INTRINSYC TECHNOLOGIES CORPORATION

2017 ANNUAL REPORT

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Chief Executive Officer Letter

Dear Fellow Shareholder,

Intrinsyc achieved year over year revenue growth of 58% in the fourth quarter of fiscal 2017, with Adjusted EBITDA of US$602,619 (CDN$766,107), net income of US$484,797 (CDN$611,772), and earnings per share of US$0.02 (CDN$0.02).

The strong revenue growth was a result of increased shipments of embedded computing hardware to new and existing clients, as well as improvement in revenue from engineering services. Revenue in the fourth quarter of fiscal 2017 was US$6.8 million (CDN$8.7 million) which was an increase from US$4.3 million (CDN$5.7 million) in the fourth quarter of fiscal 2016. Fiscal 2017 revenue was US$20.7 million (CDN$ $26.8 million), which was an increase of 18% over the prior year. The strong revenue growth was a result of increased shipments of embedded computing hardware to new and existing clients, as well as improvement in revenue from engineering services.

Our strong performance in the quarter is confirmation of the Company's successful strategic execution and transition from a non-recurring engineering services business model, to providing integrated solutions with a repeat revenue model. When our computing solutions are designed into our client's products it typically leads to repeat hardware purchases over multiple years and the benefits of this model are evident in our increasing revenue contribution from the Company's embedded computing products, which increased by 76% annually.

Annual revenue growth was a result of very strong growth from hardware sales, partially offset by a decline in software and services revenue. Since services revenue is generally at higher margins than hardware revenue this change in revenue mix impacted overall gross margin and earnings. The decline in services revenue was primarily as a result of the reduced revenue from a single major client as they delayed their product development.

Since 2013, the Company has collaborated closely with Qualcomm Technologies Inc, to create development and production solutions based on Qualcomm's industry leading Snapdragon technology. Intrinsyc is bringing technology designed for mobile systems into new classes of embedded and Internet of Things ("IoT") products, including: robotics, virtual reality, connected cameras, and wearables.

The Company sells development kits based on popular Snapdragon processors which generate additional opportunities for new engineering solutions clients, as well as the sale of hardware on a repeat basis to companies that choose to build their IoT products using Intrinsyc's Open-Q™ computing modules.

As a result of the Company's performance in supporting programs with Qualcomm, we have earned a leadership position in their IoT ecosystem and have been selected to support some of their most important initiatives such as: providing the Snapdragon Flight Platform, Automotive Development Platforms, Snapdragon 660 and 835 Hardware Development Kits, and Snapdragon 212 and 624 Android Things Platforms. In addition to supporting these platforms and programs, Intrinsyc licenses a range of Snapdragon technology and develops a range of development and production solutions. In the past year, in addition to the products already mentioned, Intrinsyc introduced the Open-Q™ 2100, an ultra-small form-factor computing module that is suited for smartwatches, as well as for pet, children, and elderly trackers, and more; and the Open-Q™ 626 System on Module ("SOM"), a compact, production-ready System on Module ("SOM") that is ideal for powering next-generation connected cameras, and other IoT devices.

With these new product introductions, the Company has computing solutions across all four tiers of Qualcomm's Snapdragon processors, namely the 200 Series, 400 Series, 600 Series, and 800 Series. This enables Intrinsyc to address a broad set of IoT product opportunities, enabling our clients to select the most appropriate platform based on price and performance. Our broad set of IoT computing solutions puts us in a favorable competitive position and makes Intrinsyc a valuable technology partner for Qualcomm's IoT initiatives.

On an annual basis, the Company achieved 18% revenue growth, which was a combination of very strong growth from hardware sales, partially offset by a decline in software and services revenue. The decline in services revenue was primarily due to the reduction in revenue from a single client. Since services revenue is generally at higher margins than our hardware revenue, this change in revenue mix impacted on overall gross margin and earnings. Additionally, the Company increased investment in product development during the year, which resulted in reduced earnings.

Business Highlights

- The Company increased design wins for the Company's Open-Q™ computing modules from 44 in the previous quarter to 50 in the fourth quarter, and production wins from 19 to 22, over the same period. Design and production wins are important metrics to track our progress in building our business with scalable repeat revenue.

- New production wins, agreements, and orders announced during the fourth quarter included:

    - A production win and order for the Company's Open-Q™ 2100 SOM. The SOM will power an advanced GPS asset tracking product built for government applications by a leading government systems integrator. The initial order received will support a client rollout and field trials with larger production expected beginning in the second quarter of 2018.

    - A new production win and the receipt of an initial order valued at US$470,000 for the Company's Open-Q™ 410 SOM. The SOM will be used in a camera based IoT product.

    - The receipt of orders for hardware and services from new and existing clients, that are in aggregate valued in excess of US$800,000. Among the engineering services orders are commitments from an industry leading company in the robotics industry, a Fortune 500 computing company, and an Industrial IoT company that is planning on using the Company's recently launched Open-Q™ 626 SOM.

- Announced a new Hardware Development Kit Featuring Qualcomm® Snapdragon™ 660 Mobile Platform.

- Intrinsyc was named to Deloitte's Technology Fast 500™, ranking 407 on this list of the 500 fastest growing technology, media, telecommunications, life sciences and energy tech companies in North America. Intrinsyc achieved this award as a result of our 196 percent revenue growth over a three-year period, from 2013 to 2016.

Financial Highlights

Three Month Comparative Results

The Company reported fourth quarter revenue of US$6.8 million (CDN$8.7 million), up 58% over the same period in the prior year of US$4.3 million (CDN$5.7 million) and up 41% over the prior period of US$4.8 million (CDN$6.0 million). The increase in revenue over the comparative periods was due primarily to increased revenue from the sale of hardware products.

The Company had net income of US$484,797 (CDN$611,772) in the three months ended December 31, 2017 compared to net income of US$210,128 (CDN$327,171) in the same period in the prior year and net income of US$93,006 (CDN$112,859) in the prior quarter.

Gross margin in the fourth quarter of fiscal 2017 was 35%, which was consistent with the 36% gross margin in the same period in the prior year but higher than 30% in the prior quarter. Decrease in gross margin over the same period in the prior year was due to the change in revenue mix, which saw a significant increase in revenues from the Company's Embedded Computing Hardware business which has a lower gross margin than the Company's engineering services, and a decrease in engineering services revenues. The increase in gross margin over the prior quarter was due to an increase in engineering services revenues. Adjusted EBITDA was as follows:

	Three months ended December 31, 2017		Three months ended September 30, 2017		Three months ended December 31, 2016	
	US$	CDN$	US$	CDN$	US$	CDN$
Operating income (loss)	$438,565	$557,547	($137,781)	($172,614)	$ 252,203	$ 336,541
Add: revenue recognized as interest income as per IFRS	-	-	33,750	42,282	33,750	45,036
Add back: Other operating expenses	164,054	208,559	168,146	210,654	(39,780)	(53,082)
Adjusted EBITDA	**$ 602,619**	**$ 706,106**	**$ 64,115**	**$ 80,322**	**$ 246,173**	**$ 328,495**

Twelve Month Comparative Results

The Company reported revenue of US$20.7 million (CDN$26.8 million) for the twelve months ended December 31, 2017, up 18% over the same period in the prior year of US$17.5 million (CDN$23.1 million). The increase in revenue was due to increased revenue from the sale of hardware products partially offset by a decrease in product development engineering services.

The Company had net income of US$642,337 (CDN$808,382), with earnings per share of US$0.03 (CDN$0.03) for the twelve months ended December 31, 2017, compared to net income of US$1,662,782 (CDN$2,232,617) in the same period in the prior year.

Gross margin for the twelve months ended December 31, 2017 was 33%, which was lower than the 39% gross margin in the same period in the prior year. Adjusted EBITDA was as follows:

	Twelve months ended December 31. 2017		Twelve months ended December 31. 2016	
	US$	CDN$	US$	CDN$
Operating income	$ 119,496	$ 150,956	$ 1,321,830	$ 1,746,385
d: revenue recognized as interest income as per IFRS	135,000	175,257	135,000	178,862
d back: Other operating expenses	498,186	641,087	304,342	402,030
Adjusted EBITDA	**$ 752,682**	**$ 967,300**	**$ 1,761,172**	**$ 2,327,277**

The Company had net income of US$489,000 (CDN$614,000) for the twelve months ended December 31, 2017, compared to net income of US$1.7 million (CDN$2.2 million) in the same period in the prior year.

Financial Position as at December 31, 2017

Working capital as of December 31, 2017 was US$12.4 million (CDN$15.5 million) inclusive of cash and short term investments of US$7.3 million (CDN$9.1 million). This is compared to net working capital of US$11.7 million (CDN$15.7 Million) as of December 31, 2016 inclusive of cash and short term investments of US$7.6 million (CDN$10.1 million).

Looking Forward

We are pleased with our strategic execution which led to increasing design and production wins for the Company's products and revenue growth. In 2018, we are focused on building the products and infrastructure that will deliver long-term growth. We will continue to execute on the strategies that have worked well for us, including: cultivating our strong partnership with Qualcomm and extending into new programs, investing in new product development, and our solutions-focused consultative sales process. In addition, we will invest in expanding our engineering resources, product delivery and supply chain capabilities, developing new technology partnerships, and increasing our expertise in key technology areas.

Although the decline in services revenue from a major client negatively impacted our gross margin and earnings in FY2017, we have indications that our client will once again be a significant contributor to our services revenue beginning in the second quarter of 2018.

To provide the engineering resources to support our strategic growth plans, the Company will increase our headcount in our primary engineering center in Vancouver, BC, as well as our engineering center in Taipei, Taiwan. Additionally, the Company is establishing an engineering center in Bangalore, India. We already have engineering contractors working in Bangalore and expect to have our corporate subsidiary established in the first quarter of 2018.

In Fiscal 2017, Intrinsyc made a decision to establish a relationship with NXP Semiconductors to expand the Company's product portfolio and generate new revenue opportunities. The importance of this initiative increased with the announcement of the proposed merger between Qualcomm and NXP. In the event that this acquisition closes, we believe this acquisition will be beneficial to Intrinsyc as we are well-positioned to be a strong partner due to extensive business relationships throughout both companies, and strong expertise in both Qualcomm's Snapdragon and NXP's i.MX processor technology. The first tangible evidence of success from our initiative with NXP was the launch of the Company's Open-X™ 8M System on Module and development kit in February of 2018. This is the first of what we expect will be a family of solutions based on NXP's i.MX processor family.

The Company continues to have a very strong relationship with Qualcomm and is actively engaged with several programs. We already announced three new Qualcomm based platforms in 2018. The first two platforms, the Open-Q™ 212A and Open-Q™ 626A, are designed to help original equipment manufacturers ("OEMs") to accelerate the design, development and commercialization of a new generation of audio and artificial intelligence ("AI") – enabled IoT products featuring touch displays, video cameras, immersive media and cloud connectivity. The third platform is the Open-Q™ 845 Hardware Development Kit (HDK) based on Qualcomm's flagship Snapdragon 845 Mobile platform. The Snapdragon 845 is Qualcomm's most powerful processor platform and it introduces new, innovative architectures for AI and immersion.

As a result of our collaboration with leading technology companies, we are developing unique capabilities in key technology areas that will position the Company to build the products of the future. Key areas of focus include AI, machine learning, embedded vision, and IoT device security and management. We believe that our advanced expertise in these and other areas is what sets us apart and makes us a preferred partner for industry leading technology companies, and a preferred supplier of embedded computing solutions and product development services for our clients.

In February 2018, we announced that Intrinsyc was extending the maturity date of the US$1,500,000 secured promissory note with Stream TV from February 1, 2018 to April 2, 2018. We are currently in negotiations for enhanced work commitments, the potential for alternative forms of investment, and other strategic initiatives with Stream TV. I look forward to announcing the results of our negotiations in the near future.

I'm confident that Intrinsyc is on the right track with our expanding product portfolio, technology partnerships, industry leading technical expertise, and growing client base. While we expect that our continued execution of our strategic initiatives will lead to annual revenue growth; there is a greater likelihood for quarterly variability in FY2018 due to the timing of our client's hardware orders and the availability of components needed for manufacturing.

I appreciate your support as we continue to execute on our growth strategy and focus on delivering long-term value for shareholders.

Thank you for your continued support.

Yours sincerely,

"Tracy Rees"
President and Chief Executive Officer
March 7, 2018

INTRINSYC TECHNOLOGIES CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Twelve Months ended December 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis has been prepared by management as of March 6, 2018 and should be read in conjunction with the audited consolidated financial statements of Intrinsyc Technologies Corporation (the "Company" or "Intrinsyc") and related notes thereto for the year ended December 31, 2017 (prepared in accordance with International Financial Reporting Standards or "IFRS"). All amounts are presented in United States (U.S.) dollars unless otherwise noted. Additional information about the Company, including the Company's Annual Information Form ("AIF") is available on SEDAR at www.sedar.com.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis contains statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information includes financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "intend", "plan", "forecast", "project", "estimate" and "believe" or other similar words and phrases may identify forward-looking statements or information. Persons reading this Management's Discussion and Analysis are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the need to develop, integrate and deploy software solutions to meet its customers' requirements; the possibility of development or deployment difficulties or delays; the dependence on its customers' satisfaction; the timing of entering into significant contracts; its customers' continued commitment to the deployment of the Company's solutions; the risks involved in developing integrated software solutions and integrating them with third-party products and services; reliance on products manufactured by other companies for resale or distribution and reliance on third-party suppliers; the performance of the global economy and growth in software industry sales; market acceptance of the Company's products and services; customer and industry analyst perception of the Company and its technology vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; possible disruptive effects of organizational or personnel changes; technological change; new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company's not adequately protecting its intellectual property; risks related to product defects and product liability; currency exchange rate risk; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, including its financial statements and management's discussion and analysis for the year ended December 31, 2017, and those referred to under the heading "Risk Factors". In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the acceptance of the Company's products and services by its customers; the timing of execution of outstanding or potential customer contracts by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this Management's Discussion and Analysis are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW

The Company was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. On June 17, 2014, the Company changed its name to Intrinsyc Technologies Corporation. The Company's principal business office is Suite 300, 885 Dunsmuir Street, Vancouver, British Columbia, V6C 1N5 and its registered office is Suite 1700, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9. The Company is listed on the Toronto Stock Exchange ("TSX") under the trading symbol ITC.

The Company is a product developer and provides software, engineering services, and integrated solutions that enable next-generation embedded and wireless products. Solutions span the development life cycle from concept to production and help device makers and technology suppliers create compelling differentiated products with faster time-to-market.

CORPORATE SUMMARY

The Company provides solutions for the development and production of embedded and Internet of Things ("IoT") devices. The Company's embedded computing products include: embedded development kits, vertical market reference designs and development platforms, mobile application development platforms, and production-ready embedded computers.

These products, combined with Intrinsyc's engineering services, help device makers and silicon vendors deliver embedded and IoT products with faster time-to-market, as well as improved innovation and quality. Additionally, the Company has legacy proprietary software that provides a bridge between Java and COM based computing platforms under the brand, J-Integra®.

The Company is focused on expanding its client base with new design wins for embedded computing products and accelerating time to market for client's products. Achievement of these objectives will provide a path to long-term scalable revenue. With this objective in mind the Company transitioned from primarily providing non-recurring engineering services to focus on the sales of embedded computing products, and complementary comprehensive product design and development services. As a result of this transition, the Company changed revenue segmentation and reporting from Embedded Solutions, General Engineering Services and Other Software Solutions to Embedded Computing Hardware and Services and Software. While Services and Software will provide a higher margin percentage, Embedded Computing is expected to be the engine for scalable revenue growth.

The Company's business segments are described below.

Embedded Computing Hardware

The Embedded Computing Hardware segment includes the sales of the Company's proprietary computer modules, development kits, and related hardware technology.

- Production-ready embedded computing products include the Open-Q™ line of system on modules ("SOM") and single board computers ("SBC"); including the Open-Q™ 800, Open-Q™ 805, Open-Q™ 810, Open-Q™ 410, Open-Q™ 820, Open-Q™ 835, Open-Q™ 626 and Open-Q™ 2100 System on Modules ("SOM"), and the Open-Q™ 600 SBC. The Company sells these solutions as production-ready computing products and also makes custom variants of these products that are tailored specifically to client requirements.

- Embedded development kits include the DragonBoard™ 800, Open-Q™ 805 Development Kit, DragonBoard 810™, Open-Q™ 820 Development Kit, Open-Q™ 2100, Open-Q™ 626 and Open-Q 600 SBC.

- Vertical market reference designs and development kits include the Snapdragon™ 820 Automotive Development Platform (ADP), Snapdragon™ Flight, Open-Q™410 Wearable Computing Reference Design, and Open-Q™ 650 IP Camera Reference Design.

- In addition, the Company frequently designs, develops, and manufactures complementary peripheral boards that add additional functionality to Open-Q™ System on Modules.

The Company is building an expanding base of customers and prospects for the Open-Q™ family of SOMs and custom embedded computing modules. Intrinsyc's customers build a diverse set of intelligent connected products, including many new and exciting emerging categories such as: smart glasses and other wearable technology, robotics, digital signage, and more. As these customers increase sales of their products, Intrinsyc will benefit from repeat sales of our computing modules and/or design royalties. By working with range of customers, from startups to well established entities, Intrinsyc can take advantage of the growth opportunities in these emerging device sectors, while limiting its exposure to any single new consumer or industrial product. The shared success business model being employed allows Intrinsyc to better align with our customers' business and product initiatives, while enjoying the potential for greater revenue and margin upside. The Company's revenue could vary significantly from one quarter to the next due to the timing of customer production requirements.

Intrinsyc's computing modules are manufactured by two strategic manufacturing partners: one is based in North America to support quicker production lead times and smaller volume requirements, and the other based in China to support higher volume, lower cost, requirements. Computing modules are shipped to Intrinsyc or directly to the customer based on order size and customer requirements. Typically larger volume orders would be shipped fully manufactured and tested from Intrinsyc's contract manufacturer in China. The Company's strategic manufacturing partners allow Intrinsyc to respond quickly to customer requirements and scale revenue without additional investment in facilities or personnel resources. Scaling revenue without a commensurate increase in operating expenses should allow the Company to generate greater profit growth.

Services and Software

The Company provides design and development services to silicon vendors, OEMs and ODMs building embedded and IoT devices. The Company's capabilities in these areas are a product of over 20 years of embedded device development experience. As a result, the Company has developed core competencies in the areas of Board Support Package ("BSP") and device driver development, power management, electrical, mechanical, and Radio Frequency ("RF") design, testing and certification; all of which are complex and essential elements required to design and develop embedded and IoT devices.

The Company has cross platform capabilities on the key operating systems currently in the market for embedded and IoT devices: Microsoft Windows, QNX, Linux and Android operating systems.

The Company employs both a fixed fee pricing model and a time and materials pricing model for engineering services. Additionally, the Company may defer fees for product design or development services and collect fees in the form of per unit royalties.

Services and Software provided by the Company are as follows:

- Turnkey product development from concept through production, including development of product specifications, electrical, mechanical and RF design, BSP and driver development, and product test and certification services for OEMs developing embedded and IoT devices;

- Conducting feasibility studies, requirements analyses and architecture designs;

- Providing detailed technical training and support programs to OEMs;

- BSP and driver development;
- Electrical, Mechanical and RF Design;
- Field Programmable Gate Array ("FPGA") Design and Development;
- Camera Driver Development and Tuning;
- Power management services for OEMs designing small form factor products which are needed to improve battery life while simultaneously increasing applications and features that drive growth in power utilization;
- Embedded and IoT application development;
- RapidRIL™ Telephony Software and wireless integration services;
- J-Integra, a scalable, high-performance middleware solution for connecting Java directly to .NET, COM, and Exchange objects.

SIGNIFICANT EVENTS FOR 2017

Financial Events

- Revenue increased by 18% from the year ended December 31, 2016 which was primarily due to increased revenues attributable to the Company's Embedded Computing business offset by a decrease in its Services and Software business.
- Expenses (excluding other operating expenses)[1] increased by 18/% from the year ended December 31, 2016 due primarily to increased research and development expenses in addition to tradeshow expenses, marketing expenses, professional fees, bad debt expense and other operating expenses as a result of the growth of the business.
- Net income for the year ended December 31, 2017 was $489,337 compared to net income during the year ended December 31, 2016 of $1,662,782.
- Cash used in operations was $248,957 during the year ended December 31, 2017 compared to cash provided by operations of $465,322 during the year ended December 31, 2016.
- Received approval from the TSX regarding the notice filed by the Company to establish a normal course issuer bid ("NCIB") program to purchase, for cancellation, up to 500,000 common shares or approximately 2.4% of Intrinsyc's issued and outstanding common shares, as at September 21, 2017. The NCIB program commenced on October 4, 2017 and will terminate on October 3, 2018, or on such earlier date as the Company may complete its purchases pursuant to a Notice of Intention filed with the TSX. In connection with the NCIB program, the Company established an automatic repurchase plan (the "Plan") with its designated broker to allow for purchases of its common shares during certain pre-determined black-out periods, subject to certain parameters as to price and number of shares. As of December 31, 2017 the Company has purchased and cancelled 111,600 common shares for CDN$175,820.

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[1] Expenses (excluding other operating expenses) is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers (it includes Sales and Marketing, Research and Development, and Administration expenses but excludes Other Operating Expenses). This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate its cash operating expenses.

- Named to Deloitte's Technology Fast 500™, ranking 407 on this list of the 500 fastest growing technology, media, telecommunications, life sciences and energy tech companies in North America. Intrinsyc achieved this award as a result of its 196 percent revenue growth over a three-year period, from 2013 to 2016.

Business Highlights

- Announced a new production win for the Company's Open-Q™ 2100 System on Module ("SOM"). The SOM will power an advanced GPS asset tracking product built for government applications by a leading government systems integrator. The initial order received will support a client rollout and field trials with larger production expected beginning in the second quarter of 2018.

- Announced a new production win and the receipt of an initial order valued at $470,000 for Intrinsyc's Open-Q™ 410 System on Module ("SOM") will be used in a camera based IoT product.

- Received orders from new and existing clients, that are in aggregate valued in excess of $800,000. Orders for the Company's Open-Q™ embedded computing modules and related hardware components are valued at approximately $185,000 and engineering services agreements from multiple clients valued at approximately $630,000. Among the engineering services order is an order from an industry leading company in the robotics industry, a Fortune 500 computing company, and an Industrial IoT company that is planning on using the Company's recently launched Open-Q™ 626 system on module ("SOM"). Hardware shipments and services were provided during the fourth quarter, 2017, and first quarter, 2018.

- Received an order, from an existing client, that is valued at $916,000. The non-cancellable order incorporates memory purchased by the client under a previous order valued at $100,000, resulting in a net value of $816,000.

- Received orders that are in aggregate valued at $623,000. One order is from a medical device company that plans to use a next-generation design of the Company's Open-Q™ embedded computing modules, currently in development; and the second order is for the development of a custom designed embedded computing module. The second order includes a provision for a per-unit royalty fee as the client ships their product. Product development services are expected to be completed in 2017.

- Increased design and production wins for Open-Q™ computing modules from 44 to 50 and 19 to 22, respectively, during the fourth quarter of 2017. Design and production wins are important metrics to track progress in building Intrinsyc's business with scalable repeat revenue.

- Ken Tough, Director of Engineering Services at Intrinsyc, wrote a blog: https://www.intrinsyc.com/future-wearables-open-q-2100/, "*The Future of Wearables*" In this blog Ken addresses the technical challenges in the wearables market and how Intrinsyc's Open-Q 2100 platform, is the ideal platform for small form factor wearables; such as smart watches, fitness trackers, elderly and kid trackers, and more. By 2020, the wearable computing market is forecasted to be worth over $34 billion, by CCS Insight in their February 2016 "Global Wearable Forecast."

- Received orders from two existing clients, that are in aggregate valued at $1,579,551. Orders for the Company's Open-Q embedded computing modules and related hardware components are valued at $629,990. The Company also signed engineering services agreements from multiple clients valued at $949,561. Hardware shipments and services began being delivered during the second quarter of 2017.

- Received an order from an existing Global 500 client, that is valued at $2,990,000. This non-cancellable order is for a last-time purchase of memory components that are reaching end of life. Delivery and title of ownership to the components will transfer to the client with related revenue anticipated to be recognized in three, approximately equal quarterly installments, beginning in the fourth quarter of 2017. The memory is expected to be consumed for potential future orders of the Company's Open-Q 805 computing modules.

- Received orders that are in aggregate valued at $928,066. Two orders are from new IoT clients for the Company's Open-Q 820 SOM, in aggregate valued at $594,815. The Company also received a new design win and product development services order valued at $333,851, from an existing Global 500 client for their next generation product. Hardware shipments and services were delivered during the third and fourth quarter of 2017.

- Signed an agreement with a new client valued in excess of $600,000.

- Received follow-on orders from an existing client, a subsidiary of a Fortune 500 Global company, that are in aggregate valued at $708,000. Delivery of the Open-Q™ embedded computing modules began in the first quarter of 2017. Additional follow-on orders from this client continued throughout 2017.

- Received a follow-on order from an existing IoT client valued at $572,500 for their custom single board computer ("SBC") from Intrinsyc. The client creates high resolution imaging and analytic products for commercial customers.

- Signed five new agreements for product development services valued in excess of $840,000.

- Received orders from existing clients, that are in aggregate valued at $1,189,000. Orders for the Company's Open-Q™ embedded computing modules and related hardware components are valued at $992,000 and expected to be delivered in the second quarter of 2017. The Company also received an engineering services order from an existing client valued at $197,000 with delivery beginning in the first quarter of 2017.

- Participated in several key industry conferences throughout the year in North America and Europe including: CES, Embedded World 2017, Mobile World Congress and Cantech Investment Conference where the Company was one of three nominees for the TSX Canadian Tech Stock of the Year. The Company frequently exhibits at these events as an invited guest of Qualcomm

Product Highlights

- Announced the general availability of a new Hardware Development Kit ("HDK") featuring the Qualcomm® Snapdragon™ 660 Mobile Platform.

- Announced the availability of the Open-Q™ 626 System on Module (SOM) and Development Kit.

- Announced the introduction of the Company's Open-Q™ 2100 SOM and its companion Open-Q™ 2100 Development Kit.

- Announced the availability of the Open-Q 212 SBC.

- Launched of a new Hardware Development Kit ("HDK") featuring the Qualcomm® Snapdragon™ 835 Mobile Platform, a product of Qualcomm Technologies, Inc., a subsidiary of Qualcomm Incorporated.

- Announced the introduction of the Company's Open-Q™ 650 IP Camera Reference Design. The Camera Reference Design enables companies to innovate and produce leading-edge camera products faster, more cost effectively and quickly.

- Announced the Company's Open-Q™ 410 supports Microsoft Windows 10 IoT and is Microsoft Azure certified for IoT.

Director Change

- Announced that it has expanded its board of directors by one director to a total of seven directors and have appointed the Company's President and Chief Executive Officer, Mr. Tracy Rees, as a Director effective June 15, 2017.

SELECTED QUARTERLY INFORMATION

The information in the tables below has been derived from the Company's unaudited interim condensed consolidated financial statements (excluding Adjusted EBITDA[2]). The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

Consolidated Statements of Financial Position

(in US$ '000's)	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Cash and cash equivalents	$4,989	$4,547	$5,405	$3,488	$5,382	$4,517	$4,935	$3,888
Short-term investments	$2,260	$3,132	$2,297	$4,242	$2,169	$3,062	$2,279	$2,261
Working capital	$12,509	$12,086	$11,817	$11,775	$11,667	$11,519	$11,051	$10,223
Total assets	$18,757	$16,825	$15,627	$15,233	$14,910	$14,067	$13,966	$13,441
Shareholders' equity	$13,001	$12,557	$12,326	$12,269	$12,155	$12,017	$11,581	$10,756

Consolidated Statements of Operations

(in US$ '000's, except earnings per share)	**Three months ended December 31, 2017**	**Three months ended September 30, 2017**	**Three months ended June 30, 2017**	**Three months ended March 31, 2017**	**Three months ended December 31, 2016**	**Three months ended September 30, 2016**	**Three months ended June 30, 2016**	**Three months ended March 31, 2016**
Revenue	$6,813	$4,825	$4,574	$4,468	$4,305	$4,066	$4,810	$4,283
Add: Stream TV revenue recognized as finance interest income	34	34	34	34	34	34	34	34
Cost of sales	4,441	3,390	3,058	2,894	2,760	2,280	2,958	2,647
Gross margin	2,406	1,469	1,550	1,608	1,579	1,820	1,886	1,670
Expenses:								
Sales and marketing expenses	671	609	664	730	657	581	654	603
Research and development expenses	376	283	353	303	286	273	193	153
Administration expenses	723	513	449	472	390	457	492	453
Adjusted EBITDA	636	64	84	103	246	509	547	461
Other expenses (earnings)	151	(50)	103	10	24	147	(53)	(30)
Income tax expense	-	21	4	6	12	-	-	-
Net income (loss)	$485	$93	($23)	$87	$210	$362	$600	$491
Net income (loss) per share (basic and fully diluted)	$0.03	$0.00	$0.00	$0.00	$0.01	$0.02	$0.03	$0.02

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

The following analysis of the results of operations for the three months ended December 31, 2017 includes comparisons to the three months ended September 30, 2017 and December 31, 2016.

Revenue

The Company currently segregates revenue into two segments:

- Embedded Computing Hardware segment includes the sales of the Company's proprietary computer modules and development kits. The Company offers OEMs off-the-shelf and customized embedded computing modules.

- Services and Software segment includes turnkey product design and development services, as well as other engineering services and device software, including royalties. As well, it includes revenue generated from software products including: J-Integra® Enterprise Interoperability Software ("EIS"), and RapidRIL Telephony Software, including maintenance and support agreements for these products. These products and services are sold to OEMs, original device manufacturers ("ODMs"), technology providers, and other companies.

[2] Adjusted EBITDA or Adjusted Earnings before Interest, Taxes, Depreciation and Amortization is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. Adjusted EBITDA referenced here relates to operating income (loss) inclusive of revenue reclassified as interest income (as per IFRS) less other operating expenses. The closest comparable IFRS financial measure is Operating Income (Loss). This measure is used by the Company to manage and evaluate the cash operating income (loss) of the business.

Revenue by Source	Three months ended December 31, 2017	%	Three months ended September 30, 2017	%	Three months ended December 31, 2016	%
Services and Software	$ 2,254,981	33%	$ 1,841,335	38%	$ 2,193,323	51%
Embedded Computing Hardware	4,558,242	67%	2,983,668	62%	2,112,340	49%
Total revenue	**$ 6,813,223**	**100%**	**$ 4,825,003**	**100%**	**$ 4,305,663**	**100%**

Revenue increased by 41% from the three months ended September 30, 2017 and by 58% from the three months ended December 31, 2016. The increase over the comparable periods was due to increased revenues attributable to the Company's Embedded Computing Hardware. with a decrease in revenue from Services and Software from the previous year, and an increase in Software and Services from the previous quarter.

Services and Software revenue was approximately $2.3 million during the three months ended December 31, 2017 as compared to approximately $1.8 million for the three months ended September 30, 2017and approximately $2.2 million for the three months ended December 31, 2016.

Total revenues attributable to the Company's Embedded Computing Hardware increased by 53% during the three months ended December 31, 2017 compared to the three months ended September 30, 2017 and by 116% compared to the three months ended December 31, 2016. This increase was due to increased sales of Development Kits, embedded computing modules and approximately $1.0 million of memory components. Memory components were ordered by an Intrinsyc client to ensure supply for anticipated future orders of embedded computing modules.

To date, the Company has had a significant portion of its revenue derived from its largest customers. In each respective period, revenues from customers which amounted to 10% or more of the Company's revenues accounted for the following percentages of the Company's total revenues:

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Revenue	$2,801,516	$1,427,891	$1,667,331
Percentage of total revenue	**41%**	**30%**	**39%**

There were two (2) customers that accounted for 42% of the total revenue for the three months ended December 31, 2017 as compared two (2) customers that accounted for 30% of the total revenues for the three months ended December 31, 2017 and three (3) customers that accounted 39% of the total revenues for the three months ended December 31, 2016.

The Company earned revenues attributed to the following geographical regions based on the location of the customer:

	Three months ended December 31, 2017	%	Three months ended September 30, 2017	%	Three months ended December 31, 2016	%
United States	$ 4,598,034	67%	$ 2,757,559	57%	$ 3,273,124	76%
Asia Pacific	1,287,276	19%	1,487,494	31%	585,310	14%
Canada	497,967	7%	129,960	3%	135,441	3%
Europe	425,850	6%	448,254	9%	311,788	7%
Other	4,096	<1%	1,736	<1%	-	-%
	$ 6,813,223	**100%**	**$ 4,825,003**	**100%**	**$ 4,305,663**	**100%**

The Company continues to generate the majority of its revenue from the United States market but there has been an increase in revenues from the Asia Pacific region.

Gross Margin[3]

Gross margins vary by revenue segment, with aggregate gross margin being typically in the range of 35% to 55% for Services and Software segment and 15% to 25% for Embedded Computing segment. As a result, the overall gross margin is a blend of the margins attributable to each respective business segment.

	Three months ended December 31, 2017	%	Three months ended September 30, 2017	%	Three months ended December 31, 2016	%
Revenues	$ 6,813,223	100%	$ 4,825,003	100%	$ 4,305,663	100%
Cost of sales	4,440,508	65%	3,390,311	70%	2,760,234	64%
Gross margin	**$ 2,372,715**	**35%**	**$ 1,434,692**	**30%**	**$ 1,545,429**	**36%**

The Company's cost of sales includes Canadian and New Taiwan Dollar denominated costs which are translated into the Company's U.S. functional currency. Gross margin for the three months ended December 31, 2017 was 35%, which was slightly higher than the 30% gross margin for the three months ended September 30, 2017 and consisten with the 36% gross margin for the three months December 31, 2016. Increase in gross margin over the three months ended September 30, 2017 was due to an increase in service revenue which has a higher gross margin. Also, there was a reversal of a previously recorded royalty cost of approximately $105,000. Decrease in gross margin over the same period in the prior year was due to the change in revenue mix, which saw a significant increase in revenues from the Company's Embedded Computing Hardware business which has a much lower gross margin and decrease in engineering services gross margin as well as a strengthening of the Canadian Dollar.

Expenses

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Sales and marketing	$ 670,546	$ 608,700	$ 657,471
Research and development	375,584	282,728	285,548
Administration	723,966	512,899	389,987
Other operating expenses	164,054	168,146	(39,780)
Total expenses	**$ 1,934,150**	**$ 1,572,473**	**$ 1,293,226**
As a percentage of total revenue	**28%**	**33%**	**30%**

Expenses during the three months ended December 31, 2017 were higher than the three months ended September 30, 2017. This was due to an increase in commissions, product development costs, bad debt expense, travel, professional fees as well as an accrual of a bonus expense.

Expenses during the three months ended December 31, 2017 were higher than the three months ended December 31, 2016. This was due to increased product development and technical support expenses, commissions, bad debt expense, travel, professional fees and stock based compensation.

[3] Gross Margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross Margin referenced here relates to revenues less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

Sales and Marketing

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Sales and marketing	$670,546	$608,700	$ 657,471
As a percentage of total revenue	**10%**	**13%**	**15%**

The Company had a total of eleven (11) employees and contractors in Sales and Marketing as at December 31, 2017 which decreased from twelve (12) as at December 31, 2016. Sales and marketing expense consists primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing collateral, advertising costs and facilities.

The increase in sales and marketing expense over the previous three months ended September 30, 2017 and December 31, 2016 was due to an increase in commissions, travel and marketing costs.

Research and Development

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Research and development	$375,584	$282,728	$285,548
As a percentage of total revenue	**6%**	**6%**	**7%**

Research and development expenses relate primarily to salaries and related benefit costs, and also include materials related to the development of the Company's embedded computing products. Research and development costs for the three months ended December 31, 2017 were higher than the comparable periods due to increased employee related costs.

Administration

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Administration	$723,966	$512,899	$389,987
As a percentage of total revenue	**11%**	**11%**	**9%**

Administration expenses include executive and administrative staff, facilities, public company costs, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

The increase over the three months ended September 30, 2017 was primarily due to the accrual of a performance bonus as well as bad debt expense and increased travel and professional fees. The increase over the three months ended December 31, 2016 was due to primarily an increase in employee related costs, accrual of performance bonus as well as bad debt expense and increased travel and professional fees.

Other Operating Expenses

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Depreciation of equipment	$ 27,377	$ 25,467	$ 24,845
Amortization of intangible assets	20,004	19,884	21,802
Share-based compensation	116,673	122,795	(86,427)
Total other operating expenses	**$ 164,054**	**$ 168,146**	**($ 39,780)**

Adjusted EBITDA

Adjusted EBITDA was $501,369 for the three months ended December 31, 2017 compared to $64,115 for the three months ended September 30, 2017 and $246,173 for the three months ended December 31, 2016.

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Operating income (loss)	$ 438,565	($137,781)	$252,203
Add: revenue recognized as interest income as per IFRS	-	33,750	33,750
Add back: Other operating expenses	164,054	168,146	(39,780)
Adjusted EBITDA	**$ 602,619**	**$ 64,115**	**$246,173**

Other Expenses (Earnings)

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Foreign exchange loss (gain)	$ 13,458	($ 189,440)	$ 92,291
Interest income	(59,257)	(62,275)	(62,419)
Total other expenses (earnings)	**($ 45,799)**	**($ 251,715)**	**$ 29,872**

Other income for the three months ended December 31, 2017 were attributable to a foreign exchange loss of $13,458 offset by interest income of $59,257. Other income for the three months ended September 30, 2017 were attributable to a foreign exchange gain of $189,440 and interest income of $62,275 Other expenses for the three months ended December 31, 2016 were attributable to a foreign exchange loss of $92,291 partially offset by interest income of $62,419. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange gain reported above due to the strengthening of the Canadian dollar as at December 31, 2017 over the prior periods.

Net Income (Loss)

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Operating income (loss)	$ 438,565	($ 137,781)	$ 252,203
Total other expenses (earnings)	(45,799)	(251,715)	29,872
Income tax expense	(433)	20,928	12,203
Net income (loss)	**$ 484,797**	**$ 93,006**	**$ 210,128**
Earnings (loss) per share (basic and fully diluted)	**$0.02**	**$0.00**	**$0.01**

Net income for the three months ended December 31, 2017 was $484,797 $0.02 earnings per share compared to net income for the three months ended September 30, 2017 of $93,006 or $0.00 earnings per share and to net income of $210,128 or $0.01 earnings per share for the three months ended December 31, 2016.

SELECTED ANNUAL INFORMATION

The following selected annual information of the results of operations for the year ended December 31, 2017 includes comparisons to the years ended December 31, 2016 and 2015:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 20,679,670	$ 17,464,342	$ 12,545,391
Operating income (loss)	$ 254,496	$ 1,321,830	$ 1,193,951
Net income (loss)	$ 642,337	$ 1,662,782	$ 722,773
Earnings (loss) per common share (basic and diluted)	$ 0.03	$ 0.08	$ 0.03

As at	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	$ 18,756,555	$ 14,910,406	$ 12,572,228

See Financial Results section below for discussion on Revenue and Net Income for the year. The increase in total assets as at December 31, 2017 from December 31, 2015 is due to a decrease in cash and cash and cash equivalents of approximately $0.9 million, an increase in short-term investments of approximately $1.1 million, an increase in accounts receivable of approximately $2.0 million, an increase in inventory of approximately $3.7 million, increased interest on the Stream TV loan receivable of approximately $0.1 million and the purchase of equipment and intangible assets of approximately $0.7 million offset by depreciation and amortization totaling $0.6 million since December 31, 2015.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

The following analysis of the results of operations for the year ended December 31, 2017 includes comparisons to the year ended December 31, 2016.

Revenue

Revenue by Source	**Year ended December 31, 2017**	**%**	**Year ended December 31, 2016**	**%**	**Change**
Services and Software	$ 8,240,159	40%	$ 10,408,862	60%	(21%)
Embedded Computing Hardware	12,439,511	60%	7,055,480	40%	76%
Total revenue	**$ 20,679,670**	**100%**	**$ 17,464,342**	**100%**	**18%**

The increase in revenue is attributable to increased revenues attributable to the Company's Embedded Computing products, with a decrease in the Company's Services and Software.

In each respective period, revenues from customers which amounted to 10% or more of the Company's revenues accounted for the following percentages of the Company's total revenues:

	Year ended December 31, 2017	**Year ended December 31, 2016**	**Change**
Revenue	$7,261,590	$5,344,374	36%
Percentage of total revenue	**35%**	**31%**	

During year ended December 31, 2017, two (2) customers accounted for 35% of the total revenue while two (2) customers accounted for 31% of the total revenue for the year ended December 31, 2016.

The Company earned revenues attributed to the following geographical regions based on the location of the customer:

	Year ended December 31, 2017	%	Year ended December 31, 2016	%	Change
United States	$ 13,709,734	66%	$ 13,251,681	76%	3%
Asia Pacific	4,223,751	21%	1,809,519	10%	133%
Europe	1,847,861	9%	1,685,865	10%	10%
Canada	886,835	4%	716,600	4%	24%
Other	11,489	<1%	677	<1%	1,597%
Total revenue	**$ 20,679,670**	**100%**	**$ 17,464,342**	**100%**	**18%**

While the Company continues to generate the majority of its revenue from the United States market, there was a significant increase in revenues from the Asian Pacific market during the year ended December 31, 2017.

Gross Margin

Gross margins vary by revenue segment, with aggregate gross margin being typically in the range of 35% to 55% for Services and Software segment and 15% to 25% for Embedded Computing segment. As a result, the overall gross margin is a blend of the margins attributable to each respective business segment.

	Year ended December 31, 2017	%	Year ended December 31, 2016	%	Change
Revenues	$ 20,679,670	100%	$ 17,464,342	100%	18%
Cost of sales	13,782,498	67%	10,645,441	61%	29%
Gross margin	**$ 6,897,172**	**33%**	**$ 6,818,901**	**39%**	**(1%)**

The gross margin percentage for the year ended December 31, 2017 was lower as compared to the year ended December 31, 2016 due to a change in the revenue mix, which saw a significant increase in revenues from the Company’s Embedded Computing Hardware which has a much lower gross margin. The decrease in gross margin was also due to increased labor costs due to the strengthening in the value of the Canadian dollar against the US dollar.

Expenses

	Year ended December 31, 2017	Year ended December 31, 2016	Change
Sales and marketing	$ 2,672,959	$ 2,494,859	7%
Research and development	1,314,477	905,159	45%
Administration	2,157,054	1,792,711	20%
Other operating expenses	498,186	304,342	64%
Total expenses	**$ 6,642,676**	**$ 5,497,071**	**21%**
As a percentage of total revenue	**32%**	**31%**	

The increase in total operating expenses was due primarily to an increase in sales and marketing expenses, professional fees and costs related to the development of new products and increased stock based compensation for the year.

Sales and Marketing

	Year ended December 31, 2017	Year ended December 31, 2016	Change
Sales and marketing	$ 2,672,959	$ 2,494,859	7%
As a percentage of total revenue	**13%**	**14%**	

Total sales and marketing expenses for the year ended December 31, 2017 increased when compared to the year ended December 31, 2016 due to an increase in employee related costs, travel and entertainment as well as advertising and promotion costs.

Research and Development

	Year ended December 31, 2017	Year ended December 31, 2016	Change
Research and development	$ 1,314,477	$ 905,159	45%
As a percentage of total revenue	**6%**	**5%**	

Research and development costs for the year ended December 31, 2017 increased over the year ended December 31, 2016 due to higher employee related costs as a result of the increased investment in the development of new products.

Administration

	Year ended December 31, 2017	Year ended December 31, 2016	Change
Administration	$ 2,157,054	$ 1,792,711	20%
As a percentage of total revenue	**10%**	**10%**	

Administration costs for the year ended December 31, 2017 were comparable to year ended December 31, 2016 due to an increase in employee related costs as well as an accrual of corporate bonus, increased travel costs and bad debt expense.

Other Operating Expenses

	Year ended December 31, 2017	Year ended December 31, 2016	Change
Depreciation of equipment	$ 99,862	$ 90,539	10%
Amortization of intangible assets	81,224	96,324	(16%)
Share-based compensation	317,100	117,479	170%
Total other operating expenses	**$ 498,186**	**$ 304,342**	**(64%**

Adjusted EBITDA

Adjusted EBITDA was $752,682 for year ended December 31, 2017 compared to $1,761,172 for the year ended December 31, 2016.

	Year ended December 31, 2017	Year ended December 31, 2016
Operating income	$ 254,496	$ 1,321,830
Add: revenue recognized as interest income as per IFRS	-	135,000
Add back: Other operating expenses	498,186	304,342
Adjusted EBITDA	**$ 752,682**	**$ 1,761,172**

Other Expenses (Earnings)

	Year ended December 31, 2016	Year ended December 31, 2016
Foreign exchange loss (gain)	($ 177,801)	($ 136,328)
Interest income	(239,853)	(219,127)
Total other earnings	**($ 417,654)**	**($ 355,455)**

Net other earnings for the year ended December 31, 2017 were attributable to a foreign exchange gain of $177,801 and interest income of $239,853. Net other earnings for the year ended December 31, 2016 were attributable to a foreign exchange gain of $136,328 and interest income of $219,127.

Net Income

	Year ended December 31, 2017	Year ended December 31, 2016
Operating income	$ 254,496	$ 1,321,830
Total other expenses (earnings)	(417,654)	(355,455)
Income tax expense	29,813	14,503
Net income	**$ 642,337**	**$ 1,662,782**
Earnings per share (basic and fully diluted)	**$0.03**	**$0.08**

Net income for the year ended December 31, 2017 was $642,337 or $0.03 earnings per share compared to net income for the year ended December 31, 2016 was $1,662,782 or $0.08 earnings per share

LIQUIDITY AND CAPITAL RESOURCES

The Company's near-term cash requirements relate primarily to operations, working capital and general corporate purposes. Based on the current business plan, the Company believes cash and cash equivalents, along with its short-term investments will be sufficient to fund the Company's operating requirements for the next twelve months. The Company updates its forecasts on a regular basis and will consider additional financing sources as appropriate.

As at December 31, 2017, the Company had cash and cash equivalents totalling approximately $5.0 million and short-term investments totalling approximately $2.3 million with working capital[4] of approximately $12.4 million, as compared to cash and cash equivalents of approximately $5.4 million and short-term investments totalling approximately $2.2 million with working capital of approximately $11.7 million as at December 31, 2016.

[4] Working Capital is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure. Working capital as referenced herein is defined as current assets less current liabilities. The Company believes that the inclusion of this non-IFRS financial measure provides investors with an alternative presentation useful to investors' understanding of the Company's core operating results and trends.

Three Months ended December 31, 2017

Cash provided by (used in):	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended December 31, 2016
Operating activities	($ 174,610)	($ 221,539)	$ 65,828
Investing activities	790,938	(679,646)	816,115
Financing activities	(158,169)	15,643	14,327
Foreign exchange effect on cash and cash equivalents	(15,548)	26,912	(32,123)
Increase (decrease) in cash and cash equivalents	**$ 442,611**	**($ 858,630)**	**$ 864,147**

Cash provided by (used in) operating activities for comparable periods was attributable the Company's financial performance.

During the three months ended December 31, 2017 cash provided by investing activities was related to the redemption of short term investments and interest received on the Stream TV loan offset by the purchase of equipment and intangible assets. During the three months ended September 30, 2017 cash used in investing activities was related to the purchase of short term investments as well as the purchase of equipment and intangible assets offset by interest received on the Stream TV loan. During the three months ended December 31, 2016, cash provided by investing activities was related to the redemption of short term investments and interest received on the Stream TV loan offset by the purchase of equipment and intangible assets.

Cash provided by financing activities in all periods consisted of the exercise of employee stock options.

Year ended December 31, 2017

Cash provided by (used in):	Year ended December 31, 2017	Year ended December 31, 2016
Operating activities	($ 237,707)	$ 465,322
Investing activities	(60,427)	(1,234,905)
Financing activities	(113,692)	220,300
Foreign exchange effect on cash and cash equivalents	19,462	33,086
Increase (decrease) in cash and cash equivalents	**($ 392,364)**	**($ 516,197)**

Cash provided by (used in) operating activities for comparable periods was attributable the Company's financial performance.

Cash used in investing activities during the year ended December 31, 2017 was related to the purchase of equipment and intangible assets offset by interest received on the Stream TV loan. Cash used in investing activities during the year ended December 31, 2016 was related to the purchase of short term investments and by the purchase of equipment and intangible assets offset by interest received on the Stream TV loan.

During the year ended December 31, 2017, cash used in financing activities consisted of the exercise of employee stock options offset by the repurchase and cancellation of shares under the Company's Normal Course Issuer Bid ("NCIB). During the year ended December 31, 2016, cash provided by financing activities consisted of the exercise of employee stock options.

STAFFING LEVELS

The following table summarizes the Company's headcount, consisting of employees and contractors, by functional group:

	As at December 31, 2017	As at September 30, 2017	As at December 31, 2016
Service engineers	42	41	50
Sales and marketing	11	11	12
Research and development	12	11	11
Administration	13	12	9
Total	**78**	**75**	**82**

Effort spent to develop new proprietary products was classified as research and development.

COMMITMENTS

The aggregate of minimum lease payments as at December 31, 2017 for subsequent years is as follows:

2018	$ 369,504
2019	345,465
2020	348,658
2021	364,624
2022	303,854
	$ 1,732,105

Currently, the Company leases its Vancouver, BC facility (of approximately 12,000 square feet of office space) until October 31, 2022. In addition, it leases approximately 900 square feet of office space in Boulder, CO until February 28, 2018 (this lease was not renewed) and leases approximately 319 square feet in Taipei, Taiwan until June 30, 2018 (for its expanded Asian sales and engineering teams).

ACCOUNTS RECEIVABLE INSURANCE

On July 31, 2009, the Company entered into an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales for a premium of between CDN $0.76 to CDN $1.41 per CDN $100 of monthly invoiced sales (certain customers are excluded from this coverage). The initial policy period was from July 1, 2009 to June 30, 2010 with an automatic yearly renewal unless the policy is terminated by the Company (the policy has been renewed until June 30, 2018). The maximum liability coverage at any one time is CDN $185,000 for domestic sales and CDN $7,000,000 for sales outside of Canada. As of December 31, 2017, 74% of trade receivables were covered by EDC insurance (December 31, 2016 – 68%)

During the year ended December 31, 2017, the Company recorded total premiums of $181,083 (December 31, 2016 - $138,650) (CDN $234,281; December 31, 2016 – CDN $183,853) in sales and marketing.

TRANSACTIONS WITH RELATED PARTIES

Related parties include key management, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Short-term compensation	$ 1,012,743	$ 1,156,961
Share-based payments	395,974	-
	$ 1,408,717	**$ 1,156,961**

Short-term compensation for the year ended December 31, 2016 includes the Company's annual performance corporate bonus totaling an amount of $175,000 paid to its management which had been previously accrued for as operating expense during the year ended December 31, 2015. There was no annual performance corporate bonus paid out during the year ended December 31, 2017 relating to the year ended December 31, 2016.

There were no amounts owing to related parties as at December 31, 2017 and December 31, 2016.

The directors and key management were awarded 252,950 options under the Company's stock option plan during the year ended December 31, 2017 as well as 199,000 RSUs.

CUSTOMER LOAN

On October 1, 2014, the Company announced that it invested in Stream TV Networks, Inc. ("Stream TV"), a current customer of Intrinsyc, an amount of $1,500,000 in the form of a subordinated, secured convertible promissory note bearing interest at three percent (3%) per annum with a maturity date of December 31, 2015 (the "Note"). Interest is payable on the earlier of (i) December 31, 2015 or (ii) when converted to Stream TV shares. Stream TV committed to acquire a minimum of $3,000,000 in Intrinsyc products, services, and royalties over the next twelve months.

The Note was initially convertible into the securities of Stream TV at the sole option of Stream TV subject to the execution an equity financing of a minimum of $15 million by Stream TV (the "Qualified Financing"). The Note was convertible into the class of securities sold in the Qualifying Financing at the share price issued in the Qualifying Financing.

The Company had determined that a reasonable market interest rate for a loan with the features of the Stream TV convertible loan and for pre-commercial entities in the emerging technology sector would be 12%. The Company recognized the difference as a deferred discount.

On December 10, 2015, the Company announced that the arrangements were amended, to increase the purchase commitment by Stream TV to $4,500,000 in Intrinsyc products, services and royalties to be generated on or before March 31, 2016 which Stream TV met. In addition, the subordinated, secured convertible promissory note was amended to remove the conversion feature and to extend the maturity date from December 31, 2015 to June 30, 2016.

On June 28, 2016, the Company announced that the arrangements were further amended, to increase the purchase commitment to $6,000,000 in Intrinsyc products and royalties to be generated on or before December 30, 2016, which has been met by Stream TV. In addition, the subordinated, secured promissory note, valued at $1.5 million, has been further amended to extend the maturity date from June 30, 2016 to December 30, 2016.

On December 29, 2016, the Company announced that the subordinated, secured promissory note, with a principal amount of $1.5 million, has been further amended to extend the maturity date from December 30, 2016 to March 30, 2017. In consideration for the extension Intrinsyc received 30,000 warrants convertible into Class A common shares in Stream TV, at a strike price of $5 per share, on a 1 for 1 basis for a period of up to 5 years. The warrants may only be exercised if Stream TV becomes subject to a liquidity event defined in the warrant agreement as liquidation, dissolution, or winding up of Stream TV, whether voluntary or involuntary, or an Initial Public Offering ("IPO") or sale of the Company by either stock or assets that is at least a change of control transaction. To date, none of these warrants have been exercised.

On February 2, 2017, the Company announced that the subordinated, secured promissory note, valued at $1.5 million, has been further amended to extend the maturity date from March 30, 2017 to February 1, 2018. In consideration for the extension Intrinsyc received 120,000 warrants convertible into Class A common shares in Stream at a strike price of $5, on a 1 for 1 basis for a period of up to 5 years. The exercise of these warrants is also subject to the same terms as the warrants received December 29, 2016. To date, none of these warrants have been exercised. In addition, Stream TV committed to acquire a minimum of $2,000,000 in Intrinsyc products, services, and royalties to be purchased or generated between February 1, 2017 and February 1, 2018 (which Stream TV has only committed to approximately $700,000).

The Company fair valued the warrants using a modified Black Scholes calculation with the fair value on the date of inception being $1.02 per warrant or $153,000 in total. This is included in the Loan to Customer on the Statement of Financial Position. The warrants are fair valued each period.

The Company has assessed the Note for impairment at the end of reporting period and concluded that no loss event had occurred since the granting of the Note. However, the Company acknowledges that there is uncertainty regarding eventual realization of the Note due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector.

SUBSEQUENT EVENTS

On February 1, 2018, the Company announced that the subordinated, secured promissory note, valued at $1.5 million, has been further amended to extend the maturity date from February 1, 2018 to April 2, 2018.

On March 6, 2018, the Company entered into a line of credit agreement with its bank for up to CDN$4.4 million. The line bears interest at chartered bank's prime lending rate +1.11% with no standby charge and does not include any covenants for the Company. Borrowings under this facility must not exceed the aggregate of the following, less Potential Prior-Ranking Claims:

a) 75% of Good Canadian/US Accounts Receivable;
b) 90% of Good EDC Accounts Receivable;
c) 65% of Good Foreign Accounts Receivable; and
d) to a maximum of $750,000.00, 50% of the lesser of cost or net realizable value of Unencumbered Inventory.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These consolidated financial statements of the Company, approved by the Board of Directors on March 6, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

Revenue Recognition

Revenues consist of services from software modification, consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, the Company determines vendor-specific objective evidence ("VSOE") of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These services contracts are primarily time and material based contracts. Revenue from these services is recognized at the time such services are rendered by the Company so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. Under this method, revenue is recognized using the percentage of completion method and is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer.

The Company recognizes revenue from the sale of software licenses upon the transfer of title to the customer, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on VSOE of the fair value of the undelivered element. If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or as elements are delivered.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The Company has established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple-element sales arrangement, as substantiated by contractual terms. The Company's multiple-element sales arrangements generally include rights for the customer to renew PCS after the bundled term ends. These rights are irrevocable to the customer's benefit, are for specified prices, are consistent with the initial price in the original multiple-element sales arrangement, and the customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes software license updates that provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the PCS period.

The Company recognizes revenue from the sales of hardware products upon the later of transfer of title or upon shipment of the hardware product to the customer so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company has entered into contracts with some of its customers to bundle and resell the Company's products with their own products for a per unit royalty fee. Royalty revenue is recognized as the Company's products are sold by the Company's customers.

The Company has entered into a contract with one of its customers to provide support services for its own customers. Revenue is recognized rateably of the terms of the support service period, which is for a period of one year.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on specific accounts past due. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

New Standards and Interpretations Not Yet Adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 - *Financial Instruments* replaces the current IAS 39 *Financial Instruments Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018. The Company is still evaluating the impact on the financial statements of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – *Revenue from Contracts with Customers.* The standard replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2018. The Company is still evaluating the impact on the financial statements of IFRS 15.

IFRS 16 - Leases

IFRS 16 – Leases. The standard supersedes the current IAS 17, Leases (IAS 17) standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of this standard on its consolidated financial statements; however, the Company believes that the result will be an increase to assets and liabilities, as it will be required to record a right-of-use asset and a corresponding lease liability on the Consolidated Statements of Financial Position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has classified cash and cash equivalents as held-for-trading financial assets, measured at fair value with short-term investments being classified as available for sale financial assets. Trade and other receivables as well as the customer loan are classified as loans and receivables, measured at amortized cost. Trade and other payables are classified as other liabilities, measured at amortized cost.

The carrying values and fair values of financial assets (liabilities) as at December 31, 2017 and December 31, 2016 are summarized as follows:

	December 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Held-for-Trading	$ 4,989,154	$ 4,989,154	$ 5,381,518	$ 5,381,518
Available for Sale	$ 2,260,089	$ 2,260,089	$ 2,169,402	$ 2,169,402
Loans and Receivables	$ 6,598,875	$ 6,898,875	$ 5,441,370	$ 5,441,370
Other Liabilities	($5,026,370)	($5,026,370)	($2,168,678)	($2,168,678)

At December 31, 2017, the Company's financial instruments which are measured at fair value on a recurring basis were its cash and cash equivalents and short term investments. As of December 31, 2017, Available for Sale financial assets totalling $2,260,089 were classified Level 2 (December 31, 2016 - $2,169,402).

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, trade and other receivables and customer loan. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash, from time to time, in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of Intrinsyc's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Trade and other receivables were aged as follows as at December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Current	$ 3,913,053	$ 2,950,373
31-60 days	94,977	302,486
Over 60 days	791,595	531,011
	$ 4,799,625	**$ 3,783,870**

The Company has assessed the customer loan (the "Note") for impairment at the end of reporting period and concluded that no loss event had occurred since the granting of the Note as at December 31, 2017. However, the Company acknowledges that there is uncertainty regarding eventual realization of the Note due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

Trade and other payables were aged as follows as at December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Current	$ 4,322,552	$ 1,585,838
31-60 days	401,523	580,364
Over 60 days	302,295	2,476
	$ 5,026,370	**$ 2,168,678**

Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. With all other variables remaining constant, assuming a 10% weakening of the Canadian dollar versus the U.S. dollar would have had the following impact on net loss as follows in the table below. An assumed 10% strengthening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below:

Source of net earnings/loss variability from changes in foreign exchange rates	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Statement of Financial Position exposure	($ 281,179)	($ 176,745)
Net Cost of Sales/Operating Expenses (net exposure)	696,100	669,858
Net exposure	**$ 414,921**	**$ 493,113**

A 10% change in the New Taiwanese dollar to U.S. dollar exchange rate would have an approximate $13,000 impact on net income for the year ended December 31, 2017 (year ended December 31, 2016 – $5,000).

Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents as well as its short-term investments. During the year ended December 31, 2017, the Company earned $239,853 of interest income on its cash and cash equivalents as well as its short-term investments and customer loan. An increase or decrease of 100 basis points in the average interest rate earned during the period would have adjusted net earnings by approximately $75,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As of March 7, 2017, the Company has 21,047,988 common shares issued and outstanding and no preference shares issued and outstanding.

The Company has instituted a rolling incentive stock option plan whereby shares reserved for issuance under the plan shall reflect the lesser of (i) 10% less 1 share of the issued and outstanding common shares of the Company from time to time; and (ii) 3,750,000 common shares. As of March 7, 2018, the Company is entitled to grant incentive stock options for 2,104,797 common shares under the Company's stock option plan, of which 1,310,9791 have been granted.

The Company has adopted a restricted share unit plan (the "RSU Plan") which was approved by its shareholders on May 16, 2017. The aggregate maximum number of shares available for issuance from treasury under the RSU Plan shall not exceed 500,000 shares. The fair value of these equity-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in equity. The total amount expensed is recognized over the vesting period on a tranche basis, which is the period over which all the specified vesting conditions should be satisfied. As of March 7, 2018, the Company has granted 219,000 RSUs.

On September 29, 2017, the Company received approval from the TSX regarding the notice filed by the Company to establish a normal course issuer bid ("NCIB") program to purchase, for cancellation, up to 500,000 common shares or approximately 2.4% of Intrinsyc's issued and outstanding common shares, as at September 21, 2017. The NCIB program commences on October 4, 2017 and will terminate on October 3, 2018, or on such earlier date as the Company may complete its purchases pursuant to a Notice of Intention filed with the TSX.

In connection with the NCIB program, the Company established an automatic repurchase plan (the "Plan") with its designated broker to allow for purchases of its common shares during certain pre-determined black-out periods, subject to certain parameters as to price and number of shares. Outside of these pre-determined black-out periods, common shares will be repurchased in accordance with management's discretion, subject to applicable law. Intrinsyc may vary, suspend or terminate the Plan only if it does not have material non-public information and the decision to vary, suspend or terminate the Plan is not taken during a pre-determined blackout period. The Plan constitutes an "automatic plan" for purposes of applicable Canadian securities legislation and has been reviewed by the TSX.

As of March 7, 2018, the Company has purchased and cancelled 124,000 common shares for CDN$191,524.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Prospective investors should carefully consider these risks.

The following are some of the risks that are associated with the Company's business and operations and should be carefully considered by any potential investor in the Company's shares:

General Economic Conditions May Weaken

Global economic conditions are currently relatively positive. However economic conditions may weaken at some time in the future. The Company sells its products primarily in North America and is most keenly impacted by fluctuations in market conditions in this region. However, it also sells products to customers in more than 60 countries. Deteriorating economic conditions in Europe or Asia could negatively impact revenue and operating results.

Additional Financing

Even though the Company has been profitable since 2015, it has a history of operating losses and uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

Research and Development

The research and development activities of the Company may be funded by its customers through engineering services provided in addition to the Company's investment in research and development activities. If the Company fails to develop new products, incurs delays in developing new products, or if the product the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products which are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company's investment in research and development. The Company is highly dependent on a strategic partner and some customers to subsidize development of new products. There can be no assurance that its strategic partners or customers will continue to support the Company's product development initiatives.

Dependence on Suppliers

There are a limited number of suppliers, or in some cases, only one supplier, for some of the components that our contract manufacturers use in the Company's products, and any disruption or delay in supply could adversely impact its financial performance. Because its suppliers have other customers, they may not have sufficient capacity to meet all of the Company's needs during periods of excess demand. The recent global economic contraction has caused many of Intrinsyc's suppliers to reduce their manufacturing capacity. As the global economy improves, suppliers are experiencing and may continue to experience supply constraints until they expand capacity to meet increased levels of demand. These supply constraints may adversely affect the availability and lead times of components for Intrinsyc's products. Increased lead times mean that we may have to order materials earlier and in larger quantities. Further, supply constraints will likely result in increased expediting and overall procurement costs as the Company attempts to meet customer demand requirements. In addition, these supply constraints may affect the Company's ability, as well as our contract manufacturers' ability, to meet customer demand and thus result in missed sales opportunities and a loss of market share, negatively impacting revenue and the Company's overall operating results.

History of Losses

Even though the Company has been profitable since 2015, it has a history of operating losses, and there can be no assurance that the Company will be profitable in the future. As at December 31, 2017, the Company had an accumulated deficit of approximately $106.5 million. The Company's prospects must be considered in the context of the implementation stage of its current strategy, the risks and uncertainties it faces, and the inability of the Company to accurately predict its results of sales and marketing initiatives. There can be no assurances that implementation of the Company's strategy will result in the Company sustaining profitable operations.

Stock Price Volatility

The market price for the common shares of the Company fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low. The market price of the common shares may rise or fall in response to announcements of technological or competitive developments, acquisitions or strategic alliances by the Company or its competitors, the gain or loss by the Company of significant orders or broad market fluctuations.

Product Development and Technological Change

The market for the Company's products and services is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Company will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements, and technological innovations by others.

The process of developing new products and solutions and enhancing existing products and solutions is complex, lengthy, costly and uncertain. If the Company fails to anticipate our customers' changing needs or emerging technological trends, its market share and results of operations could materially suffer. The Company must make long-term investments, develop or obtain appropriate know-how and intellectual property and commit significant resources before knowing whether its predictions will accurately reflect customer demand for its products and solutions. If the Company is unable to adapt its products to new technological industry standards, to extend its core technologies into new applications or new platforms or to anticipate or respond to technological changes, the market's acceptance of its products and solutions could decline and the Company's results could suffer. Additionally, any delay in the development, production, marketing or offering of a new product or application or an enhancement to an existing product or application could result in customer attrition or impede Intrinsyc's ability to attract new customers, causing a decline in the Company's revenue or earnings and weakening its competitive position.

Sales and Marketing and Strategic Alliances

The Company's strategic alliances with operating system vendors, semiconductor manufacturers, and independent software vendors are a key part of the Company's overall business strategy. The Company cannot, however, be certain that it will be successful in developing new strategic relationships or that the Company's strategic partners will view such relationships as significant to their own business or that they will continue their commitment to the Company in the future. The Company's business, results of operation, financial condition and stock price may be materially adversely affected if any strategic partner discontinues its relationship with the Company for any reason. Additionally, the Company at times relies on the voluntary efforts of its strategic partners rather than compliance with contractual obligations, and there are at times no minimum performance requirements. Therefore, the Company cannot be certain that these relationships will be successful.

Dependence on a Small Number of Customers

The Company's revenue is dependent, in large part, on significant contracts from a limited number of customers. During the year ended December 31, 2017, approximately 35% of the Company's consolidated revenue was attributable to its largest two (2) customers. Revenue derived from current and future large customers may continue to represent a significant portion of total revenue. The inability to continue to secure and maintain a sufficient number of large contracts would have a material adverse effect on the business, financial condition, operating results and cash flows of the Company. Moreover, the success of the Company will depend in part upon its ability to obtain orders from new customers, as well as the financial condition and success of its customers and general economic conditions.

Length of Sales Cycle

The typical sales cycle of the Company's products and services is lengthy unpredictable, and involves significant investment decisions by prospective customers, as well as education of those customers regarding the use and the benefits of the Company's products and services. A design win, which is defined as tangible evidence of a client beginning the process of developing their product utilizing one of the Company's standard or custom computing modules, often takes between six and twelve months

Not all new design wins lead to production, and even if they do, the timing of such production may not occur as the Company or its customers had estimated, or the volumes derived from such projects may not be as significant as the Company had estimated, which could have a substantial negative impact on its anticipated revenue and profitability. The Company's product revenue expectations are highly dependent upon achieving successful design wins, moving those design wins to volume production and the market success of our customers' end products. The time between when the Company achieves a design win with a customer and when it begins shipping to that customer at production levels generally has been shortened with the Company's standards-based model. However, with many new design wins, customers require Intrinsyc to assist them with the design process. In addition, customers may require significant time to integrate Intrinsyc's products into their applications. The design process and the integration of customer specific applications can take six to eighteen months, and in some circumstances can take as long as 36 months. After that, there is an additional time lag from the start of production to achieving peak revenue. Not all design wins lead to production, and the Company may incur costs for designs that do not enter production. Even if a design win does lead to production, the volumes derived from such projects may be less than the Company had originally estimated. Customer projects related to design wins are sometimes canceled or delayed or can perform below original expectations, which can adversely impact anticipated revenue and profitability. In particular, the volumes and time to production associated with new design wins depend on the adoption rate of new technologies among end users. Program delays or cancellations could be more frequent during times of meaningful economic downturn.

Customer Credit Risk

Historically, the Company has offered very limited credit terms to our customers. As its customer base expands, as orders increase in size, the Company expects to offer increased credit terms and flexible payment programs to its customers. Doing so may subject the Company to increased credit risk, higher accounts receivable with longer days outstanding, and increases in charges or reserves, which could have a material adverse effect on its business, results of operations and financial condition.

Visibility of Future Customer Demand

The Company generally does not obtain firm, long-term purchase commitments from its customers, and frequently does not have visibility as to their future demand. Customers also cancel requirements, change engineering or other service requirements, change production quantities, delay production or revise their forecasts for future orders for a number of reasons that are beyond the Company's control. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm the Company's operating results and negatively affect its working capital levels. Such cancellations, reductions or delays have occurred from time to time and may continue to occur.

Selling Price Erosion

Average selling prices of computing products typically are higher at the time of introduction of new products, which utilize the latest technology and tend to decrease over time as such products become commoditized and are ultimately replaced by even newer generation products. The Company cannot predict the timing or amount of any decline in the average selling prices of its products that it may experience in the future. In some instances, its agreements with distributors limit the ability to reduce prices unless it can make such price reductions available to them, or price protect their inventory. If the Company is unable to decrease per unit manufacturing costs faster than the rate at which average selling prices continue to decline, its business, financial condition and results of operations will be harmed.

Intellectual Property Protection

The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of the Company's technology is difficult, and the prohibitive cost of litigation may impair the Company's ability to prosecute any infringement. The commercial success of the Company will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Company. The Company believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. An infringement claim against the Company by a third party, even if it is invalid, could have a material adverse effect on the Company because of the costs of defending against such a claim.

Competition

Because of intense market competition, the Company may not be able to grow or maintain current revenue to succeed. The Company faces competition in the design of embedded computing solutions from a number of sources globally, including its own customers, many of whom have the ability to design embedded computing solutions by utilizing their own internal resources. Itnrinsyc could also lose market share if customers who currently outsource to it elect to in-source all or a portion of the design process in the future. The markets in which the Company operates are fragmented, with a few large, international companies competing both against each other and a large number of small and medium-sized companies that focus on a more select group of products and customers. Some of the current and potential competitors have a number of significant advantages over Intrinsyc, including:

- a longer operating history;
- greater name recognition and marketing power;
- preferred vendor status with our existing and potential customers;
- significantly greater financial, technical, personnel, sales and marketing and other resources, which allow them to respond more quickly to new or changing opportunities, technologies and customer requirements;
- broader product and services offerings to provide more complete solutions; and
- lower cost structures.

Consolidation among Intrinsyc's competitors could also result in the formation of larger competitors with greater market share and greater financial and technological resources than Intrinsyc and further increase competition in the markets it serves. Some of the The Company's products are built upon processor technology acquired from Qualcomm Technologies, Inc. This technology is becoming more broadly available to Intrinsyc's competitors and there are an increasing number of competitive products being introduced to the market.

International Business Operations

The Company continues to operate internationally. International sales and the related infrastructure support operations carry certain risks and costs such as the administrative complexities and expenses of administering a business abroad; complications in both compliance with and also unexpected changes in regulatory requirements, foreign laws, international import and export legislation, trading policies, tariffs and other barriers; potentially adverse tax consequences; and uncertainties of law and enforcement relating to the protection of intellectual property and unauthorized duplication of software. There can be no assurance that these factors will not be experienced in the future by the Company or that they will not have a material adverse impact on the Company's business, results of operations and financial conditions.

Foreign Exchange Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. The Company attempts to mitigate this risk by denominating many of its payment obligations in U.S. dollars. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations of the Company.

Insufficient, Excess or Obsolete Inventory

As a result of the Company's strategy to provide greater choice and customization of our products to its customers, it is required to maintain a high level of inventory of components. If the Company fails to maintain sufficient inventory, it may not be able to meet demand for its products on a timely basis, and sales may suffer. If the Company overestimates customer demand, the Company could experience excess inventory of its products and be unable to sell those products at a reasonable price, or at all. As a result, the Company may need to record higher inventory reserves. In addition, from time to time the Company assumes greater inventory risk in connection with the purchase or manufacture of more specialized components in connection with higher volume sales opportunities. The Company expects that it will experience write-downs from time to time in the future related to existing and future commitments. If the Company is later able to sell inventory with respect to which it has taken a reserve at a profit, it may increase the quarterly variances in operating results. Historically, the Company has written off obsolete inventory. Excess or obsolete inventory levels for these or other reasons could result in unexpected expenses or increases in reserves against potential future charges which would adversely affect the Company's business and financial results.

Potential Fluctuations in Quarterly Results

The Company's quarterly operating results may vary significantly depending on factors such as the timing of new product introductions and changes in pricing policies by the Company and its competitors, market acceptance of new and enhanced versions of the Company's products and the timing of orders from its hardware customers. Because the Company's operating expenses are based on anticipated revenues and a high percentage of the Company's expenses are relatively fixed in the short term, variations in the timing of recognition of revenues can cause significant fluctuations in operating results from quarter to quarter and may result in unanticipated quarterly earnings shortfalls or losses. The Company may in the future experience lower profit margins as a result of an increased focus on a hardware-based business model to the extent that revenue from the sales of machine to machine and embedded computing modules may account for a greater percentage of the Company's revenues in future quarters. The market price of the Company's common shares may be highly volatile in response to such quarterly fluctuations.

Dependence on Key Personnel

The Company's future success depends largely on its ability to attract and retain talented employees. The Company is highly dependent on a limited number of key personnel to maintain customer and strategic relationships. Loss of key personnel could have an adverse effect on these relationships and negatively impact the Company's financial performance. The Company's future results of operations will depend in part on the ability of its officers, management and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. If the Company were to lose the services of any key personnel, the Company may encounter difficulties finding qualified replacement personnel.

Acquisitions

The Company has, and from time to time in the future may, acquire businesses, products or technologies that it believes complement or expand its existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of the acquired business will not be profitable or that the attention of the Company's management will be diverted from the day-to-day operation of its business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Any acquisition could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that any acquisitions will be successfully completed or that, if one or more acquisitions are completed, the acquired businesses, products or technologies will generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

Product Liability

The Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential product liability claims. There can be no assurance that such provisions will protect the Company from such claims. The Company does not maintain product liability insurance. A successful product liability claim brought against the Company could have a material adverse effect upon the Company's business, results of operations and prospects.

Customer Loan

There is uncertainty regarding the eventual realization of the Note issued by Stream TV to the Company in respect of the Company's loan due to the uncertainty inherent to Stream TV being a pre-revenue entity in an emerging technology sector. There can be no assurance that the note will be repaid.

Shareholder Rights Plan

The Company has implemented a Shareholder Rights Plan (the "Plan"). The Plan provides for substantial dilution to an acquirer making a take-over bid for the common shares of the Company unless the bid meets the requirements described in the Plan. This could discourage a potential acquirer from making a take-over bid and make it more difficult for a third party to acquire control of the Company, even if such acquisition or bid would be beneficial to the Company's shareholders.

Management of Growth

The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. Substantial growth in the Company's hardware initiatives may require the Company to raise additional capital through the issuance of additional shares or securing financing. There can be no assurance that the Company would be able to secure additional funding through these activities.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting in accordance with *Internal Control – Integrated Framework 2013*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation identified no instances in which internal controls did not operate in an effective manner. Nonetheless, the Company has further strengthened its internal control processes to mitigate future potential material financial statement misstatements and other internal control violations during the three and twelve months ended December 31, 2017.

Because of the inherent limitations in a control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders; the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, supervisory controls are exercised by management and the Audit Committee is vigilant in its' oversight.

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the disclosure controls and procedures as required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" issued by the Canadian Securities Administrators. They concluded that as at December 31, 2017, the

Company's disclosure controls and procedures were effective to provide reasonable assurance that material information regarding required disclosures was made known to them on a timely basis.

MANAGEMENT’S RESPONSIBILITY

The management of Intrinsyc Technologies Corporation is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted under International Financial Reporting Standards, and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The Company’s audit committee is comprised entirely of independent directors and is appointed by the Board of Directors annually. The committee meets annually with the Company’s management and independent auditors to review the consolidated financial statements and the independent auditors report. The audit committee has approved the consolidated financial statements and reported its findings to the Board of Directors.

The Company’s independent auditors, Ernst Young LLP, have performed an audit of the consolidated financial statements and their report follows.

“Tracy Rees”	*“George Reznik”*
Chief Executive Officer	Chief Financial Officer
March 6, 2018	March 6, 2018

INDEPENDENT AUDITORS’ REPORT

To the Shareholders of
Intrinsyc Technologies Corporation

We have audited the accompanying consolidated financial statements of **Intrinsyc Technologies Corporation**, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations, changes in shareholders’ equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

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

Auditors’ responsibility

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

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

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

Opinion

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

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
March 6, 2018

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Financial Position

(Expressed in U.S. Dollars)

As at	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents *(note 17)*	$ 4,989,154	$ 5,381,518
Short-term investments *(note 17)*	2,260,089	2,169,402
Trade and other receivables *(notes 4 and 12)*	4,799,625	3,783,870
Loan to customer *(note 5)*	1,799,250	1,657,500
Inventory *(note 6)*	4,257,027	1,294,302
Prepaid expenses	159,784	136,378
	18,264,929	14,422,970
Non-Current Assets		
Prepaid expenses	27,417	24,085
Equipment *(note 7)*	345,618	351,500
Intangible assets *(note 8)*	118,591	111,851
Total assets	$ 18,756,555	$ 14,910,406
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	$ 5,026,370	$ 2,168,678
Deferred revenue	729,505	586,793
Total liabilities	5,755,875	2,755,471
Shareholders' equity		
Share capital *(note 9)*	108,899,883	108,977,225
Other capital reserves – share based payments	10,330,897	10,050,147
Deficit	(106,322,536)	(106,964,873)
Translation of operations reserve	92,436	92,436
Total shareholders' equity	13,000,680	12,154,935
Total liabilities and shareholders' equity	$ 18,756,555	$ 14,910,406

Commitments and contingencies *(note 11)*

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"George Duguay"
Director

"Michael Bird"
Director

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Operations

(Expressed in U.S. dollars)

For the	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Revenues *(note 13)*	$ 20,679,670	$ 17,464,342
Cost of sales *(note 13)*	13,782,498	10,645,441
	6,897,172	6,818,901
Expenses		
Sales and marketing	2,672,959	2,494,859
Research and development	1,314,477	905,159
Administration	2,157,054	1,792,711
Other operating expenses *(note 15)*	498,186	304,342
	6,642,676	5,497,071
Operating income	254,496	1,321,830
Other expenses (earnings)		
Foreign exchange gain	(177,801)	(136,328)
Interest income	(239,853)	(219,127)
	(417,654)	(355,455)
Income before income taxes	672,150	1,677,285
Income tax expense *(note 10)*	29,813	14,503
Net income and comprehensive income for the year	642,337	1,662,782
Income per share (basic) ***(note 9(f))***	$0.03	$0.08
Income per share (fully diluted) ***(note 9(f))***	$0.03	$0.08
Weighted average number of shares outstanding – basic ***(note 9(f))***	21,118,432	20,954,552
Weighted average number of shares outstanding – fully diluted ***(note 9(f))***	21,811,832	21,408,508

See accompanying notes to consolidated financial statements

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in U.S. Dollars)

	Share Capital	Other Capital Reserves – Share Based Payments	Deficit	Translation of Operations Reserve	Total Shareholders' Equity
Balance, January 1, 2017	$108,977,225	$ 10,050,147	($106,964,873)	$ 92,436	$ 12,154,935
Net income for the year	-	-	642,337	-	642,337
Issued upon exercise of stock options	44,477	-	-	-	44,477
Reclassification upon exercise of stock options	36,350	(36,350)	-	-	-
Shares repurchased and cancelled under Normal Course Issuer Bid	(158,169)	-	-	-	(158,169)
Share-based compensation	-	317,100	-	-	317,100
Balance, December 31, 2017	$108,899,883	$ 10,330,897	($106,322,536)	$ 92,436	$ 13,000,680
Balance, January 1, 2016	$108,583,237	$ 10,106,356	($108,627,655)	$ 92,436	$ 10,154,374
Net income for the year	-	-	1,662,782	-	1,662,782
Issued upon exercise of stock options	220,300	-	-	-	220,300
Reclassification upon exercise of stock options	173,688	(173,688)	-	-	-
Share-based compensation	-	117,479	-	-	117,479
Balance, December 31, 2016	$108,977,225	$ 10,050,147	($106,964,873)	$ 92,436	$ 12,154,935

See accompanying notes to consolidated financial statements

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Cash Flows

(Expressed in U.S. Dollars)

For the	Year ended December 31, 2017	Year ended December 31, 2016
Cash provided by (used in):		
Operating Activities		
Net income for the year	$ 642,337	$ 1,662,782
Adjustments to reconcile net loss to net cash flows:		
Depreciation of equipment *(note 7)*	99,862	90,539
Amortization of intangible assets *(note 8)*	81,224	96,324
Share-based compensation	317,100	117,479
Accrued interest on customer loan	(198,000)	(180,000)
Unrealized foreign exchange	(119,040)	(70,086)
	823,483	1,717,038
Working capital adjustments:		
Trade and other receivables	(1,010,268)	(1,062,830)
Inventory	(2,962,725)	(451,420)
Prepaid expenses	(26,738)	(41,441)
Trade and other payables	2,795,829	171,426
Deferred revenue	142,712	132,549
	(1,061,190)	(1,251,716)
Cash provided by (used in) operating activities	(237,707)	465,322
Investing Activities		
Redemption (purchase) of short-term investments	65,267	(986,257)
Interest on customer loan	56,250	101,250
Purchase of equipment *(note 7)*	(93,980)	(272,497)
Purchase of intangible assets *(note 8)*	(87,964)	(77,401)
Cash used in investing activities	(60,427)	(1,234,905)
Financing Activities		
Issuance of common shares	44,477	220,300
Repurchase and cancellation of shares *(note 9(e))*	(158,169)	-
Cash provided by (used in) financing activities	(113,692)	220,300
Increase (decrease) in cash and cash equivalents	(411,826)	(549,283)
Foreign exchange effect on cash and cash equivalents	19,462	33,086
Cash and cash equivalents, beginning of the year	5,381,518	5,897,715
Cash and cash equivalents, end of the year	$ 4,989,154	$ 5,381,518
Supplementary information		
Interest received	*$ 126,936*	*$ 134,236*
Income taxes paid	*$ 19,763*	*$ 2,300*

See accompanying notes to consolidated financial statements

(Expressed in U.S. Dollars)

1. REPORTING ENTITY

Intrinsyc Technologies Corporation (formerly Intrinsyc Software International, Inc.) ("Intrinsyc" or the "Company") is a public company domiciled in Canada and incorporated on August 31, 1992 under the laws of Alberta and continued under the Company Act (British Columbia) on July 19, 1995. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. Articles of Amendment were filed under the Canada Business Corporations Act on June 17, 2014 to change the name of the Company to Intrinsyc Technologies Corporation. The Company's principal business office is Suite 300, 885 Dunsmuir Street, Vancouver, British Columbia, V6C 1N5 and its registered office is Suite 1700, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

The Company is an Internet of Things ("IoT") product development company, offering hardware development kits, computing modules, proprietary software products, and engineering design and development services. These solutions are focused on the fast growing high-performance IoT product market; including; augmented and virtual reality, drones, robotics, digital signage, automotive, IP cameras, medical systems, wearable technology, and many others. The Company provides value by enabling device makers and technology suppliers to deliver compelling, next generation mobile and embedded wireless devices with faster time to market, higher quality, and differentiating innovation.

The consolidated financial statements of the Company, as at, and for the years ended December 31, 2017 and December 31, 2016 comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities").

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements of the Company, approved by the Board of Directors on March 6, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of Consolidation

Subsidiaries are entities controlled by Intrinsyc. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accompanying consolidated financial statements include the accounts of Intrinsyc Technologies Corporation and the following subsidiaries:

Company entity	Active	Country of Incorporation	Ownership Interest 2017	Ownership Interest 2016
Intrinsyc Software (USA), Inc.	Yes	U.S.	100%	100%
Intrinsyc Technologies Canada (Taiwan) Ltd.	Yes	Canada	100%	100%
Intrinsyc Europe Limited	No	U.K.	100%	100%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Critical Accounting Judgement and Estimates

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Estimates and assumptions are pervasive throughout the consolidated financial statements and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods impacted.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

[a] The recoverability of trade and other receivables which are included in the consolidated statements of financial position;

[b] The recoverability of the customer loan which is included in the consolidated statements of financial position;

[c] The provision for income taxes which is included in the consolidated statements of operations;

[d] The estimated revenues and related expenses that are recognized during the warranty period of a given project, which is included in the consolidated statements of operations;

[e] The provision for inventory obsolescence which is included in the consolidated statements of operations; and

[f] The estimates used in calculating revenue on fixed fee service engagements which is included in the consolidated statements of operations.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Foreign Currency

Items included in the consolidated financial statements of the Company and each of its subsidiaries are measured using the currency of the primary economic environment in which the individual entity operates (the “functional currency”). The consolidated financial statements are presented in United States dollars (“U.S. dollars”), which is the functional currency of the Company and its subsidiaries.

Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at the dates of the initial transactions. Foreign currency differences arising on translation are recognized in profit or loss.

Revenues

Revenues from services consist of revenues from software modification, consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, the Company determines

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

vendor-specific objective evidence ("VSOE") of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These services contracts are primarily time and material based contracts. Revenue from these services is recognized at the time such services are rendered by the Company so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. Under this method, revenue is recognized using the percentage of completion method and is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer.

The Company recognizes revenue from the sale of software licenses upon the transfer of title to the customer, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on VSOE of the fair value of the undelivered element. If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or as elements are delivered.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The Company has established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple-element sales arrangement, as substantiated by contractual terms. The Company's multiple-element sales arrangements generally include rights for the customer to renew PCS after the bundled term ends. These rights are irrevocable to the customer's benefit, are for specified prices, are consistent with the initial price in the original multiple-element sales arrangement, and the customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes software license updates that provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the PCS period.

The Company recognizes revenue from the sales of hardware products upon either the transfer of title or upon shipment of the hardware product to the customer so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company has entered into contracts with some of its customers to bundle and resell Intrinsyc's products with their own products for a per unit royalty fee. Royalty revenue is recognized as the Company's products are sold by the Company's customers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unbilled Revenue

Unbilled revenue represents the gross unbilled amount expected to be collected from customers for contract work to be performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects.

Deferred Revenue

Deferred revenue represents the gross billed amounts received from customers for contract work to be performed at a later date. It is measured at amounts received from customers less any revenue recognized to date.

Research and Development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits, which are all deposits rated R1 (paid within 30 days from payment due date), term deposits, savings investment deposits or guaranteed investment certificate deposits, with a term to maturity of less than three months when acquired and are carried at fair value.

Short-Term Investments

Short-term investments, which are all deposits rated R1 (paid within 30 days from payment due date), term deposits, savings investment deposits or guaranteed investment certificate deposits, with a term to maturity of greater than three months but less than one year when acquired and are carried at fair value.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts related to trade and other receivables that are considered to be uncollectible. The allowance is based on the Company’s knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Items of equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net in the consolidated statements of operations.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Amortization is recognized in profit or loss over the estimated useful lives of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Company rates for amortization are as follows:

Computers and equipment	30% declining-balance
Furniture and fixtures	20% declining-balance

Leasehold improvements are amortized on a straight-line basis over the shorter of the initial lease term or their expected useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible Assets

Intangible assets, acquired separately, are measured on initial recognition at cost.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

Computer software	3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

Leases

Operating lease payments are recognized as an operating expense in the consolidated statements of operations on a straight-line basis over the lease term.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Company repurchases common shares under its Normal Course Issuer Bid ("NCIB"), the price paid for the common shares that corresponds to the book value of those shares is recognized as a reduction of share capital. From time to time, it may enter into a pre-defined plan with its broker to allow for the repurchase of shares at times when the Company ordinarily would not be active in the market due to its own internal trading blackout periods. Any such plans entered into with Company's broker will be adopted in accordance with applicable Canadian securities laws. The cost of the pre-defined plan is initially recognized as a current liability and corresponding reduction to share capital. The liability is reduced as the share are repurchased under this pre-defined plan.

Share-Based Payment Transactions

The Company grants stock options to directors, officers, employees, service providers and consultants. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options granted to directors, officers, employees, consultants and service providers is recognized as share-based payment expense, with a corresponding increase in other capital reserves-share based payments, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of share options for which the related service are expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service at the vesting date.

Restricted Share Units ("RSUs") are redeemed for common shares issued by the Company or the cash equivalent on the vesting dates established by the Board of Directors. The RSUs generally vest over a three-year period in equal annual installments on the anniversary date of the date of the grant. The Company classifies RSUs as equity instruments as the Company has the ability and intent to settle the awards in common shares. The compensation expense for standard RSUs is calculated based on the fair value of each RSU as determined by the closing value of the Company's common shares on the business day of the grant date. The Company recognizes compensation expense over the vesting period of the RSU. The Company expects to settle RSUs, upon vesting, through the issuance of new common shares from treasury.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provision is made for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower that the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Earnings per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Financial Instruments

Financial Assets

From time-to-time, the Company may have the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity financial assets, trade and other receivables and cash and cash equivalents. Management determines the appropriate classification upon initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or losses, directly attributable transaction costs.

Financial Assets at Fair Value through Profit or Loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets upon initial recognition as at fair value through profit or losses.

Available-for-Sale Financial Assets:

Any investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognized in translation of operations reserve. When an investment is derecognized, the cumulative gain or loss is recorded in accumulated other comprehensive income. The Company has designated its short-term investments as available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-to-Maturity Financial Assets:

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company did not have any held-to-maturity financial assets for the periods presented.

Loans and Receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables as well as a customer loan.

Other Liabilities

The Company's other liabilities are comprised of trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized costs using the effective interest method.

Classification

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

[i] Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
[ii] Level 2 - Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and
[iii] Level 3 - Inputs that are not based on observable market data.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment

Financial Assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Financial Assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets which are separately assessed, are reviewed each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are to reduce the carrying amounts of the assets in the unit on a pro rata basis.

Segment Reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segment results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related income, corporate assets and head office expenses, and income tax assets and liabilities.

New Standards and Interpretations Not Yet Adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 - *Financial Instruments* replaces the current IAS 39 *Financial Instruments Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018. The Company is still evaluating the impact on the financial statements of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – *Revenue from Contracts with Customers.* The standard replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2018. The Company is still evaluating the impact on the financial statements of IFRS 15.

IFRS 16 - Leases

IFRS 16 – Leases. The standard supersedes the current IAS 17, Leases (IAS 17) standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of this standard on its consolidated financial statements; however, the Company believes that the result will be an increase to assets and liabilities, as it will be required to record a right-of-use asset and a corresponding lease liability on the Consolidated Statements of Financial Position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation.

4. TRADE AND OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Trade and other receivables	$ 4,640,131	$ 3,589,523
Less: Allowance for doubtful accounts	(128,197)	(95,616)
Unbilled revenue	287,691	289,963
	$ 4,799,625	**$ 3,783,870**

Included in trade and other receivables balance as at December 31, 2017 was an amount of $60,000 (December 31, 2016 - $95,616) payable by a customer that had not been fully insured with Export Development Canada ("EDC" – see Note 12) by the Company. An allowance for the full amount has been taken and is included in Allowance for Doubtful Accounts as at December 31, 2017. During 2017, Company settled with this customer for $60,000 (less third party collection fees). Payments were to be made in four (4) equal payments on October 10, 2017, October 24, 2017, November 7, 2017 and November 22, 2017. To date, the customer has made the first payment.

At December 31, 2017, unbilled revenue on open contracts accounted for using the percentage of completion method amounted to $287,691 (December 31, 2016 - $289,963).

5. LOAN TO CUSTOMER

On October 1, 2014, the Company announced that it invested in Stream TV Networks, Inc. ("Stream TV"), a current customer of Intrinsyc, an amount of $1,500,000 in the form of a subordinated, secured convertible promissory note bearing interest at three percent (3%) per annum with a maturity date of December 31, 2015 (the "Note"). Interest is payable on the earlier of (i) December 31, 2015 or (ii) when converted to Stream TV shares. Stream TV committed to acquire a minimum of $3,000,000 in Intrinsyc products, services, and royalties over the next twelve months.

The Note was initially convertible into the securities of Stream TV, at the sole option of Stream TV, subject to the execution of an equity financing of a minimum of $15 million by Stream TV (the "Qualified Financing"). The Note was convertible into the class of securities sold in the Qualifying Financing at the share price issued in the Qualifying Financing.

(Expressed in U.S. Dollars)

5. LOAN TO CUSTOMER (continued)

The Company had determined that a reasonable market interest rate for a loan with the features of the Stream TV convertible loan and for pre-commercial entities in the emerging technology sector would be 12%. The Company recognized the difference as a deferred discount.

On December 10, 2015, the Company announced that the arrangements were amended to increase the purchase commitment by Stream TV to $4,500,000 in Intrinsyc product, services and royalties to be generated on or before March 31, 2016, which Stream TV met. In addition, the subordinated, secured convertible promissory note was amended to remove the conversion feature and to extend the maturity date from December 31, 2015 to June 30, 2016.

On June 28, 2016, the Company announced that the arrangements were further amended, to increase the purchase commitment to $6,000,000 in Intrinsyc products, services and royalties to be generated on or before December 30, 2016, which Stream TV has met. In addition, the subordinated, secured promissory note, valued at $1.5 million, has been further amended to extend the maturity date from June 30, 2016 to December 30, 2016.

On December 29, 2016, the Company announced that the subordinated, secured promissory note, with a principal amount of $1.5 million, has been further amended to extend the maturity date from December 30, 2016 to March 30, 2017. In consideration for the extension Intrinsyc received 30,000 warrants convertible into Class A common shares in Stream TV. at a strike price of $5 per share, on a 1 for 1 basis for a period of up to 5 years. The warrants may only be exercised if Stream TV becomes subject to a liquidity event defined in the warrant agreement as liquidation, dissolution, or winding up of Stream TV, whether voluntary or involuntary, or an Initial Public Offering (“IPO”) or sale of the Company by either stock or assets that is at least a change of control transaction. To date, none of these warrants have been exercised.

On February 2, 2017, the Company announced that the subordinated, secured promissory note, valued at $1.5 million, has been further amended to extend the maturity date from March 30, 2017 to February 1, 2018. In consideration for the extension Intrinsyc received 120,000 warrants convertible into Class A common shares in Stream at a strike price of $5, on a 1 for 1 basis for a period of up to 5 years. The exercise of these warrants is also subject to the same terms as the warrants received December 29, 2016. To date, none of these warrants have been exercised. In addition, Stream TV committed to acquire a minimum of $2,000,000 in Intrinsyc products, services, and royalties to be purchased or generated between February 1, 2017 and February 1, 2018 (which Stream TV has only committed to approximately $700,000). Subsequent to December 31, 2017, the note had been further amended (See Note 20 – Subsequent Events).

The Company fair valued the warrants using a modified Black Scholes calculation with the fair value on the date of inception being $153,000. This is included in the Loan to Customer on the Statement of Financial Position. The warrants are fair valued each period.

The Company has assessed the Note for impairment at the end of reporting period and concluded that no loss event ha2 occurred since the granting of the Note. However, the Company acknowledges that there is uncertainty regarding eventual realization of the Note due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector.

6. INVENTORY

	December 31, 2017	December 31, 2016
Parts	$ 2,436,372	$ 604,293
Finished goods	1,820,655	690,009
	$ 4,257,027	**$ 1,294,302**

During the year ended December 31, 2017, the Company charged $9,489,634 (2016: $5,209,989) of inventory related amounts to cost of sales.

(Expressed in U.S. Dollars)

7. EQUIPMENT

The following table presents details of movement in the carrying value of equipment by type:

Cost

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, January 1, 2016	**$ 1,819,590**	**$ 836,859**	**$ 734,850**	**$ 3,391,299**
Additions	45,822	50,343	176,332	272,497
Balance, December 31, 2016	**$ 1,865,412**	**$ 887,202**	**$ 911,182**	**$ 3,663,796**
Additions	57,969	36,011	-	93,980
Balance, December 31, 2017	**$ 1,923,381**	**$ 923,213**	**$ 911,182**	**$ 3,757,776**

Accumulated Depreciation

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, January 1, 2016	**($ 1,705,871)**	**($ 781,036)**	**($ 734,850)**	**($ 3,221,757)**
Depreciation	(44,229)	(23,148)	(23,162)	(90,539)
Balance, December 31, 2016	**($ 1,750,100)**	**($ 804,184)**	**($ 758,012)**	**($ 3,312,296)**
Depreciation	(42,828)	(30,776)	(26,258)	(99,862)
Balance, December 31, 2017	**($ 1,792,928)**	**($ 834,960)**	**($ 784,270)**	**($ 3,412,158)**

Net Book Value

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, December 31, 2016	$ 115,312	$ 83,018	$ 153,170	**$ 351,500**
Balance, December 31, 2017	$ 130,453	$ 88,253	$ 126,912	**$ 345,618**

8. INTANGIBLE ASSETS

The following table presents details of movement in the carrying value of the intangible assets which only consists of acquired software technology:

	December 31, 2017	December 31, 2016
Beginning Balance	**$ 111,851**	**$ 130,774**
Purchases	87,964	77,401
Amortization	(81,224)	(96,324)
Ending Balance	**$118,591**	**$ 111,851**

(Expressed in U.S. Dollars)

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares without par value; and
Unlimited number of common shares without par value.

Issued and outstanding

[a] Preference Shares

There are no preference shares outstanding as at December 31, 2017.

[b] Common Shares

	Number of common shares	Amount
Outstanding, January 1, 2016	**20,748,606**	**$108,583,237**
Issued upon exercise of stock options	353,183	220,300
Reclassification upon exercise of stock options	-	173,688
Outstanding, December 31, 2016	**21,101,789**	**$108,977,225**
Issued upon exercise of stock options	70,799	44,477
Reclassification upon exercise of stock options	-	36,350
Repurchase and cancellation of shares under Normal Course Issuer Bid	(111,600)	(158,169)
Outstanding, December 31, 2017	**21,060,988**	**$108,899,883**

[c] Stock options

The Company has a rolling incentive stock option plan. Under the terms of the Company's stock option plan, the Board of Directors may grant options to directors, officers, employees, consultants and service providers equal to the lower of: (i) up to 10% of issued and outstanding common shares of the Company from time to time less one share; and, (ii) 3,750,000 common shares. The plan provides for the granting of options at the closing price of the Company's stock on the day prior to the grant date. Options granted generally vest over three years with the first one-third vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options.

The Company determines the term of each option at the time it is granted, with options generally having a five-year term. As of December 31, 2017, the Company was entitled to grant 2,106,097 incentive stock options under the plan of which 1,317,229 have been granted.

A summary of the Company's share option activity for the year ended December 31, 2017 is as follows:

9. SHARE CAPITAL (continued)

	Outstanding options	
	Number of options	**Weighted average exercise price (in Canadian dollars)**
Outstanding, January 1, 2016	**1,901,141**	**$ 0.79**
Options granted	124,500	1.23
Options exercised	(353,183)	0.81
Options forfeited	(604,069)	0.76
Options expired	(4,774)	0.92
Outstanding, December 31, 2016	**1,063,615**	**$ 0.84**
Options granted	432,500	2.03
Options exercised	(70,799)	0.82
Options forfeited	(108,087)	1.35
Outstanding, September 30, 2017	**1,317,229**	**$ 1.22**

The following table summarizes the share options outstanding as at December 31, 2017:

Options outstanding				Options exercisable	
Range of exercise price (in Canadian dollars)	**# of common shares**	**Weighted average remaining contractual life**	**Weighted average exercise price (in Canadian dollars)**	**# of options exercisable**	**Weighted average exercise price (in Canadian dollars)**
$ 0.52 - $ 0.76	166,142	0.73	$ 0.54	163,892	$ 0.53
$ 0.77 - $ 0.88	292,430	1.47	$ 0.80	290,430	$ 0.80
$ 0.89 - $ 0.91	380,757	2.42	$ 0.89	330,570	$ 0.89
$ 0.92 - $ 2.29	477,900	4.25	$ 1.97	80,186	$ 1.86
	1,317,229	**2.66**	**$ 1.22**	**865,078**	**$ 0.88**

The weighted average fair value of stock options granted during the year ended December 31, 2017 was CDN $1.22 per share (December 31, 2016 – CAD $0.83).

The total stock-based compensation related to stock options for the year ended December 31, 2017 was $210,525. The total stock-based compensation related to stock options for the year ended December 31, 2016 was $117,479.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Year ended December 31, 2017	**Year ended December 31, 2016**
Expected life (in years)	3.87	4.2
Risk-free interest rate	1.04%	0.62%
Volatility	80.88%	96.11%
Dividend yield	0.00%	0.00%

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

(Expressed in U.S. Dollars)

9. SHARE CAPITAL (continued)

[d] Restricted Share Units ("RSUs")

The Company adopted a restricted share unit plan (the "RSU Plan") which was approved by its shareholders on May 16, 2017. The aggregate maximum number of shares available for issuance from treasury under the RSU Plan shall not exceed 500,000 shares. The 500,000 RSUs are a separate pool from the Company's incentive stock option plan. The grant-date fair value of the restricted share units equals the fair market value of the corresponding shares at the grant date. The fair value of these equity-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in equity. The total amount expensed is recognized over the vesting period on a tranche basis, which is the period over which all the specified vesting conditions should be satisfied.

During the year ended December 31, 2017, the Company granted 219,000 RSUs to certain employees and directors under its RSU Plan. These RSUs vest over three years as to one third on each anniversary of the grant date. Compensation for the year ended 31, 2017 was $106,575 ($nil for the year ended December 31, 2016).

A summary of the Company's RSU activity for the twelve months ended December 31, 2017 is as follows:

	Number of RSUs
Outstanding, December 31, 2016	**-**
RSUs granted	219,000
RSUs vested	-
RSUs forfeited	-
Outstanding, December 31, 2017	**219,000**

The weighted average fair value of RSUs granted during the year ended December 31, 2017 was CDN $2.04 per share. There were no RSUs granted during the year ended December 31, 2016.

[e] Normal Course Issuer Bid ("NCIB")

On September 29, 2017, the Company received approval from the TSX regarding the notice filed by the Company to establish a normal course issuer bid ("NCIB") program to purchase, for cancellation, up to 500,000 common shares or approximately 2.4% of Intrinsyc's issued and outstanding common shares, as at September 21, 2017. The NCIB program commenced on October 4, 2017 and will terminate on October 3, 2018, or on such earlier date as the Company may complete its purchases pursuant to a Notice of Intention filed with the TSX.

In connection with the NCIB program, the Company established an automatic repurchase plan (the "Plan") with its designated broker to allow for purchases of its common shares during certain pre-determined black-out periods, subject to certain parameters as to price and number of shares. Outside of these pre-determined black-out periods, common shares will be repurchased in accordance with management's discretion, subject to applicable law. Intrinsyc may vary, suspend or terminate the Plan only if it does not have material non-public information and the decision to vary, suspend or terminate the Plan is not taken during a pre-determined blackout period. The Plan constitutes an "automatic plan" for purposes of applicable Canadian securities legislation and has been reviewed by the TSX.

As a result of entering into the Plan, the Company recorded a liability of $142,925 (CDN$179,300) within current liabilities. This liability was reduced as the Company repurchased shares under the Plan. As at December 31, 2017, the liability was $18,296 (CDN$22,952).

During the year ended December 31, 2017, the Company had purchased and cancelled 111,600 common shares for $159,169 (CDN$175,280).

(Expressed in U.S. Dollars)

9. SHARE CAPITAL (continued)

[f] Income (loss) per share

	Year ended December 31, 2017	Year ended December 31, 2016
Weighted average number of shares outstanding – basic	21,118,432	20,954,552
Dilutive effects of exercisable options	693,400	453,956
Weighted average number of shares outstanding – fully diluted	**21,811,832**	**21,408,508**

10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates of 26.00% (December 31, 2016 – 26.00%) to income before income taxes due to the following:

The Tax Cuts and Jobs Act ("TCJA") enacted on December 22, 2017, reduced the US federal corporate income rate to 21% from 34% and eliminated the corporate alternative minimum tax ("AMT") for years beginning January 1, 2018. The Company's current year deferred tax assets and liabilities were remeasured to determine the impact of the change in tax rate. The impact of US Tax reform on the Company's consolidated financial statements for the year ended December 31, 2017 does not appear to be material.

	December 31, 2017	December 31, 2016
Net income before income taxes	$ 672,150	$ 1,677,285
Tax expense at applicable rates	$ 134,979	$ 436,094
Change in unrecognized deferred tax assets	960,462	(275,410)
Non-deductible expenses and other differences	80,677	71,678
Foreign exchange arising on translation to functional currency	(811,394)	(377,854)
Adjustments in respect of deferred income taxes of prior years	(26,247)	72,015
Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries	(5,503)	21,038
Changes in tax rates	(325,417)	58,038
Other items	22,256	8,904
Income tax expense	**$ 29,813**	**$ 14,503**

The deferred tax assets have not been recognized in these consolidated financial statements, as management does not consider it more likely than not that those assets will be realized in the carry forward period.

The composition of the Company's deferred tax assets not recognized are as follows:

(Expressed in U.S. Dollars)

10. INCOME TAXES (continued)

	December 31, 2017	December 31, 2016
Deferred tax assets in relation to:		
Equipment	$ 4,536,287	$ 3,464,988
Intangible assets	-	613,259
Non-capital losses carried forward	3,341,136	3,039,402
Capital losses carried forward	912,599	824,928
SR&ED expenditures	892,177	802,698
Other	85,058	61,519
Deferred tax assets not recognized	**$ 9,767,257**	**$ 8,806,794**

As at December 31, 2017, the Company has non-capital loss carry forwards for Canadian income tax purposes available to reduce taxable income otherwise payable in future years. These losses expire as follows:

2026	$ 3,994,000
2027	2,324,000
2028	1,822,000
2032	1,542,000
2033	1,512,000
	$ 11,194,000

The Company has approximately $6.9 million in capital losses that may be carried forward indefinitely to be offset against capital gains for tax purposes.

The Company has approximately $3,304,000 of scientific research and experimental development expenditures (”SR&ED”) that may be carried forward indefinitely to be deducted against future Canadian taxable income. The Company also has federal investment tax credits of approximately $1,027,000 available to offset future Canadian federal income taxes payable which expire commencing in 2019 until 2025. The benefit of the federal investment tax credits has not been recognized as their realization is not reasonably assured.

As well, the Company has Undepreciated Capital Cost (“UCC”) amounts of approximately $17.2 million dollars which can be carried forward indefinitely. The balance includes approximately $2.4 million which was previously classified as Cumulative Eligible Capital (“CEC”).

The Company has an aggregate potential tax shield pertaining to federal and provincial taxable income in the amount of approximately $31.7 million which is attributable to its non-capital loss carry forward of approximately $11.2 million, approximately $3.3 million due to SR&ED expenditures, UCC of approximately $17.2 million and is exclusive of the Company’s investment tax credits above.

At December 31, 2017, the Company also has loss carry forwards in other jurisdictions as a result of its foreign operations. For UK income tax purposes, there are non-capital loss carry forwards totalling approximately $1,901,000 that may be carried forward indefinitely to reduce taxable income otherwise calculated in future years.

(Expressed in U.S. Dollars)

11. COMMITMENTS AND CONTINGENCIES

[a] Currently, the Company leases its Vancouver, BC facility (of approximately 12,000 square feet of office space) until October 31, 2022. In addition, it leases approximately 900 square feet of office space in Boulder, CO (for its expanded engineering team) until February 28, 2018 (this lease was not renewed) and leases approximately 319 square feet in Taipei, Taiwan until June 30, 2018 (for its expanded Asian sales and engineering teams).

The aggregate of minimum lease payments as at December 31, 2017 for subsequent years is as follows:

2018	$ 369,504
2019	345,465
2020	348,658
2021	364,624
2022	303,854
	$ 1,732,105

[b] The Company warrants that its software and hardware products will operate substantially in conformity with product documentation and that the physical media will be free from defect. The specific terms and conditions of the warranties are generally ninety days. The Company accrues for known warranty issues if a loss is probable and can be reasonably estimated, and accrues for estimated incurred but unidentified warranty issues based on historical activity. To date, the Company has had no material warranty claims.

[c] The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. To date, there are no claims or suits outstanding against the Company.

12. EXPORT DEVELOPMENT CANADA

On July 31, 2009, the Company entered into an agreement with EDC whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales for a premium of between CDN $0.76 to CDN $1.41 per CDN $100 of monthly invoiced sales (certain customers are excluded from this coverage). The initial policy period was from July 1, 2009 to June 30, 2010 with an automatic yearly renewal unless the policy is terminated by the Company (the policy has been renewed until June 30, 2018). The maximum liability coverage at any one time is CDN $185,000 for domestic sales and CDN $7,000,000 for sales outside of Canada. As of December 31, 2017, 74% of trade receivables were covered by EDC insurance (December 31, 2016 – 68%)

During the year ended December 31, 2017, the Company recorded total premiums of $181,083 (December 31, 2016 - $138,650) (CDN $234,281; December 31, 2016 – CDN $183,853) in sales and marketing.

13. SEGMENTED INFORMATION

Operating segments

The Company currently has the following two operating segments:

1. Embedded Computing Hardware segment includes the sales of the Company's proprietary computer modules and development kits. The Company offers original equipment manufacturers ("OEMs") off-the-shelf and customized embedded computing modules; and

2. Services and Software segment includes turnkey product design and development services, as well as other engineering services and device software, including royalties. As well, it includes revenue generated from software products including: J-Integra® Enterprise Interoperability Software ("EIS"), and RapidRIL Telephony

(Expressed in U.S. Dollars)

13. SEGMENTED INFORMATION (continued)

3. Software, including maintenance and support agreements for these products. These products and services are sold to OEMs, original device manufacturers ("ODMs"), technology providers, and other companies.

Corporate includes all operating expenses of the Company.

Information regarding the operations of each operating segment is included below. Performance is based on revenue less cost of sales.

A breakdown of revenues and cost of sales for each operating segment for the years ended December 31, 2017 and December 31, 2016 is as follows:

Year ended December 31, 2017	**Embedded Computing Hardware**	**Services and Software**	**Corporate**	**Total**
Revenue	$ 12,439,511	$ 8,240,159	$ -	$ 20,679,670
Cost of sales	9,633,049	4,149,449	-	13,782,498
	2,806,462	4,090,710	-	6,897,172
Operating expenses	-	-	6,642,676	6,642,676
Operating profit (loss)	**$ 2,806,462**	**$ 4,090,710**	**($6,642,676)**	**$ 254,496**

Year ended December 31, 2016	**Embedded Computing Hardware**	**Services and Software**	**Corporate**	**Total**
Revenue	$ 7,055,480	$ 10,408,862	$ -	$ 17,464,342
Cost of sales	5,426,810	5,218,631	-	10,645,441
	1,628,670	5,190,231	-	6,818,901
Operating expenses	-	-	5,497,071	5,497,071
Operating profit (loss)	**$ 1,628,670**	**$ 5,190,231**	**($5,497,071)**	**$ 1,321,830**

Geographic information

The Company's equipment is located as follows:

	December 31, 2017	**December 31, 2016**
Canada	$ 323,090	$ 341,560
United States	6,959	9,940
Taiwan	15,569	-
Total	**$ 345,618**	**$ 351,500**

(Expressed in U.S. Dollars)

13. SEGMENTED INFORMATION (continued)

The Company earned revenues attributed to the following geographic regions based on the location of the customer:

	Year ended December 31, 2017	Year ended December 31, 2016
United States	$ 13,709,734	$ 13,251,681
Asia Pacific	4,223,751	1,809,519
Europe	1,847,861	1,685,865
Canada	886,835	716,600
Other	11,489	677
	$ 20,679,670	**$ 17,464,342**

Significant customers

In each respective period, revenues from customers which amounted to 10% of more of the Company's revenues accounted for the following percentage of the Company's total revenues and accounts receivable, as indicated below:

	% of Revenues for the year ended December 31, 2017	% of Accounts Receivable at December 31, 2017	% of Revenues for the year ended December 31, 2016	% of Accounts Receivable at December 31, 2016
Customer 1	23%	31%	10%	7%
Customer 2	12%	5%	4%	14%
Customer 3	3%	14%	21%	29%

The above customers for the prior periods are referenced due to their being greater than the Company's ten percent of total revenue threshold in the respective prior periods. Receivables owing from Customer 1 and 2 are fully covered by EDC insurance in the event of payment default while receivables owing from Customer 3 is only partially covered by EDC insurance.

14. EXPENSES BY NATURE

Total salaries and wages as well as other personnel related expenses included in Cost of Sales and Expenses for the year ended December 31, 2017 were $8,152,165 compared to $7,875,943 during the year ended December 31, 2016.

(Expressed in U.S. Dollars)

15. OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Depreciation of equipment *(note 7)*	$ 99,862	$ 90,539
Amortization of intangible assets *(note 8)*	81,224	96,324
Share-based compensation - options*(note 9(c))*	210,525	117,479
Share-based compensation - RSUs(note 9(d))	106,575	-
	$ 498,186	**$ 304,342**

16. CAPITAL DISCLOSURES

The Company's objectives for managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.

- To maintain a capital base so as to maintain investor, creditor, customer and market confidence.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it (by either issuing new shares or buying back shares) in the light of changes in economic conditions and the risk characteristics of the underlying assets.

17. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

The Company has classified cash and cash equivalents as held-for-trading financial assets, measured at fair value with short-term investments being classified as available for sale financial assets. Trade and other receivables as well as the customer loan are classified as loans and receivables, measured at amortized cost. Trade and other payables are classified as other liabilities, measured at amortized cost.

The carrying values and fair values of financial assets (liabilities) as at December 31, 2017 and December 31, 2016 are summarized as follows:

	December 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Held-for-Trading	$ 4,989,154	$ 4,989,154	$ 5,381,518	$ 5,381,518
Available for Sale	$ 2,260,089	$ 2,260,089	$ 2,169,402	$ 2,169,402
Loans and Receivables	$ 6,598,875	$ 6,898,875	$ 5,441,370	$ 5,441,370
Other Liabilities	($5,026,370)	($5,026,370)	($2,168,678)	($2,168,678)

17. FINANCIAL INSTRUMENTS (continued)

[b] Fair Value Disclosure

At December 31, 2017, the Company's financial instruments which are measured at fair value on a recurring basis were its cash and cash equivalents and short term investments. As of December 31, 2017, Available for Sale financial assets totalling $2,260,089 were classified Level 2 (December 31, 2016 - $2,169,402).

[c] Risk Management

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

[i] Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, trade and other receivables and customer loan. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash, from time to time, in short-term deposits with Canadian financial institutions. With respect to

trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of Intrinsyc's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Trade and other receivables were aged as follows as at December 31, 2017 and December 31, 2016:

	December 31, 2017	**December 31, 2016**
Current	$ 3,913,053	$ 2,950,373
31-60 days	94,977	302,486
Over 60 days	791,595	531,011
	$ 4,799,625	**$ 3,783,870**

[ii] Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

Trade and other payables were aged as follows as at December 31, 2017 and December 31, 2016:

	December 31, 2017	**December 31, 2016**
Current	$ 4,322,552	$ 1,585,838
31-60 days	401,523	580,364
Over 60 days	302,295	2,476
	$ 5,026,370	**$ 2,168,678**

[iii] Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between

17. FINANCIAL INSTRUMENTS (continued)

these currencies could have a material effect on the business, financial condition and results of operations. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. With all other variables remaining constant, assuming a 10% weakening of the Canadian dollar versus the U.S. dollar would have had the following impact on net loss as follows in the table below. An assumed 10% strengthening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below:

Source of net earnings/loss variability from changes in foreign exchange rates	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Statement of Financial Position exposure	($ 281,179)	($ 176,745)
Net Cost of Sales/Operating Expenses (net exposure)	696,100	669,858
Net exposure	**$ 414,921**	**$ 493,113**

A 10% change in the New Taiwanese dollar to U.S. dollar exchange rate would have an approximate $13,000 impact on net income for the year ended December 31, 2017 (year ended December 31, 2016 – $5,000).

[iv] Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents as well as its short-term investments. During the year ended December 31, 2017, the Company earned $221,853 of interest income on its cash and cash equivalents as well as its short-term investments and customer loan. An increase or decrease of 100 basis points in the average interest rate earned during the period would have adjusted net earnings by approximately $75,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

18. RELATED PARTY TRANSACTIONS

Related parties include key management, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	**Year ended December 31, 2016**
Short-term compensation	$ 1,012,743	$ 1,156,961
Share-based payments	395,974	-
	$ 1,408,717	**$ 1,156,961**

Short-term compensation for the year ended December 31, 2016 includes the Company's annual performance corporate bonus totaling an amount of $175,000 paid to its management which had been previously accrued for as operating expense during the year ended December 31, 2015. There was no annual performance corporate bonus paid out during the year ended December 31, 2017 relating to the year ended December 31, 2016.

There were no amounts owing to related parties as at December 31, 2017 and December 31, 2016.

The directors and key management were awarded 252,950 options under the Company's stock option plan during the year ended December 31, 2017 as well as 199,000 RSUs.

(Expressed in U.S. Dollars)

19. EMPLOYEE RETIREMENT SAVINGS CONTRIBUTIONS

	Year ended December 31, 2017	Year ended December 31, 2016
Benefit costs	$ 227,715	$ 214,339

The Company matches employees' retirement savings contributions to retirement plans as part of the employee benefits plan. Employees have the option of having the funds transferred to their individual retirement savings plans on a semi-monthly basis or on a periodic basis (most employees have the funds transferred on a semi-monthly basis).

20. SUBSEQUENT EVENTS

On February 1, 2018, the Company announced that the subordinated, secured promissory note, valued at $1.5 million, has been further amended to extend the maturity date from February 1, 2018 to April 2, 2018.

On March 6, 2018, the Company entered into a line of credit agreement with its bank for up to CDN$4.4 million. The line bears interest at chartered bank's prime lending rate +1.11% with no standby charge and does not include any covenants for the Company. Borrowings under this facility must not exceed the aggregate of the following, less Potential Prior-Ranking Claims:

e) 75% of Good Canadian/US Accounts Receivable;
f) 90% of Good EDC Accounts Receivable;
g) 65% of Good Foreign Accounts Receivable; and
h) to a maximum of $750,000.00, 50% of the lesser of cost or net realizable value of Unencumbered Inventory.

DIRECTORS AND OFFICERS

DIRECTORS

George A. Duguay, Chairman
Independent Director
Director since 2003
Committee Membership:
Audit and Compensation & Corporate Governance

Michael W. Bird
Independent Director
Director since 2013
Committee Membership:
Audit

Thomas J. Bitove
Independent Director
Director since 2005
Committee Membership:
Compensation & Corporate Governance

Jeffrey D. MacDonald
Independent Director
Director since 2017
Committee Membership:
Compensation & Corporate Governance

Daniel S. Marks
Independent Director
Director since 2013
Committee Membership:
None

Howard "Skip" Speaks
Independent Director
Director since 2009
Committee Membership:
Audit

OFFICERS

Tracy Rees
President and Chief Executive Officer

George Reznik
Chief Financial Officer and Secretary

Mark Waldenberg
Vice President, Global Sales

Cliff Morton
Vice President, Client Solutions

Victor Gonzalez
Vice President, Engineering

CORPORATE INFORMATION

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Registrar and Transfer Agent
TMX Trust Company
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Independent Auditors
Ernst & Young LLP
Vancouver, BC

Legal Counsel
Osler, Hoskin & Harcourt LLP
Vancouver, BC

Stock Listing
The common shares of
Intrinsyc Technologies Corporation
are listed on the Toronto Stock Exchange.

Symbol: ITC