INTRINSYC TECHNOLOGIES CORPORATION

2018 ANNUAL REPORT

Table of Contents

Letter to Shareholders 2

Management Discussion and Analysis 6

Consolidated Financial Statements 37

Directors and Officers 73

Corporate Information 74

Chief Executive Officer Letter

Dear Fellow Shareholder:

We finished 2018 on a strong note, successfully executing on our strategic business plan and achieving record full-year results. Select highlights from the fourth quarter and fiscal year 2018 are as follows:

- Q4 Revenue: US$7.1 million (CDN $9.4 million)
- Q4 EBITDA: US$625,025 (CDN$825,283)
- Record Annual Revenue: US$25.7 million (CDN$33.4 million)
- Record Annual EBITDA: US$1.9 million (CDN$2.5 million)

The primary driver of our overall revenue growth of 24% in 2018 was the contribution from our embedded computing hardware business that grew by 33% over the previous year.

The Company produces a line of embedded computing modules that enable Internet of Things products to be more intelligent. This enhanced intelligence enables edge computing, which refers to the computing processes, aggregation of data, and analysis performed at the site of data generation. As the "things" in the Internet of Things get smarter, it will have a tremendous impact on organizations and the way people work and live.

Intrinsyc's computing modules are based on Qualcomm Snapdragon technology, which lead the industry in computing performance, as well as power and thermal efficiency. Intrinsyc designs and develops these computing modules; enhancing their performance with unmatched expertise in the areas of system software development and advanced technologies such as machine learning and artificial intelligence.

Intrinsyc's computing modules are sold on a repeat basis to companies building a variety of Internet of Things products that require advanced intelligence and connectivity and are a key driver for our future growth. When our modules 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.

In 2018, we made a lot of progress in establishing the foundation for our future growth. We did expand the Company's engineering capacity and ability to support regional customers in Asia by adding engineering centers in Taipei, Taiwan and Bangalore, India. We also expanded our computing solutions with eight (8) new products introduced during the year. Additionally, we increased our design wins of companies developing their products or shipping commercial devices using our computing modules, from 45 to 59.

With the expansion of our hardware products in 2018, we now have a broad set of computing solutions that provide advanced intelligence at the edge and enable a wide-range of Internet of Things products. These solutions put us in a favorable competitive position and make Intrinsyc a valuable technology partner for Qualcomm's IoT and automotive initiatives.

<u>Quarterly Business Highlights</u>

- Received orders from multiple clients that are in aggregate valued at US$851,000. Orders for the Company's Open-Q™ embedded computing modules are valued at US$170,000. Orders for product development services from two existing and two new clients are valued at US$681,000. Clients are utilizing Intrinsyc's high-performance computing modules and expert product development services to build a variety of innovative Industrial IoT devices.

- Announced that the Company has qualified to trade on the OTCQX® Best Market. We anticipate that the OTCQX Market will provide Intrinsyc with greater exposure, accessibility, and liquidity in the United States, and this will be beneficial to both existing and new shareholders.

- Announced distribution of the Qualcomm Flight™ Pro reference platform, a highly optimized board and development kit targeted specifically for consumer drones and robotics applications, featuring the Qualcomm® APQ8096SG processor.

- Announced the general availability of a new Hardware Development Kit ("HDK") featuring the Qualcomm® Snapdragon™ 670 Mobile Platform.

- Announced the availability of the Open-Q™ 605 Single Board Computer ("SBC") and associated Open-Q™ 605 Development Kit.

- Retained the strategic consultancy services of Tia Cassett, a 20-year Qualcomm veteran, to assist the Company's Executive Committee and management team in the development and execution of its strategic growth plan through various business development initiatives.

Financial Highlights

Three Month Comparative Results

The Company reported fourth quarter revenue of US$7.1 million (CDN$9.4 million), up 17% over the prior period of US$6.1 million (CDN$8.0 million) and up 5% over the same period in the prior year of US$6.8 million (CDN$8.7 million). The increase in revenue over the comparative periods was due primarily to increased revenue from the sale of hardware products.

Gross margin in the fourth quarter of fiscal 2018 was 35%, which was lower than the 38% gross margin in the prior quarter but consistent with the 35% gross margin in the same period in the prior year. The decrease in gross margin over the prior quarter was due to an increase in hardware revenue which has a lower gross margin. EBITDA was as follows:

	Three months ended December 31, 2018		Three months ended September 30, 2018		Three months ended December 31, 2017 (Restated)	
	US$	**CDN$**	**US$**	**CDN$**	**US$**	**CDN$**
Operating income (loss)	$483,465	$638,369	$379,865	$496,484	$407,315	517,819
Add back: Other operating expenses	141,560	186,914	133,209	174,103	164,054	208,559
EBITDA	**$625,025**	**$825,283**	**$513,074**	**$670,587**	**$571,369**	**726,378**

The Company had net loss of US$740,655 (CDN$926,159), and loss per share of US$0.04 (CDN$0.05) compared to net income of US$346,477 (CDN$443,840) or US$0.02 (CDN$0.02) earnings per share in the prior quarter and net income of US$453,547 (CDN$570,087) or US$0,02 (CDN$0.03) earnings per share in the same period in the prior year. The net loss was attributable to a decline in the value of $1.1 million of the Company's equity investment in Stream TV Networks Inc. ("Stream TV") as at December 31, 2018.

Twelve Month Comparative Results

Fiscal 2018 revenue was a record US$25.7 million (CDN$33.4 million), which was an increase of 24% over Fiscal 2017. Annual revenue growth was a result of very strong growth from hardware sales as well as an increase 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.

Gross margin for the twelve months ended December 31, 2018 was 35%, which was higher than the 33% gross margin in same period in the prior year. EBITDA was as follows:

	Twelve months ended December 31. 2018		**Twelve months ended December 31. 2017 (Restated)**	
	US$	**CDN$**	**US$**	**CDN$**
Operating income	$ 1,277,414	$ 1,665,541	$ 236,995	$ 301,709
Add back: Other operating expenses	618,407	800,501	498,186	641,087
Adjusted EBITDA	**$ 1,895,821**	**$ 2,466,042**	**$ 735,181**	**$ 942,796**

The Company had net loss of US$184,536 (CDN$206,263)), with loss per share of US$0.01 (CDN$0.01) for the twelve months ended December 31, 2018 compared to net income of US$624,836 (CDN$808,382), with earnings per share of US$0.03 (CDN$0.03) in the same period in the prior year.

Financial Position as at December 31, 2018

Working capital as of December 31, 2018 was US$10.4 million (CDN$14.1 million) inclusive of cash and short-term investments of US$6.0 million (CDN$8.1 million). This is compared to net working capital of US$12.5 million (CDN$15.5 million) as at December 31, 2017 inclusive of cash and short-term investments of US$7.3 million (CDN$9.1 million).

Looking Forward

I was very pleased with the results in 2018 and we are focused on continuing our growth in 2019. While we expect that our continued execution of our strategic initiatives will lead to annual revenue growth; there is potential for quarterly variability due to the timing of our client's hardware orders and the availability of components needed for manufacturing.

We plan to build upon the foundation established with the expansion of regional engineering centers and new products last year. Key areas of investment planned for 2019 include: a new Enterprise Resource Planning ("ERP") system, continued product development, and adding sales resources in the Europe region.

The Company is implementing a new ERP system in 2019 that will give us better visibility to critical business data and allow us to operate our business more efficiently and improve service and support to our customers.

We have new products planned in collaboration with our strategic technology partner, Qualcomm Technologies, and will continue to enhance our services capabilities with a focus on the critical technology that makes edge computing possible.

The Company plans to add sales resources to pursue opportunities in Europe. The market for embedded computing modules in the Europe Region is strong, with an estimated overall market share of 37%. Currently, we generate less than 10% of our revenue from Europe.

In February, we announced the engagement of ROTH Capital as financial advisors with a mandate to explore strategic growth opportunities for the Company. We will be participating in their conference from March 17-19, 2019. Last year, the ROTH Conference hosted more than 4,700 attendees, including institutional investors, analysts, family offices and high net worth investors.

Following up on our recent listing on the OTCQX market, which we anticipate will provide greater exposure, access and liquidity in the United States, the Company plans to participate in additional investor conferences in the United States over the next few months.

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

Yours sincerely,

"Tracy Rees"
President and Chief Executive Officer
March 13, 2019

INTRINSYC TECHNOLOGIES CORPORATION

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

For the Three and Twelve Months Ended December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis has been prepared by management as of March 13, 2019 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, 2018 (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, 2018, 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 are expected to 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™ 805, Open-Q™ 212A, Open-Q™ 410, Open-Q™ 820, Open-Q™ 835, Open-Q™ 624A, Open-Q™ 626, Open-Q™ 2100 SOM, Open-Q™ 2500 SOM, Open-Q™ 600 SBC and the Open-Q™ 605 SBC. The Open-Q™ family of products are based on Snapdragon™ technology from Qualcomm® Technologies Inc. The Company recently introduced the Open-X™ 8M SOM. The Open-X™ product line is based on i.MX processors from NXP Semiconductor, BV. 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 hardware development kits ("HDK") include the, Open-Q™ 805 HDK, DragonBoard 810™, Open-Q™ 820 HDK, Open-Q™ 2100, Open-Q™ 626 HDK, Open-Q™ 660 HDK, Open-Q 835 HDK, and Open-Q™ 845 HDK and Open-Q™ 670 HDK.

- Vertical market reference designs and development kits include the Snapdragon™ 820 Automotive Development Platform ("ADP"), Snapdragon™ Flight, Qualcomm Flight™ Pro reference platform, Open-Q™ 410 Wearable Computing Reference Design, and two recently introduced development platforms running Android Things, that are targeted for smart home hub applications, the Open-Q 212A and Open-Q™ 624A development kits.

- In addition, the Company frequently designs, develops, and manufactures complementary peripheral boards that add additional functionality to Open-Q™ and Open-X SOMs and development kits.

The Company is building an expanding base of customers and prospects for the Open-Q™ and Open-X™ 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 a 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 2018

Financial Events

- Revenue increased by 24% from the year ended December 31, 2017 which was primarily due to increased revenues attributable to the Company's Embedded Computing and Services and Software businesses.
- Expenses (excluding other operating expenses)[1] increased by 14% from the year ended December 31, 2017 due primarily to increased research and development expenses in addition to tradeshow expenses, employee related costs (inclusive of performance bonus) and other operating expenses as a result of the growth of the business.
- Net loss for the year ended December 31, 2018 was $184,536 (inclusive of revaluation of Stream TV investment of $1,038,365) or $0.01 loss per share compared to net income for the year ended December 31, 2017 which was $624,836 or $0.03 earnings per share.
- Cash provided by operations was $926,512 during the year ended December 31, 2018 compared to cash used in operations of $237,707 during the year ended December 31, 2017.
- Entered into a line of credit facility with a major Canadian chartered bank of CDN$4.4 million (the "LOC Facility"). As of December 31, 2018, outstanding borrowings were CDN $nil.
- Extended the maturity date of the Stream TV secured promissory notes from February 1, 2018 to May 2, 2018, when the promissory notes were converted to an equity investment in Stream TV through the conversion of the subordinated, secured promissory note and interest accrued for a total amount of $1,661,384 into 415,346 common shares. In addition, the parties also signed an amendment to the Master Services Agreement in which

[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.

Stream TV agrees to provide a commitment of $1,500,000 in services to be purchased directly or through connected party referrals during the eighteen (18) month period beginning May 1, 2018.

- In June 2018, George Reznik, Chief Financial Officer, presented and met with investors and analysts at the Microcap Conference in Toronto, ON.

- On September 27, 2018, the Company received approval from the TSX regarding the notice filed by the Company to extend its normal course issuer bid ("NCIB") program to purchase, for cancellation, up to 1,793,294 common shares or approximately 8.6% of Intrinsyc's issued and outstanding common shares, as at September 25, 2018. The NCIB program extension commenced on October 4, 2018 and will terminate on October 3, 2019, or on such earlier date as the Company may complete its purchases pursuant to a Notice of Intention filed with the TSX.

- During the twelve months ended December 31, 2018 the Company had purchased and cancelled 969,200 common shares for CDN$1,366,593.

- On November 7, 2018, the Company's common shares began trading on the premier tier of the OTC Markets Group in the United States: the OTCQX® Best Market. The Company's ticker symbol is "ISYRF."

- Retained the strategic consultancy services of Tia Cassett, a 20-year Qualcomm veteran, to assist the Company's Executive Committee and management team in the development and execution of its strategic growth plan through various business development initiatives.

Business Highlights

- Had over $29,000,000 of new orders during 2018, including the following orders:

    - Two new production wins with the receipt of initial orders valued at $287,000. The Company also signed product development services agreements and hardware orders from existing clients valued at $342,000.

    - Announced the attainment of a new production client for the Company's Open-Q™ 820 computing module and receipt of orders, that are in aggregate valued in excess of $500,000. The new client placed an initial order for the Company's Open-Q™ computing modules that is valued at approximately $205,000. The Company also signed a product development services agreement with an existing client that is valued at approximately $311,000. Hardware shipments and services were provided during the first and second quarters of 2018.

    - Announced the receipt of orders from two existing and two new clients, that are in aggregate valued at $700,260. Orders for the Company's Open-Q™ embedded computing modules and related hardware components are valued at $426,800. The Company also received orders for software and product development services from clients valued at $273,460.

    - Announced the receipt of an order valued at $940,000 for the Company's Open-Q™ 410 embedded computing modules. The order is a follow-on production order from an existing IoT client. Shipment of the modules occured in the second half of 2018, and is expected to continue in the first quarter of 2019.

    - Announced the receipt of orders totaling $1,877,000. Orders include embedded computing modules from an existing Global 500 client, valued at $1,104,000, and development platforms and modules from a new client that is building electric vehicles valued at $119,000. The Global 500 Client also signed agreements for product development services valued at $654,000. Hardware shipments and product development services were provided in 2018.

    - Announced that two Original Equipment Manufacturers ("OEM") have selected Intrinsyc's Open-Q™ SOM) to power their innovative medical devices. One of the design wins involves a medical

device with an integrated camera and will utilize Intrinsyc's Open-Q™ 626 SOM. The other client will be using a custom version of the Company's Open-Q™ 820 SOM designed by Intrinsyc specifically to the client's unique require, including ements. The total value of the services agreements is approximately $642,000.

- Announced that two companies have selected Intrinsyc's Open-Q™ 820 µSOM to power their IoT devices; one a medical diagnostic device, and the other an Industrial IoT ("IIoT") device. In addition to these new design wins, the Company received orders that are in aggregate valued at over $1,000,000.

- Signed a 3G/4G patent license agreement with the Company's key technology partner. Under the terms of the agreement, Intrinsyc was granted a royalty-bearing patent license, to develop, manufacture and sell embedded modules for use in complete terminals; including M2M, Telematics, and IoT Devices. With this agreement, Intrinsyc will be able to expand its product lineup to include modules that incorporate the industry's leading cellular technology.

- Receipt of orders from multiple clients that are in aggregate valued at $1,129,000. Orders for the Company's Open-Q™ embedded computing modules and related hardware components are valued at $419,000. The Company also received orders for software and product development services from clients valued at $710,000.

- Receipt of an order valued at $604,000. Intrinsyc will provide product development services for a leading communications and collaboration company. Intrinsyc's Open-Q 835 System on Module ("µSOM") will be the starting point for their new product design.

- Receipt of orders from four clients, that are in aggregate valued at $1,166,000. Orders for the Company's Open-Q™ embedded computing modules and related hardware components are valued at $292,000. The Company also received orders for software and product development services from clients valued at $874,000.

- Receipt of purchase orders from an existing Global 500 client that are valued at $5,431,000.

- Receipt of orders that are in aggregate valued at $1,181,000. Orders for the Company's Open-Q™ embedded computing modules and related hardware components were valued at $473,000, and engineering services agreements were valued at $708,000. Revenue from these orders were recorded in the fourth quarter of 2018 and expected to continue into the first quarter of 2019.

- Announced the receipt of orders from multiple clients that are in aggregate valued at $851,000. Orders for the Company's Open-Q™ embedded computing modules are valued at $170,000. Orders for product development services from two existing and two new clients are valued at $681,000. Clients are utilizing Intrinsyc's high-performance computing modules and expert product development services to build a variety of innovative Industrial IoT devices.

- Entered into a 3G/4G Patent License Agreement with the Company's key technology partner for Development of Embedded Modules for use in M2M, IoT, and Telematics Devices.

- Established a subsidiary and engineering centre in Bangalore, India to add engineering resources for new product development and client projects.

- Announced it will distribute the Qualcomm Flight™ Pro reference platform, a highly optimized board and development kit targeted specifically for consumer drones and robotics applications, featuring the Qualcomm® APQ8096SG processor.

- Design wins increased from 45 to 59, with 24 of those design wins now in the production phase, which is an increase from 21 at the end of the prior fiscal year.

Product Highlights

- Announced the availability of the following products:
    - Two new platforms to support development of Smart Home Hub and other Voice-Controlled products.
    - New HDK featuring the Qualcomm® Snapdragon™ 845 Mobile Platform, a product of Qualcomm Technologies, Inc., a subsidiary of Qualcomm Incorporated.
    - Open-X™ 8M System on Module ("SOM") and Development Kit.
    - The Company's Open-Q™ 2500 SOM and its companion Open-Q™ 2500 Development Kit.
    - The Connected Card Application Reference Design ("CCARD"); a Qualcomm® Technologies, Inc. ("QTI") reference design and software development platform for automotive telematics platforms. The CCARD provides a near commercial-grade Telematics Control Unit ("TCU") that provide high-speed wide area networking ("WAN") connectivity from an automobile.
    - Cellular Vehicle to Everything ("CV2X") Development Platform. The CV2X Development Platform enables demonstrations of V2V/V2I/V2P (vehicle to vehicle, vehicle to infrastructure, vehicle to pedestrian) functionalities. CV2X or Cellular Vehicle to Everything is the latest, cutting-edge technology aimed at collision avoidance and value-added services. CV2X will enable vehicles to communicate critical messages with everything around them, including other vehicles and infrastructure.
    - New Hardware Development Kit ("HDK") featuring the Qualcomm® Snapdragon™ 670 Mobile Platform.
    - Open-Q™ 605 Single Board Computer ("SBC") and associated Open-Q™ 605 Development Kit.

SELECTED QUARTERLY INFORMATION

The information in the tables below has been derived from the Company's unaudited interim condensed consolidated financial statements (excluding 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. Prior reported numbers have been restated to account for the impact of IFRS 15 (additional details on IFRS 15 are discussed in Critical Accounting Policies and Estimates section in this MD&A).

(in US$ '000's)	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017 (Restated)**	**September 30, 2017 (Restated)**	**June 30, 2017 (Restated)**	**March 31, 2017 (Restated)**
Cash and cash equivalents	$3,940	$5,413	$5,446	$4,841	$4,989	$4,547	$5,405	$3,488
Short-term investments	$2,028	$2,015	$2,019	$2,010	$2,260	$3,132	$2,297	$4,242
Working capital	$10,371	$11,210	$10,788	$12,550	$12,544	$12,576	$12,582	$12,572
Total assets	$17,474	$18,213	$17,728	$16,103	$18,757	$16,825	$15,627	$15,233
Shareholders' equity	$11,668	$13,509	$13,111	$13,037	$13,036	$12,624	$12,399	$12,332

[2] EBITDA or 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. 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.

Consolidated Statements of Operations

(in US$ '000's, except earnings per share)	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended December 31, 2017 (Restated)	Three months ended September 30, 2017 (Restated)	Three months ended June 30, 2017 (Restated)	Three months ended March 31, 2017 (Restated)
Revenue	$7,098	$6,089	$6,432	$6,062	$6,782	$4,819	$4,584	$4,478
Add: Stream TV revenue recognized as finance interest income	-	-	-	-	-	34	34	34
Cost of sales	4,618	3,775	4,276	4,105	4,441	3,390	3,058	2,894
Gross margin	2,480	2,314	2,156	1,957	2,341	1,463	1,560	1,618
Expenses:								
Sales and marketing expenses	555	650	659	643	671	609	664	730
Research and development expenses	420	316	377	397	376	283	353	303
Administration expenses	880	835	669	609	723	513	449	472
EBITDA	625	513	451	308	571	58	94	113
Other expenses (earnings)	1,354	159	357	161	117	(50)	103	10
Income tax expense	11	8	8	23	-	21	4	6
Net income (loss)	($740)	$346	$86	$124	$454	$87	($13)	$97
Net income (loss) per share (basic and fully diluted)	($0.04)	$0.02	$0.00	$0.01	$0.02	$0.00	$0.00	$0.00

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

The following analysis of the results of operations for the three months ended December 31, 2018 includes comparisons to the three months ended September 30, 2018 and December 31, 2017 (which has been restated to account for the impact of IFRS 15).

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.

Revenue by Source	**Three months ended December 31, 2018**	**%**	**Three months ended September 30, 2018**	**%**	**Three months ended December 31, 2017 (Restated)**	**%**
Services and Software	$ 2,474,502	35%	$ 2,467,533	41%	$ 2,223,731	33%
Embedded Computing Hardware	4,623,566	65%	3,621,884	59%	4,558,242	67%
Total revenue	**$ 7,098,068**	**100%**	**$ 6,089,417**	**100%**	**$ 6,781,973**	**100%**

Revenue increased by 17% from the three months ended September 30, 2018 and by 5% from the three months ended December 31, 2017. The increase over the prior comparable periods was due to increased revenues attributable to the Company's Embedded Computing Hardware and Services and Software business segments.

Services and Software revenue was approximately $2.5 million during the three months ended December 31, 2018 as compared to approximately $2.5 million for the three months ended September 30, 2018 and approximately $2.2 million for the three months ended December 31, 2017. This increase over the comparative periods was due to higher service revenue related to the development of customer products based on the Company's Embedded Computing products.

Total revenues attributable to the Company's Embedded Computing Hardware increased by 28% during the three months ended December 31, 2018 compared to the three months ended September 30, 2018 and by 1% compared to the three months ended December 31, 2017. The increase over the prior quarter was due to decreased sales of Development Kits and embedded computing modules. This increase over the same period in the prior year was due primarily to increased sales of Development Kits and 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, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Revenue	$2,142,005	$942,879	$2,801,516
Percentage of total revenue	**30%**	**15%**	**41%**

There was one (1) customer that accounted for 30% of the total revenue for the three months ended December 31, 2018 as compared to one (1) customer that accounted for 15% of the total revenues for the three months ended September 30, 2018 and two (2) customers that accounted for 41% of the total revenues for the three months ended December 31, 2017.

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

	Three months ended December 31, 2018	%	Three months ended September 30, 2018	%	Three months ended December 31, 2017 (Restated)	%
United States	$ 4,816,922	68%	$ 3,919,730	64%	$ 4,566,784	67%
Europe	1,083,038	15%	625,274	10%	497,967	7%
Asia Pacific	913,389	13%	1,039,556	17%	1,287,276	19%
Canada	283,100	4%	487,018	8%	425,850	6%
Other	1,619	<1%	17,839	<1%	4,096	<1%
	$ 7,098,068	**100%**	**$ 6,089,417**	**100%**	**$ 6,781,973**	**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 European 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, 2018	%	Three months ended September 30, 2018	%	Three months ended December 31, 2017 (Restated)	%
Revenues	$ 7,098,068	100%	$ 6,089,417	100%	$ 6,781,973	100%
Cost of sales	4,617,616	65%	3,775,411	62%	4,440,508	65%
Gross margin	**$ 2,480,452**	**35%**	**$ 2,314,006**	**38%**	**$ 2,341,465**	**35%**

[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.

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, 2018 was 35%, which was lower than the 38% gross margin for the three months ended September 30, 2018 but consistent with the 35% gross margin for the three months ended December 31, 2017. Decrease in gross margin over the three months ended September 30, 2018 was due to a decrease in service revenue, which has a higher gross margin.

Expenses

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Sales and marketing	$ 555,395	$ 650,237	$ 670,546
Research and development	420,002	315,766	375,584
Administration	880,030	834,929	723,966
Other operating expenses	141,560	133,209	164,054
Total expenses	**$ 1,996,987**	**$ 1,934,141**	**$ 1,934,150**
As a percentage of total revenue	**28%**	**32%**	**29%**

Expenses during the three months ended December 31, 2018 were higher than the three months ended September 30, 2018. This was due to an increase in employee related costs (inclusive of an increase in the current year performance bonus), amortization, product development costs and stock-based compensation offset by a decrease in travel, professional fees and marketing and promotion activities.

Expenses during the three months ended December 31, 2018 were higher than the three months ended December 31, 2017. This was due to increased product development and technical support expenses, commissions, professional fees and employee related costs (inclusive of an increase in current year performance bonus) offset by a decrease in travel and stock-based compensation.

Sales and Marketing

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Sales and marketing	$ 555,395	$ 650,237	$ 670,546
As a percentage of total revenue	**8%**	**11%**	**10%**

The Company had a total of eleven (11) employees and contractors in Sales and Marketing as at December 31, 2018 which is consistent with the eleven (11) employees and contractors as at December 31, 2017. 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 decrease in sales and marketing expense over the previous three months ended September 30, 2018 and December 31, 2017 was due to a decrease in travel and marketing and promotional activities.

Research and Development

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Research and development	$ 420,002	$ 315,766	$ 375,584
As a percentage of total revenue	**6%**	**5%**	**6%**

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, 2018 were higher than the prior periods due to increased product development costs.

Administration

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Administration	$ 880,030	$ 834,929	$ 723,966
As a percentage of total revenue	**12%**	**14%**	**11%**

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 comparable periods was primarily due to an increase in employee related costs (inclusive of an increase to the current year performance bonus) offset by a decrease of professional fees.

Other Operating Expenses

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Depreciation of equipment	$ 31,794	$ 26,755	$ 27,377
Amortization of intangible assets	26,529	23,140	20,004
Share-based compensation	83,237	83,314	116,673
Total other operating expenses	**$ 141,560**	**$ 133,209**	**$ 164,054**

EBITDA

EBITDA was $625,025 for the three months ended December 31, 2018 compared to $513,074 for the three months ended September 30, 2018 and $571,369 for the three months ended December 31, 2017.

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017 (Restated)
Operating income	$ 483,465	$ 379,865	$ 407,315
Add back: Other operating expenses	141,560	133,209	164,054
EBITDA	**$ 625,025**	**$ 513,074**	**$ 571,369**

Other Expenses (Earnings)

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Foreign exchange loss	$ 79,490	$ 61,631	$ 13,458
Interest and other expenses (income)	1,133,927	(35,745)	(59,257)
Total other expenses (earnings)	**$ 1,213,417**	**$ 25,886**	**($ 45,799)**

Other expenses for the three months ended December 31, 2018 were attributable to a foreign exchange loss of $79,490, revaluation of the customer investment of $1,038,365 and revaluation of warrants of $123,000 offset by interest and other income of $27,438. Other expenses for the three months ended September 30, 2018 were attributable to a foreign exchange loss of $61,631 offset by interest and other income of $35,745. Other earnings 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. 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 loss reported above due to the weakening of the Canadian dollar as at December 31, 2018 over the prior periods.

Net Income (Loss)

	Three months ended December 31, 2018	**Three months ended September 30, 2018**	**Three months ended December 31, 2017 (Restated)**
Operating income	$ 483,465	$ 379,865	$ 407,315
Total other expenses (earnings)	1,213,417	25,886	(45,799)
Income tax expense	10,703	7,502	(433)
Net income (loss)	**($ 740,655)**	**$ 346,477**	**$ 453,547**
Earnings (loss) per share (basic and fully diluted)	**($0.04)**	**$0.02**	**$0.02**

Net loss for the three months ended December 31, 2018 was $740,709 or $0.04 loss per share compared to net income for the three months ended September 30, 2018 of $346,477 or $0.02 earnings per share and to net income for the three months ended December 31, 2017 $453,547 or $0.02 earnings per share.

SELECTED ANNUAL INFORMATION

The following selected annual information of the results of operations for the year ended December 31, 2018 includes comparisons to the years ended December 31, 2017 and 2016:

	Year ended December 31, 2018	**Year ended December 31, 2017 (Restated)**	**Year ended December 31, 2016**
Revenue	$ 25,681,727	$ 20,662,169	$ 17,464,342
Operating income	$ 1,277,414	$ 236,995	$ 1,321,830
Net income (loss)	($ 184,536)	$ 624,836	$ 1,662,782
Earnings (loss) per common share (basic and diluted)	($0.01)	$0.03	$0.08

As at	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**
Total assets	$ 17,473,697	$ 18,756,555	$ 14,910,406

See Financial Results section below for discussion on Revenue and Net Income for the year. The increase in total assets as at December 31, 2018 from December 31, 2016 is due to a decrease in cash and cash and cash equivalents of approximately $1.4 million, a decrease in short-term investments of approximately $0.1 million, an increase in accounts receivable of approximately $1.5 million, an increase in inventory of approximately $3.3 million, increased interest on the Stream TV loan receivable (converted to an equity investment) of approximately $0.1 million and the purchase of equipment and intangible assets of approximately $1.1 million offset by depreciation and amortization totaling $0.8 million since December 31, 2016 as well as revaluation of investment in Stream TV of approximately $1.0 million.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The following analysis of the results of operations for the year ended December 31, 2018 includes comparisons to the year ended December 31, 2017 (which has been restated to account for the impact of IFRS 15).

Revenue

Revenue by Source	Year ended December 31, 2018	%	Year ended December 31, 2017 (Restated)	%	Change
Services and Software	$ 9,116,507	35%	$ 8,222,658	40%	11%
Embedded Computing Hardware	16,565,220	65%	12,439,511	60%	33%
Total revenue	**$ 25,681,727**	**100%**	**$ 20,662,169**	**100%**	**24%**

The increase in revenue is attributable to increased revenues attributable to the Company's Embedded Computing business.

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, 2018	Year ended December 31, 2017	Change
Revenue	$6,866,516	$7,261,590	(5%)
Percentage of total revenue	**27%**	**35%**	

During the year ended December 31, 2018, one (1) customer accounted for 27% of the total revenue while two (2) customers accounted for 35% of the total revenue for the year ended December 31, 2017.

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

	Year ended December 31, 2018	%	Year ended December 31, 2017 (Restated)	%	Change
United States	$ 17,293,258	67%	$ 13,692,233	66%	26%
Asia Pacific	4,078,013	16%	4,223,751	21%	(3%)
Europe	2,515,114	10%	1,847,861	9%	36%
Canada	1,775,017	7%	886,835	4%	100%
Other	20,325	<1%	11,489	<1%	77%
Total revenue	**$ 25,681,727**	**100%**	**$ 20,662,169**	**100%**	**24%**

The Company generates the majority of its revenue from the United States market.

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, 2018	%	Year ended December 31, 2017 (Restated)	%	Change
Revenues	$ 25,681,727	100%	$ 20,662,169	100%	24%
Cost of sales	16,774,109	65%	13,782,498	67%	22%
Gross margin	**$ 8,907,618**	**35%**	**$ 6,879,671**	**33%**	**29%**

The gross margin percentage for the year ended December 31, 2018 was slightly higher as compared to the year ended December 31, 2017 due to a change in the revenue mix in which revenue from the Services and Software line of business increased resulting in a higher gross margin.

Expenses

	Year ended December 31, 2018	Year ended December 31, 2017	Change
Sales and marketing	$ 2,508,114	$ 2,672,959	(6%)
Research and development	1,510,223	1,314,477	15%
Administration	2,993,460	2,157,054	39%
Other operating expenses	618,407	498,186	24%
Total expenses	**$ 7,630,204**	**$ 6,642,676**	**15%**
As a percentage of total revenue	**30%**	**32%**	

The increase in total operating expenses was due primarily to an increase in employee related costs (inclusive of increase in performance bonus), professional fees, tradeshow fees, stock-based compensation and costs related to the development of new products.

Sales and Marketing

	Year ended December 31, 2018	Year ended December 31, 2017	Change
Sales and marketing	$ 2,508,114	$ 2,672,959	(6%)
As a percentage of total revenue	**10%**	**13%**	

Total sales and marketing expenses for the year ended December 31, 2018 decreased when compared to the year December 31, 2017 due to a decrease in travel expenses as well as advertising and promotion.

Research and Development

	Year ended December 31, 2018	Year ended December 31, 2017	Change
Research and development	$ 1,510,223	$ 1,314,477	15%
As a percentage of total revenue	**6%**	**6%**	

Research and development costs for the year ended December 31, 2018 increased over the year ended December 31, 2017 due to higher employee related costs as a result of the increased investment in the development of new products.

Administration

	Year ended December 31, 2018	Year ended December 31, 2017	Change
Administration	$ 2,993,460	$ 2,157,054	39%
As a percentage of total revenue	**12%**	**10%**	

Administration costs for the year ended 31, 2018 increased over the year ended December 31, 2017 due to an increase in travel expense, employee related costs (inclusive of increase in performance bonus) offset by a decrease in professional fees. There was a reversal of a prior year accrued bonus which occurred in the comparable year.

Other Operating Expenses

	Year ended December 31, 2018	Year ended December 31, 2017	Change
Depreciation of equipment	$ 107,618	$ 99,862	8%
Amortization of intangible assets	94,722	81,224	17%
Share-based compensation	416,067	317,100	31%
Total other operating expenses	**$ 618,407**	**$ 498,186**	**24%**

EBITDA

EBITDA was $1,895,821 for the year ended December 31, 2018 compared to $735,181 for the year ended December 31, 2017.

	Year ended December 31, 2018	Year ended December 31, 2017 (Restated)
Operating income	$ 1,277,414	$ 236,995
Add back: Other operating expenses	618,407	498,186
EBITDA	**$ 1,895,821**	**$ 735,181**

Other Expenses (Earnings)

	Year ended December 31, 2018	Year ended December 31, 2017
Foreign exchange loss (gain)	$ 368,388	($ 177,801)
Interest and other expenses (income)	1,045,111	(239,853)
Total other expenses (earnings)	**$ 1,413,499**	**($ 417,654)**

Other expenses for the year ended December 31, 2018 were attributable to a foreign exchange loss of $368,389, revaluation of the customer investment of $1,038,365 and revaluation of warrants of $123,000 offset by interest and other income of $116,254. 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 Income

	Year ended December 31, 2018	Year ended December 31, 2017 (Restated)
Operating income (loss)	$ 1,277,414	$ 236,995
Total other expenses (earnings)	1,413,499	(417,654)
Income tax expense	48,451	29,813
Net income (loss)	**($ 184,536)**	**$ 624,836**
Earnings (loss) per share (basic and fully diluted)	**($0.01)**	**$0.03**

Net loss for the year ended December 31, 2018 was $184,536 or $0.01 loss per share compared to net income for the year ended December 31, 2017 which was $624,836 or $0.03 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, 2018, the Company had cash and cash equivalents totalling approximately $3.9 million and short-term investments totalling approximately $2.0 million with working capital[4] of approximately $10.4 million, as compared to cash and cash equivalents of approximately $5.0 million and short-term investments totalling approximately $2.3 million with working capital of approximately $12.5 million as at December 31, 2017.

Three Months ended December 31, 2018

Cash provided by (used in):	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended December 31, 2017
Operating activities	$ 119,764	$ 73,049	($ 174,610)
Investing activities	(310,189)	(61,298)	790,938
Financing activities	(1,183,745)	(32,143)	(158,169)
Foreign exchange effect on cash and cash equivalents	(99,425)	(11,816)	(15,548)
Increase (decrease) in cash and cash equivalents	**($ 1,473,595)**	**($ 32,208)**	**$ 442,611**

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

During the three months ended December 31, 2018, cash used in investing activities was related to the redemption and subsequent repurchase of short-term investments in addition to the purchase of equipment and intangible assets. During the three months ended September 30, 2018, cash used in investing activities was related to the redemption and subsequent repurchase of short-term investments offset by the purchase of equipment and intangible assets. 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.

Cash used in financing activities in all periods 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").

Year ended December 31, 2018

Cash provided by (used in):	Year ended December 31, 2018	Year ended December 31, 2017
Operating activities	$ 926,512	($ 237,707)
Investing activities	(216,044)	(60,427)
Financing activities	(1,599,987)	(113,692)
Foreign exchange effect on cash and cash equivalents	(159,872)	19,462
Increase (decrease) in cash and cash equivalents	**($ 1,049,391)**	**($ 392,364)**

[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.

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

Cash used in investing activities during the year ended December 31, 2018 was related to the redemption and subsequent purchase of short-term investments that had matured in addition to the purchase of equipment and intangible assets. Cash used in investing activities during the year ended December 31, 2017 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 convertible loan offset.

Cash used in financing activities in all periods consisted of the exercise of employee stock options offset by the repurchase and cancellation of shares under the Company's NCIB.

STAFFING LEVELS

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

	As at December 31, 2018	**As at September 30, 2018**	**As at December 31, 2017**
Service engineers	40	43	42
Sales and marketing	11	10	11
Research and development	25	20	12
Administration	17	16	13
Total	**93**	**89**	**78**

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

COMMITMENTS

The aggregate of minimum lease payments as at December 31, 2018 for subsequent years is as follows:

2019	$ 373,171
2020	324,790
2021	339,473
2022	282,894
	$ 1,320,328

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 400 square feet in Taipei, Taiwan until December 31, 2018. Subsequent to December 31, 2018, the Company entered into a three (3) year lease in Taiwan for an additional office space of approximately 2,400 square feet commencing May 1, 2019.

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, 2019). 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, 2018, 85% of trade receivables were covered by EDC insurance (December 31, 2017 - 74%).

During the year ended December 31, 2018, the Company recorded total premiums of $207,854 (December 31, 2017 - $181,083) (CDN $269,700; December 31, 2017 - CDN $234,281) 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, 2018 and 2017 are as follows:

	Year ended December 31, 2018	**Year ended December 31, 2017**
Short-term compensation	$ 1,117,973	$ 1,012,743
Share-based payments	103,716	395,974
	$ 1,221,689	**$ 1,408,717**

Short-term compensation for the year ended December 31, 2018 included the Company's annual performance corporate bonus totalling an amount of $90,000 which was paid to its management which had been previously accrued for as operating expense during the year ended December 31, 2017. There was no annual performance corporate bonus paid out during the year ended December 31, 2017.

There were no amounts owing to related parties as at December 31, 2018 and December 31, 2017.

The directors and key management were awarded 185,000 options under the Company's stock option plan during the year ended December 31, 2018. There were no RSUs granted during the year ended December 31, 2018.

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.

INVESTMENT IN 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 and services over the next twelve months. This loan was classified as Loan to Customer.

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.

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 Stream TV 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 TV 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 on 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).

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

On May 2, 2018, the Company announced that it made a strategic equity investment in Stream TV Networks through the conversion of the subordinated, secured promissory note and interest accrued for a total amount of $1,661,384 into 415,346 common shares (which is less than 1% ownership in Stream TV). The amount was reclassified as Investment in Customer. In addition, the parties also signed an amendment to the Master Services Agreement in which Stream TV agreed to provide a commitment of $1,500,000 in services to be purchased directly or through connected party referrals during the eighteen (18) month period beginning May 1, 2018.

The Company has assessed the investment for impairment at the end of reporting period and concluded that no loss event has occurred since the conversion of the Note to an equity investment in Stream TV. However, the Company acknowledges that there is uncertainty regarding the valuation of the equity investment due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector. The Company has revalued the investment as at December 31, 2018, with the decline in the fair value being recorded as Interest and Other Expenses (Income) in the Company's Statements of Operations for the year ended December 31, 2018. In the event that Stream TV does not raise a minimum of $25 million within the two year period subsequent to the Equity Investment conversion date of May 2, 2018, the Equity Investment will revert back to become a Note Payable to Intrinsyc. In the event that Stream TV raises a minimum of $25 million within the two year period subsequent to the Equity Investment conversion date of May 2, 2018 at a lower valuation than the conversion of the Note into the Equity Investment by Intrinsyc on May 2, 2018 and Stream TV's two primary debtors also convert their loans into equity at this time, Stream TV will issue additional shares to Intrinsyc based upon lower valuation of the equity valuation completed by Stream TV.

The Company fair valued the Warrants using a modified Black Scholes calculation with the fair value on the date of inception being $30,000 as at December 31, 2018 and $153,000 as at December 31, 2017. The value of the Warrants has been included in the Investment in Customer (formerly Loan to Customer) on the Statement of Financial Position with the decline in the fair value being recorded as Interest and Other Expenses (Income) on the Company's Statements of Operations for the year ended December 31, 2018.

SUBSEQUENT EVENT

On February 5, 2019, the Company announced that it has engaged ROTH Capital Partners, LLC ("ROTH") as a financial advisor with a mandate to accelerate strategic growth opportunities for the Company. The goal of ROTH's mandate, which has been documented by a formal engagement agreement on standard industry terms, is to enhance value for all holders of Intrinsyc common shares.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These consolidated financial statements of the Company, approved by the Board of Directors on March 13, 2019, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

Revenue Recognition

With the adoption of IFRS 15, revenue from contracts with customers, is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To recognize revenue, a company would apply the following five steps:

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract(s).
- Determine the transaction price.
- Allocate the transaction price.
- Recognize revenue when a performance obligation is satisfied

The Company currently has two (2) business segments: Embedded Computing Hardware segment and Services and Software segment. The Company does not incur any costs to obtain a contract or costs to fulfil a contract that are eligible for capitalization.

Embedded Computing Hardware Segment

The Company sells embedded computing hardware (which includes both product development kits and production hardware products). Revenue is recognized when control of the hardware is transferred to the customer. This usually occurs when the hardware has been delivered to the customer. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is either made before shipment is made or due at the time of shipment, as such a receivable is recognized as the consideration is unconditional (if payment is received after shipment). If payment received before shipment, advance payment is booked to deferred revenue and recognized once control of the hardware is transferred to the customer. Only the passage of time is required before payment is due (usually payment terms or Net 30-45 days).

The Company generally provides warranties for general repairs of defects that existed at the time of sale, as required by law, for production hardware products. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37- Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15.

Services and Software Segment

Services

The Company enters into contracts to provide services on the following basis:

- Time & Materials - 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 depending on the actual time and materials incurred based on the customer's needs.

- Fixed Price - arrangements to render specific consulting and software modification services which tend to be more complex.

The Company will continue to recognize service revenue over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. The Company uses labour hours expended which it believes is appropriate for the nature of the contract and the pattern of delivery of the performance

obligation. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is due at the time services are rendered and as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (usually payment terms or Net 30-60 days).

Software

The Company currently sells software licenses of its legacy software solution, enterprise interoperability software ("EIS") either on a perpetual basis or on a term-based basis as well as post contract customer support ("PCS"). It currently recognizes revenue from the sale of term-based or perpetual licenses at the time the software when control of the software has been transferred to customer. This usually occurs when the software licenses have been emailed to the customer. The transaction price is documented on the sales invoice and agreed to by the customer. Payment is generally due at the time of shipment, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally Net 30 days). Standalone selling price is observable in transactions without multiple performance obligations.

Post Contract Support ("PCS")

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. Payment is generally due at the beginning of the contract period as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally Net 30 days). Standalone selling price is observable in renewal transactions for PCS renewals and current standalone pricing for initial PCS contracts.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service with revenue being recognized based on the type of revenue (software license or PCS). Standalone selling price is observable in transactions without multiple performance obligations.

New Standards Adopted

The Group applies, for the first time, IFRS 9 - *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Company

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 began application of IFRS 9 in the financial statements effective from January 1, 2018. The Company has evaluated the impact on the financial statements of IFRS 9 and concluded there was no impact to the financial statements. Additional information regarding the impact of the adoption of IFRS 9 is presented in Note 3 of the consolidated financial statements.

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 Company has applied the full retrospective transition method. The Company is party to numerous

contracts with customers that will be impacted by the new standard. Under IFRS 15, the timing of revenue recognition for certain contracts is impacted by the new revenue recognition model. Additional information regarding the impact of the adoption of IFRS 15 (which the Company concluded is not material) is presented in Note 3 of the consolidated financial statements. The impact on the quarterly financial results are as follows:

Consolidated Statements of Financial Position

(in US$ '000's)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Cash and cash equivalents	$-	$-	$-	$-	$-	$-	$-	$-
Short-term investments	$-	$-	$-	$-	$-	$-	$-	$-
Working capital	$-	$-	$-	$-	$35	$67	$73	$63
Total assets	$-	$-	$-	$-	$-	$-	$-	$-
Shareholders' equity	$-	$-	$-	$-	$35	$67	$73	$63

Consolidated Statements of Operations

(in US$ '000's, except earnings per share)	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended June 30, 2017	Three months ended March 31, 2017
Revenue	$-	$-	$-	$-	($32)	($6)	$10	$10
Add: Stream TV revenue recognized as finance interest income	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-
Gross margin	-	-	-	-	(32)	(6)	10	10
Expenses:								
Sales and marketing expenses	-	-	-	-	-	-	-	-
Research and development expenses	-	-	-	-	-	-	-	-
Administration expenses	-	-	-	-	-	-	-	-
EBITDA	-	-	-	-	(32)	(6)	10	10
Other expenses (earnings)	-	-	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	-	-	-
Net income (loss)	$-	$-	$-	$-	($32)	($6)	$10	$10
Net income (loss) per share (basic and fully diluted)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

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 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

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each (with the exception of the investment in customer) approximates its carrying value due to their short-term nature. The fair value of the investment in customer is determined using implied valuations from financing rounds. Therefore, it is treated as a Level 1 financial asset, as with the fair value equating its carry value.

The carrying values and fair values of financial assets (liabilities) as at December 31, 2018 and December 31, 2017 are summarized as follows:

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	$ 3,939,763	$ 3,939,763	$ 4,989,154	$ 4,989,154
Short-term investments	$ 2,027,579	$ 2,027,579	$ 2,260,089	$ 2,260,089
Trade and other receivables	$ 5,265,076	$ 5,265,076	$ 4,799,625	$ 4,799,625
Loan to customer	$ -	$ -	$ 1,646,250	$ 1,646,250
Investment in customer	$ 623,019	$ 623,019	$ -	$ -
Warrants	$ 30,000	$ 30,000	$ 153,000	$ 153,000
Financial Liabilities				
Other Liabilities	($5,492,892)	($5,492,892)	($5,026,370)	($5,026,370)

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 and trade and other receivables. 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, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Current	$ 4,864,701	$ 3,913,053
31-60 days	173,195	94,977
Over 60 days	227,180	791,595
	$ 5,265,076	**$ 4,799,625**

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, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Current	$ 4,727,300	$ 4,322,552
31-60 days	755,946	401,523
Over 60 days	9,646	302,295
	$ 5,492,892	**$ 5,026,370**

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, 2018**	**Year ended December 31, 2017**
Statement of Financial Position exposure	($ 115,106)	($ 281,179)
Net Cost of Sales/Operating Expenses (net exposure)	849,195	696,100
Net exposure	**$ 734,089**	**$ 414,921**

A 10% change in the New Taiwanese dollar to U.S. dollar exchange rate would have an approximate $8,300 impact on net income for the year ended December 31, 2018 (year ended December 31, 2017 – $13,000).

A 10% change in the rupee to U.S. dollar exchange rate would have no material impact on net income for the year ended December 31, 2018 (year ended December 31, 2017 - $nil).

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, 2018, the Company earned $106,602 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 $66,000. 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 13, 2019, the Company has 20,004,876 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 13, 2019, the Company is entitled to grant incentive stock options for 2,000,486 common shares under the Company's stock option plan, of which 1,524,191 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 13, 2019, 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 terminated on October 3, 2018 with 495,100 commons shares being purchased and cancelled by the Company.

On September 27, 2018, the Company received approval from the TSX regarding the notice filed by the Company to extend its NCIB program to purchase, for cancellation, up to 1,793,294 common shares or approximately 8.6% of Intrinsyc's issued and outstanding common shares, as at September 25, 2018. The NCIB program extension commenced on October 4, 2018 and will terminate on October 3, 2019, 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 13, 2019, the Company had purchased and cancelled 867,700 common shares under the NCIB extension.

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, 2018, 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, 2018, 27% of the Company's consolidated revenue was attributable to its largest customer. 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 and 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 as well as 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. Intrinsyc could also lose market share if customers who currently outsource to Intrinsyc 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 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.

Investment in Customer

The Company acknowledges that there is uncertainty regarding the valuation of the equity investment in Stream TV due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector.

Shareholder Rights Plan

The Company has implemented a Shareholder Rights Plan (the "SRP"). The SRP 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 SRP. 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, 2018.

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, 2018, 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 13, 2019	March 13, 2019

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of
Intrinsyc Technologies Corporation

Opinion

We have audited the consolidated financial statements of Intrinsyc Technologies Corporation (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brenna Daloise.

Vancouver, Canada
March 13, 2019

Chartered Professional Accountants

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Financial Position

(Expressed in U.S. Dollars)

As at	December 31, 2018	December 31, 2017 (Restated – see Note 3(b)(iii))
ASSETS		
Current assets		
Cash and cash equivalents *(note 18)*	$ 3,939,763	$ 4,989,154
Short-term investments *(note 18)*	2,027,579	2,260,089
Trade and other receivables *(notes 4 and 13)*	5,265,076	4,799,625
Loan to customer *(note 5)*	-	1,799,250
Inventory *(note 6)*	4,631,387	4,257,027
Prepaid expenses	313,952	159,784
	16,177,757	18,264,929
Non-Current Assets		
Prepaid expenses	22,623	27,417
Investment in customer *(note 5)*	653,019	-
Equipment *(note 7)*	379,010	345,618
Intangible assets *(note 8)*	241,288	118,591
Total assets	$ 17,473,697	$ 18,756,555
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	$ 5,492,892	$ 5,026,370
Deferred revenue	313,164	694,088
Total liabilities	5,806,056	5,720,458
Shareholders' equity		
Share capital *(note 10)*	107,367,137	108,899,883
Other capital reserves – share based payments	10,679,723	10,330,897
Deficit	(106,471,655)	(106,287,119)
Translation of operations reserve	92,436	92,436
Total shareholders' equity	11,667,641	13,036,097
Total liabilities and shareholders' equity	$ 17,473,697	$ 18,756,555

Commitments and contingencies *(note 12)*

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"George Duguay" *"Michael Bird"*

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Operations

(Expressed in U.S. dollars)

For the	Year ended December 31, 2018	Year ended December 31, 2017 (Restated – see Note 3(b)(iii))
Revenues *(note 14)*	$ 25,681,727	$ 20,662,169
Cost of sales *(note 14)*	16,774,109	13,782,498
	8,907,618	6,879,671
Expenses		
Sales and marketing	2,508,114	2,672,959
Research and development	1,510,223	1,314,477
Administration	2,993,460	2,157,054
Other operating expenses *(note 16)*	618,407	498,186
	7,630,204	6,642,676
Operating income	1,277,414	236,995
Other expenses (earnings)		
Foreign exchange loss (gain)	368,388	(177,801)
Interest and other expense (income) *(note 5)*	1,045,111	(239,853)
	1,413,499	(417,654)
Income (loss) before income taxes	(136,085)	654,649
Income tax expense *(note 11)*	48,451	29,813
Net income (loss) and comprehensive income (loss) for the year	(184,536)	624,836
Income (loss) per share (basic) ***(note 10(f))***	($0.01)	$0.03
Income (loss) per share (fully diluted) ***(note 10(f))***	($0.01)	$0.03
Weighted average number of shares outstanding – basic ***(note 10(f))***	20,866,490	21,118,432
Weighted average number of shares outstanding – fully diluted ***(note 10(f))***	20,866,490	21,811,832

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 (Restated – See Note 3(b)(iii))	Translation of Operations Reserve	Total Shareholders' Equity
Balance, January 1, 2018	$108,899,883	$ 10,330,897	($106,287,119)	$ 92,436	$ 13,036,097
Net income (loss) for the year	-	-	(184,536)	-	(184,536)
Issued upon exercise of stock options	88,196	-	-	-	88,196
Reclassification upon exercise of stock options	67,241	(67,241)	-	-	-
Shares repurchased and cancelled under Normal Course Issuer Bid	(1,688,183)	-	-	-	(1,688,183)
Share-based compensation	-	416,067	-	-	416,067
Balance, December 31, 2018	$107,367,137	$ 10,679,723	($106,471,655)	$ 92,436	$ 11,667,641

	Share Capital	Other Capital Reserves – Share Based Payments	Deficit (Restated – See Note 3(b)(iii))	Translation of Operations Reserve	Total Shareholders' Equity
Balance, January 1, 2017	$108,977,225	$ 10,050,147	($106,911,955)	$ 92,436	$ 12,207,853
Net income for the year	-	-	624,836	-	624,836
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	($106,287,119)	$ 92,436	$ 13,036,097

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, 2018	Year ended December 31, 2017 (Restated – see Note 3(b)(iii))
Cash provided by (used in):		
Operating Activities		
Net income (loss) for the year	($ 184,536)	$ 624,836
Adjustments to reconcile net loss to net cash flows:		
Depreciation of equipment *(note 7)*	107,618	99,862
Amortization of intangible assets *(note 8)*	94,722	81,224
Share-based compensation	416,067	317,100
Accrued interest on customer loan	(15,134)	(198,000)
Revaluation of customer investment	1,038,365	-
Revaluation of customer warrants	123,000	-
Unrealized foreign exchange	262,446	(119,040)
	1,842,548	805,982
Working capital adjustments:		
Trade and other receivables	(469,597)	(1,010,268)
Inventory	(374,360)	(2,962,725)
Prepaid expenses	(149,374)	(26,738)
Trade and other payables	458,219	2,795,829
Deferred revenue	(380,924)	160,213
	(916,036)	(1,043,689)
Cash provided by (used in) operating activities	926,512	(237,707)
Investing Activities		
Redemption (purchase) of short-term investments	142,385	65,267
Interest on customer loan	-	56,250
Purchase of equipment *(note 7)*	(141,010)	(93,980)
Purchase of intangible assets *(note 8)*	(217,419)	(87,964)
Cash used in investing activities	(216,044)	(60,427)
Financing Activities		
Issuance of common shares	88,196	44,477
Repurchase and cancellation of shares *(note 10(e))*	(1,688,183)	(158,169)
Cash used in financing activities	(1,599,987)	(113,692)
Increase (decrease) in cash and cash equivalents	(889,519)	(411,826)
Foreign exchange effect on cash and cash equivalents	(159,872)	19,462
Cash and cash equivalents, beginning of the year	4,989,154	5,381,518
Cash and cash equivalents, end of the year	$ 3,939,763	$ 4,989,154
Supplementary information		
Interest received	*$ 94,492*	*$ 126,936*
Income taxes paid	*$ 43,446*	*$ 19,763*

See accompanying notes to consolidated financial statements

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, 2018 and December 31, 2017 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 13, 2019, 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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Company Entity	Active	Country of Incorporation	Ownership Interest 2018	Ownership Interest 2017
Intrinsyc Software (USA), Inc.	Yes	U.S.	100%	100%
Intrinsyc Technologies Canada (Taiwan) Ltd.	Yes	Canada	100%	100%
Intrinsyc Technologies India Private Ltd.	Yes	India	100%	N/A
Intrinsyc Europe Limited	No	U.K.	100%	100%

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 value of the customer investment 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

exchange rates at the dates of the initial transactions. Foreign currency differences arising on translation are recognized in profit or loss.

Revenues

With the adoption of IFRS 15, revenue from contracts with customers, is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To recognize revenue, a company would apply the following five steps:

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract(s).
- Determine the transaction price.
- Allocate the transaction price.
- Recognize revenue when a performance obligation is satisfied

The Company currently has two (2) business segments: Embedded Computing Hardware segment and Services and Software segment (see Note 14 – Segmented Information for description of each segment). The Company does not incur any costs to obtain a contract or costs to fulfil a contract that are eligible for capitalization.

Embedded Computing Hardware Segment

The Company sells embedded computing hardware (which includes both product development kits and production hardware products). Revenue is recognized when control of the hardware is transferred to the customer. This usually occurs when the hardware has been delivered to the customer. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is either made before shipment is made or due at the time of shipment, as such a receivable is recognized as the consideration is unconditional (if payment is received after shipment). If payment received before shipment, advance payment is booked to deferred revenue and recognized once control of the hardware is transferred to the customer. Only the passage of time is required before payment is due (usually payment terms of Net 30-45 days).

The Company generally provides warranties for general repairs of defects that existed at the time of sale, as required by law, for production hardware products. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15.

Services and Software Segment

Services

The Company enters into contracts to provide services on the following basis:

- Time & Materials - 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 depending on the actual time and materials incurred based on the customer’s needs.

- Fixed Price - arrangements to render specific consulting and software modification services which tend to be more complex.

The Company will continue to recognize service revenue over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. The Company uses labour hours expended which it believes is appropriate for the nature of the contract and the pattern of delivery of the performance obligation. The

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is due at the time a milestone or monthly services are complete and as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (usually payment terms of Net 30-60 days).

Software

The Company currently sells software licenses of its legacy software solution, enterprise interoperability software ("EIS") either on a perpetual basis or on a term-based basis as well as post contract customer support ("PCS"). It currently recognizes revenue from the sale of term-based or perpetual licenses at the time the software when control of the software has been transferred to customer. This usually occurs when the software licenses have been emailed to the customer. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is generally due at the time of shipment, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally Net 30 days). Standalone selling price is observable in transactions without multiple performance obligations.

Post Contract Support ("PCS")

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. Payment is generally due at the beginning of the contract period. As such, the advance payment is recognized as deferred revenue with revenue begin recognized over the PCS term. Standalone selling price is observable in renewal transactions for PCS renewals and current standalone pricing for initial PCS contracts.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service with revenue being recognized based on the type of revenue (software license or PCS). Standalone selling price is observable in transactions without multiple performance obligations.

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. In addition, it includes deposits received for goods to be delivered at a later date in addition to maintenance and support contracts which are amortized over a period of one (1) year. 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

When the Company repurchases common shares under its Normal Course Issuer Bid ("NCIB"), the price paid for the common shares that corresponds to the market 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition or when reclassified on the consolidated statements of financial position. Financial assets and liabilities are classified in the following measurement categories: i) amortized cost; ii) fair value through other comprehensive income (“FVTOCI”); or iii) fair value through profit and loss (“FVTPL”). Initially, all financial assets and liabilities are recognized at fair value. Regular-way trades of financial assets and liabilities are recognized on the trade date.

Financial Assets

- Cash and cash equivalents are classified as financial assets measured at amortized cost.
- Short-term investments are classified as financial assets measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Trade and other receivables are classified as financial assets measured at amortized cost.

- Investment in customer is classified as a financial asset measured at fair value using implied valuations from financing rounds with any change in value being recognized through the Company's Statements of Operations. Prior to May 2, 2018, this asset was recorded as Loan to customer which was measured at amortized cost. Warrants are classified as a financial asset measured at fair value using implied valuations from financing rounds with any change being recognized through the Company's Statements of Operations.

Financial Liabilities

Financial liabilities are recognized initially at fair value and in the case of financial liabilities not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. Trade and other payables are classified as financial liabilities to be subsequently measured at amortized cost.

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 asset or 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

The Company recognises an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is considered in default when contractual payments are 90 days past due. A financial asset may also be considered to be in default if internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than inventories which is separately assessed, are reviewed each reporting date to determine whether there is any indication of impairment. If such indication exists, the Company estimates the asset's recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of operations.

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 Adopted

The Company applied, for the first time, IFRS 9 - *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

[a] 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 has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting comparative figures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[i] *Financial Assets*

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents are classified as financial assets measured at amortized cost. Previously under IAS 39 these amounts were classified as Held for Trading.

- Short-term investments are classified as financial assets measured at amortized cost. Previously under IAS 39 these amounts were classified as Loans and Receivables.

- Trade and other receivables are classified as financial assets at amortized cost. Previously under IAS 39, Trade and other receivables were classified as Loans and Receivables measured at amortized cost.

- Investment in customer is classified as a financial asset measured at fair value using implied valuations from financing rounds with any change in value being recognized through the Company's Statements of Operations. Prior to May 2, 2018, this asset was recorded as Loan to customer which was measured at amortized cost. Previously under IAS 39, this amount was classified as Loans and Receivables measured at amortized cost. Warrants associated with this investment are classified as a financial asset measured at fair value using implied valuations from financing rounds with any change in value being recognized through the Consolidated Statements of Operations.

The adoption of IFRS 9 did not result in a material change in the carrying values of any of the Company's financial assets on the transition date.

[ii] *Financial Liabilities*

Financial liabilities are recognized initially at fair value and in the case of financial liabilities not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. Therefore, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Trade and other payables are classified as financial liabilities to be subsequently measured at amortized cost.

[b] IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers 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 Company adopted IFRS 15 using the full retrospective transition method of adoption. Under the full retrospective transition method, the comparative figures for 2017 in the Company's consolidated financial statements have been restated. The Company applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less. The Company does not incur any costs to obtain a contract or costs to fulfil a contract that are eligible for capitalization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company provides solutions to its customers referred to as Clients for the development and production of mobile, embedded, and Internet of Things ("IoT") devices, with a legacy software solution for Java/COM EIS and enters into contracts that include various goods and services promised to the customer.

Revenue is allocated to the respective performance obligations based on relative transaction prices and is recognized as goods or services are delivered to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for the goods transferred or services delivered. Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment depending on the nature of the change. Where the amount of goods and services delivered to the customer corresponds directly to the amount invoiced, the Company recognizes revenue equal to what it has the right to invoice.

The Company makes judgments with respect to determining whether the promised goods and services are considered distinct performance obligations by considering the relationship of such promised goods and services; allocating the transaction price for each distinct performance obligation identified through stand-alone selling price and evaluating when a customer obtains controls of the goods or service promised.

The Company currently has two (2) business segments: Embedded Computing Hardware segment and Services and Software segment.

[i] Embedded Computing Hardware Segment

Prior to the adoption of IFRS 15, revenue from the sale of embedded computing hardware (which includes both product development kits and production hardware products) was recognized 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.

Under IFRS 15, revenue is recognized when control of the hardware is transferred to the customer. This usually occurs when the hardware has been delivered to the customer. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is either made before shipment is made or due at the time of shipment, as such a receivable is recognized as the consideration is unconditional (if payment is received after shipment). If payment received before shipment, advance payment is booked to deferred revenue and recognized once control of the hardware is transferred to the customer. Only the passage of time is required before payment is due (usually payment terms of Net 30-45 days).

The adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

The Company generally provides warranties for general repairs of defects that existed at the time of sale, as required by law, for production hardware products. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15.

[ii] Services and Software Segment

[1] Services

The Company enters into contracts to provide services on the following basis:

- Time & Materials - 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 depending on the actual time and materials incurred based on the customer's needs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Fixed Price - arrangements to render specific consulting and software modification services which tend to be more complex.

Prior to the adoption of IFRS 15, the Company recognized service revenue from time and material arrangements 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 recognized service revenue from fixed price arrangements 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.

Under IFRS 15, the Company concluded that revenue from services will continue to be recognized over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. The Company uses labour hours expended which it believes is appropriate for the nature of the contract and the pattern of delivery of the performance obligation. The transaction price is documented on the contract or purchase order and agreed to by the customer. Payment is due at the time services are rendered and as the consideration is unconditional and only the passage of time is required before payment is due (usually payment terms of Net 30-60 days).

The adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

The Company currently sells software licenses of its legacy software solution, EIS either on a perpetual basis or on a term-based basis as well as PCS.

[2] Software

Prior to the adoption of IFRS 15, the Company recognized revenue from the sale of software licenses on perpetual basis upon the transfer of title to the customer, so long as persuasive evidence of an arrangement existed, delivery had occurred, the fee is fixed or determinable, and collectability was reasonably assured. The Company used the residual method to recognize revenue on delivered elements when a license agreement included one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements existed. If an undelivered element for the arrangement existed under the license arrangement, revenue related to the undelivered element was deferred based on Vendor Specific Objective Evidence (“VSOE”) of the fair value of the undelivered element. If the fair value did not exist for all undelivered elements, all revenue was deferred until sufficient evidence existed or as elements were delivered. For term-base licenses, the Company recognized revenue over the term, which usually was one (1) year. PCS revenue associated with software licenses was recognized ratably over the term of the PCS period, which typically was one year. Any unrecognized revenue is recorded in deferred revenue.

Under IFRS 15, the Company recognizes revenue from the sale of term-based or perpetual licenses at the time when control of the software has been transferred to customer. This usually occurs when the software licenses have been emailed to the customer. The transaction price is documented on the sales invoice and agreed to by the customer. Payment is generally due at the time of shipment, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally Net 30 days). Standalone selling price is observable in transactions without multiple performance obligations.

For the year ended December 31, 2017, the impact of adopting IFRS 15was a reduction of term-based license revenue of $17,501 as a result of revenue being recognized when control has been transferred once licenses have been emailed to the customer as opposed to revenue being recognized over the term. There was no impact on revenue recognition on the sale of perpetual licenses with the adoption of IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[3] PCS

Prior to the adoption of IFRS 15, the Company recognized PCS revenue associated with software licenses 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.

Under IFRS 15, PCS revenue associated with software licenses is recognized ratably 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. Payment is generally due at the beginning of the contract period as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due (payment terms are generally Net 30 days). Standalone selling price is observable in renewal transactions for PCS renewals and current standalone pricing for initial PCS contracts.

The adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service with revenue being recognized based on the type of revenue (software license or PCS). Standalone selling price is observable in transactions without multiple performance obligations.

[iii] Impact on Adoption of IFRS 15

The Company has evaluated the impact on the financial statements of IFRS 15 and concluded that there was no material impact to the financial statements (see below).

The impact on amounts recognized in the Company's consolidated statement of operations for the twelve months ended December 31, 2017, is shown below:

Consolidated Statements of Operations	Twelve months ended December 31, 2017– As reported prior to IFRS 15 transition	Adjustments	Twelve months ended December 31, 2017 – As restated after IFRS 15 transition
Revenues	$ 20,679,670	($ 17,501)	$ 20,662,169
Operating income	$ 254,496	($ 17,501)	$ 236,995
Income before income taxes	$ 672,150	($ 17,501)	$ 654,649
Net income and comprehensive income for the period	$ 642,337	($ 17,501)	$ 624,836

The cumulative impact on amounts recognized in the Company's consolidated statement of financial position as at December 31, 2017, is shown below:

Consolidated Statements of Financial Position	December 31, 2017– As reported prior to IFRS 15 transition	Adjustments	December 31, 2017 – As restated after IFRS 15 transition
Deferred Revenue	$ 729,505	($ 35,417)	$ 694,088
Deficit	($ 106,322,536)	$ 35,417	($ 106,287,119)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The cumulative impact on amounts recognized in the Company's consolidated statement of changes in shareholders equity as at December 31, 2017, is shown below:

Consolidated Statements of Changes in Shareholders' Equity	December 31, 2017– As reported prior to IFRS 15 transition	Adjustments	December 31, 2017 – As restated after IFRS 15 transition
Deficit – January 1, 2017	($ 106,964,873)	$ 52,918	($ 106,911,955)
Deficit – December 31, 2017	($ 106,322,536)	$ 35,417	($ 106,287,119)

The impact on amounts recognized in the Company's consolidated statement of cashflows for the twelve months ended December 31, 2017, is shown below:

Consolidated Statements of Cash Flows	Twelve months ended December 31, 2017– As reported prior to IFRS 15 transition	Adjustments	Twelve months ended December 31, 2017 – As restated after IFRS 15 transition
Net income (loss)	$ 642,337	($ 17,501)	$ 624,836
Deferred revenue	$ 142,712	$ 17,501	$ 160,213

There is no material impact to basic and fully diluted earnings per share.

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 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, 2018	December 31, 2017
Trade and other receivables	$ 4,980,813	$ 4,640,131
Less: Allowance for doubtful accounts	-	(128,197)
Unbilled revenue	284,263	287,691
	$ 5,265,076	**$ 4,799,625**

4. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables balance as at December 31, 2017 was an amount of $60,000 which payable by a customer that had not been fully insured with Export Development Canada ("EDC" – see Note 13) by the Company. An allowance for the full amount had been taken and was 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. The Company only received one (1) payment during the year ended December 31, 2018 and reduced Trade and Other Receivables and Allowance for Doubtful Accounts by $45,000 as the customer went out of business.

At December 31, 2018, unbilled revenue on open contracts accounted for using the percentage of completion method amounted to $284,263 (December 31, 2017 - $287,691). In addition, the remaining contractual amounts on fixed price contracts were $1,991,051 as at December 31, 2018 (December 31, 2017 - $1,599,799). The Company will recognize this revenue as the contracts are completed, which is expected to occur over the next 8-12 months.

5. INVESTMENT IN 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 and services 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.

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 Stream TV 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 TV at a strike

5. INVESTMENT IN CUSTOMER (continued)

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).

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

On May 2, 2018, the Company announced that it made a strategic equity investment in Stream TV Networks through the conversion of the subordinated, secured promissory note and interest accrued for a total amount of $1,661,384 into 415,346 common shares (which is less than 1% ownership in Stream TV). The amount was reclassified as Investment in Customer. In addition, the parties also signed an amendment to the Master Services Agreement in which Stream TV agrees to provide a commitment of $1,500,000 in services to be purchased directly or through connected party referrals during the eighteen (18) month period beginning May 1, 2018.

The Company has assessed the investment for impairment at the end of reporting period and concluded that no loss event has occurred since the conversion of the Note to an equity investment in Stream TV. However, the Company acknowledges that there is uncertainty regarding the valuation of the equity investment due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector. The Company has revalued the investment as at December 31, 2018, with the decline in the fair value of $1,038,365 being recorded as Interest and Other Expenses (Income) in the Company's Statements of Operations for the year ended December 31, 2018. In the event that Stream TV does not raise a minimum of $25 million within the two year period subsequent to the Equity Investment conversion date of May 2, 2018, the Equity Investment will revert back to become a Note Payable to Intrinsyc. In the event that Stream TV raises a minimum of $25 million within the two year period subsequent to the Equity Investment conversion date of May 2, 2018 at a lower valuation than the conversion of the Note into the Equity Investment by Intrinsyc on May 2, 2018 and Stream TV's two primary debtors also convert their loans into equity at this time, Stream TV will issue additional shares to Intrinsyc based upon lower valuation of the equity valuation completed by Stream TV.

The Company fair valued the Warrants using a modified Black Scholes calculation with the fair value on the date of inception being $30,000 as at December 31, 2018 and $153,000 as at December 31, 2017. The value of the Warrants has been included in the Investment in Customer (formerly Loan to Customer) on the Statement of Financial Position with the decline in the fair value being recorded as Interest and Other Income on the Company's Statements of Operations for the ended December 31, 2018.

6. INVENTORY

	December 31, 2018	**December 31, 2017**
Parts	$ 1,955,270	$ 2,436,372
Finished goods	2,676,117	1,820,655
	$ 4,631,387	**$ 4,257,027**

During the year ended December 31, 2018, the Company charged $12,725,277 (2017: $9,489,634) of inventory related amounts to cost of sales.

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, 2017	**$ 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**
Additions	42,597	98,413	-	141,010
Balance, December 31, 2018	**$ 1,965,978**	**$ 1,021,626**	**$ 911,182**	**$ 3,898,786**

Accumulated Depreciation

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, January 1, 2017	**($ 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)**
Depreciation	(46,093)	(35,267)	(26,258)	(107,618)
Balance, December 31, 2018	**($ 1,839,021)**	**($ 870,227)**	**($ 810,528)**	**($ 3,519,776)**

Net Book Value

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, December 31, 2017	$ 130,453	$ 88,253	$ 126,912	**$ 345,618**
Balance, December 31, 2018	$ 126,957	$ 151,399	$ 100,654	**$ 379,010**

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, 2018	December 31, 2017
Beginning Balance	**$ 118,591**	**$ 111,851**
Purchases	217,419	87,964
Amortization	(94,722)	(81,224)
Ending Balance	**$ 241,288**	**$118,591**

9. LINE OF CREDIT

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 Eligible Canadian/US Accounts Receivable;
b) 90% of Eligible EDC Accounts Receivable;
c) 65% of Eligible 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.

As of December 31, 2018, outstanding borrowings were CDN $nil.

10. 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, 2018.

[b] Common Shares

	Number of common shares	Amount
Outstanding, January 1, 2017	**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**
Issued upon exercise of stock options	195,088	88,196
Reclassification upon exercise of stock options	-	67,241
Repurchase and cancellation of shares under Normal Course Issuer Bid	(969,200)	(1,688,183)
Outstanding, December 31, 2018	**20,286,876**	**$107,367,137**

[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

10. SHARE CAPITAL (continued)

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, 2018, the Company was entitled to grant 2,028,686 incentive stock options under the plan of which 1,523,316 have been granted.

A summary of the Company's share option activity for the year ended December 31, 2018 is as follows:

	Outstanding options	
	Number of options	**Weighted average exercise price (in Canadian dollars)**
Outstanding, January 1, 2017	**1,063,615**	**$ 0.84**
Options granted	432,500	2.03
Options exercised	(70,799)	0.82
Options forfeited	(108,087)	1.35
Outstanding, December 31, 2017	**1,317,229**	**$ 1.22**
Options granted	458,950	1.36
Options exercised	(195,088)	0.59
Options forfeited	(57,775)	1.80
Outstanding, December 31, 2018	**1,523,316**	**$ 1.32**

The following table summarizes the share options outstanding as at December 31, 2018:

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)**
$ 0.72 - $ 0.88	273,694	0.51	$ 0.80	273,694	$ 0.80
$ 0.89 - $ 0.91	366,172	1.42	$ 0.89	365,755	$ 0.89
$ 0.92 - $ 1.34	390,450	4.04	$ 1.32	81,914	$ 1.25
$ 1.35 - $ 2.29	493,000	3.64	$ 1.93	242,860	$ 2.03
	1,523.316	**2.65**	**$ 1.32**	**964,223**	**$ 1.18**

The weighted average fair value of stock options granted during the year ended December 31, 2018 was CDN $0.72 per share (December 31, 2017 - CAD $1.22).

The total stock-based compensation related to stock options for the year ended December 31, 2018 was $268,551. The total stock-based compensation related to stock options for the year ended December 31, 2017 was $210,525.

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, 2018	**Year ended December 31, 2017**
Expected life (in years)	4.04	3.87
Risk-free interest rate	1.99%	1.04%
Volatility	69.15%	80.88%
Dividend yield	0.00%	0.00%

10. SHARE CAPITAL (continued)

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.

[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.

A summary of the Company's RSU activity for the twelve months ended December 31, 2018 is as follows:

	Number of RSUs
Outstanding, January 1, 2017	**219,000**
RSUs granted	-
RSUs exercised	-
RSUs forfeited	-
Outstanding, December 31, 2017	**219,000**
RSUs granted	-
RSUs exercised	-
RSUs forfeited	-
Outstanding, December 31, 2018	**219,000**

There were no RSUs granted during the twelve December 31, 2018 (for the twelve months ended December 31, 2017, 219,000 RSUs were granted). The outstanding RSUs vest over three years as to one third on each anniversary of the grant date. Compensation for the twelve months ended December 31, 2018 was $147,516 ($106,575 for the twelve months ended December 31, 2017). As of December 31, 2018, one third (or 73,000) of the RSUs have vested.

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, 2018.

[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 terminated on October 3, 2018.

On September 27, 2018, the Company received approval from the TSX regarding the notice filed by the Company to extend its normal course issuer bid ("NCIB") program to purchase, for cancellation, up to 1,793,294 common shares or approximately 8.6% of Intrinsyc's issued and outstanding common shares, as at September 25, 2018.

10. SHARE CAPITAL (continued)

The NCIB program extension commenced on October 4, 2018 and will terminate on October 3, 2019, 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 has recorded a corresponding liability. As at December 31, 2018, the liability was up to a maximum of $659,566 (CDN$899,780) as compared to $18,296 (CDN$ 22,952) as at December 31, 2017.

During the year ended December 31, 2018, the Company had purchased and cancelled 969,200 common shares for $1,035,660 (CDN$1,366,593).

[f] Income (loss) per share

	Year ended December 31, 2018	Year ended December 31, 2017
Weighted average number of shares outstanding – basic	20,866,490	21,118,432
Dilutive effects of exercisable options	-	693,400
Weighted average number of shares outstanding – fully diluted	**20,866,490**	**21,811,832**

Due to the Company having a net loss for the year ended December 31, 2018, there are no dilutive effects of exercisable options.

11. 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 27.00% (December 31, 2017 – 26.00%) to income before income taxes due to the following:

11. INCOME TAXES (continued)

	December 31, 2018	December 31, 2017 (Restated – see Note 3(b)(iii))
Net income (loss)before income taxes	($ 136,085)	$ 654,649
Tax expense at applicable rates	($ 36,742)	$ 134,979
Change in unrecognized deferred tax assets	(1,034,887)	960,462
Non-deductible expenses and other differences	110,715	80,677
Foreign exchange arising on translation to functional currency	1,008,143	(811,394)
Adjustments in respect of deferred income taxes of prior years	(6,011)	(26,247)
Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries	(4,227)	(5,503)
Changes in tax rates	-	(325,417)
Other items	11,460	22,256
Income tax expense	**$ 48,451**	**$ 29,813**

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:

	December 31, 2018	December 31, 2017
Deferred tax assets in relation to:		
Equipment	$ 4,184,943	$ 4,536,287
Non-capital losses carried forward	2,487,114	3,341,136
Capital losses carried forward	834,469	912,599
SR&ED expenditures	820,434	892,177
Mark-to-market adjustment of financial instruments	295,055	-
Other	110,355	85,058
Deferred tax assets not recognized	**$ 8,732,370**	**$ 9,767,257**

As at December 31, 2018, 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	$ 1,443,000
2027	2,138,000
2028	1,675,000
2032	1,418,000
2033	1,390,000
	$ 8,064,000

In addition, The Company has approximately $6.3 million in capital losses that may be carried forward indefinitely to be offset against capital gains for tax purposes.

The Company has approximately $3,039,000 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 $944,000 available to offset future Canadian federal

11. INCOME TAXES (continued)

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 $16.0 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 $27.1 million which is attributable to its non-capital loss carry forward of approximately $8.1 million, approximately $3.0 million due to SR&ED expenditures, UCC of approximately $16.0 million and is exclusive of the Company’s investment tax credits above.

At December 31, 2018, 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 $1,824,000 that may be carried forward indefinitely to reduce taxable income otherwise calculated in future years

12. 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 400 square feet in Taipei, Taiwan until December 31, 2018. Subsequent to December 31, 2018, the Company entered into a three (3) year lease in Taiwan for an additional office space of approximately 2,400 square feet commencing May 1, 2019.

The aggregate of minimum lease payments as at December 31, 2018 for subsequent years is as follows:

2019	$ 373,171
2020	324,790
2021	339,473
2022	282,894
	$ 1,320,328

[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.

13. 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, 2019). 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, 2018, 85% of trade receivables were covered by EDC insurance (December 31, 2017 - 74%).

13. EXPORT DEVELOPMENT CANADA (continued)

During the year ended December 31, 2018, the Company recorded total premiums of $207,854 (December 31, 2017 - $181,083) (CDN $269,700; December 31, 2017 - CDN $234,281) in sales and marketing.

14. 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 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, 2018 and December 31, 2017 is as follows:

Year ended December 31, 2018	Embedded Computing Hardware	Services and Software	Corporate	Total
Revenue	$ 16,565,220	$ 9,116,507	$ -	$ 25,681,727
Cost of sales	13,059,784	3,714,325	-	16,774,109
	3,505,436	5,402,182	-	8,907,618
Operating expenses	-	-	7,630,204	7,630,204
Operating profit (loss)	**$ 3,505,436**	**$ 5,402,182**	**($7,630,204)**	**$ 1,277,414**

Year ended December 31, 2017	Embedded Computing Hardware	Services and Software (Restated – See Note 3(b)(iii))	Corporate	Total
Revenue	$ 12,439,511	$ 8,222,658	$ -	$ 20,662,169
Cost of sales	9,633,049	4,149,449	-	13,782,498
	2,806,462	4,073,209	-	6,879,671
Operating expenses	-	-	6,642,676	6,642,676
Operating profit (loss)	**$ 2,806,462**	**$ 4,073,209**	**($6,642,676)**	**$ 236,995**

14. SEGMENTED INFORMATION (continued)

Geographic information

The Company's equipment is located as follows:

	December 31, 2018	December 31, 2017
Canada	$ 359,168	$ 323,090
Taiwan	13,282	15,569
India	6,560	-
United States	-	6,959
Total	**$ 379,010**	**$ 345,618**

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

	Year ended December 31, 2018	Year ended December 31, 2017 (Restated – See Note 3(b)(iii))
United States	$ 17,293,258	$ 13,692,233
Asia Pacific	4,078,013	4,223,751
Europe	2,515,114	1,847,861
Canada	1,775,017	886,835
Other	20,325	11,489
	$ 25,681,727	**$ 20,662,169**

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, 2018	% of Accounts Receivable at December 31, 2018	% of Revenues for the year ended December 31, 2017	% of Accounts Receivable at December 31, 2017
Customer 1	27%	38%	23%	31%
Customer 2	2%	<1%	12%	5%

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.

15. 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, 2018 were $8,571,404 compared to $8,152,165 during the year ended December 31, 2017.

16. OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Depreciation of equipment *(note 7)*	$ 107,618	$ 99,862
Amortization of intangible assets *(note 8)*	94,722	81,224
Share-based compensation – options *(note 10(c))*	268,551	210,525
Share-based compensation – RSUs *(note 10(d))*	147,516	106,575
	$ 618,407	**$ 498,186**

17. 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.

18. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each (with the exception of the investment in customer) approximates its carrying value due to their short-term nature. The fair value of the investment in customer is determined using implied valuations from financing rounds. Therefore, it is treated as a Level 1 financial asset with the fair value equating its carrying value.

The carrying values and fair values of financial assets (liabilities) as at December 31, 2018 and December 31, 2017 are summarized as follows:

18. FINANCIAL INSTRUMENTS (continued)

	December 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Cash and cash equivalents	$ 3,939,763	$ 3,939,763	$ 4,989,154	$ 4,989,154
Short-term investments	$ 2,027,579	$ 2,027,579	$ 2,260,089	$ 2,260,089
Trade and other receivables	$ 5,265,076	$ 5,265,076	$ 4,799,625	$ 4,799,625
Loan to customer	$ -	$ -	$ 1,646,250	$ 1,646,250
Investment in customer	$ 623,019	$ 623,019	$ -	$ -
Warrants	$ 30,000	$ 30,000	$ 153,000	$ 153,000
Financial Liabilities				
Other Liabilities	($5,492,892)	($5,492,892)	($5,026,370)	($5,026,370)

[b] 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 and trade and other receivables. 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, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Current	$ 4,864,701	$ 3,913,053
31-60 days	173,195	94,977
Over 60 days	227,180	791,595
	$ 5,265,076	**$ 4,799,625**

[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, 2018 and December 31, 2017:

18. FINANCIAL INSTRUMENTS (continued)

	December 31, 2018	December 31, 2017
Current	$ 4,727,300	$ 4,322,552
31-60 days	755,946	401,523
Over 60 days	9,646	302,295
	$ 5,492,892	**$ 5,026,370**

[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 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, 2018**	**Year ended December 31, 2017**
Statement of Financial Position exposure	($ 115,106)	($ 281,179)
Net Cost of Sales/Operating Expenses (net exposure)	849,195	696,100
Net exposure	**$ 734,089**	**$ 414,921**

A 10% change in the New Taiwanese dollar to U.S. dollar exchange rate would have an approximate $8,300 impact on net income for the year ended December 31, 2018 (year ended December 31, 2017 – $13,000).

A 10% change in the rupee to U.S. dollar exchange rate would have no material impact on net income for the year ended December 31, 2018 (year ended December 31, 2017 - $nil).

[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, 2018, the Company earned $106,602 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 $66,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

19. 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, 2018 and 2017 are as follows:

19. RELATED PARTY TRANSACTIONS (continued)

	Year ended December 31, 2018	**Year ended December 31, 2017**
Short-term compensation	$ 1,117,973	$ 1,012,743
Share-based payments	103,716	395,974
	$ 1,221,689	**$ 1,408,717**

Short-term compensation for the year ended December 31, 2018 included the Company's annual performance corporate bonus totalling an amount of $90,000 which was paid to its management which had been previously accrued for as operating expense during the year ended December 31, 2017. There was no annual performance corporate bonus paid out during the year ended December 31, 2017.

There were no amounts owing to related parties as at December 31, 2018 and December 31, 2017.

The directors and key management were awarded 185,000 options under the Company's stock option plan during the year ended December 31, 2018. There were no RSUs granted during the year ended December 31, 2018.

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.

20. EMPLOYEE RETIREMENT SAVINGS CONTRIBUTIONS

	Year ended December 31, 2018	**Year ended December 31, 2017**
Benefit costs	$ 206,213	$ 227,715

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).

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

Tracy Rees
President and Chief Executive Officer
Director since 2017
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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Suite 300, 885 Dunsmuir Street
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Registrar and Transfer Agent
TMX Trust Company
Vancouver, BC

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

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