VALDOR TECHNOLOGY INTERNATIONAL INC.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

(Stated in US Dollars)

Crowe MacKay LLP
Member Crowe Horwath International
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
+1.604.687.4511 Tel
+1.604.687.5805 Fax
+1.800.351.0426 Toll Free
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of
Valdor Technology International Inc.

We have audited the accompanying consolidated financial statements of Valdor Technology International Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and comprehensive loss, shareholders' deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Valdor Technology International Inc. and its subsidiaries as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Valdor Technology International Inc. to continue as a going concern.

Other matter
The consolidated financial statements of Valdor Technology International Inc. for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2014.

"Crowe MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
April 30, 2015

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013
(Stated in US Dollars)

	2014	2013
ASSETS		
Current		
Cash	$ 130,772	$ 214,372
Accounts receivable	78,210	27,144
Inventories	463,872	30,821
Prepaid expenses and deposit – Note 12	73,527	111,265
	746,381	383,602
Equipment – Note 6	161,624	7,238
Intangible assets – Note 7	279,300	-
Total Assets	$ 1,187,305	$ 390,840
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 565,642	$ 165,584
Deferred revenue	57,992	-
Advances on private placement – Notes 8 and 12	-	446,595
Promissory note payable – Note 5	350,000	-
Due to related parties – Note 9	194,624	26,782
Current portion of lease obligation – Note 15a	10,867	-
Current portion of contingent consideration – Note 5	7,616	-
	1,186,741	638,961
Convertible debentures – Note 10	313,324	-
Lease obligation – Note 15a	19,955	-
Contingent consideration – Note 5	276,888	-
	1,796,908	638,961
SHAREHOLDERS' DEFICIENCY		
Equity portion of convertible debentures – Note 10	45,385	-
Share capital – Note 11	21,889,807	20,088,194
Subscriptions received in advance – Note 18b	166,466	-
Contributed surplus	3,286,632	3,164,162
Accumulated other comprehensive income	24,854	5,314
Accumulated deficit	(25,403,911)	(22,937,427)
Attributable to parent	9,233	320,243
Attributable to non-controlling interest	(618,836)	(568,364)
Total Shareholders' Deficiency	(609,603)	(248,121)
Total Liabilities and Shareholders' Deficiency	$ 1,187,305	$ 390,840

Nature of Operations – Note 1
Commitments – Notes 10 and 11c
Contingency – Notes 5 and 17
Subsequent Events – Note 18

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Elston Johnston"	Director	*"Brian Findlay"*	Director
Elston Johnston		Brian Findlay	

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
for the years ended December 31, 2014 and 2013
(Stated in US Dollars)

	2014	2013
Revenue – Note 14	$ 1,082,031	$ 134,062
Cost of goods sold – Schedule 1	724,787	83,837
Gross profit	357,244	50,225
Expenses		
Administration and general – Schedule II	2,300,886	1,434,839
Amortization and depreciation	105,497	344
Marketing	162,456	96,867
Research and development	76,551	101,304
Interest and accretion	101,339	3,826
Share-based payments – Notes 11 and 12	122,470	198,755
	2,869,199	1,835,935
Loss before other items	(2,511,957)	(1,785,710)
Other items:		
Foreign exchange gain (loss)	(4,999)	-
Write-off of accounts payable	-	14,562
Net loss for the year	(2,516,956)	(1,771,148)
Other comprehensive income		
Exchange differences on translating into presentation currency	19,540	37,539
Total comprehensive loss for the year	$ (2,497,416)	$ (1,733,609)
Net loss attributable to non-controlling interest	$ (50,472)	$ (21,206)
Net loss attributable to parent	(2,466,484)	(1,749,942)
Net loss for the year	$ (2,516,956)	$ (1,771,148)
Total comprehensive loss attributable to non-controlling interest	$ (50,472)	$ (21,206)
Total comprehensive loss attributable to parent	(2,446,944)	(1,712,403)
Total comprehensive loss for the year	$ (2,497,416)	$ (1,733,609)
Basic and diluted loss per share	$ (0.03)	$ (0.03)
Weighted average number of shares outstanding	92,437,775	69,372,125

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2014 and 2013
(Stated in US Dollars)

	2014	2013
Operating Activities		
Net loss from operations for the year	$ (2,516,956)	$ (1,771,148)
Charges to income not affecting cash:		
Amortization and depreciation	120,812	344
Accretion	50,239	-
Accrued interest	40,725	-
Bad debt expense	79,873	-
Write-off of accounts payable	-	(14,562)
Unrealized foreign exchange loss (gain)	4,999	(3,346)
Share-based payments	122,470	198,755
	(2,097,838)	(1,589,957)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	169,736	(6,841)
Inventories	325,236	17,730
Prepaid expenses and deposit	37,738	(100,006)
Accounts payable and accrued liabilities	180,976	(146,842)
Deferred revenue	57,992	-
	(1,326,160)	(1,825,916)
Financing Activities		
Increase (decrease) in due to related parties	167,842	(412,447)
Advances on private placement	-	416,967
Subscriptions received in advance	166,466	-
Proceeds from issuance of common shares	1,688,376	2,023,382
Repayment of promissory note payable	(250,000)	-
Repayment of lease obligation	(4,812)	-
Proceeds from convertible debentures	46,563	-
	1,814,435	2,027,902
Investing Activities		
Acquisition of Videoware assets	(500,000)	-
Acquisition of equipment	(54,163)	(7,582)
	(554,163)	(7,582)
Effect of unrealized foreign exchange loss on cash	(17,712)	(7,171)
Increase (decrease) in cash during the year	(83,600)	187,233
Cash, beginning of the year	214,372	27,139
Cash, end of the year	$ 130,772	$ 214,372

Supplementary Disclosure of Statements of Cash Flows Information	2014	2013
Share issue costs paid by issuance of shares	$ 65,991	$ 67,761
Equipment acquired under lease obligation	$ 35,634	$ -
Interest received (paid)	$ -	$ (4,443)
Income taxes received (paid)	$ -	$ -
Dividends received (paid)	$ -	$ -

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

for the years ended December 31, 2014 and 2013

(Stated in US Dollars)

	Share capital					Accumulated Other		Non-	
	Issued Shares	Amount	Subscriptions received in advance	Equity portion of convertible debentures	Contributed Surplus	Comprehensive Income (loss)	Accumulated Deficit	Controlling Interest	Total
Balance, December 31, 2012	58,304,720	$ 17,872,166	$ -	$ -	$ 3,158,054	$ (32,226)	$ (21,187,485)	$ (547,157)	$ (736,649)
Shares issued for cash:									
Pursuant to a private placement									
– at CND$0.10	20,175,000	1,953,554	-	-	-	-	-	-	1,953,554
On exercise of share purchase options									
– at CND$0.10	725,000	69,827							69,827
Shares issued as finders fees	699,000	67,761	-	-	-	-	-	-	67,761
Share issue cost	-	(67,761)	-	-	-	-	-	-	(67,761)
Fair value of options exercised	-	192,647	-	-	(192,647)	-	-	-	-
Share-based payments	-	-	-	-	198,755	-	-	-	198,755
Exchange differences on translating to presentation currency	-	-	-	-	-	37,539	-	-	37,539
Net loss for the year	-	-	-	-	-	-	(1,749,942)	(21,206)	(1,771,148)
Balance, December 31, 2013	79,903,720	20,088,194	-	-	3,164,162	5,314	(22,937,427)	(568,364)	(248,121)
Shares issued for cash:									
Pursuant to a private placement									
– at CND$0.10	19,480,000	1,801,613	-	-	-	-	-	-	1,801,613
Shares issued as finders fees	722,000	65,991	-	-	-	-	-	-	65,991
Share issue cost	-	(65,991)	-	-	-	-	-	-	(65,991)
Share subscriptions received	-	-	166,466	-	-	-	-	-	166,466
Fair value of conversion feature	-	-	-	45,385	-	-	-	-	45,385
Share-based payments	-	-	-	-	122,470	-	-	-	122,470
Exchange differences on translating to presentation currency	-	-	-	-	-	19,540	-	-	19,540
Net loss for the year	-	-	-	-	-	-	(2,466,484)	(50,472)	(2,516,956)
Balance, December 31, 2014	100,105,720	$ 21,889,807	$ 166,466	$ 45,385	$ 3,286,632	$ 24,854	$ (25,403,911)	$ (618,836)	$ (609,603)

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations

The Company was incorporated under the British Columbia Company Act on March 19, 1984 and is publicly traded on the TSX Venture Exchange. During the year ended December 31, 2013, the Company's principal business was developing, manufacturing and marketing of fiber optic products. During the year ended December 31, 2014, the Company expanded its business to include the developing, manufacturing and marketing of video streaming products following the completion of a business acquisition (Note 5).

The address of the Company's corporate office is 450 - 789 West Pender Street, Vancouver, BC V6C 1H2 and the Company's operations are at 1321 Valwood Parkway, Suite 660, Carrollton, Texas 75006.

Note 2 Basis of Preparation

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and which were in effect as of December 31, 2014.

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2015.

b) Going Concern of Operations

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2014, the Company has not achieved profitable operations, has accumulated losses of $25,403,911 (2013 - $22,937,427) since inception and expects to incur further losses in the development of its business, and has a working capital deficiency of $440,360 (2013 - $255,359), all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 Basis of Preparation – (cont'd)

c) Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. See Note 4 for use of estimates and judgements made by management in the application of IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss and available-for-sale financial assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements have been presented in US dollars.

Note 3 Summary of Significant Accounting Policies

The significant accounting policies set out below have been applied consistently in all material respects to all years presented in these consolidated financial statements, unless otherwise indicated.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the accounts of the following companies which the Company has control:

Company	State of Incorporation	Percentage Held 2014	2013
Fiberlight Optics, Inc.	Delaware	94%	94%
Valdor Fiber Optics, Inc.	Delaware	94%	94%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All significant inter-company transactions and balances have been eliminated.

b) Cash Equivalents

The Company considers all highly liquid instruments which are readily convertible into cash with maturities of three months or less when purchased to be cash equivalents. As at December 31, 2014 and 2013, the Company did not hold any cash equivalents.

Note 3 Summary of Significant Accounting Policies – (cont'd)

c) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in-first-out method and includes the cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	2014	2013
Raw material	$ 209,288	$ 30,821
Work-in-process	125,260	-
Finished goods	129,324	-
Total inventories	$ 463,872	$ 30,821

d) Equipment

Equipment is measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The carrying amounts of equipment are depreciated from the date of use to their estimated residual value over the estimated useful lives of the assets. Estimates of residual values and useful lives are reassessed annually and any changes in estimate are taken into account in the determination of remaining depreciation charges.

The Company is depreciating its equipment on a straight line basis over a five year period.

e) Intangible Assets

Intangible assets include patents and trademarks used in the manufacture of its video streaming devices and customer relationships. The intangible assets are carried at cost less accumulated amortization. The carrying values of intangible assets are amortized over the estimated useful lives based on management's best estimates. Estimates of the useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining amortization charges. Patents and trademarks are amortized on a straight-line basis over 10 years. Customer relationships are amortized on a straight-line basis over 3 years.

External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

Note 3 Summary of Significant Accounting Policies – (cont'd)

f) Impairment

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the assets or cash generating units ("CGU") to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

An impairment loss would be measured as the difference between the carrying amount of the asset or CGU and its recoverable amount. Value in use is determined using a detailed discounted cash flow analysis using management's estimates, including a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognized in respect of the CGU is allocated first to reduce the carrying amount of any goodwill of the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Where intangible assets have been allocated to the CGU and part of the operation within the CGU is disposed of, the intangible assets associated within the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Intangible assets disposed of in such cases are measured based on the relative values of the operation disposed of and the portion of the CGU retained.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Note 3 Summary of Significant Accounting Policies – (cont'd)

g) Foreign Currency Translation

The Company's functional currency is the Canadian dollar as it is the currency in which the majority of the funding is obtained to continue operations and uses the US dollar as its reporting currency. The functional currency of the subsidiaries is US dollars as it is the currency in which the majority of its sales and expenses are incurred.

Monetary assets and liabilities of a company that are denominated in a currency other than the functional currency are translated at the exchange rate in effect at the period end. Revenue and expense items are translated at the average rates of exchange prevailing during the year. Gains or losses from translation are recognized in profit or loss in the period in which they occur.

The financial results and position of operations whose functional currency is different from the Company's presentation currency is translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation to the presentation currency are transferred directly to the Group's foreign currency translation reserve in accumulated other comprehensive loss/income.

h) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

i) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive loss/income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Note 3 Summary of Significant Accounting Policies – (cont'd)

i) Income Taxes – (cont'd)

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities, if any, are presented as non-current.

j) Revenue Recognition

The Company recognizes revenue from the sale of products upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Extended warranty revenue is recognized over the extended warranty period when that period begins. Revenue from licensed software is recognized over the license term and revenue from software maintenance and technical support contracts is recognized over the period these services are provided.

k) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. The Company's options and warrants are classified as equity when a fixed amount of warrants are issuable for a fixed amount of cash.

Note 3 Summary of Significant Accounting Policies – (cont'd)

k) Share Capital – (cont'd)

The Company follows the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component. The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value on the announcement date and the balance, if any, is allocated to the attached warrants.

The proceeds from the exercise of stock options, share purchase warrants and escrow shares are recorded as share capital in the amount for which the stock options, share purchase warrants or escrow shares enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred charges. Share issue costs related to uncompleted share subscriptions are charged to operations.

l) Share-based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of shares that will eventually vest on a tranche by tranche basis. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Share-based payments to non-employees are measured at fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Note 3 Summary of Significant Accounting Policies – (cont'd)

l) Share-based Payments – (cont'd)

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available for sale ("AFS") financial assets and loans and receivables.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income/loss until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings. Held-to-maturity investments and loans and receivables are measured at amortized cost.

The Company has classified cash and accounts receivable as loans and receivables.

At each reporting date, the company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Note 3 Summary of Significant Accounting Policies – (cont'd)

m) Financial Instruments – (cont'd)

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's other financial liabilities include accounts payables and accrued liabilities, due to related parties, advances on private placements, promissory note payable, lease obligation, contingent consideration and convertible debentures. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. When the conversion option is exercised, the consideration received is recorded as share capital and the equity component of the compound financial instrument is transferred to share capital.

Note 3 Summary of Significant Accounting Policies – (cont'd)

m) Financial Instruments – (cont'd)

When the Company extinguishes convertible debentures before maturity through early redemption or repurchase where the conversion option is unchanged, the Company allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of settlement. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with the method used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued. The amount of gain or loss relating to the early redemption or repurchase of the liability component is recognized in profit or loss. The amount of consideration relating to the equity component is recognized in equity.

n) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured at the consideration paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. At the acquisition date, any goodwill acquired is allocated to the CGU expected to benefit from the combination's synergies. Acquisition costs are expensed as incurred.

o) New standards, amendments and interpretations

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2014. The following new standards, amendments and interpretations that have been adopted in these consolidated financial statements:

IAS 32 - 'Financial Instruments: Presentation'
This amendment provides clarification on the application of offsetting rules. The adoption of this amendment by Company had no material impact.

IAS 36 - 'Impairment of Assets'
This amendment provides for the disclosure requirements of IAS 36, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The adoption of this amendment by Company had no material impact.

Note 3 Summary of Significant Accounting Policies – (cont'd)

o) New standards, amendments and interpretations – (cont'd)

IFRS 10 - 'Consolidated Financial Statements' and IFRS 12 - 'Disclosures of Interests in Other Entities' and IAS 27 - 'Separate Financial Statements"

These amendments provide for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity. The adoption of this amendment by Company had no material impact.

p) Future Accounting Pronouncements

The following new standards and amendments are not yet effective and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards and amendments.

- IFRS 9, *Financial Instruments* introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. This standard is effective for reporting periods beginning on or after January 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers* provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2017.

- The amendments to IFRS 2 *Share-based Payment* clarify vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. This standard is effective for reporting periods beginning on or after July 1, 2014.

- The amendments to IAS 24 Related Party Disclosures clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. This standard is effective for reporting periods beginning on or after July 1, 2014.

Note 4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Critical estimates which are most subject to uncertainty and have the most significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next twelve months are as follows:

a) Recoverability of accounts receivable and allowance for doubtful accounts

The Company makes allowances for doubtful accounts based on an assessment of the recoverability of account receivables. Allowances are applied to account receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables.

b) Valuation of inventories and allowance for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product offerings. Assumptions underlying the allowance for inventory obsolescence include future sales trends and offerings and the expected inventory requirements and inventory composition necessary to support these future sales offerings. The estimate of the Company's allowance for inventory obsolescence could materially change from period to period due to changes in product offerings and consumer acceptance of those products.

c) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

d) Contingent consideration

Pursuant to the business acquisition, the Company shall pay a royalty to the Videoware on future sales (note 5). A contingent liability has been recognized at management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Note 4 Use of Estimates and Judgments – (cont'd)

e) Warranty obligations

A subsidiary of the Company provides a limited warranty on its products for a standard period of one year from the date goods are sold, and customers may purchase extended warranty for up to an additional two years. A provision was not recognized based on management's best estimate that the amount required to settle the obligation is not material as at December 31, 2014 and 2013.

f) Convertible debentures

The determination of the fair value of the convertible debentures required management to make estimates regarding the market rate of interest that the Company would have obtained for a similar unsecured loan without a conversion option. The allocation between debt and equity for the convertible debentures was determined based on the results of the fair value analysis above. Any change in these estimates or inputs use to determine fair value could result in a significant impact of the Company's future operating results.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

a) Business combinations

The Company's acquisition has been determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase.

The Company's application of the recognition principle may result in recognizing some assets (often intangible) and liabilities that the acquiree had not previously recognized as assets and liabilities in its financial statements. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values.

One of the most significant areas of estimation and judgment relates to the valuation of intangible assets. Valuation techniques applied to intangible assets are usually based on an estimate of total expected future net cash flows. Management must make assumptions regarding the future performance of the assets concerned and the appropriate discount rate. The measurement of each business combination requires management estimation in determining the fair value of assets and liabilities acquired as well as the fair value of any intangible assets identified. Management is required to estimate future cash flows, discount rates and market conditions at the date of acquisition in order to determine the fair value of certain identified intangible assets.

Note 4 Use of Estimates and Judgments – (cont'd)

b) Recoverability of intangible assets

Changes in the circumstances or expectations of future performance of an intangible asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement.

Where there is an indication of impairment, the carrying value of intangible asset is compared to the recoverable amount, which may be determined based on a value in use calculation. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the intangible asset given the necessity of making key economic assumptions about the future.

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of tax assets not recognized. Tax assets not recognized are based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

d) Functional currency

The analysis of the functional currency for each entity of the Company is a significant judgment. In concluding that the Canadian dollar is the functional currency of the parent and the US dollar is the functional currency of the subsidiaries, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the Company operates.

Note 5 Business Acquisition

By an agreement dated February 14, 2014, the Company acquired 100% of the business and certain assets of Videoware Inc. ('Videoware'), a wholly owned subsidiary of ViewCast.com Inc. located in Grapevine, Texas for consideration of $1,384,000 and the assumption of debt.

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the acquisition date. The allocation of the purchase price to the total identifiable net assets acquired is as follows:

Accounts receivables	$ 300,675
Inventories	758,287
Machinery and equipment	80,700
Intangible property (patents and trademarks)	100,000
Intangible property (customer relationships)	284,000
	1,523,662
Assumption of liabilities	(139,662)
Fair value of identifiable net assets acquired	$ 1,384,000
Consideration paid:	
Cash	$ 500,000
Promissory note (non-interest bearing, due March 21, 2014)	600,000
Contingent consideration	284,000
	$ 1,384,000

The fair value of the accounts receivable, inventories, and machinery and equipment acquired and liabilities assumed as part of the purchase approximates their gross carrying values. The Company incurred legal fees on the acquisition in the amount of $25,231, which was shown as part of legal and accounting fees in the Schedule 1 to the consolidated financial statements.

During the year ended December 31, 2014, the Company recognized an impairment loss in the amount of $188,742 with respect to the inventories acquired and bad debt expense in the amount of $79,873 with respect to the accounts receivables acquired.

In addition, the Company will pay Videoware a royalty of 7% of the gross product sales for a period of five years commencing on July 1, 2014 with a maximum paid royalty of $1,750,000. The fair value of the contingent consideration associated with these royalties was based on management's projection of royalties over the royalty period in the amount of $584,500 using a discount rate of 25%. The projected gross royalties of $584,500 are based on a range of gross sales from $1,000,000 to $2,500,000.

Note 5 Business Acquisition – (cont'd)

Contingent consideration, February 14, 2014	$ 284,000
Royalties incurred during 2014	(38,695)
Accretion	35,504
Change in estimated outflows	3,695
Contingent consideration, December 31, 2014	$ 284,504
Current portion	$ 7,616
Long-term portion	276,888
Contingent consideration, December 31, 2014	$ 284,504

As at December 31, 2014, the Company has a balance owing of $350,000 remaining on the promissory note and has defaulted on the note. To secure payment of the debt, the Company granted VideoWare a security interest in the assets described above.

Note 6 Equipment

	Information system	Office equipment	Machinery and equipment	Total
Cost				
Balance December 31, 2012	$ -	$ -	$ -	$ -
Additions	-	4,967	2,615	7,582
Balance December 31, 2013	-	4,967	2,615	7,582
Additions	89,798	-	-	89,798
Additions – Note 5	-	-	80,700	80,700
Balance December 31, 2014	$ 89,798	$ 4,967	$ 83,315	$ 178,080
Depreciation and impairment loss				
Balance December 31, 2012	$ -	$ -	$ -	$ -
Depreciation	-	184	160	344
Balance December 31, 2013	-	184	160	344
Depreciation	-	797	15,315	16,112
Balance December 31, 2014	$ -	$ 981	$ 15,475	$ 16,456
Carrying amounts				
Balance, December 31, 2013	$ -	$ 4,783	$ 2,455	$ 7,238
Balance, December 31, 2014	$ 89,798	$ 3,986	$ 67,840	$ 161,624

The net carrying amount of asset under capital lease as at December 31, 2014 is $35,634 (2013 - $Nil).

Note 7 Intangible Assets

	Patents and Trademarks	Customer relationships	Total
Cost			
Balance December 31, 2012 and 2013	$ -	$ -	$ -
Additions – Note 5	100,000	284,000	384,000
Balance December 31, 2014	$ 100,000	$ 284,000	$ 384,000
Amortization and impairment loss			
Balance December 31, 2012 and 2013	$ -	$ -	$ -
Amortization	10,000	94,700	104,700
Balance December 31, 2014	$ 10,000	$ 94,700	$ 104,700
Carrying amounts			
Balance, December 31, 2013	$ -	$ -	$ -
Balance, December 31, 2014	$ 90,000	$ 189,300	$ 279,300

Note 8 Advances on Private Placements

The advances on private placements were non-interest bearing, unsecured and due on demand. During the year ended December 31, 2014, $117,525 (CDN$125,000) was applied towards the subscription of the February 19, 2014 private placement and $329,070 (CDN$350,000) towards the issuance of the convertible debentures.

Note 9 Due to Related Parties

Due to related parties, representing amounts due to current directors and officers of the Company and companies controlled by directors and officers, and are non-interest bearing, unsecured and are due on demand.

Note 10 Convertible Debentures

During the year, the Company issued CDN$401,000 convertible debentures of which 20% of the principal amount of the debentures may be convertible into units consisting of one common share and one non-transferable share purchase warrant at CDN$0.10 of principal outstanding (ie. up to 802,000 units may be issued upon conversion). Each warrant will have a term of three years from the date of issuance of the debentures and entitle the holder to purchase one common share. The non-transferable share purchase warrants are exercisable at the price of CDN$0.20 per share. The convertible debentures are unsecured, bear interest at 12% per annum and mature on February 18, 2017. On initial recognition, the Company bifurcated $45,385 (CDN$49,710) to equity and $366,113 (CDN$351,290) to the carrying value of the loan, which will be accreted to $320,728 (CDN$401,000) over the term of the convertible debentures. During the year ended December 31, 2014, the Company recognized accretion of $11,040 (CDN$12,195). The effective interest rate of the debentures is 18%.

Note 11 Share Capital

a) Authorized:

Unlimited common shares without par value
50,000,000 preferred shares without par value

Nature and Purpose of Equity and Reserves:

The reserves recorded in equity on the Company's consolidated statements of financial position include 'Contributed Surplus', 'Accumulated Other Comprehensive Income, 'Accumulated Deficit' and 'Non Controlling Interest".

'Contributed Surplus' is used to recognize the value of stock option grants prior to exercise and the allocated value of the warrants granted as part of unit issuances.

'Accumulated Other Comprehensive Income' is used to record the change in cumulative foreign currency adjustment on conversion from the functional currency of the parent to the presentation currency.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings or losses from year to year.

'Non Controlling Interest" is used to record the change in equity in subsidiaries not attributable, directly or indirectly, to the Company.

b) Issued:

Shares issued during the year ended December 31, 2014

On February 19, 2014, the Company completed a non-brokered private placement for a total of 5,280,000 units at a price of CDN$0.10 per unit for gross proceeds of $478,315 (CDN$528,000). Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of CDN$0.20 on or before February 19, 2017. Using the residual value method, the Company valued the share component of the private placement units at CDN $0.10 and the share purchase warrant component at CDN $nil. Finders' fees of 497,000 units were paid in respect to this financing and have similar terms as the non-brokered private placement.

The Company fair valued the finders' units at $45,023.

Note 11 Share Capital – (cont'd)

b) Issued – (cont'd):

On June 23, 2014, the Company completed a non-brokered private placement for a total of 14,200,000 units at a price of CDN$0.10 per unit for gross proceeds of $1,323,298 (CDN$1,420,000). Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of CDN$0.20 on or before June 23, 2017. Using the residual value method, the Company valued the share component of the private placement units at CDN $0.10 and the share purchase warrant component at CDN $nil. Finders' fees of 225,000 units were paid in respect to this financing and have similar terms as the non-brokered private placement.

The Company fair valued the finders' units at $20,968.

Shares issued during the year ended December 31, 2013

On June 10, 2013, the Company issued 20,175,000 common shares pursuant to the private placement of 20,175,000 units at CDN$0.10 per unit for gross proceeds of $1,953,554 (CDN$2,017,500). Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof the right to purchase one common share at $0.20 per share for a period of three years. The Company issued 699,000 finders' units with same terms as that of the private placement noted above. Using the residual value method, the Company valued the share component of the private placement units at CDN $0.10 and the share purchase warrant component at CDN $nil.

The Company fair valued the finders' units at $67,761.

c) Commitments:

Stock-Based Compensation Plan

The Company has established a formal stock option plan in accordance with the policies of the TSX-V under which it is authorized to grant options up to a maximum of 20,000,000 common shares to officers, directors, employees and consultants. The exercise price of each option is not less than the market price of the Company's stock on the trading day immediately before the date of grant. No option will be exercisable until it has vested. Options vest immediately unless a vesting schedule is imposed by the board, or unless the options are granted to an Eligible Person providing Investor Relations Activities to the Company, in which case a maximum of 25% of the options vest on a quarterly basis. The options are for a maximum term of ten years.

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price in accordance with the stock option plan.

Note 11 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

A summary of the status of the stock option plan as of December 31, 2014 and 2013 and changes during the years then ended on those dates is presented below:

	2014		2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	5,077,500	CDN$0.14	6,442,500	CDN$0.14
Granted	4,925,000	CDN$0.10	1,335,000	CDN$0.13
Exercised	-	-	(725,000)	CDN$0.16
Expired/Forfeited	(677,500)	CDN$0.19	(1,975,000)	CDN$0.13
Options outstanding at end of the year	9,325,000	CDN$0.11	5,077,500	CDN$0.14
Options exercisable at end of the year	6,525,000		3,857,500	

At December 31, 2014, the Company has 9,325,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
140,000	CDN $0.16	December 8, 2015
350,000	CDN $0.10	January 23, 2016
400,000	CDN $0.18	March 16, 2016
415,000	CDN $0.15	October 6, 2016
1,600,000	CDN $0.10	November 23, 2017
510,000	CDN $0.10	December 19, 2017
735,000	CDN $0.13	January 7, 2018
600,000	CDN $0.13	May 14, 2018
400,000	CDN $0.10	February 3, 2019
3,575,000	CDN $0.10	March 11, 2019
200,000	CDN $0.10	August 1, 2019
400,000	CDN $0.10	August 3, 2019
9,325,000		

As of December 31, 2014, the 9,325,000 (2013: 5,077,500) share purchase options outstanding have a weighted average remaining contractual life of 3.38 (2013: 3.26) years.

Note 11 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

Stock-based compensation charges are expensed for stock options granted and vested with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid on the exercise of stock options and purchase of stock is credited to share capital.

During the year ended December 31, 2014, the Company recorded stock-based compensation expense of $122,470 (2013: $198,755) on revaluation of stock options as of the reporting period and for stock options vested during the period. The fair value of share purchase options granted was estimated on the grant date for options granted to employees and each vesting date for options granted to consultants using the Black Scholes option pricing model. The assumptions used in calculating fair value were as follows: $0.08 - $0.10 (2013 - $0.10) share price on grant date, 1.13% - 1.66% (2013 – 1.10% - 1.66%) risk free rate, 0% (2013 – 0%) dividend yield, 82% - 95% (2013 - 84% – 134%) expected annualized volatility and 2 – 5 years (2013 – 3.9 - 5 years) weighted average expected stock option life and forfeiture rate of 30% (2013 – 30%). Expected annualized volatility was estimated by reference to historical volatility of the Company with a comparable period in their lives.

Share Purchase Warrants

A summary of the status of share purchase warrants as of December 31, 2014 and 2013 and changes during the years then ended on those dates is presented below:

	2014		2013	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Balance, beginning of the year	35,101,000	CDN$0.20	14,227,000	CDN$0.20
Issued	20,202,000	CDN$0.20	20,874,000	CDN$0.20
Balance, end of the year	55,303,000	CDN$0.20	35,101,000	CDN$0.20

At December 31, 2014, the Company has 55,303,000 share purchase warrants outstanding as follows:

Number	Exercise Price	Expiry Date
14,227,000	CDN $0.20	November 23, 2015
20,874,000	CDN $0.20	June 10, 2016
5,777,000	CDN $0.20	February 19, 2017
14,425,000	CDN $0.20	June 23, 2017
55,303,000		

Note 12 Related Party Transactions

The Company incurred the following expenses with related parties of the Company:

	2014	2013
Administrative expenses to other related parties		
Consulting fees incurred with a spouse and family members of a director	$ 60,202	$ 141,927
Office and miscellaneous – secretarial services incurred with an officer of the Company	6,586	20,193
Rent incurred with a company controlled by the CFO	23,683	24,903
Share-based payments incurred with family members of two directors of the Company	24,573	27,782
	115,044	214,805
Key management compensation		
Consulting fees	286,442	374,846
Management fees	135,795	157,270
Salaries, wages and benefits	85,578	99,941
Share-based payments	219	68,816
	508,034	700,873
	$ 623,078	$ 915,678

These transactions were measured by the amounts agreed upon by the related parties.

Included in prepaid expenses at December 31, 2014 is $1,940 (2013: $2,049) of prepaid rent paid to a company controlled by a director.

Included in advances on private placement at December 31, 2014 is $Nil (2013: $70,500) owing to a director or a company controlled by a director.

Note 13 Income Taxes

The total income tax recovery varies from the amounts that would be computed by applying the statutory income tax rate to loss before income taxes as follows:

	2014	2013
Income (losses) before income taxes	$ (2,516,956)	$ (1,771,148)
Statutory rates	26.00%	25.75%
Expected income tax (recovery)	(654,000)	(446,000)
Foreign income taxes at other than Canadian statutory rate	(76,000)	(33,000)
Change in statutory rates	(61,000)	(58,000)
Permanent differences	105,000	42,000
Change in foreign exchange rate	204,000	114,000
Unrecognized tax benefits	482,000	381,000
	$ -	$ -

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balances on the consolidated statements of financial position and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes to the extent that it is probable that future taxable profit will allow the deferred tax assets to be recovered.

Significant components of the Company's deferred tax assets, after applying enacted corporate income tax rates, are as follows:

	2014	2013
Deferred income tax assets		
Non-capital and net operating losses	$ 6,480,000	$ 5,950,000
Capital losses	566,000	552,000
Exploration and evaluation assets	3,000	4,000
Share issue costs	16,000	4,000
Convertible debentures	3,000	-
Non-deductible accruals	11,000	11,000
Non-deductible interest	631,000	631,000
	7,710,000	7,151,000
Less: deferred income tax assets not recognized	(7,710,000)	(7,151,000)
Net deferred income tax assets	$ -	$ -

Note 13 Corporation Income Tax Losses – (cont'd)

The Company has non-capital losses available to reduce taxable income in Canada and in USA and expire in stages through 2034 as follows:

	Canada (CDN)	USA
2018	$ -	$ 480,000
2019	-	1,516,000
2020	-	2,034,000
2021	-	2,366,000
2022	-	1,037,000
2023	-	871,000
2024	-	779,000
2025	-	716,000
2026	249,000	530,000
2027	300,000	595,000
2028	384,000	433,000
2029	571,000	587,000
2030	454,000	628,000
2031	156,000	668,000
2032	924,000	360,000
2033	1,230,000	353,000
2034	1,430,000	841,000
	$ 5,698,000	$ 14,794,000

At December 31, 2014, the Company has accumulated capital losses of approximately CDN$5,698,000 (2013: $4,545,000) in Canada that may be carried forward indefinitely to reduce future years' capital gains.

Note 14 Segmented Information and Economic Dependence

The Company's principal business locations and operations are in Carrollton, Texas in the United States of America. During the year ended December 31, 2014, the Company was economically dependent on two (2013: two) customers who each accounted for more than 10% of sales and in aggregate accounted for 49% (2013: 37%) of sales.

During the years ended December 31, 2014, and 2013, the Company recognized revenues generated from the following categories:

	2014	2013
Sale of products	$ 1,060,063	$ 134,062
Sale of support and maintenance services	21,968	-
	$ 1,082,031	$ 134,062

Note 14 Segmented Information and Economic Dependence – (cont'd)

The Company has two reporting segments: fiber optics operations and video streaming operations based on the type of products sold. The Company reports activities not directly attributable to an operating segment under Corporate.

	Video Streaming	Fiber optics	Corporate	Total
Year ended December 31, 2014				
Revenue	$ 992,592	$ 89,439	$ -	$ 1,082,031
Net income (loss)	$ 314,137	$ 43,106	$ (2,874,199)	$ (2,516,956)
Total assets	$ 939,131	$ 47,217	$ 200,957	$ 1,187,305
Total liabilities	$ 744,922	$ 71,923	$ 980,063	$ 1,796,908

	Fiber optics	Corporate	Total
Year ended December 31, 2013			
Revenue	$ 134,062	$ -	$ 134,062
Net income (loss)	$ (66,958)	$ (1,704,190)	$ (1,771,148)
Total assets	$ 61,371	$ 329,469	$ 390,840
Total liabilities	$ 44,359	$ 594,602	$ 638,961

The Company's revenues are allocated to geographic segments for the years ended December 31, 2014 and 2013 as follows:

	2014	2013
Canada	$ 2,467	$ 8,797
United States of America	630,814	74,169
China	195,765	-
Germany	-	26,446
Other	252,985	24,650
	$ 1,082,031	$ 134,062

The Company's net loss and total non-current assets are allocated to geographic segments for the years ended December 31, 2014 and 2013 as follows:

Net losses	2014	2013
Canada	$ 1,675,756	$ 1,417,718
United States of America	841,200	353,430
	$ 2,516,956	$ 1,771,148

Total non-current assets	2014	2013
Canada	$ -	$ -
United States of America	440,924	7,238
	$ 440,924	$ 7,238

Note 15 Financial Instruments

A fair value hierarchy prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash, accounts receivable, accounts payable and accrued liabilities, advances on private placements, promissory note payable, and due to related parties carrying amounts approximate their fair values due to their short term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses. The Company's maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the consolidated statements of financial position.

The aging analysis of the accounts receivable is as follows:

	2014	2013
Current to 3 months	$ 75,519	$ 19,245
3 to 6 months	1,259	-
Over 6 months	71,401	-
Allowance provided	(79,873)	-
Trade receivables	68,306	19,245
Goods and services tax recoverable	9,904	7,899
	$ 78,210	$ 27,144

The following table summarizes the changes in the allowance for doubtful accounts for accounts receivable:

	2014	2013
Opening balance	$ -	$ -
Provisions	79,873	-
Closing balance	$ 79,873	$ -

Note 15 Financial Instruments – (cont'd)

a) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at December 31, 2014, the Company has a working capital deficiency of $440,360. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

Future minimum annual lease payments due under lease obligation are as follows:

2015	$	15,072
2016		15,072
2017		7,537
Total minimum lease payments		37,681
Less amount representing imputed interest of 22%		6,859
Balance of obligation		30,822
Current portion		10,867
Long-term portion	$	19,955

b) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The company is not exposed to significant risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

c) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are carried out in the United States of America; however the majority of financing is carried out in Canada. The parent company's operations are in Canada and operate in Canadian dollars. As at December 31, 2014, the Company has Canadian dollars cash of $1,352 (2013: $215,620), accounts receivable of $11,490 (2013: $8,436), accounts payable of $239,228 (2013: $97,656), advances on private placement of $Nil (2013: $475,000), convertible debentures payable of $401,000 (2013: $Nil), and due to related parties of $225,782 (2013: $20,534), translated at USD$1 for every CDN$1.1601. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the profitability of the Company. A 10% change in the exchange rate would change other comprehensive income/loss by approximately $73,500. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

Note 16 Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of fiber optics and video streaming businesses and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' deficit, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its main source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support.

The Company is not subject to any external capital requirements. There is no change to the Company's approach to capital management during the years ended December 31, 2014 and 2013.

Note 17 Contingency

The Company is required to file certain foreign reporting information tax returns, and may be exposed to interest and penalties, estimated by management to be $119,000. Management believes it is unlikely that any interest and penalties would be assessed once the Company files the forms to comply with the filing requirement, and accordingly has not accrued any amounts in the consolidated financial statements.

Note 18 Subsequent Events

Subsequent to December 31, 2014:

a) On January 2, 2015, the Company granted 4,400,000 share purchase options to directors, officers and consultants exercisable at CDN$0.10 per share expiring on January 2, 2020. These share purchase options vest immediately on the date of grant.

b) On February 11, 2015, the Company completed a non-brokered private placement for a total of 11,710,500 units at a price of CDN$0.10 per unit for gross proceeds of CDN$1,171,050 of which CDN$193,166 ($166,466) was received during the year ended December 31, 2014 and is recorded as subscriptions received in advance. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of CDN$0.10 on or before February 12, 2018. Finders' fees of 126,000 units were paid in respect to this financing and have similar terms as the non-brokered private placement.

c) On March 20, 2015, the Company through its newly formed Mexican subsidiary VAL Intelligence, S. de R.L. de C.V. entered into a joint venture agreement with Inteligencia e Infraestructura en America S.A. Each party will own 50% interest in a newly incorporated Mexican company known as TeleVal Inc; and will provide 50% of the investment capital and will share equally in the profit.

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule I

CONSOLIDATED SCHEDULES OF COST OF GOODS SOLD

for the years ended December 31, 2014 and 2013

(Stated in US Dollars)

	2014	2013
Depreciation	$ 15,315	$ -
Freight	15,779	10,704
Inventories recognized as an expense	475,287	73,133
Salaries, wages and benefits – Note 12	29,664	-
Write-down recognized as a reduction in the amount of inventories	188,742	-
	$ 724,787	$ 83,837

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule II

CONSOLIDATED SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES

for the years ended December 31, 2014 and 2013

(Stated in US Dollars)

	2014	2013
Bad debt expense	$ 79,873	$ -
Consulting fees – Note 12	1,039,382	783,751
Entertainment and travel	64,127	50,875
Investor relations	62,604	27,668
Legal and accounting fees	174,211	102,752
Insurance, licenses and permits	4,593	2,484
Management fees – Note 12	135,795	157,273
Office and miscellaneous – Note 12	10,227	47,791
Rent – Note 12	84,554	59,782
Repairs and maintenance	105,561	5,363
Salaries, wages and benefits – Note 12	456,396	145,308
Stock exchange filing fees	36,643	21,914
Telephone and utilities	35,715	19,784
Transfer agent fees	11,205	10,094
	$ 2,300,886	$ 1,434,839