EIGHT SOLUTIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For year ended December 31, 2017

GENERAL

This Management's Discussion and Analysis has been prepared by management as of April 27, 2018 and should be read in conjunction with the audited consolidated financial statements of Eight Solutions Inc. as at and for the year ended December 31, 2017 and 2016 prepared in accordance with International Financial Reporting Standards ("IFRS").

During the year ended December 31, 2017, the Company's significant accounting policies have remained substantially unchanged. All amounts are expressed in Canadian dollars unless noted otherwise.

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 possibility of development or deployment difficulties or delays; the dependence on its customers' satisfaction; the timing of entering into significant contracts; the risks involved in developing integrated software solutions and integrating them with third-party products and services; the performance of the global economy and growth in the data analytics industry sales; implementation and development of the Company's Cumul8 and Reelhouse technologies; 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; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company not adequately protecting its intellectual property; 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 for the years ended December 31, 2017 and 2016, 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

Eight Solutions Inc. was incorporated on January 24, 2011 pursuant to the provisions of the *Business Corporations Act* (British Columbia).

The Company's head office is located at Suite 100, 138 East 7th Avenue, Vancouver, British Columbia, V5T 1M6, Canada. The Company is in the business of developing cloud-based data management and analytic software, a high-speed file transfer software and an online film distribution platform. The Company is trading on the TSX Venture Exchange ("TSXV") under the stock symbol "ES".

The following discussion of the Company's financial performance is based the audited consolidated financial statements for the year ended December 31, 2017 and 2016.

OVERALL PERFORMANCE

For the year ended December 31, 2017, the Company reported revenue of $3,541,627 compared to $3,456,435 for the year end December 31, 2016, an increase of 2%. The increase in revenue was attributed to the revenue from the Technology License Termination Agreement with Prime Focus Ltd ("Prime Focus").

During the year ended December 31, 2017, the Company reported a net loss attributable to the shareholders of the Company of $3,846,104 ($0.06 basic and diluted loss per share) compared to a net loss attributable to shareholders of $3,096,388 ($0.06 basic and diluted loss per share) for the year ended December 31, 2016, an increase in loss of $749,716. During the year ended December 31, 2017, the Company reported a gain of $2,000,000 for the disposition of its 3D technology to Prime Focus and during the year ended December 31, 2016, the Company recorded a gain on extinguishment of a loan payable to Tianjin Fu Feng Da Movie & Television Technology Investment and Development Co., Ltd. ("FFD") in the amount of $3,294,635. Excluding these one-time gains and the impairment related to Reelhouse Media Ltd. ("Reelhouse") recorded in each of the years, the Company had a net loss attributable to shareholders of $3,071,371 for the year ended December 31, 2017 compared to a net loss attributable to shareholders of $3,759,604 for the year ended December 31, 2016, an improvement of 18%. As well the Company's EBITDA improved by 33% for the year ended December 31, 2017 when compared to the year ended December 31, 2016.

As at December 31, 2017, the Company had $47,088 (2016 – $179,865) of cash and cash equivalents and total current assets of $170,137 (2016 – $1,081,497).

Current liabilities at December 31, 2017 total $2,329,730 (2016 – $3,513,035). Shareholders' equity (deficiency) is comprised of share capital of $20,620,244 (2016 – $19,281,546), contributed surplus of $4,778,520 (2016 – $4,273,159), accumulated deficit of $29,387,559 (2016 – $25,541,455) and non-controlling interest of $(185,638) (2016 – $1,327,324) for a net deficiency of $4,174,433 (2016 – $659,426).

Working capital deficiency, which is comprised of current assets less current liabilities, was $2,159,593 at December 31, 2017, compared to a deficiency of $2,431,538 at December 31, 2016, a decrease of $271,945. With the maturity of a convertible promissory note due to a founding shareholder in January 2018, $1,495,157 was moved from non-current to current liabilities as at December 31, 2017. Without this reclassification, working capital deficiency would be 664,436, a 73% improvement compared to December 31, 2016. Subsequent to the year ended December 31, 2017, the convertible promissory note was extend to March 31, 2019 as referenced to in the Recent Events section.

BUSINESS HIGHLIGHTS

On May 1, 2017, the Company signed an Asset Purchase Agreement ("APA") and a Technology Support Agreement ("TSA") with Gener8 Digital Media Services Ltd., a subsidiary of Prime Focus, in connection with the Technology License Termination Agreement between the Company and Prime Focus which was signed on March 31, 2017 (together called the "Transaction"). Upon receiving shareholder and regulatory approval, the Transaction closed on May 30, 2017 (the "Closing Date"). Pursuant to the terms of the Transaction, the Company received $2 million on the sale of its 3D conversion technology plus $3 million for terminating its original license agreement and settling the remaining license payments. Of the total $5 million, the Company received a $1 million license payment on March 23, 2017 which was also due under the Technology License Agreement but now applied towards the License Termination Agreement as payment per the terms of the Transaction and $1 million on April 4, 2017. The balance was received on the closing date of the Transaction. The TSA is an 18 month agreement totaling an estimated $810,000 in fees with an option for Prime Focus to renew for further one year terms. The Company's 3D conversion technology had a carrying value of nil, which resulted in a gain on disposition of $2 million being recognized during the period. The remaining $2 million in license payments received has been recognized in revenue during the period as all of the Company's obligations have been met.

The Company believes it was in the best interest of the Company's shareholders to monetize the remaining fixed and performance-based royalty payments due under the 3D license agreement with Prime Focus rather than to seek additional equity at the Company's current share price and cause significant dilution to existing shareholders. At the same the time, the Company believes it de-risked its reliance on the future of the 3D market which will allow the Company to focus on the sales and development of its Cumul8 technologies.

Cumul8 is a big data platform that collects, stores, monitors, and analyzes operational and performance data from disparate sources in real-time. Cumul8 has a powerful visual toolkit allowing users to easily create dashboards as well as a flexible transform editor for combining different streams of data to create Key Performance Indicators ("KPI's") most relevant to an operation. The toolkit gives deep historical, live, and future event prediction all in one visual system. Sentinel, the data science engine powering the Cumul8 platform, uses proprietary machine learning algorithms to enable predictive maintenance and provide alerts when "out of normal" events occur. Real-time, broad collection of raw disparate machine data transforms the concept of history, now, and into the future and allows for faster communication and understanding for both the engineer creating the machines and the client using these machines.

During the year ended December 31, 2017, the Company entered into an agreement with an industry partner to provide for two sawmills, the Cumul8 Industrial Internet of Things ("IIoT") data platform, where data from all machines and sensors within a mill is gathered and pushed to the cloud, so that data can be monitored live, insights can be discovered, and operational predictions can be made. As well, the Company entered into a two-year licensing agreement to integrate the Cumul8 IoT data platform within each new piece of equipment sold by BID Group of Companies leading to the digital transformation of the forestry sector.

During the year ended December 31, 2017, the Company released version 1.3 of its Cumul8 Jetstream ("Jetstream") high speed transfer solution which enables users to quickly, easily, and securely share large volumes of data. In addition to Jetstream's already powerful and flexible file transfer functionality, version 1.3 introduces "sandboxing" used for defining user security and permissions, user types and group capabilities, and APIs' (additional program interfaces) to assist in connecting to a client's existing IT infrastructure.

The Company anticipates releasing version 1.4 in the first quarter of 2018 which introduces a robust system to manage transfer logs and safekeep all transaction history. It also includes tokenized file sharing, allowing users to share files from their servers via an email link with flexible options for time-based expiry or one-time use. Already in use in the media & entertainment industry, with these new features Jetstream can now be used by businesses in other industries that need to share files while maintaining a detailed audit trail. This Jetstream release is already in use in the expanded market of professional services by users who have traditionally struggled with finding a simple solution to move large folders to their clients without big courier expenses or the frustration of sharing in the cloud.

Reelhouse is a direct-to-consumer film platform in the highly disruptive entertainment distribution space. Reelhouse allows filmmakers and major studios to customize, merchandise, and showcase engaging digital viewing experiences of their content. Reelhouse's site now contains over 10,000 two dimensional videos and over 55 virtual reality ("VR") films on its site provided by over 1,900 film creators.

During the year ended December 31, 2017, Reelhouse launched a subscription video on demand (SVOD) product that is now available to users.

RECENT EVENTS

On January 19, 2018 the Company entered into an agreement with the Company's founding shareholder to extend the maturity date of a convertible debenture in the principal amount of $1,500,000 issued on July 31, 2015 (the "Debenture"). The Debenture has been amended to extend the conversion period from January 27, 2018 to March 31, 2019 and the conversion price has been amended from $0.55 to $0.14.

SELECTED ANNUAL FINANCIAL INFORMATION

	2017	2016	2015
Revenue	$ 3,541,627	$ 3,456,435	$ 8,064,955
Net income (loss) attributable to the shareholders of the Company	(3,846,104)	(3,096,388)	19,713
Basic and diluted income (loss) per share	(0.06)	(0.06)	0.00
Total assets	315,419	6,485,697	13,412,938
Total non-current financial liabilities	2,160,122	3,632,088	4,102,047

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

Revenue

	Year ended December 31, 2017	Year ended December 31, 2016
3D licensing, royalty and support revenue	$ 2,925,000	$ 3,019,658
Cumul8 licensing, support and other revenue	616,627	436,777
Total	$ 3,541,627	$ 3,456,435

During the year ended December 31, 2017, the Company reported revenue of $3,541,627, an increase of $85,192 compared to the year ended December 31, 2016. The increase was due to the Technology License Termination Agreement with Prime Focus related to the sale of the 3D technology which closed during the year ended December 31, 2017. As well, Cumul8 licensing, support and other revenue increased by over 41% compared the year ended December 31, 2016 due to new customers.

Operating Expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Employee expenses	$ 4,388,818	$ 4,961,749
Contracted services	391,212	536,165
Supplies and materials	910,994	1,168,208
Amortization	2,574,488	2,553,874
Stock based compensation	178,583	256,216
Total	$ 8,444,095	$ 9,476,212

Operating expenses for the year ended December 31, 2017 decreased by $1,032,117 compared to the year ended December 31, 2016, a reduction of 11%. This decrease was primarily due to the Company's efforts to reduce overall operating expenses in the 2017 fiscal year and exceeded the Company's 10% operating cost reduction goal.

Employee Expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Research and development	$ 3,478,227	$ 3,641,130
General and administrative	910,591	1,320,619
Total	$ 4,388,818	$ 4,961,749

Total employee expenses for the year ended December 31, 2017 decreased by $572,931 compared to the year ended December 31, 2016 due to decreased staff count, a change in the Company's vacation policy and the reversal of vacation accrual related to the 3D conversion studio employees that the Company is no longer responsible for. Total employee count at December 31, 2017 was 42 staff compared to 44 staff at December 31, 2016.

Contracted Services

	Year ended December 31, 2017	Year ended December 31, 2016
Professional fees	$ 259,783	$ 408,627
Other	131,429	127,538
Total	$ 391,212	$ 536,165

Contracted services for the year ended December 31, 2017 decreased $144,953 compared to the year ended December 31, 2016. The decrease in contracted services is due primarily to legal fees related to the FFD litigation incurred during the year ended December 31, 2016.

Other Operating Expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Supplies and materials	$ 910,994	$ 1,168,208
Amortization	2,574,488	2,553,874
Stock based compensation	178,583	256,216
Total	$ 3,664,065	$ 3,978,298

Other operating expenses for the year ended December 31, 2017 decreased by $314,233 compared to the year ended December 31, 2016. The decrease was primarily due to the Company sharing their office space and related expenses with several other companies during the year ended December 31, 2017 and previous years' stock option grants having been fully vested and amortized by the end of the 2016 fiscal year.

Other Income (Expense)

	Year ended December 31, 2017	Year ended December 31, 2016
Foreign exchange gain (loss)	$ (5,370)	$ 7,109
Finance expense	(272,777)	55,966
Gain on extinguishment of loan	-	3,294,635
Gain on disposition	2,000,000	-
Gain on debt conversion	36,000	-
Impairment of goodwill	-	(2,631,419)
Impairment of intangible assets	(2,774,733)	-
Deferred income tax recovery	560,282	755,065
Total	$ (456,598)	$ 1,481,356

Other income decreased by $1,937,954 predominantly due to the difference in the gain in disposition of the 3D technology reported during the year ended December 31, 2017 and the gain on extinguishment of the loan payable to FFD and its related interest during the year ended December 31, 2016.

Net Loss

	Year ended December 31, 2017	Year ended December 31, 2016
Net loss attributable to the Shareholders of the Company	$ 3,846,104	$ 3,096,388
Net loss per share (basic)	0.06	0.06
Net loss per share (diluted)	0.06	0.06

Net loss attributable to the shareholders of the Company for the year ended December 31, 2017 increased by $749,716 compared to the year ended December 31, 2016. Excluding the one-time gains and impairments reported in each of the year end periods ended December 31, 2017 and 2016, the Company had a net loss attributable to shareholders of $3,071,371 during the year ended December 31, 2017 and a net loss attributable to shareholders of $3,759,604, an improvement of 688,233, or 18%.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table presents select unaudited consolidated financial information for each of the last eight quarters:

	31-Dec 2017	30-Sep 2017	30-Jun 2017	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016
Revenue	$ 344,424	$ 268,111	$ 2,318,572	$ 610,520	$ 616,283	$ 637,418	$ 1,553,199	$ 649,535
Net income (loss) attributable to shareholders	(3,275,017)	(1,496,267)	2,305,541	(1,380,361)	(2,848,399)	(1,369,870)	2,825,486	(1,703,605)
Basic income (loss) per share attributable to shareholders	(0.04)	(0.03)	0.04	(0.03)	(0.05)	(0.03)	0.05	(0.03)
Total assets	315,419	1,277,575	5,203,183	5,115,206	6,485,697	9,559,180	10,856,389	11,397,693
Working capital (deficiency)	(2,159,593)	(2,682,720)	(1,697,372)	(3,859,953)	(2,431,538)	(1,758,791)	(949,688)	(4,802,604)

FINANCIAL RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Revenue

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
3D licensing, royalty and support revenue	$ 135,000	$ 135,000	$ 505,000
Cumul8 licensing, support and other revenue	209,424	133,111	111,283
Total	$ 344,424	$ 268,111	$ 616,283

During the three months ended December 31, 2017, the Company reported revenue of $344,424, an increase of $76,313 compared to the three months ended September 30, 2017. The increase was due to increased Cumul8 licensing, support and other related revenue which increased by over 50%. Compared to the three months ended December 31, 2016, revenue decreased by 271,859 due to the sale of the 3D conversion technology on May 30, 2017, as the Company did not record any 3D conversion licensing revenue during the three months ended in December 31, 2017 in comparison to the three months ended December 31, 2016.

Operating Expenses

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
Employee expenses	$ 723,182	$ 1,126,291	$ 1,154,649
Contracted services	130,477	30,944	104,733
Supplies and materials	258,051	197,552	389,398
Amortization	647,045	643,482	638,615
Stock based compensation	51,074	28,136	(85,048)
Total	$ 1,809,829	$ 2,026,405	$ 2,202,347

Operating expenses decreased by $216,576 during the three months ended December 31, 2017 compared to the three months ended September 30, 2017, a 11% reduction in operating costs, and by $392,518 compared to the three months ended December 31, 2016, a 18% reduction in operating costs. The decrease was attributable to reduction of staff, and to the Company's efforts to reduce overall operating expenses in the 2017 fiscal year.

Employee Expenses

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
Research and development	$ 869,354	$ 788,741	$ 813,902
General and administrative	(146,172)	337,550	340,747
Total	$ 723,182	$ 1,126,291	$ 1,154,649

The decrease of $403,109 in employee expenses for the three months ended December 31, 2017 compared to the three months ended September 30, 2017 and the decrease of $431,467 compared to the three months ended December 31, 2016 was attributable to a change in the Company's vacation policy and the release of vacation accrual related to the 3D conversion studio employees.

Contracted Services

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
Professional fees	$ 102,806	$ 15,568	$ 85,053
Other	27,671	15,376	19,680
Total	$ 130,477	$ 30,944	$ 104,733

The increase of $99,533 for the three months ended December 31, 2017 compared to the three months ended September 30, 2017, and the increase of $25,744 compared to the three months ended December 31, 2016, was primarily due to year end tax and audit fees accrued during the three months ended December 31, 2017.

Other Operating Expenses

	Three Months Ended		
	December 31, 2017	September 30 2017	December 31, 2016
Supplies and materials	$ 258,051	$ 197,552	$ 389,398
Amortization	647,045	643,482	638,615
Stock based compensation	51,074	28,136	(85,048)
Total	$ 956,170	$ 869,170	$ 942,965

Other operating expenses increased by $87,000 for the three months ended December 31, 2017 compared to the three months ended September 30, 2017. The increase was primarily attributable insurance premiums incurred during the three months ended December 31, 2017. Other operating expenses increased by $13,205 for the three months ended December 31, 2017 compared to the three months ended December 31, 2016, an increase of 1%, due to an increase in stock based compensation expense stemming from forfeitures and expiration of stock options recorded during the three months ended December 31, 2016 offset by the Company sharing their office space and related expenses with several other companies.

Other Income (Expense)

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
Foreign exchange gain (loss)	$ 2,479	$ (1,466)	$ 774
Finance income (expense)	(103,420)	(79,321)	218,314
Deferred income tax recovery	43,884	184,931	215,638
Impairment of goodwill	-	-	(2,631,419)
Impairment of intangible assets	(2,774,733)	-	-
Total	$ (2,831,790)	$ 104,144	$ (2,196,693)

Other income for the three months ended December 31, 2017 decreased by $2,935,934 compared to the three months ended September 30, 2017 due to the intangible asset impairment recorded during the three months ended December 31, 2017. Other income for the three months ended December 31, 2017 decreased by $635,097 compared to the three months ended December 31, 2016 due to the gain recorded from fair valuing the interest-free period of the government loan during the three months ended December 31, 2016.

Net Loss

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
Net loss attributable to Shareholders of the Company	$ 3,275,017	$ 1,496,267	$ 2,848,399
Net loss per share (basic)	0.04	0.03	0.05
Net loss per share (diluted)	0.04	0.03	0.05

The net loss attributable to shareholders for the three months ended December 31, 2017 increased by $1,778,750 compared to the three months ended September 30, 2017 and was attributable to the intangible asset impairment recorded during the three months ended December 31, 2017. Excluding the impairment, net loss attributable to shareholders for the three months ended December 31, 2017 improved 67% when compared to the three months ended September 30, 2017.

The net loss attributable to shareholders for the three months ended December 31, 2017 increased by $426,618 compared to the three months ended December 31, 2016 due to the sale of the 3D conversion technology on May 30, 2017, as the Company did not record any 3D conversion licensing revenue during the three months ended in December 31, 2017 in comparison to the three months ended December 31, 2016.

FINANCING ACTIVITIES

(a) On January 20, 2017, the Company issued 450,000 common shares at a price of $0.20 per common share to one of its creditors to settle a debt of $90,000. Given the market price on the date of issuance was at $0.12 per common share, a gain of $36,000 was recorded due to the higher price per common share at which the debt was settled compared to the market price of the date issuance.

(b) On February 1, 2017 the Company issued 409,091 common shares at a price of $0.11 per common share for gross proceeds of $45,000 to an industry partner in accordance with their product development and royalty agreement; on May 23, 2017, 500,000 common shares were issued at $0.09 for gross proceeds of $45,000; on August 11, 2017, 500,000 common shares were issued at $0.09 per common share for gross proceeds of $45,000; and on November 7, 2017 the Company issued 562,500 common shares at a price of $0.08 per common share for gross proceeds of $45,000.

(c) On October 12, 2017 the Company closed a non-brokered private placement offering of 19,929,072 units ("Unit") at a price of $0.07 per Unit for a total gross total proceeds of $1,395,035. Each Unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one common share at a price of $0.15 per common share for a period of 36 months following the closing date. The Warrants are subject to an acceleration clause wherein, in the event the Company's shares trade at a price greater than $1.00 per common share for a period of at least 30 consecutive trading days, the Company may accelerate the expiry date of the Warrants with reasonable written notice. On November 23, 2017 the Company closed off the 2nd tranche of its non-brokered private placement offering of 520,593 Units at a price of $0.07 per Unit for a total gross proceeds of $36,442.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company's cash balance was $47,088 (2016 – $179,865), and the Company had a working capital deficiency of $2,159,593 (2016 - $2,431,538).

	Year Ended	
Cash provided by (used in)	December 31, 2017	December 31, 2016
Operating activities	$ (1,883,031)	$ (2,680,316)
Financing activities	(144,321)	2,756,694
Investing activities	1,894,575	(19,276)
Total	$ (132,777)	$ 57,102

Cash used in operating activities for both comparable periods was primarily related to revenues earned being offset by employee and other development related expenses during the respective period. Cash used in operating activities improved of 30% during the year ended December 31, 2017 compared to the year months ended December 31, 2016.

Financing activities for the year ended December 31, 2017 related to funds received from a non-brokered private placement and from government loans, net of repayments of a bank credit facility and shareholder loans.

Investing activities for the year ended December 31, 2017 related to the sale of the 3D technology and the purchase of computer hardware.

The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations and the Company's ability to raise capital to fund its operations. The decision to fund the Company is ultimately at the lenders' or investors' discretion and there is no guarantee that funds will be provided at reasonable rates, or at all.

Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consist of the following:

	December 31, 2017	December 31, 2016
Trade accounts payable	$ 169,967	$ 172,656
Salary and benefits payable	143,123	597,238
Accrued liabilities	130,465	228,066
Total	$ 443,555	$ 997,960

The Company has a general practice of paying outstanding accounts payables within 30 days. Trade payables and accrued liabilities decreased by $554,405 as at December 31, 2017 compared to December 31, 2016 primarily due to a change in the Company's vacation policy, the release of vacation accrual related to the 3D conversion studio employees and to the reduction of expenses during the current fiscal year.

Government loan payable

On May 22, 2015, the Company entered into an agreement with the Minister of Western Economic Diversification Canada ("the Minister") to borrow up to $1,375,000. The Minister funds 50% of certain costs incurred in the development and commercialization of the Company's data visualization product as specified in the terms of the agreement. The Company requests funding on a quarterly basis. The Company shall repay any amounts owing in equal instalments starting May 1, 2018 for 59 consecutive months ending April 1, 2023. The loan is unsecured and interest accrues at the average bank rate plus 3%, compounding monthly, and only accrues on the due date of the installment payment and ends on the day before the day on which the installment payment is received. As at December 31, 2017, the Company has borrowed $1,374,989 (2016 - $901,536). Given the interest-free period, a gain of $164,320 (2016 - $373,534) was recognized in interest income in 2017, with an accretion expense of $106,574 (2016 - $43,704) also being recorded in the year. Using the effective interest rate method, the loan's carrying value as at December 31, 2017 is $987,418 (2016 - $571,711).

Bank loan

On March 21, 2016, the Company entered into a $900,000 operating loan from the Royal Bank of Canada, which bears interest at the bank's prime rate plus 5.8% and was to be repaid on March 23, 2017. It is secured by amongst other terms, a credit insurance policy issued by Export Development Canada and a general security agreement on the assets of the Company.

On October 5, 2016, the Company increased the operating loan from the Royal Bank of Canada from $900,000 to $1,800,000, of which $900,000 was to be repaid on March 23, 2017, and $900,000 was to be repaid on June 15, 2017. All other terms and security remain the same.

On March 28, 2017, the Company repaid $900,000 of the $1,800,000 operating loan and on May 31, 2017 the Company repaid the balance of the operating loan to the Royal Bank of Canada.

Operating Lease

The Company has an operating lease commitment for its office facilities. On April 18, 2017, the Company extended its lease until 2021 with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals.

Due to Shareholder

Refer to Transactions with Related Parties (b) below.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

Below is a list of transactions that occurred during the period between the Company and a related party.

(a) Reelhouse convertible promissory note

As at December 31, 2017, the Company had a $333,034 convertible promissory note due from Reelhouse. The carrying value of the convertible promissory note was recorded at fair value but is eliminated upon consolidation. The Company has the option to convert the notes into common shares of Reelhouse at a price of $0.15 per share.

The founding shareholder of the Company holds a $270,000 convertible promissory note and 333,333 common shares of Reelhouse, which were received in exchange for the shareholder settling certain amounts owing to the Company and for software development services provided to Reelhouse by the Company in 2012. The shareholder reimbursed the Company for the cost of the services provided by way of a reduction of $320,000 of the amount otherwise due to the shareholder. This promissory note is non-interest bearing and can be converted at any time into common shares of Reelhouse at the option of the holder at $0.06 per common share. Although the note is due on demand, the holder has confirmed in writing that the note will not be demanded for repayment before January 1, 2019. Another shareholder of the Company holds a $30,000 convertible promissory note with similar terms, which can be converted into common shares of Reelhouse at any time at the option of the holder at $0.15 per common share. The $30,000 note is due on demand, and both notes bear interest at 4%.

An unrelated party also holds a convertible promissory note of $20,000 USD ($25,115 CAD) with an interest rate at 4%. The convertible promissory note is payable upon demand and can be converted into common shares of Reelhouse upon the next equity financing of greater than $1,000,000 USD at 80% of the price paid per share.

(b) Convertible promissory note due to founding shareholder

On July 28, 2015, the Company entered into an agreement to convert an aggregate of $2,932,869 of indebtedness owed to the Company's founding shareholder, through the issuance of 2,847,738 common shares at a deemed issuance price of $0.50 per common share and an unsecured convertible debenture in the principal amount of $1,500,000 with a maturity date of January 27, 2018. Under the terms of the debenture, the remaining outstanding balance of the indebtedness owed to the shareholder in the amount of $1,500,000 has been amended such that the previous demand loan bearing interest at 7.5% payable quarterly has been reduced to an interest rate of 6% and all amounts outstanding under the loan are convertible into common shares of the Company at a conversion price of $0.55 per common share at the option of the holder. On the date of issuance, the convertible promissory note was accounted for at fair value with $40,431 recorded as a deferred tax asset netted against the equity portion of the convertible promissory note of $155,504 with $115,073 recorded in equity and $1,344,496 as the fair value of the liability portion of the convertible promissory note. As at December 31, 2017, the carrying value of the liability portion of the convertible promissory note is $1,495,157 (2016 - $1,431,216).

(c) Promissory note due to founding shareholder

On November 26, 2015, the Company's founding shareholder provided a demand loan facility to the Company to borrow up to $1,000,000, and has subsequently been increased to $1,500,000. The shareholder has agreed to not demand repayment of any drawings against the facility until at least January 1, 2019, although the Company has the option to make earlier repayments. The loan bears interest of 12%. The loan is secured by a general security agreement against the assets of the Company. As at December 31, 2017, $1,085,904 (2016 - $786,156) was drawn on this facility including interest.

(d) Promissory note due to director of the Company

On January 15, 2016, the Company entered into a loan agreement with a director of the Company in the amount of $500,000. The demand loan bears interest of 12% per annum, matures six months from the date of advance and is secured by a general security agreement against the assets of the Company. The lender may demand repayment of principal and interest any time after March 31, 2016. In connection with entering into the loan agreement the lender will receive a commitment fee equal to 2% of the principal amount. The promissory note was repaid on May 31, 2017.

SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies are fully disclosed in Note 3 of the audited consolidated financial statements for year ended December 31, 2017.

FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments include cash and cash equivalents, trade and other receivables, convertible and other promissory notes, loan payable, government loan payable, bank loan and accounts payable and accrued liabilities.

Fair value hierarchy

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

The carrying amounts for cash and cash equivalents, trade and other receivables, and trade payables and accrued liabilities approximate their fair value because of the limited term of the instruments. The carrying amounts of the convertible promissory notes, bank loan and government loan payable approximate their fair value because the terms are consistent with similar instruments. All of the instruments have a fair value hierarchy of Level 3 excluding cash and cash equivalents which is Level 1. It is not possible to determine the fair value of the shareholder promissory notes as there is no comparable market value for such loans.

The fair value of financial instruments at December 31, 2017 and December 31, 2016 are summarized in the following table.

	December 31, 2017		December 31, 2016	
	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Financial assets				
Cash and cash equivalents	$ 47,088	$ 47,088	$ 179,865	$ 179,865
Trade and other receivables	107,927	107,927	901,632	901,632
Financial liabilities				
Trade payables and accrued liabilities	443,555	443,555	997,960	997,960
Bank loan	-	-	1,800,000	1,800,000
Promissory note	1,085,904	NA	1,316,875	NA
Convertible promissory notes	1,820,272	NA	1,755,351	NA
Government loan	987,418	987,418	571,711	571,711

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade and other receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The following are the contractual maturities of financial liabilities:

		Payment Due by Period			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade payables and accrued liabilities	$ 443,555	$ 443,555	$ -	$ -	$ -
Operating lease	1,056,918	330,287	726,631	-	-
Government loan	1,374,989	183,200	549,600	549,600	92,589
Convertible promissory note	1,825,115	1,555,115	270,000	-	-
Promissory note	1,085,904	-	1,085,904	-	-
	$ 5,786,481	$ 2,512,157	$ 2,632,135	$ 549,600	$ 92,589

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts. Future payments excludes interest that are to be accrued.

Foreign Currency Risk

The Company's exposure to foreign currency risk is as follows based on notional amounts:

	December 31, 2017
Cash and cash equivalents	USD $ 14,956
Accounts payable	$ 26,525

A strengthening of the Canadian dollar, as indicated below, against the US dollar at December 31, 2017 would have decreased comprehensive loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

		Gain
USD (10% strengthening of Canadian Dollar)	$	1,157

A weakening of the Canadian dollar against the US dollar at December 31, 2017 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

At December 31, 2017, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount
Fixed rate financial liabilities	$ 2,906,176

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss; therefore, a change in interest rates at the reporting date would not affect profit or loss.

OTHER

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:

1) Authorized: Unlimited common shares without par value.

2) As at the date of this Management Discussion and Analysis, the Company has 76,733,875 common shares, 10,424,828 warrants, and 5,278,962 options issued and outstanding.

ACCOUNTING STANDARDS AND INTERPRETATIONS

The financial information for the year ended December 31, 2017 reflects the same accounting policies and methods of application as the Company's consolidated financial statements for the year ended December 31, 2016.

New accounting standards issued but not yet effective:

IFRS 9 - Financial Instruments:

In July 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements and does not expect significant measurement differences.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements and does not expect significant measurement differences.

IFRS 16 – Leases:

In January 2016, the IASB issued IFRS 16 – *Leases* – which IAS 17 – *Leases.* The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

CRITICAL JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(ii) Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model. Details of these can be found in Note 20 of the audited consolidated financial statements for the year ended December 31, 2017.

(iii) Determining the useful lives of property, equipment and intangible assets requires estimates and assumptions as to future events and circumstances.

(iv) Determining the value of the cash generating unit of Reelhouse, specifically impacting intellectual property and non-controlling interest.

(v) Determining the fair value of the convertible debenture and the allocation of its value between equity and liabilities.

(vi) Determining the fair value of the government loan

RISKS AND UNCERTAINTIES

The Company's operating history and history of business, revenue generation or production history

During the period from January 1, 2017 to December 31, 2017, the Company had a net loss of $5,359,066. As at December 31, 2017 the Company had a deficit of $29,387,559 and a working capital deficiency of $2,159,593. As a result, the Company has included a going concern note in the December 31, 2017 financial statements. These conditions raise significant doubt about the Company's ability to continue as a going concern. The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations and obtain additional funding.

The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations and obtain additional funding. Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The ability to continue as a going concern is dependent on completing equity or debt financings or generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. The ability to continue as a going concern may also be adversely impacted by the loss of customers and falling sales per customer.

Additional funds for the continuation of the Company's planned operations may be required

To expand the Company's revenues, the Company may need substantial funding as a supplement to its cash flow. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Revenues, taxes, travel costs, capital expenditures and operating expenses are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Operating results may fluctuate significantly, which may cause the value of the Company's shares to decrease significantly

Operating results may fluctuate as a result of a number of factors, many of which will be outside of the Company's control. As a result of these fluctuations, financial planning and forecasting may be more difficult and comparisons of operating results on a period-to-period basis may not necessarily be meaningful.

Each of the risk factors described in this section, and the following factors, may affect the Company's operating results:

- ability to continue to attract clients for the Company's services;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the businesses, operations and infrastructure;
- focus on long-term goals over short-term results;

- general economic conditions and those economic conditions specific to the Company's industries;
- changes in business cycles that affect the markets in which the Company will sell its products and services;
- ability to hire, integrate, train and retain skilled talent, including members of the Company's direct sales force and software engineers;
- ability to maintain and expand the Company's business, including its operations and infrastructure to support growth, both domestically and internationally;
- competition with other companies, custom development efforts and open source initiatives that are currently in, or may in the future enter, the market for the Company's software;
- expansion of the Company's customer base, both domestically and internationally;
- improve the performance and capabilities of the Company's software;
- increase market awareness of the Company's products and enhance the Company's brand; and
- maintain compliance with applicable governmental regulations and other legal obligations, including those related to intellectual property.

In response to these fluctuations, the share value could decrease significantly in spite of the Company's operating performance.

The Company's success depends on certain key personnel. If the Company is unable to continue to attract and retain qualified personnel that will adversely affect its businesses

The Company's performance to date has been and will continue to be largely dependent on the talents, efforts and performance of its senior management and key technical personnel. The Company's executive officers and top technical personnel have entered into employment and noncompetition agreements. However, while it is customary to use employment agreements as a method of retaining the services of key personnel, these agreements will not guarantee the Company the continued services of such employees. In addition, the Company may be unable to enter into employment agreements with most of its key creative, technical and engineering personnel. The loss of executive officers or other key personnel, particularly with little or no notice, could cause delays on projects and could have an adverse impact on client and industry relationships, business, operating results or financial condition.

The Company's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified creative, technical and managerial personnel. It is expected that competition for personnel with the specialized creative and technical skills needed to create the Company's products and provide its services will continue to intensify as film studios build or expand in-house visual effects and animation capabilities. If the Company has difficulty identifying, attracting, hiring, training and retaining qualified personnel, or must incur significant costs in order to do so, its business and financial results could be negatively impacted.

Acquisitions the Company pursues in its industry and related industries could result in operating difficulties, dilution to shareholders and other consequences harmful to its business

As part of the Company's growth strategy, it may selectively pursue strategic acquisitions in its industry and related industries. The Company may not be able to consummate such acquisitions, which could adversely impact the Company's growth. If the Company does consummate acquisitions, integrating an acquired company, business or technology may result in unforeseen operating difficulties and expenditures, including:

- increased expenses due to transaction and integration costs;
- potential liabilities of the acquired businesses;
- commencement of litigation or adverse results in litigation;

- potential adverse tax and accounting effects of the acquisitions;
- diversion of capital and other resources from the Company's existing businesses;
- diversion of management's attention during the acquisition process and any transition periods;
- loss of key employees of the acquired businesses following the acquisition; and
- inaccurate budgets and projected financial statements due to inaccurate valuation assessments of the acquired businesses.

Foreign acquisitions also involve unique risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. Evaluations of potential acquisitions may not accurately assess the value or prospects of acquisition candidates and the anticipated benefits from future acquisitions may not materialize. In addition, future acquisitions or dispositions could result in potentially dilutive issuances of the Company's equity securities, including the Company Shares, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could harm its financial condition.

Third-party technology licenses may not continue to be available to the Company in the future

The Company will also rely on certain technology that it licenses from third parties, including software that is integrated and used with internally developed software. These third-party technology licenses may not in the future be available to the Company on commercially reasonable terms, or at all. The loss of any of these technology licenses could result in delays in performance of work until the Company identifies, licenses and integrates equivalent technology, and it may not be able to identify, license or integrate any such equivalent technology in a timely manner or at all. Any resulting delays in performance could damage the Company's reputation and result in a decrease in its revenues during the period of delay, either of which could materially adversely affect its business, operating results or financial condition.

Others may assert intellectual property infringement claims against the Company

Infringement or misappropriation claims (or claims for indemnification resulting from such claims) against the Company may be asserted or prosecuted, regardless of their merit, and any such assertions or prosecutions may adversely affect its business and/or operating results. Irrespective of the validity or the successful assertion of such claims, the Company would incur significant costs and diversion of resources relating to the defense of such claims, which could have an adverse effect on its business, operating results or both.

If any claims or actions are asserted against the Company, it may seek to obtain a license of a third-party's intellectual property rights; however, under such circumstances such a license may not be available on reasonable terms or at all. Any such litigation could result in a material adverse effect on the business, prospects and financial results of the Company.

Inability to successfully manage the growth of the Company's business may have an adverse effect on its operating results

The Company expects to experience growth in the number of employees and the scope of its operations. Such growth will result in increased responsibilities for its management. If its management is unable to successfully manage expenses in a manner that allows it both to improve operations and at the same time pursue potential market opportunities, the growth of its business could be adversely impacted, which may, in turn, negatively affect its operating results or financial condition. In addition, a critical contributor to the Company's continued success will be its creative culture. As the Company attempts to grow and alter its business to focus increasingly on the creation, production and marketing of visual imagery, it may find it difficult to maintain important aspects of its corporate culture, which could negatively affect its future success.

Risks related to the Industry

The Company may face intense competition and may not be able to compete effectively, which could reduce demand for products and adversely affect business, growth, revenues and market share.

The market for the Company's products is intensely and increasingly competitive and subject to rapidly changing technology and evolving standards. In addition, many companies in the target market are offering, or may soon offer, products and services that may compete with the products the Company is offering.

Many of the Company's competitors, particularly the large software companies, have longer operating histories, significantly greater financial, technical, marketing, distribution, professional services or other resources and greater name recognition than the Company. In addition, many of the Company's competitors have strong relationships with current and potential customers and extensive knowledge of the business analytics industry. As a result, the competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. Moreover, many of these competitors are bundling their analytics products into larger deals or maintenance renewals, often at significant discounts. Increased competition may lead to price cuts, alternative pricing structures or the introduction of products available for free or a nominal price, fewer customer orders, reduced gross margins, longer sales cycles and loss of market share. The Company may not be able to compete successfully against current and future competitors, and the business, results of operations and financial condition will be harmed if the Company fails to meet these competitive pressures.

The Company's ability to compete successfully in the market depends on a number of factors, both within and outside of the Company's control. Some of these factors include ease and speed of product deployment and use, discovery and visualization capabilities, analytical and statistical capabilities, performance and scalability, the quality and reliability of customer service and support, total cost of ownership, return on investment and brand recognition. Any failure to compete successfully in any one of these or other areas may reduce the demand for the Company's products, as well as adversely affect business, results of operations and financial condition.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others. By doing so, these competitors may increase their ability to meet the needs of the Company's customers or potential customers. In addition, the current or prospective indirect sales channel partners may establish cooperative relationships with the Company's current or future competitors. These relationships may limit the Company's ability to sell or certify products through specific distributors, technology providers, database companies and distribution channels and allow the Company's competitors to rapidly gain significant market share. These developments could limit the Company's ability to obtain revenues from existing and new customers and to maintain maintenance and support revenues from existing and new customers. If the Company is unable to compete successfully against current and future competitors, the business, results of operations and financial condition would be harmed.

Success is highly dependent on the Company's ability to penetrate the existing market for business analytics software as well as the growth and expansion of that market.

Although the overall market for business analytics software is well-established, the market for business analytics software is relatively new, rapidly evolving, and unproven. The future success will depend in large part on the Company's ability to penetrate the existing market for business analytics software, as well as the continued growth and expansion of what the Company believes to be an emerging market for analytics solutions that are faster, easier to adopt, easier to use, and more focused on self-service capabilities. It is difficult to predict customer adoption and renewal rates, customer demand for the Company's products, the size, growth rate and expansion of these markets, the entry of competitive products, or the success of existing competitive products. The Company's ability to penetrate the existing market and any expansion of the emerging market depends on a number of factors, including the cost, performance and perceived value associated with the Company's products, as well as customer's willingness to adopt a different approach to data analysis. Furthermore, many potential customers have made significant investments in legacy business analytics software systems and may be unwilling to invest in new software. If the Company is unable to penetrate the existing market for business analytics software, the emerging market for self-service analytics solutions fails to grow or expand, or either of these markets decreases in size, the business, results of operations and financial condition would be adversely affected.

The Company cannot predict the effect that rapid technological change may have on its business or industry

The software development industry is characterized by technological change, evolving customer needs and emerging technical standards. Digital technology poses additional risks including increased capital costs, increased maintenance costs, and changing requirements for digital hardware. The Company's inability to adapt to changing technologies may limit the competitiveness and demand for its services.

The software industry in general is rapidly evolving, primarily due to technological developments. The rapid growth of technology and shifting consumer tastes may prevent the Company from being able to accurately predict the overall effect that technological growth may have on its potential revenue and profitability. Furthermore, the Company may be required to upgrade its own proprietary software, which can result in substantial research and development costs and substantial capital expenditures for new equipment, or to purchase third-party licenses, which can result in significant expenditures. In the event the Company seeks to obtain third-party licenses, it cannot guarantee that they will be available or, once obtained, will continue to be available on commercially reasonable terms, or at all. If the Company is unable to develop and effectively market new technologies that adequately or competitively address the needs of these changing industries, it could have an adverse effect on business and growth prospects.

Risks Related to the Company Shares

The value of the Company's shares will be affected by a number of factors, some of which are beyond the Company's control, including those described above and the following:

- significant contracts, acquisitions or capital commitments entered into by the Company or its competition;
- variations in quarterly operating results;
- general economic conditions;
- litigation involving the Company or investigations or audits by regulators into the operations of the Company or its competitors;
- future sales of the Company's common shares; and
- investor perception of the Company and the industries in which it operates.

These broad market and industry factors may materially reduce the value of the Company's common shares regardless of its operating performance.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.