

ICESoft Technologies Canada Corp.  
Interim Management Discussion and Analysis – Quarterly Highlights  
For the period ended September 30, 2019

## **MANAGEMENT’S DISCUSSION & ANALYSIS – QUARTERLY HIGHLIGHTS**

This Management’s Discussion & Analysis – Quarterly Highlights (“MD&A”) is intended to provide readers with supplemental information that management (“Management”) of ICESoft Technologies Canada Corp. (“ICESoft” or “ICESoft Technologies” or the “Corporation” or the “Company”), believes is required to gain an understanding of the financial results of the Corporation for the three and nine months ended September 30, 2019 and September 30, 2018 and to assess the Corporation’s future prospects.

Accordingly, certain sections of this report contain forward-looking statements and forward-looking information (collectively, “Forward-Looking Information”) as defined under applicable Canadian securities laws, which are based on current plans and expectations (see under the heading “Special Note Regarding Forward Looking Information”). Additional information relating to ICESoft is available under ICESoft’s profile on [www.sedar.com](http://www.sedar.com).

This MD&A, presented and dated as of November 18, 2019, should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2018, and December 31, 2017.

The Corporation’s consolidated financial statements have been prepared on a "going concern" basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The operations of the Corporation have been primarily funded through private placements of equity and debt. The continued operations of the Corporation are dependent on the Corporation’s ability to generate profitable operations in the future, to receive continued financial support from shareholders, and/or to complete sufficient equity and debt financings. In making its going concern assessment, management is aware of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate; these adjustments could be material.

All currency amounts in the accompanying financial statements and this MD&A are in Canadian dollars unless otherwise noted.

### **Special Note Regarding Forward-Looking Information**

Certain statements contained in this MD&A constitute "forward-looking statements". These statements, identified by words such as “plan,” “anticipate,” “believe,” “estimate,” “should,” “expect” and similar expressions include our expectations and objectives regarding our future financial position, operating results and business strategy. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of ICESoft to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; speed of market adoption; reliance on reseller and partners; limited operating history of ICESoft; market fluctuations; and retention of key personnel.

Forward-looking statements are based on a number of material factors and assumptions, including that: ICESoft shall be successful in its attempts to raise working capital in the near to medium term future; the market demonstrates ongoing adoption of new technologies; there is no material change to the competitive environment; and ICESoft will be able to access and retain sufficiently qualified technical, sales and marketing staff. While ICESoft considers these assumptions may be reasonable

based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section "Risk Factors".

New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forward-looking statement.

This MD&A includes market and industry data that has been obtained from third-party sources, including industry and market analyst publications. Management believes that this industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third-party sources referred to in this MD&A or ascertained the underlying economic assumptions relied upon by such sources.

ICESoft advises shareholders to carefully review the reports and documents it files from time to time with the securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Corporate Structure**

ICESoft was formed in 2001, incorporated under the Canada Business Corporations Act ("CBCA"), and is domiciled in Canada. ICSOFT is a reporting issuer in Canada.

ICESoft and its subsidiaries are commercial Java open-source technology companies and provide mobile-rich internet applications development solutions for desktop and mobile enterprise. The Company's head office is located at 370, 3553 31st Street NW, Calgary, Alberta, Canada, T2L 2K7.

The consolidated financial statements of the Company as at and for the quarters ended September 30, 2019 and 2018, consist of the Company and wholly owned subsidiaries. ICSOFT wholly owns ICSOFT Technologies Holdings Ltd. and has a wholly-owned Delaware subsidiary, ICSOFT Technologies, Inc., which acts as the United States operating entity.

### **Basis of Presentation**

This review of the results of operations should be read in conjunction with the consolidated financial statements for the three and nine months ended September 30, 2019, and September 30, 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were approved and authorized for issue by the Board of Directors on November 18, 2019.

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore may not be comparable with calculation of similar measures for other entities and should be considered non-IFRS measures. These measures are described and presented in order to provide information regarding the Corporation's financial and operational results, liquidity and ability to generate funds to finance its operations. These measures are identified and presented where appropriate together with reconciliations to the equivalent IFRS measures; however, they should not be used as an alternative to IFRS measures because they may not be consistent with calculations of other companies. These non-IFRS measures and certain operational definitions used by the Corporation are further explained below.

## **EBITDA and Adjusted EBITDA**

EBITDA refers to net income before interest, taxes, depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA before costs associated with capital raise commissions, one time going public costs, and stock-based compensation.

These measures do not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar captioned terms presented by other users. Management believes that EBITDA and adjusted EBITDA are key indicators for the results generated by the Corporation's core business activities because they eliminate non-recurring items as well as the impact of finance and tax structure variables that exist between entities.

## **Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

## **Functional and presentation currency**

The financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currency of ICEsoft Technologies Inc. is US dollars and is translated to the presentation currency.

## **Basis of consolidation**

The financial information contained within this MD&A include the accounts of the Corporation and its subsidiaries. All intercompany transactions have been eliminated in the consolidated financial statements. Subsidiaries are those entities that the Corporation controls by having the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

## **General Business Outlook**

ICEsoft continues to see evidence that its Voyent Alert! notification service offers significant differentiation to conventional alerting services, and that this differentiation will continue to drive material adoption across the Canadian market throughout fiscal years 2019 and 2020. Two key metrics related to service provisioning, Communities Under Service, and Addressable Populations (the aggregate population of the Communities Under Service), have increased more than 150% and 400% respectively as at September 30, 2019 relative to December 31, 2018 metrics. Sales pipeline indications suggest that this trend should continue over the next year. The Company anticipates a service launch into U.S. markets by the end of Q1 2020. The average subscription price per community/customer has been increasing over time and continues to do so, as (1) the Company achieves significant price increases upon subscription renewals and (2) ICEsoft's service is adopted by increasingly larger communities over time. Cost of Sales continues to drop as more and more of the Company's qualified sales leads are being sourced via current client referrals.

In the fourth quarter of 2019, Management is expecting to develop variants of its Voyent Alert! service for deployment into one or more alternative market verticals. The most notable of these verticals is in the residential construction industry where a rebranded Voyent Alert! service would deliver a significant value proposition to builders and trades in the area of health and safety. Initial market

assessment focus groups held with prospective clients indicate substantial return on investment for clients and much shorter sales cycle times. Subject to available working capital, first revenues from the residential construction vertical may be realized in Q3 2020.

Management believes that ICEsoft's core/legacy business products stemming from its ICEfaces portfolio will continue to generate sufficient income and cash flow for ICEsoft to remain solvent to meet its financial obligations, although the organization is becoming increasingly challenged to do so based on legacy products alone. ICEsoft's ICEfaces products are maturing in nature and income from this source is expected to decline further over time.

ICEsoft's management team has initiated steps to wind down its ICEpdf portfolio prior to year-end. Management has concluded that the cost and distraction of maintaining the portfolio can no longer be justified relative to the portfolio's diminishing income stream and opportunity cost. While current support contract obligations will be met through their respective end of terms, new product sales and support contract renewals will be phased out. It is anticipated that approximately CAD\$200,000 of sales income will be lost through this action in 2020. Forecast increases in Voyent Alert! subscription sales are anticipated to more than compensate for this minor loss.

ICEsoft anticipates that a minimum of CAD\$900,000 of either debt or equity-based financing will be required to see its Voyent Alert! services successfully launched into the U.S., and the development of its spin-off service completed and launched into follow-on vertical markets.

### 2019 Key Milestones

Business Objective	Description	Target Date	Q2 Progress
Secure Listing Approvals	Secure unconditional approval for listing on a recognized Canadian exchange	Q2 2019	Achieved. ISFT is now trading on the CSE.
Increase available working capital	Increase working capital by minimum CAD\$350,000	Q2 2019	Achieved as of April 2019.
Voyent New Market Introduction	Secure initial Voyent Sales within market outside of Canada and within at least one secondary market vertical	Q3 2019	Delayed to Q2 2020. Resources have been shifted towards critical feature development for current market.
Voyent Sales	Secure 100 communities under service with forecast annualized income exceeding CAD\$500,000	Q4 2019	On Track. Approx. 60 Communities under service as of Q3 2019.
Year-end Revenue and Profitability	Achieve annual sales in excess of CAD\$1,600,000 with Adjusted EBITDA >CAD (\$350,000)	Q4 2019	Revised to annual sales of CAD\$1,500,000 and Adjusted EBITDA >CAD (\$500,000) due to earlier than anticipated wind down of ICEpdf portfolio.

### Summary of Financial and Operational Results

The following table summarizes select financial information for ICEsoft for the three and nine months ended September 30, 2019 and September 30, 2018. All amounts expressed in \$CAD.

<b>Summary Table of Financial and Operational Results</b>	<b>Three Months Ended September 30, 2019</b>	<b>Three Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2019</b>	<b>Nine Months Ended September 30, 2018</b>
Revenue	<b>366,401</b>	352,644	<b>1,081,098</b>	1,148,649
Operating Income (Loss)	<b>(127,860)</b>	(31,936)	<b>(424,737)</b>	(114,566)
Net Income (Loss)	<b>(157,231)</b>	(61,315)	<b>(522,140)</b>	(200,462)
Working Capital	<b>(1,199,469)</b>	(1,770,156)		
Total Assets	<b>233,507</b>	337,835		
Total Liabilities	<b>2,748,744</b>	2,798,707		
Net Income (Loss)	<b>(157,231)</b>	(61,315)	<b>(521,891)</b>	(200,462)
Add Back:				
Financing Costs	<b>27,892</b>	26,755	<b>82,751</b>	75,363
<b>EBITDA</b>	<b>(129,339)</b>	(34,560)	<b>(439,140)</b>	(125,099)
Add Back:				
Stock based compensation	-	-	-	3,121
One-time costs associated with going public	<b>1,300</b>	-	<b>13,100</b>	-
Capital raise commissions	-	-	-	-
<b>Adjusted EBITDA</b>	<b>(128,039)</b>	(34,560)	<b>(426,040)</b>	(121,978)

### Summary of Quarterly Results

The following table summarizes select financial information for ICEsoft for the following quarters. All amounts expressed in \$CAD.

	<b>Q3 2019-09-30</b>	<b>Q2 2019-06-30</b>	<b>Q1 2019-03-31</b>	<b>Q4 2018-12-31</b>	<b>Q3 2018-09-30</b>	<b>Q2 2018-06-30</b>	<b>Q1 2018-03-31</b>	<b>Q4 2017-12-30</b>
Total Assets	233,507	229,783	592,179	132,246	337,835	281,023	256,508	177,123
Net working Capital*	(1,199,584)	(1,136,701)	(1,445,561)	(2,210,763)	(1,770,156)	(2,022,258)	(2,038,311)	(2,654,034)
Deferred Revenue	839,332	870,692	988,203	829,602	868,086	924,996	959,557	799,229
Total Liabilities*	2,748,744	2,654,456	3,007,383	2,781,998	2,798,707	2,976,123	2,949,237	2,831,157
Total Revenue	366,401	(2,123)	350,846	348,205	352,644	348,554	445,027	439,814
Net Income from Operations	(127,860)	(1,768)	(150,599)	(131,756)	(31,936)	(100,603)	17,973	(36,749)
Income (Loss) per share (basic & diluted)	-	-	-	-	-	-	-	-

\*Includes deferred revenue

## **RESULTS OF OPERATIONS**

### **Revenue and Sales**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept 30, 2019</b>	<b>Sept 30, 2018</b>	<b>Sept 30, 2019</b>	<b>Sept 30, 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>366,401</b>	352,644	<b>1,081,098</b>	1,148,649

In reading the financial statements, it is important to note that in a subscription-based business, sales do not translate immediately into revenue over the reporting time period. The Company secures payment in advance of subscription-based sales and revenue is subsequently amortized and recognized over the term of the subscription. Unamortized amounts of the pre-paid subscription show up as a liability under Deferred Revenue on the balance sheet. Consequently, quarterly revenue may drop or appear flat while product sales over the period increase.

Q3 2019 revenues increased \$13,757 or 4% compared to the same period in 2019, while year-to-date 2019 revenues decreased \$67,551 or 6% relative to the first nine months of 2018. The Q3 2019 revenue numbers reflect that increased early Voyent Alert! related sales are beginning to compensate for the decline in legacy product sales.

During Q3 2019, ICEsoft had contracted sales of \$316,922 (including \$56,648 in Voyent Alert! sales) compared to Q3 2018 sales of \$314,987 (including \$2,500 in Voyent Alert! sales), representing a total sales increase of \$1,935 or 1%.

During the nine months ended September 30, 2019, ICEsoft recorded sales of \$1,076,260 (including \$130,778 in Voyent Alert! sales) compared to sales of \$1,175,397 (including \$5,500 in Voyent Alert! sales) for the same period last year, representing a sales decline of \$99,137 or 8%. The difference in the quarterly and year-to-date sales is due to the timing of renewals from legacy customers. The difference between sales and revenue is due to the period over which the sales are amortized.

Voyent Alert! sales are continuing to grow and accelerate. Importantly, during Q3 2019, ICEsoft won an additional 10 Voyent Alert!-related contracts covering 10 new municipalities and an incremental 161,900 persons, and contributed \$56,648 to sales. These new contracts include future significant client obligations to pay additional user/usage fees, as municipality and district clients begin to utilize the features of the Voyent Alert! service to meet their needs. Management anticipates high customer retention rates in the coming years. As at September 30, 2019, Voyent Alert! is providing coverage to 57 communities with a combined addressable population of approximately 557,000 persons. This represents an approximate growth rate of 300% in Q3 2019 and 500% year-to-date, compared with the same periods in 2018.

There was no material shift in revenue across geographic regions.

**Operating, General & Admin Expenses**

	Three Months Ended		Nine Months Ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
	\$	\$	\$	\$
<b>Operating, General &amp; Admin Expenses</b>	<b>494,261</b>	384,580	<b>1,505,835</b>	1,263,215

General & administrative (G&A) expenses in Q3 2019 increased \$109,681 or 29% year-over-year. For the nine months ended September 30, 2019, marketing and research and development (R&D) costs increased \$242,620 or 19% compared to the same period in 2018.

Increased expenses over the three- and nine-month periods were related to increased sales and marketing-related investments and increased R&D efforts focused on the Voyent Alert! platform, offset by lower G&A costs. Approximately \$120,000 year has been invested in developing additional market verticals for the Voyent Alert! service (e.g. the Residential Home Construction Market). ICEsoft remains exceptionally lean, but expects marketing costs to increase as it further expands the Voyent Alert! sales force, continues to develop products for new business verticals, and expands customer service to new Voyent Alert! customers.

	Three Months Ended		Nine Months Ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
	\$	\$	\$	\$
<b>Net Operating Income (Loss)</b>	<b>(127,860)</b>	(31,936)	<b>(424,737)</b>	(114,566)

The business saw net operating income weaken \$95,924 in Q3 2019 relative to the same period last year (\$310,171 for nine months ended September 30, 2019 vs. 2018), largely due to the addition of production level infrastructure costs needed to expand Voyent Alert! and the increase in marketing resources to expand Voyent Alert! product sales to a wider audience.

	Three Months Ended		Nine Months Ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
	\$	\$	\$	\$
<b>Cash-based Net Operating Income</b>	<b>(177,339)</b>	(69,593)	<b>(429,575)</b>	(87,818)

Management believes that given the nature of a software-as-a-service (SaaS)-based enterprise such as ICEsoft, cash sales are a more accurate reflection of top line business activity. As such, sales less the cash-based cost of goods sold and cash-based operating costs result in a cash-based net operating income figure. This measure does not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar captioned terms presented by other users. However, Management believes cash sales less cash expenses is an accurate reflection of the quarterly performance of the business.

	Three Months Ended		Nine Months Ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
	\$	\$	\$	\$
<b>Net Income (Loss)</b>	<b>(157,231)</b>	<b>(61,315)</b>	<b>(521,891)</b>	<b>(200,462)</b>

Net income (loss) and comprehensive loss for the quarter ended September 30, 2019 includes interest expense of \$27,892 vs \$26,755 in Q3 2018, and \$82,751 for year-to-date 2019 compared to \$75,363 for the same period in 2018.

### **Liquidity and Capital Resources**

No new changes to ICESoft's liquidity and capital resources or financing requirements have taken place. Please review the annual MD&A for more details.

### **Shares Outstanding**

See note 9 to the financial statements for an overview of the shares outstanding and share capital of the Corporation. As of September 30, 2019, there were 52,108,739 common A shares outstanding.

### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements at this time.

### **Transactions with Related Parties**

See note 12 to the financial statements for a description of related party transactions.

### **Subsequent Events**

There are no material subsequent events.

### **Risk Factors**

No new risks have been identified.