

- On January 24, 2018, the Company issued 60,000 Common shares at a price of \$0,06 per share to a holder of warrants who exercised its right to convert into shares for \$3,600. The subscription amount was increased by the fair value that was attributed to these equity component of the warrants of \$1,232.
- On March 15, 2018, in connection with a private placement, the Company issued 5,387,334 common shares at a price of \$0,075 per share for a total amount of \$404,050, together with 5,387,334 warrants. The amount of the offering is net of warrants value of \$240,813. A share issue expense totalling \$18,765 was recorded as a reduction of the value of the private placement.

Variation in stock option outstanding and the effect on the weighted average exercise price are summarized in the following table:

Outstanding stock option	June 30 2018	June 30 2017
Balance at the beginning of the year	1,575,000	2,575,000
Options granted during the year	0	0
Options cancelled / expired during the year	(300,000)	0
Options exercised	-	0
Balance at the end the period	1,275,000	2,575,000
Weighted average exercise price	0.102 \$	0.102 \$

During period ended June 30, 2018 and 2017, the Company did not grant any stock options to employees or any to non-employees.

Under the stock options plan, the Company may from time to time grant options to employees, directors and officers of the Company. The Board of Directors is responsible for selecting officers, directors, employees and suppliers to whom options will be granted, to determine the limits, restrictions and conditions for granting options, to interpret the Plan and make all decisions regarding the Plan. The option price may not be less than the value of the stock market at the time of grant. Options granted under the Plan may be exercised over a period of one to ten years from the grant date.

## CASH FLOW

QUARTERS ENDED JUNE 30:	2018	2017	Variance
Cash flow provided by operating activities (used in)	(332,905)	63,796	(396,701)
Cash flow provided by investing activities	(35,339)	(36,000)	661
Cash flow provided by (used in) financing activities	393,179	(24,577)	417,756
Net decrease in cash and cash equivalent	24,935	3,219	21,716

# Intema Solutions Inc.

## OPERATING ACTIVITIES

Cash flow from operating activities was (\$332,905) in the quarter ended June 30, 2018, while for the same period in 2017, it was \$63,796. The variation of (\$396,701) is mainly due by the loss generated in the second quarter of 2018.

## INVESTING ACTIVITIES

Cash flows from investing activities for the second quarter of 2017 was (\$36,000) and (\$35,339) in 2018. The change is mainly due to software development.

## FINANCING ACTIVITIES

Cash flows used in financing activities was \$393,179 for the quarter ended June 30, 2018, (\$24,577 for 2017), due to the issue of Shares Capital of \$404,050 in 2018.

## WORKING CAPITAL

Comparable working capital components

	June 30 2018	June 30 2017	Increase (decrease) in working capital
Cash	0	6,826	(6,826)
Trade and other receivables	198,030	314,047	(116,017)
Work in progress	0	15,065	(15,065)
Prepaid expenses	14,889	25,555	(10,666)
Tax credit recoverable	111,116	127,154	(16,038)
Bank Overdraft	(1,931)	0	(1,931)
Employees benefits	(395,450)	(314,265)	(81,185)
Trade and other payables	(586,994)	(394,380)	(192,614)
Deferred revenue	(122,139)	(72,320)	(49,819)
Current portion of Financial leases obligation	(2,055)	(24,550)	22,495
Current portion of the non-current financial liabilities	(14,895)	(26,670)	11,775
	(799,429)	(343,538)	(455,891)

During the quarter ended June 30, 2018, the Company's working capital decreased by \$455,891 compared to June 30, 2017.

## ANALYSIS OF CASH FLOW

Faced with the difficult conditions of last years, the Company reevaluated its schedule of investment strategies and restructured spending to deal with the problems on the plan of liquidities. These prudent actions led to the reduction or deferral of expenses and improved margins.

Some factors causing quarterly variances are not necessarily indicative of future results of the Company. The volume of work from some clients may vary from quarter to quarter based on their business cycle and the seasonality of their own operations.

Generally, cash flow from operating activities may vary significantly from quarter to quarter depending on the time of large clients monthly payments and receiving dates of the various credits tax.

Liquidity risk is the possibility that the Company will be not able to meet its financial obligations as they fall due. The Company manages liquidity risk by close monitoring of its cash to make sure to maintain a level sufficient to meet its financial obligations in the foreseeable future. The Company establishes budget and cash forecasts to ensure that it has sufficient funds to meet its obligations. Much of the Company's needs are met by the cash flow generated by its operations. In the last years, the Company has financed its expansion by issuing shares, long-term debt and convertible debentures. Its at December 31, 2016, the Company is in default with respect to the payment schedule of the debt to Canada Economic Development.

# Intema Solutions Inc.

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According to internal forecasts, INTEMA expected cash flows from the activities of the Company will be sufficient to meet its cash requirements over the next twelve months. At this time, the Company has no additional credit available aside loans guaranteed by the tax credit for research and development.

## IMPORTANT ELEMENTS OF RISK

### CASH

In the normal course of business, INTEMA Solutions Inc. is exposed to a number of risks that may affect the performance. The ability of the Company realized its assets and discharge its liabilities depends on the continued support of its lenders and shareholders. The Company completed a private placement and a conversion of debt into common shares in addition to preparing a short-term financing of tax credits for research and development in 2013, and is negotiating for 2014 and 2015. These funds were used to improve the Company's working capital and ensure that it can proceed with the development and commercialization of new products.

### COMPETITION

We operate with a lot of discipline all operations of the Company. Our processes have been developed to ensure that our employees deliver our products and services consistently and within specifications. This way of managing contributes to the high success rate of INTEMA in obtaining new business and retaining contracts in hand. INTEMA competitors are international, national and regional CRM solution developers. These developers are a risk to competition in regard to the ability of the Company to attract customers and to exercise its activities successfully.

The Company closely monitors the evolution of competition and the economy in the markets it serves to determine its competitiveness within each sector. INTEMA, by its size, has a lot of flexibility with respect to its main competitors. In addition, the Company is constantly investing in the development of its software solutions in order to quickly adapt to changing markets.

### AVAILABILITY AND COST OF QUALIFIED PROFESSIONALS

Within the information technology sector, qualified personnel is the subject of strong demand. In recent years we have managed to attract and retain competent staff. We believe that Intema is an employer enjoyed in the IT sector.

### INTEGRITY OF FINANCIAL INFORMATION

Our management board is responsible for setting up and maintaining information systems and controls in place, ensuring the reliability of information disseminated both inside and outside the Company. The Company has implemented a policy of communication with shareholders, the relevant regulatory authorities and the public. The objective of this policy is to ensure that the information disclosed is complete and relevant. The Company announces major changes in the press releases on time. The press releases are reviewed and approved by the directors and are made available to the public in accordance with the stated policies of the TSX Venture Exchange. The Company informs its shareholders at shareholder meetings as well as through press releases, quarterly and annual financial statements.

The Audit Committee, composed of a majority of independent directors, has a mandate to report to the Board of Directors and evaluate a) the integrity of financial statements and related disclosures of the Company. b) The Company's compliance with the applicable requirements under the laws and regulations. c) Independence, qualifications and appointment of the independent auditor of the Company. d) The Company's compliance with laws and regulations. e) Management responsibility for reporting on internal controls.

### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

### COMMITMENTS

The Company is committed under leases to pay a total of \$ 272,330 by December 31, 2019. The payments are as follows over the next three years: 2018 - \$116,713 and 2019 - \$155,617.

# Intema Solutions Inc.

## EVENTS AFTER THE REPORTING PERIOD

### warrants

10,000,000 common share purchase warrants (the “Warrants”) originally issued in connection with a private placement announced on August 26, 2016 are due to expire on August 26, 2018 and are exercisable at \$0.06 per share. The original expiry date of the Warrants will be extended for an additional 12 months ending August 26, 2019. In all other respects, the terms of the Warrants will remain unchanged and in full force and effect.

## SUMMARY OF QUARTERLY RESULTS

	2018	2018	2017	2017	2017	2017	2016	2016
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	116,530	153,167	167,732	180,002	176,893	292,288	257,918	182,398
EBITDA <sup>(1)</sup>	(184,209)	(135,963)	(282,901)	(93,624)	(130,508)	4,126	(121,501)	(187,879)
EBITDA margin <sup>(1)</sup>	(158%)	(88,8%)	(168,7%)	(52,0%)	(73,8%)	1,4%	(47,1%)	(103,0%)
Net earnings (loss)	(244,387)	(195,800)	(656,253)	(152,175)	(186,550)	21,207	(464,002)	(233,915)
Net earnings (loss) per share - basic	(0.0029)	(0.0023)	(0.0082)	(0.0019)	(0.0023)	(0.0002)	(0.0061)	(0.0035)
Common Shares Issued	85,209,577	85,209,577	79,762,243	79,762,243	79,762,243	79,762,243	71,652,401	68,882,685
Cash flow from operating activities	(137,152)	162,087	(44,413)	145,903	(17,672)	20,891	(131,293)	(146,177)

(1)The term EBITDA (earnings before interest, income taxes, depreciation and amortization) does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented in other financial statements of other companies. We define EBITDA as income from continuing operations before amortization of tangible and intangible assets, provision for impairment of goodwill and other intangible assets, interest, gains or losses on disposal of assets, gains or losses on foreign exchange and income taxes. EBITDA is presented consistently from period to period

## QUARTERLY VARIATIONS

There are factors causing quarterly variances, which may not necessarily indicative of future results. The professional services revenue and integration are seasonal and quarterly results of these operations are impacted by occurrences such as vacations and the number of statutory holidays in a given quarter. The sales cycle for our software solutions is spread over more than a quarter of which could have a significant impact on changes in quarterly sales.

## CONTROL SYSTEMS REGARDING FINANCIAL INFORMATION

Management is responsible for the establishment and maintenance of control systems with regard to financial reporting to provide reasonable assurance regarding the reliability of financial information under IFRS. President and Chief Executive Officer and the consulting Chief Financial Officer, based on their evaluation of these controls for the quarter ended June 30, 2018, concluded that the design of internal control is effective in regard to financial reporting and has not made any changes to the internal controls over financial reporting during the quarter ended JUNE 30, 2018, which could influence or be likely to materially affect internal control Intema with respect to financial reporting.

## CONTROLS AND DISCLOSURE PROCEDURES

The Chief Executive Officer and consulting Chief Financial Officer of the Company are responsible for establishing and maintaining controls and disclosure procedures, as defined by National Instrument 52-109 of the Canadian Securities.

## FINANCIAL INSTRUMENTS

### FAIR VALUE

Financial instruments carried at fair value in the statement of financial position are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. Hierarchy for fair value consists of the following levels:

- Level 1 - Fair value based on quoted prices in active markets for identical assets and liabilities;
- Level 2 - Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);
- Level 3 - valuation techniques based on a significant part of the data for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy that applies as part of the determination of fair value requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of current assets and financial liabilities approximate their fair value due to their expected realization in the short term.

The fair value of the investment is classified according to level 2 of the hierarchy for fair value. The fair value of the sale price balance receivable, long- term debt and the liability component of the convertible debentures is classified according to level 3 of the hierarchy for fair value.

The fair value of long- term debt and the liability component of the convertible debentures are determined based on future cash flows. The fair value of the sale price balance receivable is determined by discounting the future cash flows of the current funding agreement, in the interest rates on the market for loans with conditions and similar maturities.

### FINANCIAL RISKS POLICY

The Company operates in an industry subject to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. In order to minimize the negative effects on its financial performance, the Company has centralized cash management for defining, assessing and hedging financial risks.

#### A) MARKET RISK

##### *Currency risk*

The Company makes most of its revenue in local currency, which minimizes market risks associated with fluctuations in foreign currencies. Therefore, the Company does not use derivative financial instruments to minimize its foreign exchange risk.

##### *Interest rate risk*

Interest rate risk to which the Company is exposed arises from its short and long-term loans. Borrowings at variable rates expose the Company to fluctuations in cash flows due to changes in interest rates, while borrowing at fixed rates expose the Company to the risk of changes in fair value.

The short-term debt, long-term debt and a portion of the convertible debentures bare interest at variable rates and therefore expose the Company to fluctuations in cash flows. A portion of the convertible debentures bare interest at fixed rates expose the Company to risk of changes in fair value.

Increase / decrease of 50 basis points in interest rates would increase / decrease the net income and comprehensive income by \$119 / (\$119) (\$138 / (\$138) in 2017).

The Company continuously analyzes its exposure to interest rate and examines the renewal and refinancing options that are available to minimize this risk.

##### *Price risk*

The Company is exposed to the risk of limited value given the nature of its activities.

#### B) CREDIT RISK

Cash and the Company's cash equivalents are held or issued by Canadian chartered financial institutions. Thus, the Company considers the risk of non - performance of these instruments is negligible.

The Company's credit risk is primarily attributable to its trade and other receivables and derivative financial instruments.



## Intema Solutions Inc.

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The Company provides credit to its customers in the normal course of business. It carries out ongoing credit evaluations with regard to its customers and closely monitors outstanding balances. As of June 30, 2018, 46,3% of accounts receivables, deductions of allowance for doubtful accounts receivable, were due from one customer (58,4% at June 30, 2017 were due from two customers).

Accounts receivable are recognized in the statement of financial position net of allowance for doubtful accounts. This provision is based on the best estimates of the Company with respect to the ultimate recovery of balances for which collection is uncertain. The uncertainty about the probability of perception can arise from various indicators such as deterioration in the creditworthiness of a customer or postponement of perception when the aging of invoices exceeds the normal payment terms. Management regularly reviews accounts receivable, monitors past due balances and assesses the appropriateness of the allowance for doubtful accounts.

Given the above, the Company believes that the credit risk is not significant.

For other accounts, including the balance of purchase price receivable, the Company continuously evaluates the probable losses and establishes a provision for losses based on their estimated realizable value.

### LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations as they fall due. Management reviews the level of liquidity of the Company to continuously ensure that we have sufficient liquidity to meet its commitments. In order to ensure sufficient liquidity to meet its current obligations, the Company maintains payment terms with its customers similar to those it has with its suppliers. In addition, the financing of the Company is provided by long-term borrowings and short-term credit facilities to ensure adequate financial resources to meet its financial obligations as they fall due.

### SEDAR

Additional information about the Company is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

**AUGUST 29, 2018**

(signed)

Roger Plourde  
CEO and President

(signed)

Diane Do Marcolino, CPA, CMA  
Interim Chief Financial Officer