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

FOR THE YEAR ENDED DECEMBER 31, 2016

April 28, 2017

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### BASIC OF PRESENTATION

Throughout this document, we use the terms "INTEMA", "we", "us", "our" or "Company" to refer to INTEMA Solutions Inc. This management's discussion and analysis of financial position and financial performance must be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2016 and the accompanying notes. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which are effective December 31, 2016 and adopted by the Company in its annual financial statements. Those financial statements are available on Sedar ([www.sedar.com](http://www.sedar.com))

### FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES

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

### FINANCIAL MEASURES NON-IFRS

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

### PERFORMANCE IN THE FOURTH QUARTER 2015

Revenues in the fourth quarter of 2016 totalled \$257,918. For the same period of 2015, revenues were \$133,965.

The net loss for the fourth quarter of 2016 was \$464,002 compared to net loss of \$227,397 for the fourth quarter of 2015, mainly caused by the impairment loss on Research and Development Tax Credit of \$250,000 in the fourth quarter 2016 compared to the same quarter 2015.

Cash flows from operating activities decreased by \$146,177 during the fourth quarter of 2016 while for the same period in 2015 we recorded a decrease of \$86,436.

EBITDA for the fourth quarter of 2016 is (\$121,501) (47,1%) and the fourth quarter ended in December 2015 was (\$237,734) (177,5%).

### PERFORMANCE IN THE YEAR ENDED DECEMBER 31, 2016

Revenues for the year ended on December 31, 2016 totalled \$892,094. For the same period of 2015, revenues were \$926,941.

The net loss for the year ended on December 31, 2016 is \$1,048,616 compared to net loss of \$983,675 for the year ended on December 31, 2015, mainly caused by the impairment loss on Research and Development Tax Credit of \$250,00 in 2016 compared to the same period 2015.

Cash flows from operating activities decreased by \$337,683 during the year of 2016 while for the same period in 2015 we recorded an decrease of \$661,002.

EBITDA for the year of 2016 is (\$502,551)(56,3%) and (\$778,390) (82,3%) for the year ended in December 31, 2015.

## FINANCIAL HIGHLIGHTS

## For Years ended December 31, 2016 and 2015

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

	Quarter ended December 31		Years ended December 31	
	2016	2015	2016	2015
<b>FINANCIAL PERFORMANCE</b>				
Revenues	257,918	133,965	892,094	926,941
EBITDA <sup>(1)</sup>	(121,501)	(237,734)	(502,551)	(778,390)
EBITDA margin <sup>(1)</sup>	(47,1%)	(177,5%)	(56,3%)	(82,3%)
Net earnings	(464,002)	(227,397)	(1,048,616)	(983,675)
Net earnings (loss) per share - basic	(0.0061)	(0.0033)	(0.0146)	(0.0148)
Cash flows provided by continuing activities	(131,293)	236,949	(337,683)	(661,002)
<b>FINANCIAL SITUATION</b>				
Total assets			1,713,720	2,187,990
Shareholder's equity			813,695	1,385,852
Shareholder's equity per common share			\$0.010	\$0.020
Working capital			(227,659)	(24,847)
Current ratio			0.72	0.97
Long-term debt (current and long-term portions) and debentures			96,466	46,170
Ratio of long-term debts and debentures on Equity			0,12	0,03

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

## OVERALL PERFORMANCE

We began an aggressive marketing campaign that resulted in going from 250 to more than 10,000 eFlyerMaker users at the end of 2016.

We approached the market with a "FREEMIUM" strategy because that is what customers expect in this crowded environment. Our conversion rate at 18% is over the average recognized rate in the community.

The cost of adding new clients has not yet reached a break-even point and therefore requires more investment in marketing. However, the market being so huge, we are justified in our objective of reaching high revenues.

The size of the email marketing market is counted in billions of dollars throughout the world. It is a growing market. To succeed in this environment, the quality of the product is essential and differentiation features are why our product will be selected by customers over competitive ones. Our development team excels in this area.

eFlyerMaker is the only email-marketing platform able to provide predictive algorithms that automate the selection and the integration of content in an email campaigns. Plus our team is most attentive to the design possibilities of the tool. This makes eFlyerMaker easier to use and produces email with more aesthetic.

eFlyerMaker was selected twice in 2016 as a top 10 products by specialized software evaluation blogs. It also reached the top twenty list on Captera, probably one of the most difficult positions to reach due to the very high qualification standards.

We will continue to improve our product to ensure that we remain as a top product but also reach even higher ranking on the best products selection lists.

## OPERATING RESULTS

## REVENUES

The Company provides its customers two email platforms and technology to manage the content and activities related to e-mail campaigns. We recently began marketing a tool that significantly increases the results of email campaigns. In addition, the Company offers its customers professional services required in the implementation of email campaigns, both in design and technically. The Company also offers hosting services website, domain name registration and SEO. There is very little variation in the cost of goods and labour. The variation is at the level of the increased cost of living.

For the quarter ended December 31, 2016, revenues of the Company amounted to \$257,918 compared to \$133,965 for the previous quarter.

The Company has recorded an increase in sales of 92,5% compared to the same quarter of 2015.

The increase in revenues was attributable to new contracts with companies covered in business development undertaken in recent years and the acquisition of the commercial activities of Cabestan Canada.

For the year 2016, revenues totalled \$ 892,094, an decrease of \$ 34,847 (3,8%) on revenues for the same period of 2015.

#### REVENUES FROM CONTINUING OPERATIONS BY GEOGRAPHICAL AREA

PERIOD OF TWELVE MONTHS ENDED DECEMBER 31,	2016		2015		Variation	
	\$CAN	%	\$CAN	%	\$CAN	%
Canada	864,809	99.7%	918,568	99.1%	(53,759)	0.06
United States	27,285	0.3%	8,373	0.9%	18,192	225,8
<b>Revenue</b>	<b>892,094</b>	<b>100%</b>	<b>926,941</b>	<b>100%</b>	<b>(34,847)</b>	<b>(3,8)</b>

During the year ended on December 31, 2016, the geographical origin of percentage customers has been relatively stable for Canada. The Company focuses its sales efforts in Canada and especially in Quebec for now.

#### GROSS MARGIN

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

The cost of services provided includes mainly the wages of our employees and the direct cost of the contracts. Since the Company operates in the field of internet services, the cost of services provided is highly correlated to the products. In 2016, the Company recorded a tax credit for research and development of \$84,383 (\$235,938 in 2015) against the cost of services provided. In 2016 the tax credit for research and development decreased by \$151,555 and it is recognized in reduction of the cost of services. The decrease his mainly due to the change of rate as tax credit and to the non-recoverable tax credit not accounted for in the financial statement.

For the year ended December 31, 2016 gross margin was \$325,748, increasing by \$13,470 on gross margin for 2015. Gross margin as a percentage of sales amounted to 36,5% for the year 2016 compared to 33,7% for the same period of 2015.

#### SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the period ended December 31, 2016 totalled \$836,928 compared to \$884,573 in 2015. Most of selling, general and administrative expenses are fixed. Therefore, even if the revenues have increased, these expenses do not necessarily follow the same trend.

#### RECHERCH AND DEVELOPMENT EXPENSES

The net loss of \$1,048,616 includes an impairment loss of \$250,000 on Research and Development Tax credit non recoverable.

For 2016 the cost of research and development totalled \$146,759, an increase of \$82,675 over the corresponding period of 2015.

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

#### EBITDA

EBITDA for the year ended December 31, 2016 amounted to (\$502,551) compared to EBITDA of (\$778,390) for year 2015. The reduction of expenses is the main reason for the increase of \$275,839 in EBITDA compared to the same period of 2015.

#### NET EARNING

During the year ended December 31, 2016, the Company recorded a net loss of (\$1,048,616) compared to a net loss of (\$983,675) for the corresponding period of 2015. For the year 2016, the increase in net loss is mainly caused by the impairment loss on Research and Development Tax Credit of \$250,000 and the reduction of operating expenses of \$205,165.

An amount of \$145,193 for provincial tax credits in 2015, as the amount subject to the declaration of 2015, was received in August 2016. This amount was used partly to repay the loan \$100,000 for the financing of tax credits receivable and payment of other current assets.

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

## CAPITAL STRUCTURE

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

Number of outstanding common shares as at:	December 31 2016	December 31 2015
Balance at the beginning of the year	67,923,781	53,793,779
Issuance of common shares	11,838,462	14,130,002
Balance at the end of the year	79,762,243	67,923,781

As at April 28th, 2017, the number of common shares outstanding was 79,762,243.

On December 7, 2016, in connection with a private placement, the Company issued 630,769 common shares at a price of \$ 0.065 per share for a total amount of \$ 41,000. A share issue expense totalling \$ 1,698 was recorded as a reduction of the value of the private placement.

On November 8, 2016, the Company issued 300,000 common shares at a price of \$ 0.05 per share to a holder of debenture who exercised its right to convert into shares for \$ 15,000. The subscription amount was increased by the fair value that was attributed to these equity components of the convertible debenture of \$ 3,540.

On October 26, 2016, in connection with a private placement, the Company issued 907,693 common shares at a price of \$ 0.065 per share for a total amount of \$ 59,000. A share issue expense totalling \$ 7,800 was recorded as a reduction of the value of the private placement.

On August 26, 2016, in connection with a private placement, the Company issued 10,000,000 common shares at a price of \$ 0.05 per share for a total amount of \$ 500,000, together with 10,000,000 warrants. The amount of the offering is net of warrants value of \$205,387. A share issue expense totalling \$ 109,731 was recorded as a reduction of the value of the private placement.

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

Outstanding stock option	December 31 2016	December 31 2015
Balance at the beginning of the year	2,575,000	1,775,000
Options granted during the year	-	900,000
Options cancelled / expired during the year	-	(100,000)
Options exercised	-	-
Balance at the end the period	2,575,000	2,575,000
<b>Weighted average exercise price</b>	<b>0.102 \$</b>	<b>0.102 \$</b>

During the year ended December 31, 2016, the Company did not grant any stock options to employees (700,000 in 2015) or any to non-employees (200,000 in 2015).

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

## CASH FLOW

YEARS ENDED DECEMBER 31 :	2016	2015	Variance
Cash flow provided by operating activities (used in)	(\$337,683)	(\$661,002)	\$323,319
Cash flow provide by investing activities	(\$162,208)	(\$443,996)	\$281,788
Cash flow provided by (used in) financing activities	\$421,040	\$941,864	(\$520,824)
<b>Net decrease in cash and cash equivalent</b>	<b>(\$78,851)</b>	<b>(\$163,134)</b>	<b>\$84,283</b>

#### OPERATING ACTIVITIES

Cash flow from operating activities was (\$337,683) in the year ended December 31, 2016, while for the same period in 2015, it has been (\$661,002). The variation of \$323,319 is mainly due by the impairment loss on Research and Development Tax Credit of \$250,000 for the year, net of the change in non-cash operating activities.

#### INVESTING ACTIVITIES

Cash flows from investing activities for the year 2015 was (\$443,996) and (\$162,208) in 2016. The change is mainly due to software development.

#### FINANCING ACTIVITIES

Cash flows used in financing activities was \$421,040 for the year ended December 31, 2016, (\$941,864 for 2015), due to a share issue of \$559,000, (\$1,050,000 in 2015) debentures issued of \$100,000 (none in 2015) the repayment of short and long-term debt of \$15,000, (\$11,280 in 2015) and the repayment of finance leases obligations of \$51,322 (\$46,279) in 2015.

#### WORKING CAPITAL

Comparable working capital components

	December 31 2016	December 31 2015	Increase (decrease) in working capital
Cash	3,607	82,458	(78,851)
Trade and other receivables	450,255	321,388	128,867
Work in progress	20,087	90,838	(70,751)
Prepaid expenses	21,421	90,730	(69,309)
Tax credit recoverable	97,306	145,193	(47,887)
Employees benefits	(345,537)	(235,652)	(109,885)
Trade and other payables	(294,558)	(282,244)	(12,314)
Deferred revenue	(116,780)	(140,066)	23,286
Current portion of Financial leases obligation	(32,290)	(51,322)	19,032
Current portion of the non-current financial liabilities	(31,170)	(46,170)	15,000
	<b>(227,659)</b>	<b>(24,847)</b>	<b>(202,812)</b>

During the year ended December 31, 2016, the Company's working capital decreased by \$202,812 compared to December 31, 2015.

#### ANALYSIS OF CASH FLOW

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

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

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

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

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

**IMPORTANT ELEMENTS OF RISK**

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

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

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

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

**INTEGRITY OF FINANCIAL INFORMATION**

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

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

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

**COMMITMENTS**

The Company is committed under leases to pay a total of \$ 467,507 by December 31, 2019. The payments are as follows over the next three years: 2017 - \$156,273; 2018 - \$155,617 and 2019 - \$155,617.

**EVENTS AFTER THE REPORTING PERIOD**

No subsequent event

**SUMMARY OF QUARTERLY RESULTS**

	2016	2016	2016	2016	2015	2015	2015	2015
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	257,918	182,398	248,452	203,452	133,965	149,426	305,795	337,755
EBITDA <sup>(1)</sup>	(121,501)	(187,879)	(56,252)	(136,918)	(237,734)	(217,215)	(163,305)	(160,136)
EBITDA margin <sup>(1)</sup>	(47,1%)	(103,0%)	(22,7%)	(67,1%)	(177,5%)	(145,4%)	(53,4%)	(47,4%)
Net earnings (loss)	(464,002)	(233,915)	(137,115)	(207,024)	(227,397)	(279,330)	(190,611)	(286,337)
Net earnings (loss) per share								
- basic	(0.0061)	(0.0035)	(0.0020)	(0.0042)	(0.0033)	(0.0044)	(0.0033)	(0.0042)
Common Shares Issued	71,652,401	68,882,685	67,923,781	67,923,781	67,923,781	67,923,781	67,923,781	67,853,781
Cash flow from operating activities	(131,293)	(146,177)	(38,035)	(22,178)	236,949	(86,436)	(440,367)	(371,148)

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

## QUARTERLY VARIATIONS

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

## CONTROL SYSTEMS REGARDING FINANCIAL INFORMATION

Management is responsible for the establishment and maintenance of control systems with regard to financial reporting to provide reasonable assurance regarding the reliability of financial information under IFRS. President and Chief Executive Officer and the consulting Chief Financial Officer, based on their evaluation of these controls for the quarter ended December 31, 2016, concluded that the design of internal control is effective in regard to financial reporting and has not made any changes to the internal controls over financial reporting during the year ended December 31, 2016, which could influence or be likely to materially affect internal control Intema with respect to financial reporting.

## CONTROLS AND DISCLOSURE PROCEDURES

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

## FINANCIAL INSTRUMENTS

### FAIR VALUE

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

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

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

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

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

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

## FINANCIAL RISKS POLICY

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

### A) MARKET RISK

#### *Currency risk*

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

#### *Interest rate risk*

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

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

Increase / decrease of 50 basis points in interest rates would increase / decrease the net income and comprehensive income by \$193 / (\$193) (\$310 / (\$310) in 2015).

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

*Price risk*

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

**B) CREDIT RISK**

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

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

The Company provides credit to its customers in the normal course of business. It carries out ongoing credit evaluations with regard to its customers and closely monitors outstanding balances. At December 31, 2016, 70 % of accounts receivables, deductions of allowance for doubtful accounts receivable, were due from one customer (30% at December 31, 2015 were due from two customers).

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

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

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

**LIQUIDITY RISK**

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

**SEDAR**

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

**APRIL 28, 2017**

(signed)

Roger Plourde  
Chief Executive Officer

(signed)

Robert Deslandes, c.p.a. c.m.a. m.b.a  
Consulting Chief Financial Officer